

Past exam paper questions – Topic 2.1 – Mark scheme

Q1.

Question number	Answer	Mark
	Award one mark for a correct definition of public limited company. This is a company whose shares are traded on a stock exchange (1).	(1) AO1a

Q2.

Question number	Answer	Mark
	Award up to 2 marks for linked points outlining a reason why <i>Kylie Cosmetics</i> have chosen not to test its products on animals. Award a maximum of 1 mark if points are not linked. This makes the brand appear more ethical (1) therefore it makes its cosmetics more attractive to teenage girls (1). It reduces the likelihood of negative media attention (1) therefore reducing the chances of a damaging social media campaign that could reduce make-up sales (1). Do not accept reasons that would not be appropriate for <i>Kylie Cosmetics</i> . For example, to avoid protests from anti-fur protestors.	(2) AO2

Q3.

Question number	Answer	Mark
	Award up to 2 marks for linked points outlining an advantage for <i>Netflix</i> of being a public limited company. Award a maximum of 1 mark if points are not linked. <i>Netflix</i> can now issue more shares to raise capital, (1) therefore allowing it to fund expansion into China (1). <i>Netflix</i> now has more credibility with banks (1) therefore it can borrow money more cheaply to fund new and original programmes (1). Do not accept advantages of being a public limited company that would not relate to <i>Netflix</i> . For example, <i>Netflix</i> is now protected if somebody sues them for injuring themselves.	(2) AO2

Q4.

Question number	Answer	Mark
	B, E	(2) AO1a

Q5.

Question number	Answer	Mark
	<p>Award 1 mark for identification of a drawback, plus 2 further marks for explaining this drawback up to a total of 3 marks.</p> <p>The business will now face an extra tax on its imported raw materials (1). Therefore, the costs of the business will increase (1). As a result, the profitability from importing will fall (1).</p> <p>This will make it harder for the business to compete with businesses located abroad (1). As a result, the business will struggle to enter new markets (1). This will restrict the growth of the business (1).</p> <p>Accept any other appropriate response. Answers that list more than one drawback with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Q6.

Question number	Answer	Mark
	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The overseas market may be less competitive (1). Therefore, the business can charge a higher price (1). As a result, the net profit margin will be higher on each sale (1).</p> <p>The overseas market may be large (1). Therefore, the business can increase its global sales (1). Thus, allowing its brand name to become more internationally recognised (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Q7.

Question number	Answer	Mark
	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>Loan capital allows large sums of capital to be accessed immediately (1) which will allow the business to exploit any gaps in the market it may have found (1). Therefore, allowing the business to increase its market share (1).</p> <p>Loan capital means that new shares do not have to be issued (1) which will result in owners not having to dilute their ownership of the business (1). Therefore, the business is less likely to be at risk of a takeover (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Q8.

Question number	Answer	Mark
	<p>Award 1 mark for identification of an advantage, plus 2 further marks for explaining this advantage up to a total of 3 marks.</p> <p>This may reduce pressure group activity (1) therefore, the business' brand may not be damaged (1). This may allow the business to maintain its market share (1).</p> <p>This could enhance the brand of the business (1) therefore, customers may be willing to pay a higher price (1). As a result, the business may gain a competitive advantage over its rivals (1).</p> <p>Accept any other appropriate response. Answers that list more than one advantage with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Q9.

Question number	Indicative content	Mark
	<ul style="list-style-type: none"> • <i>Netflix</i> can now take advantage of lower fixed costs than rivals such as <i>itv1</i> (AO2). • <i>Netflix</i> will now find it easier to sell its video streaming service in over 190 countries worldwide, since the internet is available in virtually every country (AO2). • Therefore, <i>Netflix</i> will benefit from a lower break even point compared to rival companies (AO3a). • Therefore, <i>Netflix</i> will be able to increase its revenues, since it can now be accessed by a global market of potential subscribers (AO3a). 	<p>(6) AO2=3 AO3a=3</p>
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	<ul style="list-style-type: none"> • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	<ul style="list-style-type: none"> • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Q10.

Question number	Indicative content	Mark
	<ul style="list-style-type: none"> • <i>GoPro</i> made net profits of \$36 million in 2015, which could be re-invested into the company to fund the development of new and innovative drones and cameras (AO2). • <i>GoPro</i> is a public limited company, therefore it could issue new shares to raise capital to fund the development of products in the fast-moving technology market (AO2). • Therefore, <i>GoPro</i> could use a cheaper internal source of finance to fund the new product range, since they will not have to pay any interest as they would with other sources of finance such as a bank loan. Therefore, there will be a smaller impact on profitability from this method of financing the new product development (AO3a). • Therefore, <i>GoPro</i> could issue shares to raise enough capital from shareholders to fund the new innovations and this would prevent the company from having to use more expensive sources of finance such as bank loans which will increase fixed costs (AO3a). • However, <i>GoPro</i> made a loss of \$116 million in 2016, so the amount of retained profit that the company has available to invest may be limited and may not be large enough to fund the new product range (AO3b). • However, the share price is falling, so the company may have to issue a large number of shares to generate enough share capital to fund the development of new products. This would upset shareholders since it would dilute their percentage ownership of the company (AO3b). 	<p>(9) AO2=3 AO3a=3 AO3b=3</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	<ul style="list-style-type: none"> • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	<ul style="list-style-type: none"> • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).