

# Past exam paper questions – Topic 1.3 – Mark scheme

Q1.

Question number	Answer	Mark
	D	(1) A01a

Q2.

Question number	Answer	Mark
	B	(1) A01a

Q3.

Question number	Answer	Additional guidance	Mark
	Substitution into correct formula:  Total costs = £1 100 + (240 × 0.45) (1)  Answer: £1 208 (1)	Award full marks for correct numerical answer without working.	(2) A02

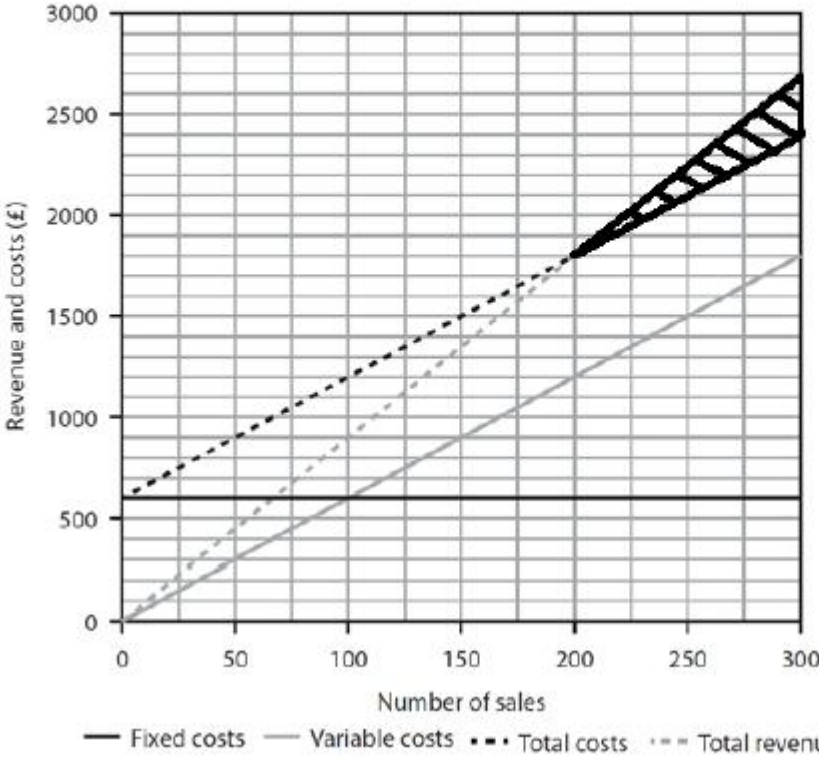
Q4.

Question number	Answer	Additional guidance	Mark
	Loan = £4,500  Total repayments = $36 \times \text{£}136.50$ = £4 914  Interest = £4 914 – £4,500 = £414  Substitution into correct formula: Total interest = $414/4500 \times 100$ (1)  Answer: 9.2% (1)	Award full marks for correct numerical answer without working.	(2) A02

Q5.

Question number	Answer	Mark
	200	(1) A02

Q6.

Question number	Answer	Mark
	<p>Award 1 mark for shading the region where the total revenue line is above the total costs line (as indicated below).</p>  <p>— Fixed costs — Variable costs ··· Total costs ··· Total revenue</p>	<p>(1) AO2</p>

Q7.

Question number	Answer	Mark
	<p>Award 1 mark for stating a benefit to <i>Meringue</i> of having a low break-even level of output.</p> <p>Need to sell fewer sandwiches to make a profit (1). More profit to invest in their website redesign (1).</p> <p>Accept any other appropriate response. Do not accept benefits that would not be appropriate for a small town centre bakery and cafe such as <i>Meringue</i>, for example being able to pay higher dividends to shareholders.</p>	<p>(1) AO2</p>

## Q8.

Question number	Indicative content		Mark
	<ul style="list-style-type: none"> <li>• Neil and Sue’s competitive advantage comes from non-price factors, such as quality (AO2).</li> <li>• Raising price may be risky as <i>Meringue</i> is located in the town centre, close to competing cafes (AO2).</li>   <li>• Non-price factors mean most customers will stay loyal despite price increases. This will mean that total revenue will increase despite the increase in price and therefore will reduce the amount they need to sell to break even (AO3a).</li> <li>• Competition may result in a loss of customers as higher prices deter existing customers preferring cheaper alternatives (AO3a).</li>   <li>• The most appropriate option for Neil and Sue is to raise prices. The main feature of the business is ‘quality’ and anything that puts this at risk must be avoided. Lower-priced ingredients could impact on quality (AO3b).</li> <li>• The break-even chart shows that the cost of ingredients is a very small proportion of total costs for Neil and Sue. This means that it will have a very small impact on their ability to break even. Therefore, an increase in price would be the most effective option to reduce the amount they have to sell (AO3b).</li> </ul>		<p><b>(9)</b>  <b>AO2=3</b>  <b>AO3a=3</b>  <b>AO3b=3</b></p>
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–3	<ul style="list-style-type: none"> <li>• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>• Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 2	4–6	<ul style="list-style-type: none"> <li>• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>• Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	
Level 3	7–9	<ul style="list-style-type: none"> <li>• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>• Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>	

## Q9.

Question number	Answer	Additional guidance	Mark
(i)	7,230	Do not accept any other answer	(1) AO2
Question number	Answer	Additional guidance	Mark
(ii)	11,680	Do not accept any other answer	(1) AO2

## Q10.

Question number	Indicative content		Mark
	<ul style="list-style-type: none"> <li>The owners of <i>Meringue</i> have a number of priorities, including the development of the website, and therefore need to use some external finance to fund the work, which will increase their costs (AO2).</li> <li>Higher fixed costs will increase the amount of food and drink that needs to be sold to break even (AO2).</li> <li>This will mean that monthly fixed costs for the business will increase, which might affect profitability. However, if the contactless system helps to improve customer experience, <i>Meringue</i> is likely to see increased customer numbers, which will offset the increased costs (AO3a).</li> <li>Neil and Sue need to ensure that the size of the monthly payment does not result in a break-even level of sales that is unrealistic. Competition from local cafes is present and any increase in costs may result in the need to charge higher prices, which could be damaging (AO3a).</li> </ul>		(6) AO2=3 AO3a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>	
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>	
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>	