



**Cambridge Assessment
International Education**

Example Candidate Responses – Paper 2

Cambridge IGCSE™ / IGCSE (9–1)

Business Studies 0450 / 0986

**Cambridge O Level
Business Studies 7115**

For examination from 2023



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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge IGCSE / IGCSE (9–1) / O Level Business Studies, and to show how different levels of candidates' performance (high, middle and low) relate to the syllabus requirements. This document helps teachers to assess the standards required to achieve marks beyond the guidance of the mark scheme.

In this booklet candidate responses have been chosen from the June 2023 exam series to exemplify a range of answers.

For each question, the response is annotated with examiner comments about where and why marks were awarded or omitted. This is followed by comments on how the answer could be improved. There is also a list of common mistakes and guidance for candidates.

Please refer to the June 2023 Examiner Report for further details and guidance.

The questions and mark schemes are available on the [School Support Hub](#)

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Past exam resources and other teaching and learning resources are available on the [School Support Hub](#)

How to use this booklet

This booklet goes through the paper one question at a time, showing you the high-, middle- or low level response for each question. In the left-hand column are the candidate responses, and in the right-hand column are the examiner comments.

Example Candidate Response – middle	Examiner comments
<p>1 (a) Explain four characteristics needed for an entrepreneur to be successful.</p> <p>Characteristic 1: Risk taking ¹ the entrepreneur must take a risk to start a business, otherwise there would be no business.</p> <p>Characteristic 2: Planning ² Needs to be able to plan well so that the business can run efficiently.</p> <p>Characteristic 3: persistence – to keep running the business.</p>	<p>¹ This is a suitable characteristic, but the development just repeats the characteristic, ‘must take a risk’, and so does not gain the second mark.</p> <p>² This is a suitable characteristic, but again the development just repeats the characteristic and so does not gain the second mark.</p>
<p>Answers are by real candidates in exam conditions. These show you the types of answers for each level. Discuss and analyse the answers with learners in the classroom to improve their skills.</p>	<p>Examiner comments are alongside the answers. These explain where and why marks were awarded. This helps you to interpret the standard of Cambridge exams so you can help your learners to refine their exam technique.</p>

How the candidate could improve their answer

- (a) To improve the answer and gain full marks, the candidate needed to make it clear why each characteristic would lead to a successful entrepreneur. All four characteristics listed achieved only 1 mark each and each response needed to have a developed an explanation that referred to how the characteristic would lead to the success of the entrepreneur in order to gain the second mark.
- (b) The advantage for an unincorporated business in compared to a partnership, and this would make it more difficult for company information of the business.

This section explains how the candidate could have improved each answer. This helps you to interpret the standards of Cambridge exams and helps your learners to refine their exam technique.

Common mistakes and guidance

- (a) Stating a suitable characteristic and then just repeating the characteristic as an explanation, for example being a risk-taker – willing to take risks.
- (a) Listing a point that is not a characteristic of the entrepreneur but rather a requirement to start a business, such as having sufficient capital.
- (a) Giving a point that is a characteristic for a manager or a business, such as coordinating employees.
- (a) Not developing an explanation for each characteristic for why an entrepreneur is successful but rather including an explanation that is unrelated to the question, such as leading to being creative.

This section lists common mistakes as well as helpful guidance from the examiner. This will help your learners to avoid these mistakes. You can use this alongside the relevant Examiner Report to guide your learners.

Question 1

Example Candidate Response – high	Examiner comments
<p>1 (a) Explain four characteristics needed for an entrepreneur to be successful.</p> <p>1 Characteristic 1: Risk taking Allows for the business to overcome challenges needed to start up the business, leads to higher chance of success</p> <p>2 Characteristic 2: creative Allows for the business to create new and unique products that can make them stand out from competitors</p> <p>3 Characteristic 3: Organized Allows for better decisions to be made as well as more motivated employees which would lead to higher output</p> <p>4 Characteristic 4: Adaptable Allows for the business to respond to changes and trends in the market which can allow them to meet customer demands</p>	<p>1 This is a suitable characteristic, but the development, 'to overcome challenges', is too vague to gain the second mark. It needs to relate more to the risks being undertaken, such as being willing to risk losing the capital invested in the business.</p> <p>2 This is a suitable characteristic and the development makes it clear that, to be successful, the entrepreneur will need to create new and unique designs to stand out from competitors.</p> <p>3 This is a suitable characteristic, but the development does not gain the second mark as it does not make it clear why being organised is important to the success of an entrepreneur. Being more motivated or making better decisions does not necessarily follow from being organised.</p> <p>4 This is a suitable characteristic and the development makes it clear why responding to changing customer demand is needed for an entrepreneur to be successful. Mark for (a) = 6 out of 8</p>

Example Candidate Response – high, continued

Examiner comments

(b) Consider the advantages and disadvantages of starting up ET as either an unincorporated business or as a limited company. Which should Zane and Zaara choose? Justify your answer.

Unincorporated business: Starting up ET as a partnership (unincorporated business) would result in less legal paperwork having to be done than if ET were a limited company, saving money and time which could be used as working capital for the theatre. However, doing this would result in unlimited liability so Zane and Zaara may have to sell off their personal possessions if ET fails.

5
6
7

5 The candidate states an advantage of setting up as an unincorporated business by identifying there will be less paperwork and correctly identifies that, in this context, it will be a partnership rather than a sole trader business. There is limited development of why this is an advantage by mentioning that it will save time and money. This part of the answer is firmly in the Level 1 mark band.

6 Application is credited as the advantage mentions that working capital can be used for the theatre so the answer is in the context of the business.

7 There is a disadvantage stated for an unincorporated business of having unlimited liability and this is developed as to why it is a disadvantage – that personal assets may have to be sold if the business fails. By developing the disadvantage, the unincorporated business section moves into the Level 2 mark band. There is detailed discussion of the option where both the advantage and the disadvantage are more than simple statements, and also application, so the answer moves up higher than the bottom of Level 2.

Example Candidate Response – high, continued

Examiner comments

Limited company: This would allow for more capital to be raised than in a partnership as shares can be sold to friends and family. **8** In addition, this provides limited liability. **9** so Zane and Zaara will reduce the risk of having to sell their possessions to pay off debts. However, any transfer of shares will have to be agreed on by all shareholders, and there may be disagreements between stakeholders – shareholders want growth, Zane and Zaara want to help the community. **10**
 Recommendation: Setting F.T. up as a limited company as F.T. is a new and small business so may fail. The targeted market also doesn't have much disposable income, so may not spend much on theatrical services. A partnership raises less capital and is riskier than a ~~private~~ limited company. **11**
 limited company is better.

8 The candidate states an advantage of a limited company as being able to raise more capital than a partnership by selling shares to family and friends and so moves into the Level 1 mark band. There is no consequence or development of this point so it cannot move into Level 2 at this point in the answer.

9 There is then a mirror point about it providing limited liability, which has already been credited for unlimited liability so does not gain any further credit.

10 The disadvantage of transferring shares and the implications of this for the business moves the limited company section into the Level 2.

11 There is detailed discussion of both options, therefore the recommendation could potentially move into Level 3 so long as a justified decision is made that builds on the earlier analysis and is not simply a repeat of earlier points. The recommendation has a brief justified decision to choose the option of starting up as a limited company. A basic Level 3 recommendation that is generic would have been awarded 9 marks. However, as this recommendation is also applied to the case, by recognising that the target market does not have a high disposable income to spend on theatrical services, then the answer moves higher in the Level 3 mark band and is awarded a total mark of 10. Mark for (b) = 10 out of 12

**Total mark awarded =
16 out of 20**

How the candidate could improve their answer

- **(a)** The candidate needed to be clear why each characteristic would lead to the success of the entrepreneur. The two characteristics listed that only achieved 1 mark each needed to have a developed explanation that explained how the characteristic itself would lead to the success of the entrepreneur and not just be reasons for a successful business.
- **(b)** The recommendation could have included a more detailed explanation of why a limited company was chosen and why a partnership was less suitable for this business.

Example Candidate Response – middle

Examiner comments

1 (a) Explain four characteristics needed for an entrepreneur to be successful.

Characteristic 1: Risk taking ¹ the entrepreneur must take a ~~##~~ risk to start a business, otherwise there would be no business.

Characteristic 2: Planning ² Needs to be able to plan well so that the business can run efficiently.

Characteristic 3: passionate ³ to keep running the business, the entrepreneur must stay motivated so that the ^{or product} service remains ~~##~~ of high quality.

Characteristic 4: Time-management ⁴ An entrepreneur must keep track of ~~the~~ time when working so that all the work ~~##~~ in the business gets allocated a ~~##~~ decent time each for a quality product / service.

¹ This is a suitable characteristic, but the development just repeats the characteristic, 'must take a risk', and so does not gain the second mark.

² This is a suitable characteristic, but again the development just repeats the characteristic and so does not gain the second mark.

³ This is a suitable characteristic, but this development is too vague so does not gain the second mark. Being motivated does not necessarily follow from being passionate about the business.

⁴ This is a suitable characteristic, but the development relates more to the running of the business rather than developing an explanation of the necessity of this characteristic and does not gain the second mark. Mark for (a) = 4 out of 8

Example Candidate Response – middle, continued

Examiner comments

(b) Consider the advantages and disadvantages of starting up ET as either an unincorporated business or as a limited company. Which should Zane and Zaara choose? Justify your answer.

Unincorporated business: ET would have unlimited liability and so if borrow a bank loan to buy costumes and cannot pay back, Zaara could be forced to sell her assets to pay for the debts and so loss of assets. However, as a partnership, Zaara and Zane could raise higher capital and so lead to more cash for starting up the business / theatre. So the theatre would be more developed and so attract more customers to come.

Limited company: Zaara would have limited liability so if her company fails to achieve high revenue to pay back loans, she wouldn't be forced to sell her assets to pay off debts. However, it is in private sector therefore cannot sell shares to public and could lead to lower investment and lack of capital to open a theatre and buy 100 seats. So could potentially fail if no additional cash prepared.

5 The candidate states a disadvantage of an unincorporated business having unlimited liability. The answer explains why this is a disadvantage by being forced to sell assets to pay the debts of the business. The explanation is applied to the business as it refers to the purchase of costumes. The answer is clearly in the Level 1 mark band and moves higher up the mark band due to it being applied to the case.

6 The advantage of raising more capital is in comparison to a sole trader rather than a limited company and therefore does not gain further credit.

7 The statement of limited liability for a limited company is a mirror point and has already gained credit for unlimited liability, so is not awarded any further credit.

8 The second part compares a public limited company with a private limited company. The business is a small theatre business and therefore the points about being a public limited company are not relevant.

Example Candidate Response – middle, continued

Examiner comments

Recommendation: ET should choose ~~a~~ private limited company as it has continuity, which means if Zane leaves then Zaara would still have the chance to ~~run~~ run the business. Unincorporated business has no separate legal identity so anything they do in the theatre could affect their ~~to~~ identity as it's linked to the ET theatre. Private limited company could allow ET to raise a higher capital and could be fast so leads to ~~the~~ faster availability of capital for starting up the theatre.

9

9 The earlier part of the answer is in the Level 1 mark band and therefore the recommendation could potentially only move into Level 2 as detailed discussion is not included in the earlier part of the answer. The recommendation has a justified decision made to choose a limited company, including two advantages that have not been included earlier in the answer and one disadvantage of choosing a partnership. The recommendation therefore moves into the Level 2 mark band for a judgement with some justification of the choice made. A generic low Level 2 answer would gain 5 marks but, as there is application earlier in the answer, the mark moves higher in the Level 2 mark band and is awarded 6 marks.
Mark for (b) = 6 out of 12

**Total mark awarded =
10 out of 20**

How the candidate could improve their answer

- **(a)** To improve the answer and gain full marks, the candidate needed to make it clear why each characteristic would lead to a successful entrepreneur. All four characteristics listed achieved only 1 mark each and each response needed to have developed an explanation that referred to how the characteristic would lead to the success of the entrepreneur in order to gain the second mark.
- **(b)** The advantage for an unincorporated business in comparison to a private limited company would have moved the earlier section of the answer into the Level 2 mark band. For example, the accounts are kept private for a partnership, and this would make it more difficult for competitors to find out about and make use of the financial information of the business.
- **(b)** The explanation for a limited company should have focused on a private limited company in comparison to a partnership, such as more capital can be raised as shares can be sold to family and friends rather than the capital only coming from the partners themselves.
- **(b)** If the first two parts of the answer had detailed discussion and were in the Level 2 mark band, then the recommendation may have moved into the Level 3 mark band.

Example Candidate Response – low

Examiner comments

1 (a) Explain **four** characteristics needed for an entrepreneur to be successful.

Characteristic 1: Risk-taking abilities. ¹ Entrepreneurs' careers are basically full of risks in every decision they make. Whether they should invest in this business or another one, Bitcoin or stocks.

Characteristic 2: They will have to be knowledgeable ² about what and how an entrepreneur does / he performs their work.

Characteristic 3: Need lots of money. ³

Characteristic 4: No hesitation in taking risks. ⁴

¹ This is a suitable characteristic, but the development, 'full of risks', is just a repeat of the characteristic and so does not gain the second mark. The decisions could have made it clear what the risks were, such as the entrepreneur risks losing the investment.

² There is no development here and so the second mark is not awarded.

³ This is not a characteristic of an entrepreneur but rather a possible requirement for starting a business.

⁴ This characteristic simply repeats the first one about taking risks and so does not gain any further credit.
Mark for (a) = 2 out of 8

Example Candidate Response – low, continued

Examiner comments

(b) Consider the advantages and disadvantages of starting up ET as either an unincorporated business or as a limited company. Which should Zane and Zaara choose? Justify your answer.

Unincorporated business: An unincorporated business is not separated from the organisation and is mainly like another branch. As it is a partnership, both Zane and Zaara can share their opinions or ideas, but they will also get into a lot of arguments due to contradicting ideas. An unincorporated business has

5 -ship, both Zane and Zaara can share their opinions or ideas, but they will also get into a lot of arguments due to contradicting ideas. An unincorporated business has

6 unlimited liability (they will be liable for debt). Limited company: A limited company focuses on providing services to the community, but this would make it harder for ET to gain profit. If the company is public limited, the company would focus on giving services rather than gain profit, but could have the government's support, whereas in private sector they would focus on profits rather than services with no government support.

Recommendation: Starting up as a limited company would be better, as ET would have the government's support. This would fix the issues of lacking of funds and they could provide a better service to the community and help in cleaning/sustainability of the environment, alternatively the growth of the business will be slow and they will not make much profit. [12]

5 The first part of the explanation is not clear and is more of a comparison with a sole trader business, so does not move into the Level 1 mark band.

6 However, stating there is limited liability moves the response into the Level 1 mark band.

7 The explanation about a limited company seems confused and the reference to government support is not correct.

8 The recommendation continues with the misunderstanding about government involvement in the business and so no further credit can be awarded. There is no evidence in the rewardable part of the answer of it being applied to the case and so the response can only be awarded 1 mark in the Level 1 mark band.

Mark for (b) = 1 out of 12

Total mark awarded = 3 out of 20

How the candidate could improve their answer

- **(a)** Only two characteristics were listed and achieved 1 mark each. Each characteristic needed to have a developed explanation that referred to how the characteristic would lead to the success of the entrepreneur in order to gain full marks.
- **(b)** Explanation of an advantage of an unincorporated business and the disadvantage explained could have moved this part of the answer from Level 1 into the Level 2 mark band.
- **(b)** The response for a limited company should have focused on a private limited company and explained the advantage(s) and disadvantage(s) in comparison to a partnership.
- **(b)** If the first two parts of the answer both had detailed discussion and were in the Level 2 mark band, then the recommendation may have moved into the Level 3 mark band.
- **(b)** The answer could have been applied to this business by referencing, for example, that the business could be a partnership as there were two owners originally planning to start as a theatre business, setting up in a low-income area.

Common mistakes and guidance

- **(a)** Stating a suitable characteristic and then just repeating the characteristic as an explanation, for example being a risk-taker – willing to take risks.
- **(a)** Listing a point that is not a characteristic of the entrepreneur but rather a requirement to start a business, such as having sufficient capital.
- **(a)** Giving a point that is a characteristic for a manager rather than the entrepreneur themselves, such as coordinating employees.
- **(a)** Not developing an explanation for each characteristic as to why it is needed for the entrepreneur to be successful but rather including an explanation that is unrelated to the characteristic, such as being hard working leading to being creative.
- **(b)** Giving advantages and disadvantages of a partnership business in comparison to a sole trader business rather than comparing a partnership with a private limited company.
- **(b)** Assuming that the limited company is a public limited company rather than a private limited company. The business in this context is small with only 24 part-time employees and would not start-up as a public limited company.
- **(b)** Simply repeating points made earlier in the answer in the recommendation instead of justifying the chosen option and justifying why the alternative option is rejected.
- **(b)** Not applying answers to the business in the context. For example, answers could have included mention of a theatre business with two actors as owners, putting on performances for customers occupying 100 seats.

Question 2

Example Candidate Response – high

Examiner comments

- 2 (a) Explain **one** business objective for ET and **one** other objective that a social enterprise like Daycare might have.

Business objective for ET: MAKE A PROFIT 1

Explanation: SINCE ET IS IN THE PRIVATE SECTOR, ZANE AND ZAARA WOULD WANT TO AIM FOR PROFIT, TO IMPROVE THE THEATRE AND

PERFORMANCES. WITHOUT PROFIT, EMPLOYEES WON'T GET PAID, AND AS A RESULT WILL NOT WORK, WHICH DECREASES ET'S PRODUCTIVITY. 2
PROFIT WOULD HELP ET EXPAND OR BUY BETTER SETTINGS TOO. 3 4

Objective for a social enterprise like Daycare: PROVIDES SERVICE SERVICE TO THE LOCAL COMMUNITY. 5

Explanation: AS A SOCIAL ENTERPRISE, DAYCARE CARES LESS ABOUT PROFIT, AND MORE ABOUT PROVIDING BETTER SERVICES FOR LOW INCOME FAMILIES. THEY AIM TO IMPROVE EDUCATION AND LIVING STANDARDS FOR YOUNG CHILDREN UP TO 5, AND PREPARE THEM BEFORE THEY START SCHOOL. IT ALSO HELPS PARENTS BE LESS BUSY. 6 7

1 A suitable business objective is stated for 1 mark.

2 The start of the response is explained in the context of the theatre and performances and gains the application mark.

3 The next part, 'employees won't get paid ... which decreases ET's productivity', is incorrect as profit does not pay for wages and therefore is not linked to decreases in productivity.

4 The candidate goes on to give a reason why profit is important, 'could help ET expand' and so the third mark for this section is awarded.

5 A suitable social objective is stated for 1 mark.

6 The candidate develops their explanation in the context of this business, 'providing better services for low-income families'. Therefore, the application mark available for this section is awarded.

7 Finally, there is some development as to why this is a suitable objective for a social enterprise, 'to improve education and living standards for young children up to the age of 5'. The application mark has already been awarded, so the third mark for explanation is awarded instead, as it is still an explanation of why the objective is important to a social enterprise like Daycare.
Mark for (a) = 6 out of 8

Example Candidate Response – high, continued

Examiner comments

(b) Using Appendix 2 and other information, consider the two options for the first performance at the theatre. Which is the best option for Zaara to choose? Justify your answer using suitable calculations.

Option 1: Option 1 allows ET to pay less to the performers, as $\$30 \times 7 = \210 which reduces total costs if this option is chosen. Also, the total cost of this option is less than option 2, only about $\$1000 + \$210 = \$1210$. Although option 1 does not make a profit, as the forecasted revenue for 100 seats are $\$1000$, which is $\$210$ less than the total cost. This might be bad for ET to decide as profit is important to hire actors.

Option 2: Option 2 allows ET to make a profit, as the cost of actors ($\$24 \times 10 = \240) added with all costs ($\$2000$) adds up to $\$2240$. The forecasted revenue is of $\$2500$, meaning that ET will make $\$260$ in profit. Although the cost for setting up sceneries and others are twice as double compared to option 1. The forecast revenue also is in the idealistic scenario, so ET might still lose money.

8 The question asks for use of information in Appendix 2, and this response uses the figures to calculate total wages for option 1. This is given Level 1. Inclusion of figures from Appendix 2 means application can be awarded within the mark band.

9 Total costs are calculated so the answer moves higher within the Level 1 mark band.

10 The loss of $\$210$ is calculated and implications of this are considered. This requires a greater depth of understanding, so the answer now moves into the Level 2 mark band.

11 Total costs for option 2 are correctly calculated so the answer can move higher in the Level 1 band if this was needed. However, the answer has already moved into the Level 2 mark band in the option 1 section so no further Level 1 credit is awarded.

12 The profit for the second option is correctly calculated and considered leading to this part of the answer also being credited with Level 2.

Example Candidate Response – high, continued

Examiner comments

Recommendation: Option 2 is the best option, as it is a performance that can help ET make a profit, as while option 1 even if sold out doesn't make any profit. While option 2 may have a higher ^{total} cost (~~\$2240~~ to \$1210), it is for more profitable (+\$260 compared to -\$210). As such, option 2 is the best option for ET to carry out for a profit. [12]

13 A justified recommendation for option 2 due to a profit being made is given. Figures from earlier in the answer are repeated in the recommendation to justify the choice but these have already been credited earlier in the answer. There is no application in the recommendation, as mention of performances cannot be awarded credit as it is included as part of the question. As the earlier part of the answer is clearly in the Level 2 mark band for correct calculation and consideration of loss and profit for both options, the answer moves into the lower part of the Level 3 mark band.

Mark for (b) = 9 out of 12

**Total mark awarded =
15 out of 20**

How the candidate could improve their answer

- **(a)** The candidate could have explained in more detail why the objective was set by either the business or a social enterprise. For example, making a profit is important to expansion plans by providing capital in the form of retained profit rather than the business needing to borrow the funds. Providing education to pre-school children that would not be provided to low-income families and hence helping to give these children a better start in life.
- **(b)** The recommendation could have made reference to the theatre or other information from Appendix 2 to gain credit for application and move the answer higher in the Level 3 mark band.
- **(b)** Justification of why the alternative option is rejected could have moved the answer higher in the Level 3 mark band.

Example Candidate Response – middle

Examiner comments

- 2 (a) Explain **one** business objective for ET and **one** other objective that a social enterprise like Daycare might have.

Business objective for ET: ~~Ensure tourists are entertained~~
 Setting affordable prices. 1

Explanation: ET plans to have performances in the evening for locals and tourists ^{and} at a low income area. By making sure that the tickets are reasonably priced this would allow for them to reach a wider target market while meeting the needs of those in the area. 2

Objective for a social enterprise like Daycare: ~~Ensuring peace of mind for families~~ Helping improve standard of living in the country. 3

Explanation: Daycare allows for low income families to be able to work ^{while improving the skills of young children}. This would allow the parents in the low income area to increase their standard of living since they do not have to sacrifice working time leading to less unemployment in the country. 5

1 Setting affordable prices is not a suitable business objective but is how a business objective might be achieved.

2 The explanation does not make clear which business objective is being set, such as to grow the business, but instead focuses on why lower ticket prices might be important. This explanation is about how a business objective could be achieved rather than stating a business objective and explaining why it is set and is too vague to be given any credit.

3 Helping the country is not a social objective for the business in the context as it serves the local area.

4 Allowing low-income families to go to work is seen as the objective of helping the local community and is awarded 1 mark. This part of the response also goes on to clarify this objective in the context of Daycare services, helping parents in the low-income area, and is given the available application mark.

5 Helping parents increase their standard of living since they do not sacrifice working time, is awarded a development mark as it explains why this objective is set. This gives 3 marks in total. The last part referring to less unemployment is not rewarded as it refers to the country and not the local area. Mark for (a) = 3 out of 8

Example Candidate Response – middle, continued

Examiner comments

(b) Using Appendix 2 and other information, consider the **two** options for the first performance at the theatre. Which is the best option for Zaara to choose? Justify your answer using suitable calculations.

Option 1: option 1 may be more suitable, since ET is a new business attracting consumers may be prioritised over making profit. Total cost of this option will be 1210, and 1000 will be received making the business lose 210 but cheaper tickets will attract more consumers.

Option 2: option 2 also has noticeably good standing. 24 actors will be available making the play more interesting and longer. This may attract more consumers and for them to buy more snacks. total revenue is 2500 whereas 2240 will be used in the making. However expensive tickets may be discouraging.

Recommendation: I personally recommend option 2. From ET's perspective, it's a new business and needs both finance and customers. option 2 will attract more consumer attention however ticket price may be discouraging. Nonetheless more promotion and profit will be made by option 2. [12]

6 The response uses the figures from Appendix 2 to calculate the total wages for this option. This places the answer into the Level 1 mark band.

7 The loss of \$210 is calculated as part of the consideration of option 1 which moves the response into the Level 2 mark band. The answer also recognises that the tickets would be cheaper for this option, although the actual ticket price is not included to justify the statement.

8 The total cost of this option is calculated and the more expensive ticket price is recognised. This part of the answer is in Level 1 as it is a simple calculation and a simple statement. It is applied to the context by recognising that 24 actors would be needed. This application in option 2 is part of a correct response and so this credit for application moves the whole answer further into the Level 2 mark band.

9 The recommendation is in the Level 2 mark band as the judgement has some justification for the choice due to a profit being made. As there is evidence of Level 2 credit in two parts of the whole answer and there is application that is awarded credit then the total mark is 7, as this puts the answer higher in the Level 2 mark band. Mark for (b) = 7 out of 12

**Total mark awarded =
10 out of 20**

How the candidate could improve their answer

- **(a)** A suitable business objective could have been stated followed by an explanation of why the objective is set, for example, to increase profit to provide a return on the investment for the owners, as they are the people who have risked losing their money by investing in the business. The explanation should be in the context of the business outlined in the case, such as the business was set up by two actors investing their money in the theatre.
- **(a)** The social objective should have focused on the local area rather than the national level when explaining why this objective was set. A little more explanation would have gained the fourth available mark for this section. For example, it would allow working parents to work longer hours as their children are being taken care of and they would be able to earn higher wages, raising their standard of living.
- **(b)** The profit figure for option 2 could have been calculated and not simply stated that it would be profitable.
- **(b)** The price of the seat tickets could have been calculated and included to add justification to the statements about tickets being cheaper for option 1 and expensive for option 2. The implications of this on the forecast revenue could have also been made.
- **(b)** The justification in the recommendation could have been based on profit/loss calculations and considerations for both options.
- **(b)** Not making assumptions that may not be correct. For example, more actors will make the play more interesting and longer.

Example Candidate Response – low

Examiner comments

- 2 (a) Explain one business objective for ET and one other objective that a social enterprise like Daycare might have.

Business objective for ET: to be a successful entrepreneur in the business industry 1

Explanation: ET wants to be a very successful entrepreneur so for that their business to be financially and working to be stable, if they want to be successful the key to success is patience. Working as entrepreneur might not work but if they choose to start up as unincorporated business - Advantage.

Objective for a social enterprise like Daycare: to provide all the children the life they deserve

Explanation: Daycare business objective is to be financially high so they could provide kids of low income family for their studies and well-being. Daycare objectives is to make all the kids & family happy by their social work. 2

1 To be a successful entrepreneur is a personal objective rather than a business objective so no credit is awarded.

2 A social objective is stated and explained in the context of Daycare. The response is given 1 mark for the objective and 1 application mark for the objective being briefly explained in context. Mark for (a) = 2 out of 8

Example Candidate Response – low, continued

Examiner comments

- (b) Using Appendix 2 and other information, consider the two options for the first performance at the theatre. Which is the best option for Zaara to choose? Justify your answer using suitable calculations.

Option 1: Allows ET to save costs on ~~variable~~ ^{overhead} costs
 The cost for scenery, costumes and promotion are only \$1000
 which is cheaper compared to option 2. This would allow 3
 for ET to save their ~~costs~~ ^{net profit} which can be spent on other parts
 of the business. However, the ~~wages~~ ^{total} wages needed to be paid
 4 is \$210 (7 x \$30) for only 7 workers, which would require ET
 to charge higher service prices, discouraging customers from buying
 tickets.

Option 2: Allows for higher revenue to be made 5
 If all 100 seats are filled the total amount of revenue
 made would be \$2500. This would make the business more
 profitable and also establish brand reputation early on. However,
 the costs for ~~variable~~ ^{overhead} costs are higher than option 1, leading 6
 to less net profit to be reinvested into the business.

Recommendation: I think option 2 is better since it can provide
 more workers for ~~less~~ lower wages which is cost effective and
 can help improve efficiency. I do not think that option 1 7
 would be good since the higher wages would make the cost
 of tickets higher which will not benefit customers in the
 low income area.

3 A comparative statement is made, that the cost of scenery is cheaper compared to option 2. This puts the response into the Level 1 mark band for a simple statement and application is awarded for the inclusion of information from Appendix 2, that cost for scenery etc is \$1000.

4 A simple calculation for total wage costs is included which moves the answer further into the Level 1 mark band. The comments about needing to charge higher prices is incorrect as the seat price charged will be lower than for option 2.

5 A comparative statement is made for option 2 as it recognises that revenue is higher, which moves the answer to the top of the Level 1 mark band.

6 A simple mirror image statement is made about overhead costs being higher, but this has already been credited in option 1.

7 Several incorrect statements are made in the recommendation. The top of the Level 1 mark band has already been reached earlier in the answer so even if a simple recommendation could have been credited there are no further marks available in this mark band.
 Mark for (b) = 4 out of 12

**Total mark awarded =
 6 out of 20**

How the candidate could improve their answer

- **(a)** Focus on a business objective, such as survival, and not a personal objective for the owners of the business.
- **(a)** Explain why the social objective is being set by making it clear what the outcomes for the social enterprise should be, such as the benefits for the children of being provided with an education before starting school, a service that families from low-income areas could not afford.
- **(b)** Use the figures in Appendix 2 to make additional calculations of profit or loss for the two options.
- **(b)** Calculate the seat prices for each option to enable correct statements to be made. For example, the seat price for option 1 is \$10 which is lower than option 2's seat price of \$25.
- **(b)** Include a recommendation based on the calculations and other data provided rather than making assumptions that are not correct, for example, that efficiency would be increased in option 2.

Common mistakes and guidance

- **(a)** Make sure a clear business or social objective is stated at the start of the answer. An objective should be something the business or social enterprise is aiming to achieve, such as to make a profit or to provide a service to the local community.
- **(a)** To make sure the objectives are not the same for both parts, as the question clearly asks for one other objective that a social enterprise might have. For example, growth could be an objective for either ET or Daycare but would only be rewarded once.
- **(a)** Focus on why the business objective is being set rather than how it might be achieved. For example, why a business would have the objective to make a profit (to provide a return on capital invested by the owners) rather than how a profit could be achieved (the business should increase promotion of the business).
- **(b)** Simply repeating the information provided in the insert without any comment. For example, average wage cost for option 1 is \$30 and is \$10 for option 2.
- **(b)** Not making comparative statements of the two sets of data, but stating one is high or low rather than higher or lower.
- **(b)** Not making full use of the figures to carry out more than simple calculations. For example, only calculating total cost for option 1 but not calculating that a loss will be made.
- **(b)** Recommendations should be based on the results of calculations and other information provided, not just assumptions that have no basis.

Question 3

Example Candidate Response – high

Examiner comments

- 3 (a) Explain four reasons why it is important that Zane prepares a cash-flow forecast before starting ET.

Reason 1: For Zane to identify when ET's cash flow is unhealthy eg the cash outflow is higher than inflow. This allows for ET to take action to ~~reduce~~ minimize the threat and improve cash flow. 1

Reason 2: To apply for bank loans. This is for Zane to convince to lenders that the ET theatre could make revenue so that the bank loan is justified. The fore cast helps convince banks about ET's reliability. 2

Reason 3: To improve the liquidity of ET and identify possible issues. 3 If ET doesn't have any cash left, the fore cast can help identify the issue and allow Zane to troubleshoot it, thus help to increase ET's survivability.

Reason 4: To help make decisions as to increase seat prices and costs to set up performance. If the business have low cash inflow then prices for seat may rise to help ~~improve this~~ ~~the~~ The fore cast allows Zane to take actions on certain problems. 4 [8]

1 An acceptable reason is stated, 'to identify when ET's cashflow is unhealthy', but the explanation of why this is important is generic and could be an explanation for any business. Only 1 mark is awarded for this reason, but no application mark is awarded.

2 A second acceptable reason is stated, and the development is applied to the case by explaining that the ET theatre could make revenue so that the bank loan is justified. One mark for the reason and 1 mark for the explanation which is applied to this business in the context means 2 marks in total are awarded.

3 This reason is correct but is a repeat of reason 1, 'identify possible issues', so no further credit can be awarded.

4 A correct reason is stated, to help make decisions, and the explanation is applied to the case by giving a decision that this business may have to make, i.e. whether to increase ticket prices and costs to set up performances so 2 marks are awarded. Mark for (a) = 5 out of 8

Example Candidate Response – high, continued

Examiner comments

(b) Consider the following three roles of marketing for ET. Which role will be the most important for ET to be successful? Justify your answer.

- Identifying customer needs
- Satisfying customer needs
- Maintaining customer loyalty

Identifying customer needs: By identifying customer needs ET will analyze and predict customer changes and shift in demand before putting on performances. Responding and reacting quickly to what local people want is in which performance is in trend etc would increase demand for ET which would then raise revenue.

Satisfying customer needs: Satisfying customer needs is taking feedback of what locals/tourist wants and reacting accordingly. For example lowering seats' price by not sacrificing profit levels. Improving ET according to customer wants. This would make customers more loyal and also increase ET sales as they are satisfying their consumer's needs.

Maintaining customer loyalty: By having customer loyalty, local tourist/people in main city would regularly come to ET. This would prevent them to go to ET's competitors. Keeping ahead of competitors is always favorable for business. This also means if ET expands somewhere else, they still would have assured demand and seats would be booked leading to profit.

Conclusion: All 3 roles are important as they all lead to more revenue. ET however should choose identifying customer needs to be most important. Because if they do so, they will automatically be satisfying customers and customer loyalty will naturally follow after. Hence making more sales and having a competitive advantage too.

5 A statement, in context, is made about why identifying customer needs is important – by being able to predict changes and shifts in demand. This is in the Level 1 mark band with no development at this stage. It is applied to the case by referencing which performance is in trend, so it moves the answer further into the mark band.

6 The response then goes on to include detailed discussion of this role by linking it to increased demand and, as a consequence, it will raise revenue. This development moves the answer into the Level 2 mark band.

7 The response identifies that ET can react accordingly and make customers loyal if customer needs are met but there is no following consequence of this, such as increased sales, to move this from the Level 1 into the Level 2 mark band.

8 The statement in the first three lines makes it clear that maintaining customer loyalty will keep customers from going to competitors. This statement is in the Level 1 mark band.

9 However, there is detailed discussion of the consequences on ET of maintaining customer loyalty, such as having demand assured so seats are booked and profit made. This section moves into the Level 2 mark band.

10 As there is a conclusion that makes a judgement, this moves the response into the Level 3 mark band. The conclusion is generic, so the mark is at the lower end of the Level 3 mark band.
Mark for (b) = 9 out of 12

**Total mark awarded =
14 out of 20**

How the candidate could improve their answer

- **(a)** Make sure each reason is different and not a repeat of an earlier reason given, such as identify when there may be a cashflow problem and identify where it might have a liquidity problem.
- **(a)** The explanation of each reason should be applied to the context and not be generic. For example, 'to show the bank manager that the business has sufficient cash to repay the loan' is generic but 'to show the bank manager that there is sufficient revenue from theatre performances is sufficient to repay the loan' is applied to this business in the context.
- **(b)** Include a justification of why the alternative roles of marketing are seen as less important than the chosen role, such as customer loyalty is unlikely to be important if customer needs are not identified and met, as there may not be any loyal customers if their needs are not being met, therefore this role is less important.
- **(b)** The conclusion should have been answered in context to move higher in the Level 3 mark band. For example, the conclusion could have made reference to customers wanting to watch plays in the theatre or all 100 seats being filled or deciding which performances to put on.

Example Candidate Response – middle

Examiner comments

- 3 (a) Explain four reasons why it is important that Zane prepares a cash-flow forecast before starting ET.

Reason 1: If Zane prepares a cash-flow forecast it will help ET in being organised and managing records and plans for future and so help the business run in an organised way. 1

Reason 2: Secondly by preparing a cash-flow forecast it will help the business in decision making for present as well as for future planning of business. 2

Reason 3: Thirdly by Zane preparing the cash flow forecast they will know the cash inflows and outflows and the pattern of it hence can work on improvements needed. 3

Reason 4: Lastly by preparing a cash-flow forecast a by ET will know of their liquidity of business and if they will be able to pay their small ^{short term} debts or if the outflow will be more than inflow and that can lead to crisis in ET. 4

1 An acceptable reason is stated as to why preparing a cashflow forecast is important, 'helps the business to plan for the future'. However, the explanation of this reason is generic as there is no mention of any aspect of the business in the context. No additional application mark is gained.

2 This reason is correct but is a repeat of reason 1 so no further credit can be awarded.

3 An acceptable reason is stated: 'know the cash inflows and outflows'. However, again the explanation is generic so only 1 mark is awarded for the reason but no marks for application.

4 An acceptable reason is stated, to identify if they may have a liquidity crisis but again it is generic so only 1 mark is awarded. Mark for (a) = 3 out of 8

Example Candidate Response – middle, continued

Examiner comments

(b) Consider the following **three** roles of marketing for ET. Which role will be the most important for ET to be successful? Justify your answer.

- Identifying customer needs - demand
- Satisfying customer needs - brand loyalty / ↑ 'image'
- Maintaining customer loyalty - more sales & demand

Identifying customer needs: allows them to respond to demand since ~~the~~ ET is located in an area with low income, by knowing that it can allow them to set their prices reasonably to meet the demands ^{of low income customers}. However, this might lead to less overall revenue which would lead to less funds for the business to reinvest for improvements. **5**

Satisfying customer needs: improves relationship between ~~the~~ ET and its customers. Since ET is seen helping the community as one of their main objectives, by doing this it can improve their brand image since it shows they value their customers. However, it **6** may be difficult to accommodate every single customer need since it would be too time consuming and inefficient for the business.

Maintaining customer loyalty: allows them to have higher demand. ET values helping the community which makes customers feel seen and ~~valued~~ ^{appreciated}. The increased brand loyalty can lead to more **7** demand which allow them to gain a competitive advantage. However, this could lead to more frequent shows or long work hours which may demotivate ^{of the} employees and cause ^{labour} turnover.

Conclusion: I think ~~the~~ identifying customer needs is ~~the~~ most important for ET to be successful since it can allow them to have more demand satisfying their needs and maintaining brand loyalty can only be done after making ~~it~~ ^{identifying the customer's needs} the most crucial to the business success. Since it directly impacts other aspects of the business. **8**

5 The candidate makes a statement considering why identifying customer needs is important – by allowing them to respond to demand. This places the answer in the Level 1 mark band. As this part of the response is applied to the case, the answer moves higher in the Level 1 mark band. The second part of this answer is about why setting higher prices might not be good and is an answer to the question about this role of marketing.

6 Stating that satisfying customer needs may improve their brand image moves the answer higher in the Level 1 mark band. Application is already awarded in the first part so reference to helping the community does not gain any further credit.

7 Increasing brand loyalty is why maintaining customer loyalty is important but this point is just stated. The consequences of this are not discussed, so this section remains in the Level 1 mark band. The answer could have gone on to say that keeping customers returning to the theatre would ensure a regular source of revenue and possibly profit in the future. The final sentence about frequent shows or long hours went off the point of this marketing role.

8 As there is a conclusion that makes a judgement following on from only limited Level 1 statements in the earlier part of the answer then the response can only move into the Level 2 rather than Level 3 mark band. For Level 3 to be awarded, there needs to be detailed discussion earlier in the answer on which to base the conclusion. As there is application in the earlier part of the response that gained credit, the answer moves higher up the Level 2 mark band and can be awarded 6 marks in total. Mark for (b) = 6 out of 12

Total mark awarded = 9 out of 20

How the candidate could improve their answer

- **(a)** Make sure each reason is different and not a repeat of an earlier reason given, such as plans for the future and future planning for the business.
- **(a)** The explanation of each reason should be applied to the context and not be generic. For example, 'know the cash inflows and outflows of the business' is generic, but 'knowing the inflows from ticket sales and outflows for actors wages' is applied.
- **(b)** Develop the consequences of the Level 1 statements to include detailed discussion of why each role of marketing is important to the business.
- **(b)** If there is detailed discussion of the roles in the earlier part of the answer, then the conclusion may have moved into the Level 3 mark band.
- **(b)** Apply the justification in the conclusion to the context. For example, make reference to the theatre performances or the 10 actors or shows for tourists or serving refreshments.

Example Candidate Response – low

Examiner comments

3 (a) Explain four reasons why it is important that Zane prepares a cash-flow forecast before starting ET.

Reason 1: So that business objectives are made clear, employees can be scouted or hired based on their predicted average wages. Makes ET's startup easier. 1

Reason 2: So that total costs may be identified, if the costs are calculated beforehand it will make it easier for ET to choose a source of finance. 2

Reason 3: To understand the total forecasted revenue, to be able to compare cash inflows to relative cash outflows. Helping ET maintain finance. 3

Reason 4: To be presented while taking on bank loans, making more trust due to business goals, and plans being clearer. 4 [8]

1 This reason is not correct as it does not relate to cashflow forecasting.

2 This reason is not correct as total costs would need to be identified before a cashflow forecast could be prepared.

3 An acceptable reason is stated – 'compare cash inflows to relative cash outflows' – but the explanation is generic so only 1 mark for the reason is awarded and no marks can be awarded for application.

4 An acceptable reason is stated but again the explanation is generic. Only 1 mark can be awarded. Mark for (a) = 2 out of 8

Example Candidate Response – low, continued

Examiner comments

(b) Consider the following **three** roles of marketing for ET. Which role will be the most important for ET to be successful? Justify your answer.

- Identifying customer needs
- Satisfying customer needs
- Maintaining customer loyalty

Identifying customer needs: Interviews that are short or questionnaires could be used to identify what the customers or consumers had thought was lacking, or what they had liked about the theatre / play or what improvements could have been made / ~~could have made the play~~ better. 5

Satisfying customer needs: To satisfy the needs of the customers, they will have to be aware of the plays currently in trend and what the people in their local area like more, e.g. historical plays, modern plays, plays for children or adults. 6

Maintaining customer loyalty: Speak to the customers / have a small chat ~~to~~ and keep in contact with them to give out promotions or spread a good brand name. Give the customers more benefits / better service than the other theatres or companies. 7

Conclusion: ~~Maintaining~~ ^{Satisfying} customer ~~loyalty~~ ^{needs} would be better as it is a small local town, and by making bad plays they would lose interest, and so not many people would watch the play, so maintaining customer loyalty and identifying customer needs is just as important. [12] 8

5 The response focuses on how customer needs can be identified rather than why customer needs should be identified, so it does not answer the question.

6 The response focuses on how to satisfy customer needs rather than why ET should satisfy customer needs, so it is not answering the question.

7 The response focuses on how to maintain customer loyalty rather than why the business should try to maintain customer loyalty.

8 The conclusion does identify the result of not identifying customer needs – that customers would not watch the plays – and it is applied to the context by making reference to people watching the plays. The conclusion moved up from the lowest mark in the Level 1 mark band due to the credit for application in addition to the Level 1 statement. The last sentence seems to suggest that all three roles are important, which is not what the question asks. A judgement must be made for one of the choices. It is not valid to say that all are important.

Mark for (b) = 2 out of 12

**Total mark awarded =
4 out of 20**

How the candidate could improve their answer

- **(a)** State correct reasons for why preparing a cashflow forecast is important.
- **(a)** Make sure the explanation of each reason was applied to the context, such as referring to a bank loan to help set up the theatre, revenue from ticket sales, wages paid to actors, etc.
- **(b)** Include detailed discussion of each of the three roles of marketing. Each should focus on why the role is important and not how to achieve it. For example, identify why knowing customer needs is important and not how to find out these customer needs by carrying out market research.
- **(b)** Apply the roles to the context. For example, make reference to some of the following: the theatre; plays; actors; performances; low-income area; tourists; 100 seats.
- **(b)** Make a clear judgement of only one choice, not all three.

Common mistakes and guidance

- **(a)** Repeating the reason – all four reasons need to be different. For example, ‘helping to plan for the future’ and ‘planning for decisions made in the future’, are essentially the same reason.
- **(a)** The explanation as to why it is important to prepare a cashflow forecast is often generic when each explanation of the reason needs to be applied to the context. For example, ‘to ensure there is sufficient cash to pay day-to-day expenses’ is generic but ‘to ensure there is sufficient cash from theatre performances to pay for costs such as buying costumes’ is applied to this business.
- **(b)** Answers should focus on why the roles of marketing should be achieved rather than how the three roles could be achieved.
- **(b)** Application of the answer should be to the context. Generic responses lose the opportunity to raise marks higher up within each level.
- **(b)** Not developing an explanation of the Level 1 statements to include detailed discussion of why the role of marketing is important to the business. This restricts responses to the Level 1 mark band instead of moving an answer to the Level 2 mark band.
- **(b)** Not making a decision about which role is most important but saying all three roles are important. The question asks for a decision about which role is most important and if no decision is made then this is not an answer to the question.

Question 4

Example Candidate Response – high

Examiner comments

4 (a) Explain **two** leadership styles that Zane and Zaara could use when managing ET's employees.

Leadership style 1: Democratic 1

Explanation: allows employees opinions to be taken into consideration, which also helps with motivation, ET has 24 part-time employees so it can never take a longer time to make decisions. 2 3

Leadership style 2: Autocratic 4

Explanation: this does not consider ET's employees which can be demotivating, leading to lower efficiency, or which can reduce the quality of performances, potentially losing customers and gaining a bad reputation. 5 [8]

1 One mark is awarded for a correctly named leadership style.

2 By referring to the 24 part-time employees, the explanation of this leadership style is in context. Therefore, 1 mark is awarded for application plus 1 additional mark for the explanation.

3 A disadvantage of this leadership style is stated, of it taking a longer time to make decisions, is identified. The fourth mark is awarded resulting in full marks for this section.

4 A second correct leadership style is named and awarded 1 mark.

5 The first part of the explanation is too vague to be awarded as 'does not consider employees' is not clear enough in indicating which leadership style is being discussed. However, the answer does then explain a disadvantage of an autocratic leadership style of being demotivating and it is in context by referring to the reduction in the quality of performances. Therefore, a further 1 mark for the disadvantage and 1 mark for application is awarded. A clear understanding shown of the leadership style that is being explained is required for all 4 marks to be awarded.

Mark for (a) = 7 out of 8

Example Candidate Response – high, continued

Examiner comments

(b) Consider the following three ethical issues for the theatre. Which ethical issue is likely to have the biggest effect on ET? Justify your answer.

- Paying fair wages to employees
- Only buying costumes produced in the local community
- Purchasing all refreshments from suppliers that do not pollute the environment

Paying fair wages to employees: Paying fair wages to employees would motivate them. They would provide better services to tourists and local people. However, it would lead to higher costs. Paying more than the competing theatres would reduce labour turnover, but also make ET less competitive. Too many costs would reduce their profits leading to them not becoming successful.

Only buying costumes produced in the local community: Buying costumes for the actors from the local community would reduce transportation costs. They may receive discounts which would decrease ET's cost of production and increase added value. Alternatively, the quality of the costumes may not be good. This may reduce the quality of the performances. Sales would fall as a result.

Purchasing all refreshments from suppliers that do not pollute the environment: Since customers are increasingly becoming aware, purchasing refreshments from suppliers who don't pollute could be used as a marketing strategy. It would increase revenue and profits. However, ET may have to charge higher prices for the refreshments. This could make them uncompetitive and result in lost sales.

Conclusion: Businesses have a responsibility to protect the environment, therefore, purchasing refreshment from suppliers who don't pollute the environment would have the biggest impact on ET. It would lessen pollution, create a USP for ET which would increase sales and profits. Pressure groups would not act against them, which could lead to a better brand image.

6 A statement, in context, is made identifying employees will be more motivated to provide better services for tourists and this is in the Level 1 mark band. As it is applied to the case by referring to tourists the answer moves higher in the Level 1 mark band.

7 The response then goes on to include detailed discussion of paying fair wages, such as wage costs may be higher and profits reduce as a result, but labour turnover would reduce. Therefore, the answer moves into the Level 2 mark band.

8 There is a basic statement that transportation costs may be reduced which puts this in the Level 1 mark band if no further development had been included.

9 However, the response goes on to discuss the possible disadvantages of poorer quality costumes. This moves the answer into the Level 2 mark band as the consequence on the business of poor quality costumes is considered – that it may reduce the quality of performances and hence sales fall.

10 Consequences of higher prices making them uncompetitive and so sales fall moves the answer further into the Level 2 mark band.

11 There is a justified conclusion that follows on from detailed discussion, gaining Level 2, in the earlier parts of the answer. As a result, the conclusion moves into the Level 3 mark band. However, the conclusion is generic so the mark is at the lower end of the Level 3 mark band. Reference to refreshments is not credited with application as it is in the question. Mark for (b) = 9 out of 12

**Total mark awarded =
16 out of 20**

How the candidate could improve their answer

- **(a)** Explain how the second leadership style can be used to manage employees, such as the manager is in total control and expects all their instructions to be followed.
- **(b)** Include a justification of why the alternative ethical issues are seen as less important than the chosen issue of purchasing refreshments from suppliers that do not pollute the environment.
- **(b)** The conclusion could have been in context of this business to move higher in the Level 3 mark band. For example, making reference to performances or 24 part-time employees or low-income area or tourists or theatre seats.

Example Candidate Response – middle

Examiner comments

- 4 (a) Explain **two** leadership styles that Zane and Zaara could use when managing ET's employees.

Leadership style 1: Democratic leadership 1

Explanation: This is where employees opinions are also taken by management before making a

2: decision. and this is beneficial as employees feel they have a say in the business and is mostly used in order to keep the employees 3
feel important so they could stay motivated and efficient.

Leadership style 2: Autocratic leadership 4

Explanation: This style of leadership is when the individual in charge tends to make all of the decision him/herself 5 and does not take opinions of employees in order to feel empowered and in charge.

1 A correct leadership style is named and awarded 1 mark.

2 The leadership style has employee opinions taken into account before decisions are made. This gains 1 explanation mark.

3 The leadership style keeps the employees feeling important and motivated and gains a third mark for explaining.

4 A second correct leadership style is named and is awarded 1 mark.

5 The leadership style is explained in terms of the individual making all the decisions themselves and feeling empowered. This gains a further mark for the explanation of this style.

Mark for (a) = 5 out of 8

Example Candidate Response – middle, continued

Examiner comments

(b) Consider the following **three** ethical issues for the theatre. Which ethical issue is likely to have the biggest effect on ET? Justify your answer.

- Paying fair wages to employees
- Only buying costumes produced in the local community
- Purchasing all refreshments from suppliers that do not pollute the environment

Paying fair wages to employees: Et cost will be increased ^{part time} 6
 because they have to 24 employees or fair wages
 so they can fulfil their needs. Et will be save
 from the trade union or strike which is not
 beneficial for the Et because it new business.
 paying good wages will decrease the profit of the Et 7

Only buying costumes produced in the local community: Et can't find
 the good quality or fashionable cloths in local
 community. This will increase the sales of the local
 community suppliers. And to make sure that in
 costume making process there is no child labour than
 pressure group can force to make change his suppliers for costumes 8

Purchasing all refreshments from suppliers that do not pollute the environment: It
 will help Et to make the good image in the market
 many customer stop buying the product from the business
 which pollute environment. And pressure group can form
 customer boycott which will be not beneficial for business.
 customer will do the viral marketing of Et because of its ^{good ethical} 9

Conclusion: Paying fair wages to employees will increase cost
 but ~~the~~ employees will become loyal to the business
 and will ~~go~~ give good performances which will
 automatically attract new customers to come to Et
 and see theatre. Et business will also be save ^{so calculate} 10
 from trade union or strikes. Wages are also ^{easy} [12]

6 A statement about increased costs is made which is in the Level 1 mark band. As the explanation is applied to the case by referring to the 24 part-time employees, the answer moves higher in the Level 1 mark band.

7 There is a further statement about decreasing profit which moves the answer further into the Level 1 mark band. There is not sufficient explanation to move the answer into Level 2 as the two points are not clearly linked to each other.

8 This section is muddled and does not make correct statements about the effects on ET.

9 There is a statement about providing a good image and this is repeated towards the lower section of this part of the answer. There is no detailed discussion and so this part of the response remains in the Level 1 mark band.

10 There is a judgement with some justification in the conclusion, which does contain detailed discussion of the chosen issue of paying fair wages. However, as the earlier part of the response does not move out of the Level 1 mark band, then the conclusion can only move into Level 2, rather than moving straight to Level 3. The conclusion is generic with no context provided. However, since application is credited in the earlier part of the answer, the mark can move higher within the Level 2 mark band.

Mark for (b) = 6 out of 12

**Total mark awarded =
11 out of 20**

How the candidate could improve their answer

- **(a)** The explanation of each leadership style should be applied to the context. For example, the business has 24 part-time employees or it is a theatre business or there are only two owners.
- **(a)** Include either an advantage or a disadvantage of using the second leadership style, such as decision-making is quick.
- **(b)** Develop the explanation of the Level 1 statements to include detailed discussion of the effects on ET of each ethical issue, such as explaining the effects on costs, sales and profit.
- **(b)** If there is detailed discussion of the ethical issues, then the conclusion may have moved into the Level 3 mark band.
- **(b)** Apply the justification in the conclusion to the context. If so, Level 3 could have been awarded.

Example Candidate Response – low

Examiner comments

4 (a) Explain **two** leadership styles that Zane and Zaara could use when managing ET's employees.

Leadership style 1: ~~Auto~~ Demo-cra-tic style 1

Explanation: Zane and Zaara can use democratic leadership style as it is easy and quicker way to control their speaking and telling style as their employees work 24 per time so it is easy to give them instruction. 2

Leadership style 2: laizes-faire 3

Explanation: laizes-faire is a good style as both of them can control their staff like employees while providing them informations as a good manager and it might help them in future. 4

1 A correct leadership style is named and awarded 1 mark.

2 An explanation of this leadership style is not correct so no further credit can be awarded for this section.

3 A correct leadership style is named and awarded 1 mark.

4 The explanation of this leadership style is not correct so no further credit can be gained for this section.
Mark for (a) = 2 out of 8

[8]

Example Candidate Response – low, continued

Examiner comments

(b) Consider the following **three** ethical issues for the theatre. Which ethical issue is likely to have the biggest effect on ET? Justify your answer.

- Paying fair wages to employees
- Only buying costumes produced in the local community
- Purchasing all refreshments from suppliers that do not pollute the environment

Paying fair wages to employees: If they pay fair wages to employees that might increase their number of employees from 7 to 24 but their wages should be average so per employee as they will work 24 part time for ET. 5

Only buying costumes produced in the local community: that might increase ~~the cost~~ the cost of costumes or the promotion they did it would be more costly and because of high prices of costumes theatre might charge high prices for tickets. 6
7

Purchasing all refreshments from suppliers that do not pollute the environment: that would effect the ET if their refreshment is not good and customers are getting effected. There prices might be low and should provide a good refreshment. 8

Conclusion: ET should provide fair wages to their employees if employees are paid well then all of the work will be good. However not all of the refreshments pollute the environment and the costumes bought. 9 [12]

5 The first section is too vague to gain credit.

6 There is a statement that costs will increase. This moves the answer into the Level 1 mark band. This is not applied as it refers to costumes and they are mentioned in the question so cannot be credited with application.

7 The consequence of higher prices for tickets is rewardable with Level 1 credit and is also applied by making reference to tickets, so this moves further up the Level 1 mark band.

8 The third section is too vague to gain any credit.

9 There is a further Level 1 statement implying that higher wages will lead to higher quality work. The last sentence is too vague to gain any credit. Overall, the answer is at the top of the Level 1 mark band.
Mark for (b) = 4 out of 12

Total mark awarded = 6 out of 20

How the candidate could improve their answer

- **(a)** Explain how the leadership style could be used. For example, an autocratic leadership style is where all the decisions are made by the manager in charge and employees have no opportunity to contribute to decision making.
- **(a)** Apply the explanation of each leadership style to the context. For example, it will employ 24 part-time people, there will be 10 actors, two owners and they plan to start-up as a theatre business.
- **(a)** Include either an advantage or a disadvantage of using each named leadership style. For example, a democratic leadership style is likely to lead to more motivated employees as they feel valued by being allowed to contribute to the decision-making process.
- **(b)** Ensure there is reference to how the ethical issue affects the business, such as whether it will attract new customers or affect costs.
- **(b)** Develop the explanation of the Level 1 statements to include detailed discussion of the consequences on the business from each ethical issue. Does it increase costs and, if so, what is likely to happen to prices? How will sales be affected, or the profit gained?
- **(b)** If there was detailed discussion of the implications of the ethical issues on ET, then the conclusion may have been able to move into the Level 3 mark band.
- **(b)** Apply the justification in the conclusion to the context for Level 3 to be awarded.

Common mistakes and guidance

- **(a)** Vague references made as to how the leadership style can be used so it is not clear which leadership style is being referred to. For example, employees do what they like.
- **(a)** Responses that are not applied to the context and are generic. Reference to the context needs to be included as part of an explanation of the leadership style as already mentioned above, such as it will have 24 part-time employees.
- **(a)** Mixing up the explanations with the wrong leadership style, i.e., an explanation for democratic being named as autocratic.
- **(a)** Not developing an explanation of the leadership style being used for the business or its employees. Therefore the 2 marks for explanation of each named leadership style are not awarded.
- **(b)** Not making reference to the effect of the ethical issue on the business, such as the government will be happy that they are not polluting the environment. The effect should be related to ET.
- **(b)** Not applying answers to the context or just using the context mentioned in the question, so application cannot be credited. For example, mentioning theatre or costumes or refreshments which are in the question but not mentioning performances, seats, tickets or 24 part-time employees which are not mentioned in the question and can gain credit for application.
- **(b)** Not developing an explanation of the Level 1 statements to include detailed discussion of how each ethical issue may affect the business.
- **(b)** Not making a judgement that is justified as to which ethical issue is likely to have the biggest effect on ET. Choosing to say that all three issues will be important is not an answer to the question.
- **(b)** Making a judgement that is not justified. For example, stating the most important issue is paying fair wages and then not giving any justification for this statement. No credit will be given to this type of conclusion as it is simply a statement and there is no understanding shown as to why it might be a suitable conclusion.

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