Past-paper walk-through

Business activity ▪ 1.1

eXercise

Questions in this set

- 0450/11 J25 Q1 ▪ 20 marks
- 0450/12 N24 Q1 ▪ 20 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = “or words to that effect” – the wording need not match.

Question 1

0450/11 J25 ▪ Q1 ▪ 20 marks

1 Brendan wants to be a successful entrepreneur. He plans to start up a flower shop using government support. Brendan's brother has offered to form a business partnership with him. Brendan knows it is important for a new business to use a suitable pricing method. He has already identified ways the business can increase added value. Brendan wants to know how an economic boom might affect his business.

(a) Define 'business partnership'.

Question 1

(b) Identify **two** ways a government can support business start-ups.

Question 1

Question 1

Question 1

Question 1

(c) Outline **two** ways an economic boom might affect Brendan’s business.

Question 1

Question 1

(d) Explain **two** ways Brendan could increase added value for his business.

Question 1

Question 1

Question 1

Question 1

Question 1

(e) Explain **two** pricing methods a new business might use. Which is likely to be the best method to use? Justify your answer.

Solution 1

(a) Mark scheme

- Define ‘business partnership’.
- Award 2 marks for a full definition. Award 1 mark for a partial
- definition.
- ▪
- Two (or more) people agree to (jointly) own the
- business [2]
- ▪
- A business formed by two (or more) people who will

Solution 1

- usually share responsibility for the day to day running of
- the business [2]
- ▪
- An unincorporated business that has more than one
- owner [2]
- Partial definition e.g.
- ▪
- business run by two or more people [1]
- 2 For two marks need the idea of owned/formed and it
- involves at least two people.

Solution 1

(b) Mark scheme

- Identify two ways a government can support business
- start-ups.
- Award 1 mark for each way (max 2).
- Points might include:
- ▪
- Grants/subsidies
- ▪
- (Low interest) loans

Solution 1

- Low-cost/rent-free premises
- Provide training
- Tax relief/lower tax/tax holiday
- Advice/help with research
- Help promote/advertise the business

Solution 1

- ▪
- Provide mentors
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- 0450/11
- May/June 2025
- Guidance

Solution 1

(c) Mark scheme

- Outline two ways an economic boom might affect
- Brendan's business.
- Award 1 mark for each relevant way (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- ▪
- High level of demand/sales/revenue [k] for flowers [app]

Solution 1

- ▪
- May be difficult to find employees [k] for the shop [app]
- ▪
- He can increase his prices [k] which will increase added
- value [app]
- ▪
- Higher costs / wages might increase [k] so may need
- more government support [app]
- ▪
- High business confidence [k] for this entrepreneur [app]

Solution 1

- ▪
- Increased competition [k]
- ▪
- Harder to access materials [k]
- ▪
- Harder to find a location [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.

Solution 1

- The following words are likely to be appropriate for this
- question:
- ▪
- (Successful) entrepreneur
- ▪
- Start-up/new business
- ▪
- Flower(s) or examples
- ▪
- Shop

Solution 1

- ▪
- Government support
- ▪
- Increase added value
- ▪
- (Business) partnership
- ▪
- Pricing method
- Other appropriate examples can be credited.
- 0450/11

Solution 1

- May/June 2025
- Guidance

Solution 1

(d) Mark scheme

- Explain two ways Brendan could increase added value
- for his business.
- 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:
- ▪

Solution 1

- Set high prices [k] which widens the gap between the
- cost and price [an] for the flowers [app]
- ▪
- Lower (input) costs [k] by buying cheaper materials [an]
- for this new business [app]
- ▪
- Branding/marketing/packaging [k] to give the idea of
- higher quality [an]
- ▪
- Unique design/products [k] making it more desirable

Solution 1

- than similar products [an] which could influence its
- pricing method [app]
- ▪
- Improve convenience [k] so products are immediately
- available [an] in the shop [app]
- ▪
- (Improve) quality/service [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

Solution 1

- being made.
- The following words are likely to be appropriate for this
- question:
- ▪
- Start-up/new business
- ▪
- Flower(s) or examples
- ▪
- Shop
- ▪

Solution 1

- Government support
- ▪
- Brother
- ▪
- (Business) partnership
- ▪
- Pricing method
- ▪
- (Successful) entrepreneur
- Other appropriate examples can be credited.

Solution 1

- Analysis can be awarded for:
- ▪
- explaining the reason why price or costs may be
- higher/lower
- ▪
- how the way increases the added value.
- Some points can be awarded as [k] or [an] but only award
- once.
- Do not award the same point of analysis twice.
- 0450/11

Solution 1

- May/June 2025
- Guidance

Solution 1

(e) Mark scheme

- Explain two pricing methods a new business might use.
- Which is likely to be the best method 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 a justified decision as to which is
- the best pricing method for a new business to use.
- Points might include:

Solution 1

- ▪
- Cost-plus [k] by adding a percentage onto the costs of
- production [an] it is easy to calculate [an]
- ▪
- Penetration pricing [k] setting a lower price than
- competitors [an] could attract customers [an]
- ▪
- Competitive pricing [k] setting a price similar/just below
- competitors [an] which may not cover costs [an]
- ▪

Solution 1

- Price skimming [k] allows the business to recover
- development costs quicker [an] may lead to low sales

an

- ▪
- Promotional pricing [k]
- Other appropriate responses should be credited.
- Justification might include:
- Cost-plus pricing [k] is easy to calculate [an]. Price skimming

k allows the business to recover development costs quickly

an . Cost-plus pricing is the best method as the business

Solution 1

- will make profit on each item sold [eval] whereas with price
- skimming they may not attract customers to their new
- business [eval].
- 6 This is a general question so there are no marks for
- application.
- Candidates must name the method to access the knowledge
- marks.
- Analysis can be awarded for explaining the method or
- advantages/disadvantages
- Some points can be awarded as advantages or

Solution 1

- disadvantages of different methods but only award the same
- point once.
- To access evaluation must discuss two relevant methods.
- Accept but do not expect:
- ▪
- Dynamic pricing [k]
- ▪
- Psychological pricing [k]
- 0450/11
- May/June 2025

Solution 1

- Guidance

Question 1

0450/12 N24 ▪ Q1 ▪ 20 marks

1 Avtar owns a car repair business which operates in the private sector. It is a small business with 2 full-time employees. Avtar wants to find out the best way for a business to increase added value. Avtar's business needs finance for many reasons. Avtar wants to know how an economic recession might affect his business.

(a) Identify **two** features of a private sector business.

Question 1

Question 1

Question 1

Question 1

(b) Identify **two** reasons why a business might remain small.

Question 1

Question 1

Question 1

Question 1

(c) Outline **one** reason why Avtar might need each of the following types of finance:

Question 1

Question 1

(d) Explain **two** ways an economic recession might affect Avtar's business.

Question 1

Question 1

Question 1

Question 1

Question 1

Question 1

(e) Explain **two** ways a business can increase added value. Which is likely to be the best way for a business to use? Justify your answer.

Solution 1

(a) Mark scheme

- Identify two features of a private sector business.
- Award 1 mark per feature (max 2).
- Points might include:
- ▪
- Owned by individuals / not owned by government
- ▪
- Profit motive/objective
- ▪

Solution 1

- Financed by banks/individuals
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.

Solution 1

(b) Mark scheme

- Identify two reasons why a business might remain
- small.
- Award 1 mark per reason (max 2).
- Points might include:
- ▪
- Owner's objectives
- ▪
- Limited access to finance/capital

Solution 1

- ▪
- Market size
- ▪
- Market domination / a few large businesses control the
- market
- ▪
- Lack of knowledge/skills/experience
- ▪
- Wants to maintain close relationship with its customers
- ▪

Solution 1

- To remain flexible / able to respond quickly to changes in
- consumer tastes
- ▪
- Type/nature of industry/market/product/service
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- 0450/12
- October/November 2024
- Notes

Solution 1

(c) Mark scheme

- Outline one reason why Avtar might need each of the
- following types of finance:
- Award 1 mark for each relevant reason for needing short-
- term/long-term finance (max 1 for each).
- Award 1 mark for each relevant reference to this business
- (max 1 for each).
- Points might include:
- Short-term finance:

Solution 1

- ▪
- Pay day-to-day expenses/provide working capital [k] for
- this private sector business [app]
- ▪
- Pay wages/salary [k] of his 2 employees [app]
- ▪
- Purchase inventory [k]
- ▪
- To prevent cash-flow problem/improve the cash position

k

Solution 1

- Long-term finance:
- ▪
- Purchase non-current assets or examples [k] for the
- repair business [app]
- ▪
- Fund expansion/growth [k] in case he decides not to keep
- the business small [app]
- ▪
- Fund takeover of another business [k]
- ▪

Solution 1

- Develop new products/services [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:
- ▪
- (Car) repair / garage or examples
- ▪

Solution 1

- 2 workers
- ▪
- Full-time (employees)
- ▪
- Private sector business
- ▪
- Economic recession
- ▪
- Small business
- ▪

Solution 1

- Added value
- Other appropriate examples can be credited.
- 0450/12
- October/November 2024
- Notes

Solution 1

(d) Mark scheme

- Explain two ways an economic recession might affect
- Avtar's business.
- 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:
- ▪

Solution 1

- Less/lower demand/sales [k] for car repairs [app]
- reducing revenue / need to make redundancies [an]
- ▪
- Less/lower competition (as other businesses fail) [k]
- which could increase potential customer base [an]
- ▪
- Widen pool of potential employees [k] if he wants more
- than 2 employees [app] which may lower recruitment
- costs [an]
- ▪

Solution 1

- Reduce number of employees [k] so lower break-even /
- cash outflows / lower costs [an] so does not need
- finance [app]
- ▪
- May lower prices [k] which reduces added value [app]
- increase demand [an]
- ▪
- Material costs may be lower [k] which may increase
- profit margin/lower variable costs [an]
- ▪

Solution 1

- May delay any expansion plans [k] as not able to afford it

an so business must remain small [app]

- ▪
- Hard to survive / may close down / objective may switch
- to survival [k] so may lose his investment/difficult to
- attract investment [an]
- ▪
- May have cash flow problems [k] so need
- overdraft/loan/cannot repay loans/day-to-day costs [an]
- ▪

Solution 1

- Customers may delay payment / more bad debts [k]
- ▪
- More difficult to raise finance/banks may not lend [k]
- Other appropriate responses should also 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:
- ▪

Solution 1

- (Car) repair / garage or examples
- ▪
- 2 workers
- ▪
- Full-time (employees)
- ▪
- Private sector business
- ▪
- Small business
- ▪

Solution 1

- Added value
- ▪
- Short-term/long-term finance/needs finance (for many
- reasons)
- Other appropriate examples can be credited.
- Some points such as lower costs can be [k] or [an] but only
- award once.
- Points about repay loans/interest/need to borrow from bank
- is [an] only.
- 0450/12

Solution 1

- October/November 2024
- Notes

Solution 1

(e) Mark scheme

- Explain two ways a business can increase added value.
- Which is likely to be the best way 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 a justified decision as to which is the
- best way for a business to increase added value.
- Points might include:

Solution 1

- Ways to increase price:
- ▪
- (Improve) quality of product/service [k] so customers may
- be prepared to pay higher prices [an]
- ▪
- (Build a) brand image/marketing/packaging [k] so
- customers think the product is worth more [an]
- ▪
- (Improve) product features / change/create a unique
- design [k] making the product more desirable than

Solution 1

- similar products so willing to pay more [an]
-
    -
- Convenience [k] customers may pay more for a product
- they can have straightaway [an]
- Ways to lower (input/raw material) costs:
-
    -
- Buy cheaper raw materials / find cheaper suppliers [k]
- reduces material/input costs [an] widening the gap
- between cost and price [an]
-
    -

Solution 1

- Reduce the number of materials used [k]
- Other appropriate responses should also be credited.
- Justification might include:
- One way is improving the quality [k] as customers may be
- willing to pay a higher price [an]. It could buy cheaper raw
- materials [k] which may reduce material costs [an].
- Improving quality is better because cheaper materials could
- damage the reputation leading to fewer sales [eval] while
- improving quality could even help attract new customers

eval .

Solution 1

- 6 This is a general question so there are no marks for
- application.
- To access [eval], must discuss two valid ways. The second

eval mark must be awarded for a comparison between two

- valid ways.
- Some points could be [k] or [an] but do not award the same
- point twice.
- Some analysis can be used for more than one point, but only
- award once.
- Analysis can be awarded for explaining:

Solution 1

- ▪
- The reason why price /cost may be higher/lower
- ▪
- How way increases added value
- 0450/12
- October/November 2024
- Notes