

Exemplars for delegates

New to Edexcel

GCSE Business (9–1) Face to Face

18BAB03

'Justify' questions: Exemplar 1

Neil and Sue are considering two options to reduce the amount they need to sell to break even.

Option 1: Increasing average prices by 10%

Option 2: Reducing the cost of ingredients by using a cheaper supplier

(d) Justify which **one** of these two options Neil and Sue should choose.

(9)

I believe that Neil and Sue should increase average prices by 10%. A reason why I believe this is that Meringue produce high-quality bread and pastries. As a result of the products being high-quality it means that they will be able to get away with increasing the average price by 10%. This would lead to increase in receipts as ^{Total} costs stay the same.

Another reason is that by increasing average prices by 10% the business will be able to break even sooner. This is because fixed costs will be paid off quicker. As a result Meringue will make profit easier. Therefore the business will be able to invest in other aspects of the business like the website they are currently redesigning.

In conclusion, Meringue needs to avoid anything that will impact on the quality of its products. As Meringue operates in a competitive market with other cafes, cheaper ingredients will damage its reputation, therefore this is a reason why option 1 is the only realistic way for Meringue to reduce the amount they need to sell to break even.

(Total for Question 6 = 12 marks)

'Justify' questions: Exemplar 2

Neil and Sue should choose option 1, one advantage of increasing the average price by 10% is that they will earn more profit. As a result they will then break even more quickly as more revenue is coming into the business from the sales of bread and cakes. This would lead to Neil and Sue gaining profit from the business more quickly.

One disadvantage of option 2 is the quality won't be as high as before. As a result the customers may not be happy with the quality of the product being reduced. This could lead to Sue and Neil losing customers and then going to a business that sells better quality products.

In conclusion I think they should increase their prices because they will earn more money and the customers will understand as the quality has not changed. This is important in the competitive cake market they operate in.

'Justify' questions: Exemplar 3

Fender is considering two options to increase its profitability:

Option 1: Increase advertising

Option 2: Increase prices

(c) Justify which **one** of these options Fender should choose.

(9)

Fender should increase its advertising ~~because~~ to increase its profitability because with advertising comes more awareness from consumers which is important for a guitar company because many people are buying guitars for the first time throughout their life, so if Fender is the most known brand more people are likely to buy one as the first guitar. This will encourage consumer loyalty and therefore repeat purchase.

Also, Fenders prices are already high against Gibson, so their competitors have a competitive advantage over price, so Fender need to make consumers aware of their competitive advantage through quality. This would happen through advertising. This will increase desirability for Fenders guitars, so more people will purchase their products, with increase sales comes increased profitability which will make up for advertising costs.

(Total for Question 6 = 12 marks)

'Evaluate' questions: Exemplar 1

One reason in which her business ^{idea} won't work is that competitors such as 'Vitality' and 'Bootcamp' are cheaper than Sally and they are already set up meaning that they are likely to have the customers in the local area. As a result I believe that Sally will have to spend money on advertising as the customers won't likely to know about her business. This leads increased total costs which means that Sally will have to have a lot of income to turn over any profit.

However, on the other hand a reason in which her business may work is that Sally is able to work flexibly in a 10 mile radius. As a result this could be convenient to the customers as they may not be able to get to Sally. This leads to customer satisfaction as Sally can work flexibly resulting in repeat customers coming back to Sally also due to the fact that she works flexibly it is added value so her customers may be prepared to pay £25 a session which is ~~cheaper~~ more expensive than the personal trainers in the local area.

In conclusion, I feel that Sally's business idea won't work as I believe this is too much competition in the local area and due to the fact

that Sally is wanting to charge £25 per session which is more expensive than competitors Vitality and bootcamp I don't think that customers will pay that kind of price.

'Evaluate' questions: Exemplar 2

One ~~very~~ positive of Sally's business is that she offers a unique twist by allowing customers to evaluate themselves. This leads to customers feeling more involved with their sickness. As a result, customer satisfaction increases.

One disadvantage of Sally's business is that she's setting up in a time where people's incomes could fall. This could lead to lower sales due to low disposable income. As a result, Sally's profits could fall.

Another positive of Sally's business is that there is little competition in the area. This leads to less customers going to rival businesses. As a result, Sally's profits could be stable.

Another disadvantage of the business is that ~~the~~ Sally's prices are higher than her competitors. This could lead to her losing customers. As a result, her profits could fall.