NCFE Level 1/2 Technical Award in Business and Enterprise (603/7004/X)

Examined assessment

Paper number: Past paper

Date: Summer 2025

Mark Scheme
v1.1 Post-Standardisation

This Mark Scheme has been written by the assessment writer and refined, alongside the relevant questions, by a panel of subject experts through the external assessment writing process and at standardisation meetings.

The purpose of this Mark Scheme is to give you:

- examples and criteria of the types of response expected from a learner
- information on how individual marks are to be awarded
- the allocated assessment objectives (AOs) and total mark for each question.

Marking guidelines

General guidelines

You must apply the following marking guidelines to all marking undertaken throughout the marking period. This is to ensure fairness to all learners, who must receive the same treatment. You must mark the first learner in exactly the same way as you mark the last.

- The Mark Scheme must be referred to throughout the marking period and applied consistently. Do not change your approach to marking after standardisation.
- Reward learners positively giving credit for what they have shown, rather than what they might have omitted.
- Utilise the whole mark range and always award full marks when the response merits them.
- Be prepared to award zero marks if the learner's response has no creditworthy material.
- Do not credit irrelevant material that does not answer the question, no matter how impressive the response might be.
- If you are in any doubt about the application of the Mark Scheme, you must consult with your team leader or the chief examiner.

Guidelines for using extended-response marking grids

Extended-response marking grids have been designed to award a learner's response holistically and should follow a best-fit approach. The grids are broken down into bands, with each band having an associated descriptor indicating the performance at that band. You should determine the band before determining the mark.

When determining a band, you should use a bottom-up approach. If the response meets all the descriptors in the lowest band, you should move to the next one, and so on, until the response matches the band descriptor. Remember to look at the overall quality of the response and reward learners positively, rather than focusing on small omissions. If the response covers aspects at different bands, you should use a best-fit approach at this stage and use the available marks within the band to credit the response appropriately.

When determining a mark, your decision should be based on the quality of the response in relation to the descriptors. You must also consider the relative weightings of the AOs, so as not to over / under credit a response. Standardisation materials, marked by the chief examiner, will help you with determining a mark. You will be able to compare exemplar learner responses to compare to live responses, to decide if they are the same, better or worse.

You are reminded that the indicative content provided under the marking grid is there as a guide, and therefore you must credit any other suitable responses a learner may produce. It is not a requirement that learners must cover all of the indicative content to be awarded full marks.

Assessment objectives (AOs)

This unit requires learners to:

AO1	**Recall knowledge and show understanding.** The emphasis here is for learners to recall and communicate the fundamental elements of knowledge and understanding.
AO2	**Apply knowledge and understanding.** The emphasis here is for learners to apply their knowledge and understanding to real-world contexts and novel situations.
AO3	**Analyse and evaluate knowledge and understanding.** The emphasis here is for learners to develop analytical thinking skills to make reasoned judgements and reach conclusions.

The weightings of each AO can be found in the Qualification Specification.

Q	Mark scheme	Total marks

Section A **Total for this section: 19 marks**

Q	Mark scheme	Total marks
1	**Which** one **of the following defines 'span of control'?** **A** The number of directors employed in a business **B** The number of employees a manager oversees in a business **C** The number of layers of hierarchy in a business **D** The total number of employees currently in a business **Answer:** B – The number of employees a manager oversees in a business	**1** **AO1=1**
2	**Which** one **of the following is an advantage of buying a franchise rather than setting up as a private limited company?** **A** Reduces carbon footprint **B** Royalty payments are made **C** Set up costs must be paid **D** The brand is established **Answer:** D – The brand is established	**1** **AO1=1**
3	**Which** one **of the following stages of the product life cycle is reached when a product is established and has steady sales?** **A** Decline **B** Growth **C** Introduction **D** Maturity **Answer:** D – Maturity	**1** **AO1=1**
4	**State** two **advantages of operating a business as a partnership.** Award **one** mark for each advantage, up to a maximum of **two** marks**:** • access to more finance (1) • access to additional / different skills (1) • can share the workload / responsibility (1) • shared decision making (1)	**2** **AO1=2**

	• no legal requirement to submit annual accounts to Companies House (1) • financial statements are kept private (1) • debts / losses / liabilities are shared (1) • lower set up costs (1) **Do not award:** • limited liability • increased productivity • easier to manage • more shareholders. **Accept any other suitable response.**	

5	**ZQL own 10 hair salons in the United Kingdom (UK). This is more than other similar salons.** **ZQL do not offer hair cutting services. They** only **offer wash and blow-dry services.** **Demand for the wash and blow-dry service is increasing each year.** **Explain the star section of the Boston Matrix in relation to ZQL.** Award **one** mark for a correct explanation, up to a maximum of **two** marks. • ZQL operates in a growing market / demand for wash and blow-dry service is increasing each year (1) and as they own 10 hair salons, which is more than the competitors, they will have a high market share. **Accept any other suitable response.**	**2** **AO2=2**

6	**ZQL carried out face to face interviews with 20 of their customers, all aged under 30.** **The questions were written by a ZQL employee.** **Explain** one **reason why ZQL's face to face interviews may produce unreliable data.** Award **one** mark for each explanation point, up to a maximum of **two** marks:	**2** **AO2=2**

	• the wrong questions may have been asked / the questions may have been biased / badly worded / interviewer bias (1) as the questionnaire was designed by an employee of ZQL who may not be experienced in market research (1) • only 20 customers were interviewed (1) meaning this sample may not be representative of ZQL's customer base (1) • the sample interviewed may not be representative of ZQL's full customer base (1) as only those under 30 were interviewed (1). **Accept any other suitable response.**	

7 (a)	**ZQL are considering a new location for a salon.** **Transport links are important to consider when deciding on a new location.** **Identify** three **other factors ZQL should consider when deciding on a new location.** Award **one** mark for each factor identified, up to a maximum of **three** marks: • availability of staff • cost / rent of premises • proximity to other ZQL salons • crime rate • quality of internet • local laws / legislation • income of local population • competitor location • customer location • target market • supplier location • communication links • car parking • cultural expectations. **Do not award:** • transport links • accessibility • close to a town or city centre • close to rail stations / bus stops. **Accept any other suitable response.**	**3** **AO1=3**

7 (b)	**Discuss the importance of transport links for ZQL when considering a new location for a salon.** Award **one** mark for a discussion point, up to a maximum of **three** marks. • Transport links are important as ZQL current customers may not live near the new salon location (1), if transport links are poor in the new location, then potential customers may go to competitors (1) which may reduce ZQL's sales and the success of the salon in the new location (1). • Locations near transport hubs / well connected area can increase footfall and accessibility (1) which is essential to weigh the cost of a prime location with the benefits of customer volume (1) resulting in ZQL not needing to advertise / market because word-of-mouth and visibility should bring in more customers (1). **Do not award:** • answers referring to raw materials and manufacturing e.g. delays in delivery of raw materials as this is a service business. **Accept any other suitable response.**	**3** **AO3=3**

8	**ZQL have a special offer each week.** **They know that 99% of their customers use social media.** **Explain** two **advantages to ZQL using social media as their main method of promotion.** Award **one** mark for each explanation, up to a maximum of **two** marks per explanation, up to a maximum of **four** marks. • Social media is a low cost / free method of promotion for special offers which will result in keeping ZQLs costs to a minimum (1) which will support ZQL if they have a limited marketing budget as posts can be easily shared (1). • Social media reaches a wide audience (1) and may result in new customers / increasing ZQL's revenue (1). • Social media will raise awareness of the weekly offers / will increase sales (1) as 99% f ZQL's customers use social media (1). • ZQL's customers may share online with friends the weekly special offers (1) increasing ZQL's customer base / sales (1). • Social media allows ZQL to directly interact with current and potential customers through comments / messages / posts (1) the salon can then engage in real-time conversations / address inquiries / create a personalised experience that strengthens customer relationships (1). **Accept any other suitable response.**	**4** **AO2=4**

Q	Mark scheme	Total marks

Section B **Total for this section: 21 marks**

Q	Mark scheme	Total marks
9	**Which** one **of the following is an impact on a business from introducing Kaizen?** **A** Increased customer complaints **B** Increased labour turnover **C** Reduced consumer demand **D** Reduced unnecessary waste **Answer:** D – Reduced unnecessary waste	**1** **AO1=1**

Q	Mark scheme	Total marks
10	**Which** one **of the following is a level in Maslow's hierarchy of needs?** **A** Job satisfaction **B** Responsibility **C** Self-actualisation **D** Working conditions **Answer:** C – Self-actualisation	**1** **AO1=1**

Q	Mark scheme	Total marks
11	**Which** one **of the following is a way to measure customer service?** **A** Brand awareness data **B** Employee turnover data **C** Repeat business data **D** Staff engagement data **Answer:** C – Repeat business data	**1** **AO1=1**

Q	Mark scheme	Total marks
12	**Identify** three **impacts of a business introducing just-in-time (JIT).** Award **one** mark for each impact identified, up to a maximum of **three** marks: • reduced warehouse costs • reduced employee costs • may be unable to meet demand / may run out of stock	**3** **AO1=3**

	• prevent product obsolescence / products becoming spoiled / out of date / reduced waste • improved cash flow / less cash tied up in stock / inventory • improved efficiency • no excess stock • less able to get bulk discounts / purchasing economies of scale • increased delivery frequency causes congestion / pollution. **Do not award:** • reliance on suppliers • increased cost • it is a lean method of production • won't have a lot of stock. **Accept any other suitable response.**	

13	**State** two **advantages to a business when using internal training.** Award **one** mark for each correct advantage stated, up to a maximum of **two** marks: • less costly / cheaper (1) • can happen immediately / less time lost (1) • is directly relevant to the business (1). **Do not award:** • reduces costs (unless compared to external training) • it is free • benefits to the employee. **Accept any other suitable response.**	**2** **AO1=2**

14 (a)	**An online food delivery business has recently expanded and requires a marketing manager.** **Explain** one **advantage to the business of using online job websites to fill the marketing manager vacancy.** Award **one** mark for a correct explanation, up to a maximum of **two** marks: • The business would need to increase the potential number of applicants / reach a larger pool of job seekers (1) which	**2** **AO2=2**

	increases the chances of the business finding a suitably qualified marketing manager (1). • Many job websites offer free / affordable job postings compared to traditional hiring methods like newspaper ads or recruitment agencies (1) which would be beneficial as the business has recently expanded and therefore finances might be limited (1). **Accept any other suitable response.**	

14 (b)	**Online job websites are a method of external recruitment that the online food delivery business could use to fill vacancies.** **Discuss** one **other method of external recruitment they could use.** Award one mark for each part of a discussion, up to a maximum of **two** marks: • recruitment agencies / headhunters – specialised in finding qualified candidates quickly, especially for managerial / specialised roles (1) as the agencies handle screening / interviews / background checks, reducing the hiring workload for the online food delivery business (1) • newspapers – posting job ads in newspapers in high-traffic areas can attract potential / suitable employees for the online food delivery business (1) as paid advertisements can target specific demographic in a particular area as the online food delivery business can control the content within the ad (1) • careers fairs – attending or hosting careers fairs can attract potential employees looking for work in food delivery or customer service (1) which provide a chance to meet candidates in person / assess their communication skills / conduct on-the-spot interviews to allow for hiring to begin quickly (1) • trade journals – these are read by employees working in the industry (1) which creates awareness of the vacancy amongst potential employees looking for jobs in food delivery (1) • social media platforms - they have a large potential reach and are free for a business to use (1) and can be update quickly (1). **Do not award:** • marks for stating the method. The method must be explained. • methods such as posters, billboards. **Accept any other suitable response.**	**2** **AO3=2**

15	**Slice Haven are a pizza manufacturer that uses flow production.** **They have five competitors.** **Slice Haven's aim is to produce pizzas at a low-unit cost.** **The factory is old, and machinery breakdowns are increasing.** **Explain** one **advantage and** one **disadvantage of Slice Haven using flow production to make its pizzas.** **Advantage** Award **one** mark for each explanation, up to a maximum of **two** marks. • Slice Haven can enjoy purchasing economies of scale / low(er) cost per pizza (1) which allows Slice Haven to set a competitive price (1) • Slice Haven uses flow production as it will be making pizzas continuously (1) so it can meet high demand (1) • Slice haven can produce in large quantities / faster (1) so it can meet high demand (1) • the pizzas will be standardised / always be of the same quality (1) which helps Slice Haven achieve a high level of customer loyalty (1). **Disadvantage** Award **one** mark for each explanation, up to a maximum of **two** marks: • difficult to provide a wide range / choice of pizza (1) so may be difficult to compete against five competitors (1) • if one machine breaks down the whole production line stops (1) which makes it difficult to meet demand (1) • high set up costs (1) as flow production requires the purchase of expensive machinery (1) • may have to store high levels of inventory (1) which will add to (total) costs (1) • as the machines frequently break down, maintenance costs will increase (1) reducing ZQL's profit margins (1) • as the machines frequently break down, ZQL may need to replace them (1) which will be expensive. This will increase ZQL's capital expenditure / require additional sources of finance (1). **Accept any other suitable response.**	**4** **AO2=4**

16	**Slice Haven are introducing quality assurance on their production line to ensure food safety standards are met.** **Explain** one **advantage of Slice Haven using quality assurance to maintain the quality of their pizzas.** Award **one** mark for an explanation, up to a maximum of **two** marks: • reduces the number of pizzas that do not meet food safety standards (1) reducing the chance of incurring a fine (1) • reduces the chance that pizzas may leave the factory with foreign objects for example, hairs / fingernails (1) which could damage Slice Haven's reputation / which could lead to complaints / legal issues (1) • as there is little reworking of pizzas needed / less pizzas thrown away (1) so this reduces costs (1) • Additional employees are not required to check quality at the end of the production line (1) so this reduces costs (1). **Accept any other suitable response.**	**2** **AO2=2**

17	**The directors of Slice Haven plan to install new, advanced machinery.** **Discuss why Slice Haven should use external training for using the new, advanced machinery.** Award **one** mark for each discussion point, up to a maximum of **three** marks: • External training often specialises in specific technologies and industries where training is delivered by experts (1) meaning that the trainers will have up-to-date / in-depth knowledge of the advanced machinery, which will help employees gain the necessary skills more efficiently (1) leading to improved production rates overall (1). • External training often follows a standardised learning which ensuring that all employees receive the same level of training (1) and this helps maintain consistency across the company (1) which ensures all operators are well-equipped to handle the new machinery (1). **Accept any other suitable response.**	**3** **AO3=3**

Q	Mark scheme	Total marks

Section C **Total for this section: 22 marks**

18	**Which** one **of the following is a section in the executive summary of a business plan?** **A** Cash flow forecast **B** Distribution methods **C** Raw materials supplier **D** Target market **Answer:** D – Target market	**1** **AO1=1**

19	**Which** one **of the following is an example of external growth?** **A** Developing new products **B** Entering new markets **C** Merging with another business **D** Updating current products **Answer:** C – Merging with another business	**1** **AO1=1**

20	**Which** one **of the following terms is used in a cash flow forecast?** **A** Current assets **B** Expenses **C** Gross profit **D** Opening balance **Answer:** D – Opening balance	**1** **AO1=1**

21	**State** two **diseconomies of scale a business may face as it expands.** Award **one** mark for stating a diseconomy of scale, up to a maximum of **two** marks: • control • coordination • communication • managerial diseconomies. **Accept any other suitable response.**	**2** **AO1=2**

22 (a)

The table below is an extract from the statement of financial position of a business for 2024.

	2024 **£'000**
Current assets (including inventory)	**10**
Current liabilities	**8**

In 2023 the current ratio was 1.8:1

Use the formula: current assets/current liabilities

Calculate the current ratio for 2024.

Award up to **two** marks for correctly calculating the current ratio.

OR

Award **two** marks if answer is correct but no working out is seen.

10/8 OR 5:4 (1) = 1.25:1 (1)

OR

10/8 OR 5:4 (1) = 1.25 (1)

2

AO2=2

22 (b)

A small business is struggling to pay back a bank loan due to its liquidity being poor.

Explain why a business may have a change in liquidity from year to year.

Award **one** mark for an explanation, up to a maximum of **two** marks.

- The small business may have an increase in sales / bring more cash into the business (1) which could positively / increase their cash inflow (so they can make their loan repayments) (1).
- The small business could have an increase in expenses / costs (1) which could increase the cash outflow (meaning they may struggle to repay their loan repayments) (1).
- Seasonal changes in demand for stock can be affected (1) meaning this can reduce / increase the cash inflow into the business (which means the loan repayments may be affected) (1).

Do not award:

- Cash outflows are greater than cash inflows.

2

AO2=2

	Accept any other suitable response.	

23 (a)	**Twiggs PLC make dog food.** **Twiggs plan to apply for a bank loan to replace inefficient equipment.** **Identify** one **impact on Twiggs if the bank increases interest rates on the bank loan.** Award **one** mark for identifying an impact: • increase in their monthly loan payment (1) • could reduce their cash flow (1) • reduce profitability (1) • may have to postpone replacing inefficient equipment (1) • Twiggs would need to allocate more of their budget to cover the higher interest costs (1) • increase their (fixed) costs / total costs (1). **Do not award:** • will reduce profits • will pay a higher price for the loans • hard / will struggle to repay the loan. **Accept any other suitable response.**	**1** **AO1=1**

23 (b)	**Twiggs are now considering using retained profits to replace inefficient equipment instead of the bank loan.** **Discuss how Twiggs may be affected if the government increases corporation tax.** Award **one** mark for a correct suggestion, up to a maximum of **two** marks: • Twiggs would have to pay a larger portion of their profits to the government (1), leaving less (retained) profit available for replacing the inefficient equipment (1) • makes it harder to fund capital expenditure (like replacing inefficient equipment) (1) which may mean they need to use external sources of finance / get a bank loan (1). **Do not award:**	**2** **AO3=2**

	• increases Twiggs' costs • Twiggs will pay more tax (on its own). **Accept any other suitable response.**	

24 (a)	**Twiggs are aware minimum wage is an economic external influence that may affect them.** **Identify** two other **economic external influences that may affect Twiggs.** Award **one** mark for each correct identification, up to a maximum of **two** marks: • gross domestic product (GDP) / economic growth / recession • interest rates / monetary policy • employment levels / unemployment levels • taxes (or named taxes e.g. VAT, Corporation tax) / fiscal policy • tariffs • inflation / increase in the cost of living • exchange rates • availability of skills • competitors increase their prices. **Do not award:** • new laws. **Accept any other suitable response.**	**2** **AO1=2**

24 (b)	**Twiggs have made a loss over the last two years.** **Explain how Twiggs may be affected if the government increases minimum wage.** Award **one** mark for a correct explanation, up to a maximum of **two** marks: • Twiggs will have to increase the wages paid to employees to ensure they comply with government policy (1) which will increase Twiggs' costs / which could result in a third-year loss (1) • Twiggs may raise its prices of products to customers to balance out the increase in minimum wage (1) which will reduce sales revenue / reduce profits which could potentially cause another year of losses (1) • Twiggs may make some employees redundant incurring redundancy payments which they may struggle to afford due to previous losses (1) meaning increased costs (total) to Twiggs resulting in a third year of losses (1) • Twiggs may see an increase in sales / revenue (1) as some customers may have more disposable income (1). **Accept any other suitable response.**	**2** **AO2=2**

25 (a)	**Twiggs only sell dog food in the UK.** **They are considering a joint venture.** **State** two **other methods of external growth that Twiggs could consider.** Award **one** mark for each method of external growth stated, up to a maximum of **two** marks: • mergers (1) • takeovers (1). **Do not award:** • partnership with another business • franchising.	**2** **AO1=2**

25 (b)	**Twiggs are considering a joint venture with a German business for three years.** **This business only manufactures dog food in Germany.** **The market for dog food is growing in Germany.** **Give** one **advantage and** one **disadvantage of a joint venture to Twiggs.** Award **one** mark for an advantage, up a maximum of **one** mark: **Advantage** • access to new markets / distribution network (which will save Twiggs having to spend time developing their own business) (1) • sharing of risks so if the venture costs exceed revenues, the impact on Twiggs will be less than if they operated on their own (1) • access to local knowledge and expertise (which can help inform what type of pet food is more likely to sell in the German market) (1) • potential for new ideas from the German business (1) which Twiggs may use in the UK to further improve its pet food products (1). Award **one** mark for a disadvantage, up to a maximum of **one** mark:	**2** **AO2=2**

	Disadvantages • shared decision making could hinder decisions being finalised / reduce the chance of achieving objectives (1) • shared profits could reduce the return on investment for Twiggs / less profits being made (1) • loss of control / decisions being made that Twiggs disagrees with (1). **Accept any other suitable response.**	

25 (c)	**Recommend whether Twiggs should go ahead with the joint venture.** Award **one** mark for a recommendation, up to a maximum of **two** marks: • Twiggs should enter into the joint venture. The market in Germany is growing and a joint venture would allow Twiggs to take advantage of this quickly (1). It will gain a reputation over the three years when it can leave the joint venture and keep all of the profits (1). • Twiggs should not enter into the joint venture. The market for pet food is growing in Germany so the business should start selling their own pet food in Germany (1) meaning all of the profit will belong to Twiggs (1). **Accept any other suitable response.**	**2** **AO3=2**

Q	Mark scheme	Total marks

Section D **Total for this section: 18 marks**

26	**Xlentt Ltd manufacture petrol engines in two factories, one in Birmingham and one in Leeds.** **Sales are falling and a loss was made in 2024.** **Xlentt have a £2 million bank loan.** **They plan to close the Birmingham factory, selling the land to a housing developer.** Information about Birmingham **Unemployment rates are high**	**9** **AO1=3** **AO2=3** **AO3=3**

An increasing number of factories are closing each year
Xlentt are one of the biggest employers in Birmingham

Analyse the impact of the factory closure on three **stakeholder groups.**

Band	Mark	Descriptor
3	7 to 9	**AO3** – **excellent** analysis of the impact on three stakeholder groups of Xlentt that is **comprehensive** and **highly relevant**. Supported with **excellent** justifications that are **comprehensive** and **highly detailed**. **AO2** – **excellent** application of knowledge and understanding of the business situation that is **comprehensive** and **highly detailed** and **highly relevant** to the question. **AO1** – **excellent** recall of knowledge and understanding of three stakeholder groups of Xlentt that is **comprehensive**. Subject specific terminology is used consistently throughout.
2	4 to 6	**AO3** – **good** analysis of two stakeholder groups of Xlentt that is **detailed** and **mostly relevant**. Supported with **good** justification that is detailed. **AO2** – **good** application of knowledge and understanding of the business's situation is **detailed** and **mostly relevant** to the question. **AO1** – **good** recall of knowledge and understanding of three stakeholder groups of Xlentt that is **mostly detailed**. Subject specific terminology is used, but not always consistently.
1	1 to 3	**AO3** – **limited** analysis of one stakeholder group of Xlentt with limited justification that has **minimal** detail and is **mostly superficial**. **AO2** – **limited** application of knowledge and understanding of the business' situation that has **minimal detail** and are **mostly superficial**, with **minimal relevance** to the question.

		AO1 – **limited** recall of knowledge and understanding of two stakeholder groups of Xlentt that has **minimal detail**. Subject specific terminology is often inappropriate, and a lack of understanding is evident.
	0	No rewardable material

Examiners are reminded that indicative content reflects content-related points that learners may make but is not an exhaustive list, nor is it a model answer. Learners may make all, some or none of the points included in the indicative content. Learners must be credited for any other appropriate response.

It is not a requirement that the learners formulate a response specifically against each AO as laid out in the indicative content.

Indicative content

AO1 – Learners will recall knowledge and understanding of three stakeholder groups of Xlentt, which may include the following:

- employees
- shareholder / owners
- local community
- government
- bank
- customers
- suppliers.

AO2 – Learners will apply knowledge and understanding of the possible impact on the three named stakeholders, which may include the following:

- Employees will be affected as they will lose their jobs, which will reduce their income. They will be able to apply for benefits, but their standard of living will fall.
- Shareholder / owners will benefit, as sale of the land will boost profits which they may receive as increased dividend.
- The local community will suffer as there will be less spending power from the people who worked in the factory. As redundant workers have less money to spend, less sales will be made, and local businesses / shops may have to close.
- The government will receive less income tax and will also have to pay benefits to redundant employees. This will reduce the money they have to spend on other parts of the economy, such as the National Health Service and education.
- The bank may find Xlentt is unable to meet loan repayments which will affect bank's profitability.

- Suppliers will receive fewer orders which will decrease their revenue. The level of impact will depend on the percentage of the suppliers' sales that come from Xlentt.
- Customers (car manufacturers) may be affected, especially those that are located close to the factory. They won't be able to receive supplies as quickly / may be increased transport costs.

AO3 – Learners will analyse which of the three stakeholder groups of Xlentt will be affected by the factory closure, which may include the following:

- Employees will be affected. Not only are unemployment levels high in Birmingham, but factories in Birmingham are closing. This means that competition for jobs will be increasing, making it harder to find work.
- The employees may have to retrain, increasing the time before they are able to earn again, or will have to take up employment in a different part of the country, which may be a huge upheaval.
- The local community will be affected as Xlentt are one of the biggest employers in Birmingham so there will be fewer employees spending money in their shops.

Accept any other suitable response.

27	**Xlentt purchase high quality car parts from UK suppliers.**	**9**
	Cheaper, but lower quality, parts can be bought from China.	**AO1=3** **AO2=3** **AO3=3**
	The UK government plans to introduce a tariff on Chinese imports.	
	Xlentt have three main competitors.	
	Xlentt's cash flow forecast predicts a cash flow problem for the first six months of 2026.	
	They are considering two options to tackle the cash flow problem:	
	• **buy parts from China** • **arrange an overdraft.**	
	Discuss the possible impacts of the two **options on Xlentt's cash flow** then **decide which option is best for them.**	

Band	Mark	Descriptor
3	7 to 9	**AO3** – **excellent** discussion of the options to solve the cash flow problem which is **comprehensive** and **highly relevant**. Supported with excellent justifications that are **comprehensive** and **highly detailed**.

		AO2 – **excellent** application of knowledge and understanding of the business situation that is **comprehensive** and **highly detailed** and **highly relevant** to the question. **AO1** – **excellent** recall of knowledge and understanding of the options to solve the cash flow problem that is comprehensive. Subject specific terminology is used consistently throughout.
2	**4 to 6**	**AO3** – **good** discussion of the options to solve the cash flow problem that is **detailed** and **mostly relevant**. Supported with **good** justification that are **detailed.** **AO2** – **good** application of knowledge and understanding of the business' situation is **detailed** and **mostly relevant** to the question. **AO1** – **good** recall of knowledge and understanding of the two options to solve the cash flow problem is **mostly detailed**. Subject specific terminology is used, but not always consistently.
1	**1 to 3**	**AO3** – **limited** discussion of the options to solve the cash flow problem with **limited** justification that have **minimal detail** and are **mostly superficial**. **AO2** – **limited** application of knowledge and understanding of the business' situation that has **minimal detail** and are **mostly superficial**, with **minimal relevance** to the question. **AO1** – **limited** recall of knowledge and understanding of the options to solve the cash flow problem that has **minimal detail**. Subject specific terminology is often **inappropriate**, and a lack of understanding is evident.
	0	No rewardable material

Examiners are reminded that indicative content reflects content-related points that learners may make but is not an exhaustive list, nor is it a model answer. Learners may make all, some or none of the points included in the indicative content. Learners must be credited for any other appropriate response.

It is not a requirement that the learners formulate a response specifically against each AO as laid out in the indicative content.

Indicative content

AO1 – learners will recall knowledge and understanding of the impact on the cash flow forecast of buying parts from China and arranging an overdraft, that may include the following:

Buying parts from China:
- will reduce spending on parts / is cheaper
- will improve net cash flow
- will reduce cash outflow.

Arranging an overdraft:
- will ensure bills can be paid / parts can still be bought / wages can still be paid
- will increase costs (if needed)
- will not increase costs (if not needed).

AO2 – learners will apply knowledge and understanding of the possible impact on the cash flow forecast of buying parts from China and arranging an overdraft, that may include the following:

Buying parts from China:
- parts will be of lower quality so may impact negatively on sales in the future reducing cash inflow
- delivery time will be longer so may run out of stock reducing opportunity for sales reducing cash inflow
- the introduction of import tariffs will increase the cost, increasing cash outflow.

Arranging an overdraft:
- will ensure bills can be paid / parts can still be bought / wages can still be paid so production can continue
- will increase costs which will increase cash outflow / have a negative effect on cash flow
- may not increase costs if the overdraft is not needed.

AO3 – learners will analyse and evaluate the two options, that may include the following:

Buying parts from China:
- initially looks to be the best option as cutting the costs will have the immediate effect of cutting the cash outflow and this will continue every month which will have a positive effect on net cash flow
- a reduction in quality may be enough to convince customers to switch to buy from the competition which will reduce sales and so cash inflow
- there is the risk that the import costs of parts may rise, increasing cash outflow, meaning that any benefit may only be in the short-term.

Arranging an overdraft:

	• can happen very quickly and will ensure that there is no halt in production, meaning sales can be made and cash inflow continue • it is not a certain that the overdraft will be needed and if the cash deficit is only small the increased interest payments may have a very small impact on cash outflow. Recommendation: • Xlentt should arrange an overdraft. The cash deficit may only be a short-term problem so only needs a short-term solution. • Buying parts from China is a drastic step. Buying low quality materials is too risky as Xlentt's reputation may be damaged to such an extent that it is unable to continue trading. **Accept any other suitable response.**	

Assessment objective (AO) grid

Section A

Question	AO1	AO2	AO3	Total
1	1			1
2	1			1
3	1			1
4	2			2
5		2		2
6		2		2
7 (a)	3			3
7 (b)			3	3
8		4		4
Total	**8**	**8**	**3**	**19**

Section B

Question	AO1	AO2	AO3	Total
9	1			1
10	1			1
11	1			1
12	3			3
13	2			2
14 (a)		2		2
14 (b)			2	2
15		4		4
16		2		2
17			3	3
Total	**8**	**8**	**5**	**21**

Section C

Question	AO1	AO2	AO3	Total
18	1			1
19	1			1
20	1			1
21	2			2
22 (a)		2		2
22 (b)		2		2
23 (a)	1			1
23 (b)			2	2

24 (a)	2			2
24 (b)		2		2
25 (a)	2			2
25 (b)		2		2
25 (c)			2	2
Total	**10**	**8**	**4**	**22**

Section D

Question	AO1	AO2	AO3	Total
26	3	3	3	9
27	3	3	3	9
Total	**6**	**6**	**6**	18