

The background of the cover is a photograph of a business meeting. Several people in business attire are seated around a wooden table, looking at documents and a laptop. A large, semi-transparent purple rectangle is overlaid on the left side of the image, extending from the top to the bottom. The text is placed on this purple background.

UNCOVER LEARNING POTENTIAL

Level 3 Applied Extended Certificate in
BUSINESS

Award from 2025

**SAMPLE ASSESSMENT
MATERIALS - EXTERNAL**

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Business Strategy

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Surname	Centre Number	Candidate Number
First name(s)		4



LEVEL 3 APPLIED EXTENDED CERTIFICATE IN BUSINESS

Business Strategy

1 hour 40 mins

SAMPLE ASSESSMENT MATERIALS

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Answer **all** questions in Sections A and B.
Answer **either** question 4 **or** 5 in Section C.

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.
You may use a pencil for graphs and diagrams only.

Write your name, centre number and candidate number in the spaces provided at the top of this page.

Write your answers in the spaces provided in this booklet. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part question.
The total number of marks available is 80.
You are reminded of the need for clear and accurate written communication.

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
Section A		
1.	15	
Section B		
2.	22	
3.	23	
Section C		
4. or 5.	20	
Total	80	

SECTION A

Answer **all** questions.

- 1 (a) Which **one** of the following contains two factors that are external to a business?

[1]

Examiner
only

Tick (✓) **one** box only.

A Strengths and opportunities ☐

B Strengths and weaknesses ☐

C Weaknesses and threats ☐

D Opportunities and threats ☐

- (b) Which **one** of the following is used when sales forecasting?

[1]

Tick (✓) **one** box only.

A Gearing ratios ☐

B Delphi method ☐

C Net zero targets ☐

D Job market trends ☐

- (c) The table below shows the assets and liabilities for a farming business.

	£
Farm machinery	90 000
Cash in bank	8 000
Inventory	800
IT hardware and software	5 000
Credit card bills	5 000
Debts owed to suppliers	1 000

Which **one** of the following shows the amount of fixed assets owned by the farming business?

[1]

Tick (✓) **one** box only.

- A £103 800 ☐
- B £95 000 ☐
- C £8 800 ☐
- D £6 000 ☐

- (d) Which **two** of the following are political factors which impact on businesses?

[2]

Tick (✓) **two** boxes only.

- A Change in cultural beliefs ☐
- B Change in government ☐
- C Change in exchange rates ☐
- D Change in employment patterns ☐
- E Change in trade restrictions ☐

- (e) Which **two** of the following are benefits to a business of taking an environmental, social and governance (ESG) approach?

[2]

Examiner
only

Tick (✓) **two** boxes only.

- | | | |
|---|----------------------------------|--------------------------|
| A | Improved perception of the brand | <input type="checkbox"/> |
| B | Duplication of resources | <input type="checkbox"/> |
| C | Opportunities of innovation | <input type="checkbox"/> |
| D | Shorter payback period | <input type="checkbox"/> |
| E | Reducing customer loyalty | <input type="checkbox"/> |

- (f) Which **two** of the following are investment appraisal techniques?

[2]

Tick (✓) **two** boxes only.

- | | | |
|---|------------------------|--------------------------|
| A | Payback period | <input type="checkbox"/> |
| B | Moving averages | <input type="checkbox"/> |
| C | Capital requirements | <input type="checkbox"/> |
| D | Horizontal acquisition | <input type="checkbox"/> |
| E | Average rate of return | <input type="checkbox"/> |

- (g) The table below shows an extract from a statement of financial position for a business.

	£
Current assets	9 000
Current liabilities	2 000
Non-current (long-term) liabilities	1 200
Net current assets/liabilities (working capital)	7 000
Capital employed	5 000

Which **one** of the following shows the gearing ratio (%) for the business.

[1]

Tick (✓) **one** box only.

- A 60% ☐
- B 40% ☐
- C 24% ☐
- D 17.1 ☐

- (h) Which **two** of the following are examples of external economies of scale?

[2]

Tick (✓) **two** boxes only.

- A Buying in bulk ☐
- B Managerial ☐
- C Increases in tax ☐
- D Government subsidies ☐
- E Pool of highly skilled labour ☐

- (i) Which **two** of the following are positive impacts of multi-national companies on stakeholders in the host countries in which they operate?

[2]

Examiner
only

Tick (✓) **two** boxes only.

- | | | |
|---|--------------------------------|--------------------------|
| A | Increase in pollution | <input type="checkbox"/> |
| B | Tax avoidance | <input type="checkbox"/> |
| C | Increase in quality of goods | <input type="checkbox"/> |
| D | Increase in customer choice | <input type="checkbox"/> |
| E | Reduction in cultural identity | <input type="checkbox"/> |

- (j) The table below shows financial information for a business.

	£000s
Initial investment	60
Average gross profit	9
Expenses	6
Average net profit	3

Which **one** of the following shows the average rate of return (ARR) for the business?

[1]

Tick (✓) **one** box only.

- | | | |
|---|-----------|--------------------------|
| A | 20 years | <input type="checkbox"/> |
| B | 10 years | <input type="checkbox"/> |
| C | 6.7 years | <input type="checkbox"/> |
| D | 3 years | <input type="checkbox"/> |

SECTION B

Answer **all** questions.

2. Study **Scenario 1** which gives information on a business.

Examiner
only

Scenario 1

Dogs to Love is a small, registered charity. Its mission is to rescue and find homes for stray dogs, and to educate the public about responsible pet ownership. Its staff and volunteers visit schools and organisations to give talks and distribute educational and promotional materials.

Dogs to Love wants to rationalise the business to help it to compete with other charitable organisations such as Dog's Trust and Greyhound Rescue Wales.

Dogs to Love relies on money donated by the public, and profits from sales of dog treats and toys from its online shop. It uses the surpluses generated to operate the business and care for the dogs that arrive at its centre. Its website and social media platforms help raise funds by encouraging donations and sponsorship of dogs. This money ensures that the business can pay its staff, purchase dog food, and that every dog has bedding and toys to keep them happy and healthy.

Dogs to Love wants to carry out ratio analysis as it has some concerns about its financial performance.

Figure 1 shows an extract from the statement of financial position for the last year.

Figure 1

	£
Current assets	
Inventory (Stock)	1 200
Cash	1 800
Total current assets	3 000
Current liabilities	
Trade creditors	500
Bank overdrafts and loans	1 500
Total current liabilities	2 000

The latest performance review has also found that the brand image and reputation of the charity has declined. The staff and volunteers believe that this is because they are struggling to cope with the demands of running the charity and they think that outsourcing some functions may help.

- (a) State the meaning of the term 'rationalisation'. [1]

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- (b) Dogs to Love aims to generate surpluses to allow it to operate the charity. [2]

Give **two** other aims of a not-for-profit business.

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- (c) State the purpose of a statement of financial position. [1]

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- (d) Using the information in **Figure 1**, calculate the acid test ratio for Dogs to Love. [3]

Show your workings.

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- (e) With reference to liquidity ratios, explain the liquidity position of Dogs to Love. [4]

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Examiner
only

- (f) Dogs to Love is concerned that its brand image and reputation has declined. [2]

Examiner
only

Name **two** other non-financial measures that a business can use to measure its performance.

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- (g) Explain the advantages and disadvantages of outsourcing to Dogs to Love. [9]

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3. Study **Scenario 2** which gives information on a business.

Scenario 2

Best Look Fashion (BLF) is a national retailer that sells clothing at budget prices. The business buys clothes in bulk into its warehouse and then sells these goods from its high street stores. It also offers an in-store clothing repairs and alteration service which includes shortening trousers, hemming dresses, adding zippers, and more.

Two years ago, BLF installed a new computer network across its stores. Last year it launched a website to allow customers to browse its goods online, although customers are unable to purchase goods online. These changes are part of its strategy for business growth through investing in technology and to fulfil its aims of increasing sales, profit, and its market share.

Unfortunately, recent trading figures show that sales revenue and profits have fallen. Customers are not buying as much or using the alteration service as predicted in its sales forecasts. Website traffic has slowed and does not seem to be increasing trade.

The sale force team were asked their opinions for improvement. The team identified that customers felt they would purchase more often if they had the convenience of shopping from home.

The following is an extract to show the budget report for BLF's stores for 2022 and its forecast budget for 2023.

	Forecast budget 2022 £000s	Actual budget 2022 £000s	Forecast budget 2023 £000s
Income			
Total sales across all channels	100	90	125
Alteration service	12	10	15
Expenditure			
Rent and business rates	38	38	38
Staffing costs	55	57	55
Administration and other costs	19	19	40

To encourage more sales, the team proposes:

- a new website that allows e-commerce and a possible introduction of m-commerce
- installing terminals at the checkouts in the retail stores, to allow retail staff to place customer orders online for goods that are not in stock in store to be delivered to customers in their homes.

The proposal to further increase the use of technology was not well received by senior managers or employees. Issues were raised regarding revenue and expenditure, and a senior manager reminded them of the challenges that had to be addressed when staff in the stores struggled with the changes to the new computer network. Some staff raised concerns about the implications of a possible move away from high street trading, and a reliance on even more technological developments.

- (a) State the meaning of the term 'market share'. [1]

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- (b) Describe the qualitative sales forecasting method used by Best Look Fashion (BLF). [3]

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- (c) Give **three** reasons why there may be a variance between the actual and forecast sales of a business. [3]

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- (d) Identify **two** advantages to a retailer of using m-commerce. [2]

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SECTION C

Study **Scenario 3** and answer **either** question 4 **OR** question 5.

Scenario 3

Examiner
only

American fast-food chain Wendy's is the third largest burger chain in the world, with McDonald's at number one and Burger King at number two. Best known for its square burgers and its breakfasts, Wendy's has nearly 7 000 outlets, most of which are franchised, across thirty countries. Wendy's had been present in Europe, but in the 1990s decided to withdraw from the European market.

Wendy's entered and left the UK market twice in the last thirty years, but in 2021 Wendy's relaunched in the UK and has plans to launch in France, Germany and Spain. It announced:

"The UK will be our key to European expansion. We believe it is a growing market and it has lots of great growth ahead of it. Great American brands have been successful. Burger brands have been unbelievably successful in the UK."

When Wendy's UK sites opened, it was pleased that the revenues of £40 000 a week were far more than expected. This was due to the popularity of the range of food and because customers can choose to use an app to click and collect, order at kiosks in store, make purchases at a traditional counter or use a drive-thru window. Whilst much of the menu at Wendy's UK sites is the same as in the US, there are more vegetarian options and salads to cater for UK tastes.

Wendy's plans to continue to grow its presence across the UK. It offers multi-unit franchise opportunities only to businesses who can open a number of sites in an area for a minimum investment of £3 000 000. In return for a 20-year franchise agreement it charges a monthly royalty fee of 4% of sales. A one-time development fee is also charged for each franchise unit opened, with the process usually taking 9-12 months. The average revenue generated from similar burger franchises is approximately £1 500 000 annually.

Wendy's looks for the following in its franchisees:

- passion for food and the catering industry
- proven experience of operating a restaurant/café
- expertise in the local environment
- financial strength
- shared culture and values.

As part of its franchise package, Wendy's has an operations team who visit restaurants and a restaurant support centre.

Wendy's is proud to state that it maintains a comprehensive code of business conduct and ethics. It states that it tries to "deliver more with less environmental impact" and the company reported its operational data on climate, deforestation, and water security for the first time in 2021.

- The owners of an established limited company are considering a multi-unit franchise with Wendy's. The owners have knowledge of the fast-food industry and access to the amount of finance required but have some concerns as to whether this would be the right investment. They need to see a return on their investment within 5 years.

[20]

Examiner
only

Discuss the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee.

[illegible]

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Examiner
only

- Discuss the opportunities and challenges Wendy's may face as part of its expansion plan of return to the UK and Europe.

[20]

Examiner
only

[illegible]

Examiner
only

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END OF PAPER

MARK SCHEME

Guidance for examiners

Generic marking principles

- Marks awarded are always whole marks (not half marks, or other fractions)
- Answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous
- Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen)
- Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Positive marking

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme.

For questions that are objective or points-based, the mark scheme should be applied precisely. Marks should be awarded as indicated and no further subdivision made.

Mark schemes often list points which may be included in candidates' answers. The list is not exhaustive. The inclusion of '*Credit any other valid response*' (or similar instruction) within mark schemes allows for the possible variation in candidates' responses. Credit should be given according to the accuracy and relevance of candidates' answers.

Appropriate terminology is reflected in exemplar responses in mark schemes. However, unless there is a specific requirement within a question, candidates may be awarded marks where the answer is accurate but expressed in their own words.

Banded mark schemes

For band marked questions mark schemes are in two parts; the indicative content and the assessment grid.

The indicative content suggests the range of points and issues which may be included in candidates' answers. It can be used to assess the quality of the candidate's response. As noted above, indicative content is not intended to be exhaustive, and candidates do not have to include all the indicative content to reach the highest level of the mark scheme.

However, to reach the highest level of the mark scheme a candidate must meet the requirements of the highest mark band. Where a response is not creditworthy, that is, it contains nothing of any significance to the mark scheme, or where no response has been provided, no marks should be awarded.

The marking of banded mark questions should always be positive. This means that, for each candidate's response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.

Examiners should first read and annotate the candidate's answer to pick out the evidence that is being assessed in that question. The mark scheme can then be applied. This is done as a two-stage process.

Stage 1 – Deciding on the band

Beginning at the lowest band, examiners should look at the candidate's answer and check whether it matches the descriptors for that band. If the descriptors at the lowest band are satisfied, examiners should move up to the next band and repeat this process for each band until the descriptors match the answer.

If an answer covers different aspects of different bands within the mark scheme, a 'best fit' approach should be adopted to decide on the band and then the candidate's response should be used to decide on the mark within the band. For instance, if a response is mainly in band 2 but with a limited amount of band 3 content, the answer would be placed in band 2, but the mark awarded would be close to the top of band 2 as a result of the band 3 content.

Examiners should not seek to mark candidates down as a result of small omissions in minor areas of an answer.

Stage 2 – Deciding on the mark

During standardising (the marking conference), detailed advice from the Principal Examiner on the qualities of each mark band will be given. Examiners will then receive examples of answers in each mark band that have been awarded a mark by the Principal Examiner. Examiners should mark the examples and compare their marks with those of the Principal Examiner.

When marking, examiners can use these examples to decide whether a candidate's response is of a superior, inferior or comparable standard to the example. Examiners are reminded of the need to revisit the answer as they apply the mark scheme, in order to confirm that the band and the mark allocated is appropriate to the response provided.

SECTION A

Question	Answer	AO1	AO2	AO3	Total Mark
1. (a)	Which one of the following contains two factors that are external to a business?				
6.1	D	1			1

Question	Answer	AO1	AO2	AO3	Total Mark
1. (b)	Which one of the following is used when sales forecasting?				
3.2	B	1			1

Question	Answer	AO1	AO2	AO3	Total Mark
1. (c)	Which one of the following shows the amount of fixed assets owned by the farming business?				
7.1	B		1		1

Question	Answer	AO1	AO2	AO3	Total Mark
1. (d)	Which two of the following are political factors which impact on businesses?				
10.5	B and E	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
1. (e)	Which two of the following are benefits to a business of taking an environmental, social and governance (ESG) approach?				
9.4	A and C	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
1. (f)	Which two of the following are investment appraisal techniques?				
8.1	A and E	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
1. (g)	Which one of the following shows the gearing ratio (%) for the business?				
7.3	C		1		1

Question	Answer	AO1	AO2	AO3	Total Mark
1. (h)	Which two of the following are examples of external economies of scale?				
5.2	D and E	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
1. (i)	Which two of the following are positive impacts of multinational companies on stakeholders in the host countries in which they operate?				
11.3	C and D	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
1. (j)	Which one of the following shows the average rate of return (ARR) for the business?				
8.1	A		1		1

SECTION B

Question	Answer	AO1	AO2	AO3	Total Mark
2. (a)	State the meaning of the term 'rationalisation'.				
1.7	<p>Award 1 mark for a valid definition.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • rationalisation is the reorganisation of a business in order to increase its productivity/efficiency • rationalisation is refocusing the business on better performing aspects of the business such as reducing product range to only include better performing products. <p>Credit any other valid response.</p>	1			1

Question	Answer	AO1	AO2	AO3	Total Mark
2. (b)	<p>Dogs to Love aims to generate surpluses to allow it to operate the charity.</p> <p>Give two other aims of a not-for-profit business.</p>				
1.1	<p>Award 1 mark for each valid aim.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • investing in environmental initiatives • investing in cultural initiatives • investing in social initiatives • donating to others • philanthropy. <p>Credit any other valid response.</p>	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
2. (c)	State the purpose of a statement of financial position.				
7.1	<p>Award 1 mark for a valid purpose.</p> <p>Indicative content</p> <ul style="list-style-type: none"> a statement of financial position provides a snapshot of the financial situation/value of a business at a moment in time a statement of financial position assesses the position of a business in terms of financial stability and potential risk a statement of financial position presents information about the assets, liabilities, and equity of a business on a particular date. <p>Credit any other valid response.</p>	1			1

Question	Answer	AO1	AO2	AO3	Total Mark
2. (d)	Using the information in Figure 1 , calculate the acid test ratio for Dogs to Love. Show your workings.				
7.2	<p>Award 1 mark for the correct formula</p> <ul style="list-style-type: none"> acid test ratio (current assets – inventory/stock) ÷ current liabilities (1) <p>Award 1 mark for each of the correct stages</p> <ul style="list-style-type: none"> (3 000 – 1 200) / 2 000 (1) or 1 800 / 2 000 acid test ratio = 0.9:1 (1) <p>Award 3 marks for the correct answer without workings.</p>	1	2		3

Question	Answer	AO1	AO2	AO3	Total Mark
2. (e)	With reference to liquidity ratios, explain the liquidity position of Dogs to Love.				
7.4	<p>Award 1 mark for a limited response, such as:</p> <ul style="list-style-type: none"> Dogs to Love has a liquidity problem. <p>Award 2 marks for a basic response, such as:</p> <ul style="list-style-type: none"> Dogs to Love has a liquidity problem because it doesn't have enough liquid capital to cover its liabilities <p>Award 3 marks for a good response, such as:</p> <ul style="list-style-type: none"> Dogs to Love has a liquidity problem because although the current ratio shows it can pay off its current liabilities, the acid test ratio is 0.9:1, which means it doesn't have enough liquid capital to cover its liabilities <p>Award 4 marks for an excellent response, such as:</p> <ul style="list-style-type: none"> Dogs to Love has a liquidity problem. Calculating the current ratio from Figure 1 shows that Dogs to Love can pay off its current liabilities 1.5 times but the acid test ratio is only 0.9:1. This ratio is more important than the current ratio as it excludes the inventory held by the business as it cannot be immediately converted into cash. An acid test ratio of less than 1 shows that Dogs to Love does not have enough liquid assets to cover its immediate liabilities of trade payables and bank overdrafts and loans. <p>OFR applies.</p> <p>Credit any other valid response.</p>		4		4

Question	Answer	AO1	AO2	AO3	Total Mark
2. (f)	Dogs to Love is concerned that its brand image and reputation has declined. Name two other non-financial measures that a business can use to measure its performance.				
7.4	<p>Award 1 mark for each valid answer.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • market share • customer satisfaction • customer loyalty • employee satisfaction • employee motivation • innovation • product quality • social impact • ethical impact • environmental impact. <p>Credit any other valid response.</p>	2			2

Question	Answer
2. (g) 1.6	Explain the advantages and disadvantages of outsourcing to Dogs to Love.
Indicative content	
<p>Advantages</p> <ul style="list-style-type: none"> • Outsourcing could be used to help relieve the demands on staff and volunteers of running the charity which may help stop the decline of the brand image and reputation of the charity • Outsourcing would mean that third-party businesses could be employed to take care of some of the many different business functions. Dogs to Love could look at which functions they lack experience and skills in and outsource these to another business • The third-party business would be able to perform the tasks to a higher standard as they will have people who have these specific skills. This should result in a higher level of performance and could result in increasing its surplus. <p>Disadvantages</p> <ul style="list-style-type: none"> • Outsourcing would incur new costs, and as Dogs to Love is a charity it is reliant on donations and sponsorship to run the business and care for the dogs. Paying a third party to carry out some functions may mean the charity has less money to fulfil its mission to rescue and find homes for stray dogs, and to educate the public about responsible pet ownership • Donors and supporters may disagree with using charitable funds to pay an outside agency as they want as much money as possible to be directed towards the actual cause. If the charity loses its loyal donors and supporters to competitors such as Dogs Trust and Greyhounds Rescue Wales, it may struggle to survive as it has no other source of income • Outsourcing may require a long-term commitment but Dogs to Love has no guaranteed source of income to pay for this. It may therefore be difficult to find a suitable outside agency willing to offer shorter contracts. In addition, the third party may not understand the mission and aims of the charity. This could mean that the standard and quality of the work may suffer which bring down the performance and/or reputation of Dogs to Love rather than stop the decline. <p>Credit any other valid response.</p>	

Band	AO2
4	<p style="text-align: center;">8-9 marks</p> <p>An excellent response which demonstrates:</p> <ul style="list-style-type: none"> • detailed and thorough knowledge and understanding of outsourcing to Dogs to Love • a developed and well-balanced explanation of the advantages and disadvantages of outsourcing to Dogs to Love • at least two advantages and two disadvantages are fully explained • insightful and accurate interpretation of the data and context that is consistently applied.
3	<p style="text-align: center;">5-7 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> • thorough knowledge and understanding of outsourcing to Dogs to Love • a developed explanation of the advantages and disadvantages of outsourcing to Dogs to Love • at least two advantages and two disadvantages are explained • clear and accurate interpretation of the data and context.
2	<p style="text-align: center;">3-4 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> • knowledge and understanding of the advantage(s) and disadvantage(s) of outsourcing to Dogs to Love • an explanation of the advantages and disadvantages of outsourcing to Dogs to Love • at least one advantage and one disadvantage are explained • interpretation of the data and context that is generally accurate.
1	<p style="text-align: center;">1-2 marks</p> <p>A limited response which demonstrates:</p> <ul style="list-style-type: none"> • knowledge of the advantage(s) and/or disadvantage(s) of outsourcing to Dogs to Love • a limited explanation of the advantage(s) and/or disadvantage(s) of outsourcing to Dogs to Love • at least one advantage or one disadvantage or two advantages or two disadvantages are explained briefly • interpretation of the data and context is limited and may be inaccurate or generic.
0	<p style="text-align: center;">0 marks</p> <p style="text-align: center;">Response not attempted or not creditworthy</p>

Question	Answer	AO1	AO2	AO3	Total Mark
3. (a)	State the meaning of the term 'market share'.				
7.4	<p>Award 1 mark for a correct definition.</p> <p>Indicative content</p> <ul style="list-style-type: none"> the share of the total market that is owned by a business/brand. <p>Credit any other valid response.</p>	1			1

Question	Answer	AO1	AO2	AO3	Total Mark
3. (b)	Describe the qualitative sales forecasting method used by Best Look Fashion (BLF).				
1.8	<p>Award 1 mark for the identification of the method.</p> <p>Sales force opinions</p> <p>Award 1 mark for each valid description of sales force opinions</p> <p>Indicative content</p> <ul style="list-style-type: none"> a business uses the knowledge/expertise of its sales staff salespeople are continually interacting with customers, so they are able to make valid predictions an overview of different geographical areas or products can be put together to give a holistic view <p>Credit any other valid response.</p>	3			3

Question	Answer	AO1	AO2	AO3	Total Mark
3. (c)	Give three reasons why there may be a variance between the actual and forecast sales of a business.				
3.3	<p>Award 1 mark for each valid answer.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • growth/decline in the market • changes in the economic environment • advances in technology • changes in product portfolio • competitor activity • level of promotional activity • human and physical resources available. <p>Credit any other valid response.</p>	3			3

Question	Answer	AO1	AO2	AO3	Total Mark
3. (d)	Identify two advantages to a retailer of using m-commerce.				
10.6	<p>Award 1 mark for each valid identification of an advantage.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • increase in customers/ sales revenue • attract new customers • allows to target customers • improves communications between the business and its customers • allows for fast transactions <p>Credit any other valid response.</p>	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
3. (e)	State two different approaches to budgeting.				
2.1	Award 1 mark for each valid answer. <ul style="list-style-type: none"> historical budgeting zero budgeting flexible budgeting. 	2			2

Question	Answer	AO1	AO2	AO3	Total Mark
3. (f)	Explain how Best Look Fashion (BLF) is experiencing barriers to technological change.				
4.3	Award 1 mark for a basic explanation, for example: <ul style="list-style-type: none"> the proposal is not fully supported by employees or managers Award 2 marks for a developed explanation, for example: <ul style="list-style-type: none"> the proposal is not fully supported by employees because of concerns about the impact of online trading on existing stores/a possible move from high street trading to trading online the proposal is not supported by the workforce because they struggled with the previous changes to the computer network the proposal may suffer from leadership inertia/resistance to change because managers are unwilling to rely on the use of even more technology Credit any other valid response.		2		2

Question	Answer
3. (g) 2.2	Consider the possible impacts of the proposals on the actual revenue and expenditure budget figures for 2023.
Indicative content	
<p>Impacts on revenue:</p> <ul style="list-style-type: none"> • Total sales of clothing across all channels has an increased forecast revenue budget in 2023, possibly to meet sales targets although the actual figures in 2022 did not meet the forecast budget – there was a negative variance of £10 000. Although customers have stated a preference for shopping online this might not increase or stop the previous decline in sales as online buying may replace visits to the stores. If sales stay the same overall or decline further in 2023 this would result in a further negative variance. There is no guarantee that the proposal will increase revenue • The investigation showed that customers felt they would purchase more often if they had the convenience of shopping from home, introducing e-commerce and m-commerce could therefore increase revenue as this may be the preference of its customers, they may also attract new customers and customers not living near to a store • Installing terminals at the checkouts in the retail stores will also help to increase revenue as it allows those customers who prefer to shop instore order stock that is not available in the store. • Although the alteration service had a negative variance of £2 000 in 2022 as it did not achieve its forecast sales, it has an increased forecast revenue budget in proportion with the forecast increase in sales in 2023. Selling online may decrease rather than increases footfall in stores and so the revenue of the alteration service may decrease. Customers purchasing online may buy more than one size and send back rather than alter budget-priced clothing. This may result in a further drop in revenue and a further negative variance • Both the total sales of clothing and alteration services forecast budgeted revenue for 2023 has increased from 2022, although the trend is a decline in sales. Unless the online sales are in addition to existing sales, rather than customers simply buying through an alternative channel, BLF is unlikely to match the budgeted income amount • Introducing the two new proposals could have a huge impact on the revenue budgets, particularly the e-commerce proposal as that will greatly increase potential customers and if BLT get the website right, could potentially result in very large increases in revenue. <p>Impacts on expenditure:</p> <ul style="list-style-type: none"> • Rents and rates budget has the same £38 000 budget across both years as the physical locations of BLF are not changing. However, this amount may be reduced in future if BLF decides to close some branches and concentrate more on online sales • Staffing costs are budgeted the same as in 2022 at £55 000. Unless existing staff are relocated from the stores to the warehouse to deal with the online orders e.g. to pick and send out online purchases and to sort unsuitable items that are returned for resale, more staff may be needed. This may result in increased expenditure and a negative variance in 2023 • Administration and other costs are budgeted the same at £19 000 across both years, but these costs increase to £40 000 as BLF will have to pay more to maintain/update an interactive website rather than the current website that allows browsing only. There is also likely to be an increase in the volume of card payments and so an increase in card payment charges. This may result in increased expenditure and a negative variance. This could be even more if BLF decide to go ahead with introducing m-commerce • Packaging, posting and delivery/return costs are likely to be significant for online sales but are not currently budgeted for elsewhere. If these are included as 'other costs' this budget may have a negative variance 	

- Introducing the two new proposals will impact on the expenditure budgets, most likely increasing them quite substantially, but this will probably result in increasing the revenue so although expenditure will increase it will in the long term benefit the business as it will attract more customers and result in higher sales and profit.

Credit any other valid response.

Band	AO2	AO3
3	<p>5 marks</p> <p>A very good response which demonstrates:</p> <ul style="list-style-type: none"> thorough knowledge and understanding of the possible impacts of both proposals on the actual revenue and expenditure budget figures for 2023 a developed explanation of the possible impacts of both proposals on the actual revenue and expenditure budget figures for 2023 key points are fully explained clear and accurate interpretation of the data and context. 	<p>5 marks</p> <p>A very good response which demonstrates:</p> <ul style="list-style-type: none"> developed evaluation of the possible impacts of both proposals on the actual revenue and expenditure budget figures for 2023 balanced evaluation of the possible impacts of both proposals on the actual revenue and expenditure budget figures for 2023 well-reasoned evaluation relevant links between the evaluation and the data.
2	<p>3-4 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> knowledge and understanding of the possible impacts of the proposals on the actual revenue and expenditure budget figures for 2023 a clear explanation of the possible impacts of the proposals on the actual revenue and expenditure budget figures for 2023 or A developed explanation of the possible impacts of one proposal on the actual revenue and/or expenditure budget figures for 2023 key points are explained interpretation of the data and context that is generally accurate. 	<p>3-4 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> evaluation of the possible impacts of both proposals on the actual revenue and expenditure budget figures for 2023 evaluation may be unbalanced focusing on the possible impacts of one proposal on the actual revenue and expenditure budget figures for 2023 or focusing on the possible impacts of both proposals on the actual revenue or expenditure budget figures for 2023 reasoned evaluation links between the evaluation and the data.

1	<p style="text-align: center;">1-2 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> • knowledge of the possible impacts of the proposals on the actual revenue and expenditure budget figures for 2023 • a limited explanation of the possible impacts of the proposals on the actual revenue and expenditure budget figures for 2023 • at least one point is explained • interpretation of the data and context is limited and may be inaccurate or generic. 	<p style="text-align: center;">1-2 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> • minimal evaluation of the possible impact(s) of at least one proposal on the actual revenue and/or expenditure budget figures for 2023 • brief/unsupported evaluation of the possible impact(s) of at least one proposal on the actual revenue and/or expenditure budget figures for 2023 • superficial evaluation • generic evaluation not linked to the data.
0	<p style="text-align: center;">0 marks</p> <p style="text-align: center;">Response not attempted or not creditworthy</p>	

SECTION C

Question	Answer
4 1.3	<p>The owners of an established limited company are considering a multi-unit franchise with Wendy's. The owners have knowledge of the fast-food industry and access to the amount of finance required but have some concerns as to whether this would be the right investment. They need to see a return on their investment within 5 years.</p> <p>Discuss the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee.</p>

Indicative content

AO2 and AO3

- The franchise may be a good investment as Wendy's has been trading for over 50 years and has almost 7 000 sites across 30 countries. This proves the ability of the brand to attract and retain customers. It has a proven record as a franchisor as most of its sites are already franchised which reduces some of the risk of investment
- The payback period for similar franchises is 2 years and as the Wendy's restaurants that have recently opened have revenues of £40 000 (which would be in excess of £2 000 000 a year and more than the £1 500 000 estimated) this figure could be a realistic forecast
- The franchisees may see a faster return on their investment as the company is the third largest in the world meaning that it already has a strong brand name and an established customer base in other countries
- Wendy's are actively looking for new opportunities while it is still in the initial stages of expanding its reach. It has a vested interest in being successful in the UK as it would lead to greater market share and profits, and it may enable it to invest these into the expansion into other European countries that it is aiming for. Franchising provides positive organic growth for Wendy's and so it would want to support its franchise restaurant ventures to ensure their long-term success
- Wendy's will offer training and support services to franchises which will help the owners be successful
- Wendy's offer convenience and so suits those who do not have the time to cook due to busy lifestyles or those who do not have the inclination to cook meals such as students. Although the goods it sells may not all be healthy, not all consumers will care about healthy food, and even health-conscious consumers may purchase fast food occasionally. This should provide a steady revenue stream and help with making a return on their investment
- Wendy's has revamped its menu to suit UK customers and offers vegetarian and salad options. This could increase its target market and the revenue streams for the franchisees.
- As more consumers become concerned about sustainability, they are paying more attention to companies' policies on sustainability and its supply chain. Wendy's states that it maintains a comprehensive code of business conduct and ethics and tries to reduce its environmental impact which could help to attract and retain customers. This approach to ethics and the environment may also personally appeal to the owners of the limited company
- The minimum investment is £3 000 000, and the prospective franchisees need to consider how long (in years) it will take them to recover this initial cost, taking into consideration that there will be no return on this investment until the franchise opens which will take 9-12 months.

- Although the prospective franchisees have the appropriate finances this may be a great deal of money to invest in what is almost a new business. Wendy's has entered and abandoned the UK market twice in the last thirty years and only returned to trading here in 2021 which is a very short period. The prospective franchisees will need to weigh up the risks and returns but as these restaurants will all be in new sites, accurate projection of annual sales may be difficult making it difficult to calculate the return on investment. It may be too early for accurate trading figures or to look at the success rate of these new sites
- The prospective franchisees will need to consider other costs. Wendy's is offsetting some of the building and set-up costs of the restaurants in the UK by requiring franchisees to pay a one-time development fee that is charged for each franchise unit opened. On top of the amount this the franchisees will need enough money to cover operating costs or there could be cash flow problems. On top of the royalty fees paid to Wendy's the sites will incur charges for energy and labour which will further decrease net profits which impacts on the ARR. Inflation will impact on the business as ingredient and labour costs grow. An additional cash flow implication is the capital cost to maintain the business over 20 years e.g., remodelling the site or paying for anything needed to keep it in good order
- The owners will have to meet Wendy's resources, skills and experience requirements, if they do not then they will be unable to start the franchise
- A decline in the UK economy could mean there is risk and uncertainty as consumers may consider Wendy's fast foods to be a luxury rather than a necessity leading to poor sales. In addition, the popularity of American brands and burgers means that there are many of the same type of restaurants all competing for the same custom
- The rise of health consumerism means that some customers are seeking not only vegetarian but vegan plant-based alternatives to burgers. Unless Wendy's reconsiders its menu, the prospective franchisees may not make maximise profits as consumers may buy from competitors who already offer these products.

Credit any other valid response.

Band	AO2	AO3
4		<p>13-15 marks</p> <p>An excellent response which demonstrates:</p> <ul style="list-style-type: none"> • perceptive and insightful discussion of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee • balanced and well-developed evaluation of the owners of the limited company becoming a Wendy's franchisee • a well-reasoned evaluation • consistent links between the evaluation and the data.

<p>3</p>	<p style="text-align: center;">5 marks</p> <p>A very good response which demonstrates:</p> <ul style="list-style-type: none"> thorough knowledge and understanding of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee a developed explanation of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee at least two advantages and two disadvantages are fully explained clear and accurate interpretation of the data and context. 	<p style="text-align: center;">9-12 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> developed discussion of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee balanced evaluation of the owners of the limited company becoming a Wendy's franchisee reasoned evaluation relevant links between the evaluation and the data.
<p>2</p>	<p style="text-align: center;">3-4 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> knowledge and understanding of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee a clear explanation of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee at least two advantages and one disadvantage or two disadvantages and one advantage are explained interpretation of the data and context that is generally accurate. 	<p style="text-align: center;">5-8 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> some discussion of the advantages and disadvantages to the owners of the limited company of becoming a Wendy's franchisee there is evaluation of the owners of the limited company becoming a Wendy's franchisee but may be uneven evaluation shows some reasoning some links between the evaluation and the data or developed discussion of either the advantages or disadvantages to the owners of the limited company of becoming a Wendy's franchisee reasoned discussion of either the advantages and/or disadvantages to the owners of the limited company of becoming a Wendy's franchisee relevant links between the evaluation and the data.

<p>1</p>	<p>1-2 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> • knowledge of the advantages and/or disadvantages to the owners of the limited company of becoming a Wendy's franchisee • a limited explanation of the advantages and/or disadvantages to the owners of the limited company of becoming a Wendy's franchisee • at least one advantage or one disadvantage is explained • interpretation of the data and context is limited and may be inaccurate or generic. 	<p>1-4 marks</p> <p>A limited response which demonstrates:</p> <ul style="list-style-type: none"> • minimal evaluation of the owners of the limited company becoming a Wendy's franchisee • brief/unsupported discussion of the advantage(s) and/or disadvantage(s) to the owners of the limited company of becoming a Wendy's franchisee • superficial evaluation • generic evaluation not linked to the data.
<p>0</p>	<p>No response attempted or nothing worthy of credit.</p>	

Question	Answer
5 11.2	Discuss the opportunities and challenges Wendy's may face as part of its expansion plan of return to the UK and Europe.
Indicative content	
AO2 and AO3	
<ul style="list-style-type: none"> Wendy's has been trading for over 50 years and has almost 7 000 sites across 30 countries. This proves the ability of the brand to attract and retain customers in different countries. It shows that it has been successful and has experience to draw on of operating outside of the US. Operating in European markets allows Wendy's the opportunity to grow whilst spreading the risk as it becomes less dependent on the success of any single country The majority of Wendy's units are franchises. Using franchise partners that put in a minimum investment of £3 000 000 may help Wendy's to finance some of its European expansion plans. It can also offset some of the building and set-up costs of the restaurants in the UK if it continues to ask franchisees to pay a one-time development fee for each franchise unit opened Wendy's has some previous experience in operating in Europe and its current operations in the UK are doing better than expected with some sites making £40 000 in revenue a week. This shows that it can take on opportunities even in a crowded market Wendy's has taken the opportunity to adapt its menu for different cultures. its UK menu offers vegetarian options and salads. This could help it compete with McDonalds, Burger King and others Wendy's is now operating in the UK and so has a ready supply chain for its company-operated and franchised sites. It may be able to use this to expand into the UK's European neighbours e.g. to France Wendy's has invested in technology by creating an app to allow click and collect and delivery orders. This may allow it to compete with other large European businesses or even give it a competitive advantage over smaller businesses As more consumers become concerned about sustainability, they are paying more attention to companies' policies on sustainability and its supply chain. Wendy's states that maintains a comprehensive code of business conduct and ethics and tries to reduce its environmental impact which could help to attract and retain customers. 	
<p>However:</p> <ul style="list-style-type: none"> Although the company has a strong brand name and an established customer base in other countries and is now trying to gain a foothold in the UK, it has not traded in Europe for over 20 years. It will continue to face strong competition from other established brands such as McDonalds and Burger King, as well as local burger chains. The company will need to weigh up the risks and returns before committing to building new restaurants in Europe The UK has suffered a decline in the economy in recent years, which is also true for parts of Europe. This could mean there is risk and uncertainty as consumers may consider Wendy's fast foods to be a luxury rather than a necessity leading to poor sales. This may make building restaurants in some countries/ areas unprofitable. Rising energy and labour charges across Europe may also decrease the net profits of the company. Rises in inflation will impact on the business as ingredient and other costs grow Although Wendy's can trade in English in the UK it would have to consider language differences in the rest of Europe. It would also have to consider the cultural differences and cater for local dining preferences and customs which incurs development and then training costs 	

- Wendy's is a corporation based in the US where business transactions are conducted using the US dollar. Trading in Europe will mean using different currencies such as the pound and the euro. Fluctuations in exchange rates could impact on profits
- Trading in Europe means that Wendy's will need to comply with regulations such as food safety, labelling and standards. The rules may also differ between the UK and Europe as the UK has left the EU
- Unless Wendy's can source all of its ingredients locally it may be affected by tariffs which can make imported goods expensive and impact profits.

Credit any other valid response.

Band	AO2	AO3
4		<p>13-15 marks</p> <p>An excellent response which demonstrates:</p> <ul style="list-style-type: none"> • perceptive and insightful discussion of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe • balanced and well-developed evaluation of Wendy's decision to operate in the UK and Europe • a well-reasoned evaluation • consistent links between the evaluation and the data.
3	<p>5 marks</p> <p>A very good response which demonstrates:</p> <ul style="list-style-type: none"> • thorough knowledge and understanding of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe • a developed explanation of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe • at least two opportunities and two challenges are fully explained • clear and accurate interpretation of the data and context. 	<p>9-12 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> • developed discussion of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe • balanced evaluation of Wendy's decision to operate in the UK and Europe • reasoned evaluation • relevant links between the evaluation and the data

2	<p style="text-align: center;">3-4 marks</p> <p>A good response which demonstrates:</p> <ul style="list-style-type: none"> knowledge and understanding of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe a clear explanation of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe at least two advantages and one disadvantage or two disadvantages and one advantage are explained interpretation of the data and context that is generally accurate. 	<p style="text-align: center;">5-8 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> some discussion of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe there is evaluation of Wendy's decision to operate in the UK and Europe but may be uneven evaluation shows some reasoning some links between the evaluation and the data <p>or</p> <ul style="list-style-type: none"> developed discussion of either the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe reasoned discussion of either opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe relevant links between the evaluation and the data.
1	<p style="text-align: center;">1-2 marks</p> <p>A basic response which demonstrates:</p> <ul style="list-style-type: none"> knowledge of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe a limited explanation of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe at least one opportunity or one challenge is explained interpretation of the data and context is limited and may be inaccurate or generic. 	<p style="text-align: center;">1-4 marks</p> <p>A limited response which demonstrates:</p> <ul style="list-style-type: none"> minimal evaluation of Wendy's decision to operate in the UK and Europe but may be uneven brief/unsupported discussion of the opportunity(s) and/or challenge(s) Wendy's may face as part of its return to the UK and Europe superficial evaluation generic evaluation not linked to the data.
0	No response attempted or nothing worthy of credit.	

		Areas of Content (AoC) (sections)											Marks			
Tasks		AoC 1	AoC 2	AoC 3	AoC 4	AoC 5	AoC 6	AoC 7	AoC 8	AoC 9	AoC 10	AoC 11	Total	AO1	AO2	AO3
1	a						2.6.1						1	1		
	b			2.3.2									1	1		
	c							2.7.1					1		1	
	d										2.10.5		2	2		
	e									2.9.4			2	2		
	f							2.8.1					2	2		
	g							2.7.3					1		1	
	h					2.5.2							2	2		
	i											2.11.3	2	2		
	j							2.8.1					1		1	
2	a	2.1.7											1	1		
	b	2.1.1											2	2		
	c							2.7.1					1	1		
	d							2.7.2					3	1	2	
	e							2.7.4					4		4	
	f							2.7.4					2	2		
	g	2.1.6											9		9	
3	a							2.7.4					1	1		
	b	2.1.8											3	3		
	c			2.3.3									3	3		
	d										2.10.6		2	2		
	e		2.2.1										2	2		
	f				2.4.3								2		2	
	g		2.2.2										10		5	5
4 (opt.)		2.1.3											20		5	15
5 (opt.)												2.11.2	20		5	15
													80	30	30	20