

GCSE Business Studies Exam Skills Booklet



Explain Questions

These questions are always worth 3 marks and appear solely in Section A on both papers. They are designed to test **knowledge in isolation (A01a)** and **understanding (A01b)**.

There will always be six 'Explain' questions in each paper, meaning that 18 out of 90 marks on each paper come from this question style.

There are generally two types of 'Explain' questions. The first is more straight forward and will ask you to 'Explain one impact/benefit/drawback.....', these tend to be more accessible and straightforward to answer. The other will ask you to 'Explain one method/way'.

To answer an 'Explain' question you must provide **two linked strands of development** that logically follow on from the identification of **one impact/method/benefit/drawback** etc.

Explain one benefit to an entrepreneur in setting up as a franchisee. [3]

Example 1

P One benefit is that the entrepreneur is licensed to sell a tried and tested business idea. Therefore they will find it easier to attract customers^{dev1} leading to a larger market share than if they were independent^{dev2}

This response scores 3/3. There is a valid benefit in setting up as a franchisee (they are licensed to sell a tried and tested business idea), which is supported by two logically developed linked strands. Notice the good use of connectives, 'therefore' and 'leading to' to help develop the original point.

Example 2

One benefit is that the entrepreneur is licensed to sell a tried and tested business idea. Another advantage is that the franchisee will receive training from the franchisor. Another benefit is that the franchisor will undertake advertising.

This response can only score 1 mark. Although the candidate has supplied three different benefits, none of them are developed. So, the maximum they can score is 1 mark.

Example 3

One benefit is that the entrepreneur will have access to already established products, therefore customers are more likely to purchase the products. Also, the entrepreneur will receive training from the franchisor.

This response score 2 out of 3. The candidate provides two separate benefits (access to established products and receives training), but only one of them is developed, and even then, there is only 1 linked strand of development. You can only receive marks for one point, so if you make more than one, the one that is worth the most marks will be awarded. In this case the first benefit has one linked strand of development, hence the 2 marks.

The 'BLT' Approach

One approach to answering these 'Explain' questions is to use the '**BLT**' approach. This approach provides a framework to help you structure your responses to these questions. The BLT represents three connectives that you can use when constructing a response, to ensure you are developing the point that you make.

B – '**because**

L – '**leading to**

T – '**therefore**

Let's look at an example:

Explain one drawback to a small business of using an overdraft

[3]

P One drawback is that it can be an expensive source of finance. This is because the bank will charge a high interest rate on the amount overdrawn, ^{dev¹} leading to increased fixed costs, ^{dev²} therefore making it harder to reach breakeven ^{dev³}

This response scores full marks. There is a valid drawback (that it's expensive).

You can see from the response above, that this student explains why it is expensive by using the '**because**' connective. They then provide a second linked strand by saying what that '**leads**' to (increased fixed costs). At this point the three marks have been achieved, but there is a further linked strand as the student has said what the consequence of increased fixed costs will be, by using the '**therefore**' connective. It is sometimes wise to provide an extra linked strand in case one of them is incorrect or simply a repeat of the question.

Explain one benefit to a small business of carrying out market research. [3]

P One benefit is that the business will know how to meet customer needs. This is because they will have found out their target market's opinions through carrying out a survey, leading to the business adapting their product to better meet those needs, therefore producing a more appealing product.

Once again, this scores full marks:

- Valid benefit given (know how to meet customer needs).
- Use of 'because' helps explain how market research helps them to meet customer needs.
- A second linked strand is given using 'leading to', as the student explains it leads to the business adapting their product.
- The consequence of this is given using 'therefore' (a third linked strand).

Exam Hint!!

Although this structure won't work on every question, you can use it to help form paragraphs to the following questions:

- Discuss question (3e)
- Analyse questions (4a/5c)
- Discuss questions (6c/7d)
- Evaluation question (7e)

‘Explain the method..’ questions

These questions are slightly harder to answer as you can’t really go down the revenue/cost/profit route as this would be explaining the benefit/drawback, not an explanation of the method. Consider this question:

Explain one method a business may use to generate repeat purchase. [3]

In this question you must provide a valid method, then develop it by explaining why that method will lead to repeat purchase, not by explaining what the impact of repeat purchase is. Let’s look at a couple of examples.

Example 1

P One method a business may use to encourage repeat purchase is to lower the price. This will lead to increased sales which will lead to more revenue and may therefore increase the profits of the business, which the business could then reinvest in itself, as a result the business may be able to grow at a faster rate, leading to increased market share.

Although on the face of it, this looks like a very well-developed response, it only scores 1 mark in total. This is because although the student gives a valid method (lower the price) which they gain the mark for. They then go on to explain the benefit of lowering the price, not why lowering the price leads to repeat purchase.

Example 2

P A business could offer discounts to returning customers. This would make the product more affordable for customers, leading to them thinking they are getting a bargain, so are more likely to repeat purchase.

dev1

dev2

This is a much better response. There is a valid method given – offering discounts. The student then explains why offering discounts may lead to repeat purchase, firstly by it being ‘more affordable’, which is then further developed by the comment that customers ‘think they’re getting a bargain’. It is important to note that the last part of this response, ‘so are more likely to repeat purchase’ would not count as a linked strand because it simply repeats the question.

The next two examples are responses to this question: **Explain one method that a business could use to reduce its environmental impact. [3]**

Example 3

P One method a business could use is to buy more supplies from local suppliers, this will give the business a better reputation as they are using local firms. This will mean that customers are more likely to purchase from the business, which will lead to increased sales, leading to increased revenue, which may result in higher profits.

This only scores 1 mark for providing a valid method. The student goes on to explain the benefits of reducing environmental impact rather than why buying from local suppliers would reduce their environmental impact.

Example 4

P One method a business could use is to buy more supplies from local suppliers, this will reduce the business' carbon footprint, therefore reducing the business' impact on the environment.

This method scores two marks. The student has given a valid method by stating that they could buy more supplies from local suppliers. They then explain how this lowers environmental impact as it will 'reduce the business' carbon footprint'. Unfortunately, it cannot get 3 marks, because the second linked strand that the student has provided simply just repeats the question.

Over the next few pages are a list of practice Explain questions that cover the entire GCSE specification, unit by unit. Try practising these to not only hone your exam technique but to revise the topics you have been taught! Perhaps try some that you may find a little tricky in order to test yourself!

Practice Explain Questions

Unit 1.1

1. Explain one way in which an entrepreneur will come up with a new idea.
2. Explain one benefit to a business of understanding changes in what customers want.
3. Explain one risk that a business might face in setting up a business.
4. Explain one reward that an entrepreneur hopes to achieve from running a small business.
5. Explain one method that a small business can add value to its products.
6. Explain one benefit to a business of adding value.
7. Explain one reason why an entrepreneur will have to have strong leadership qualities.
8. Explain one reason why an entrepreneur needs to take risks.

Unit 1.2

1. Explain one way in which a small business can meet customer needs.
2. Explain one benefit to a small business of meeting customer needs.
3. Explain why convenience is an important factor for customers.
4. Explain the benefit to a small business of identifying a gap in the market.
5. Explain one way in which the business could carry out market research.
6. Explain one reason why the business would carry out market research.
7. Explain the benefit to a small business of conducting primary research.
8. Explain the drawback to a small business of conducting primary research.
9. Explain the benefit to a small business of conducting secondary research.
10. Explain the drawback to a small business of conducting secondary research.
11. Explain one impact on a small business of making decisions based on unreliable market research data.
12. Explain one way that a small business may use social media to help with research.
13. Explain one benefit to a small business of segmentation.
14. Explain one way in which a small business may segment the market.
15. Explain one drawback of segmenting the market.
16. Explain one reason that a business owner might use a market map.
17. Explain one drawback to a small business of market mapping.
18. Explain one way in which operating in a competitive market will impact the decisions of a small business.
19. Explain one method that a small business will use to compete with rival firms.
20. Explain one reason why aims and objectives may differ between businesses.

Unit 1.3

1. Explain one financial aim that a small business may hope to achieve.
2. Explain one non-financial aim that a small business may hope to achieve.
3. Explain one method that a small business may use to reduce costs.
4. Explain one impact on a small business of reducing costs.
5. Explain one method a small business could use to increase profits.
6. Explain one benefit to a small business of conducting breakeven analysis.
7. Explain one drawback to a small business of conducting breakeven analysis.
8. Explain one method a small business could use to lower its breakeven level of output.
9. Explain one reason why a small business might encounter cash-flow difficulties.
10. Explain one method a business could use to improve cash flow.
11. Explain one benefit to a small business of using an overdraft.
12. Explain one drawback to a small business of using an overdraft.
13. Explain one benefit to a small business of using trade credit.
14. Explain one drawback to a small business of using trade credit.
15. Explain one benefit to a small business of using personal savings.
16. Explain one drawback to a small business of using personal savings.
17. Explain one benefit to a small business of using venture capital.

18. Explain one drawback to a small business of using venture capital.
19. Explain one benefit to a small business of using share capital.
20. Explain one drawback to a small business of using share capital.
21. Explain one benefit to a small business of using a bank loan.
22. Explain one drawback to a small business of using a bank loan.
23. Explain one benefit to a small business of using retained profit.
24. Explain one drawback to a small business of using retained profit.
25. Explain one benefit to a small business of using crowd funding.
26. Explain one drawback to a small business of using crowd funding.

Unit 1.4

1. Explain one impact to an entrepreneur of having unlimited liability.
2. Explain one impact to an entrepreneur of having limited liability.
3. Explain one benefit to an entrepreneur of setting up as a sole trader.
4. Explain one drawback to an entrepreneur of setting up as a sole trader.
5. Explain one benefit to a small business as setting up as a partnership.
6. Explain one drawback to a small business as setting up as a partnership.
7. Explain one benefit to a small business as setting up as a private limited company.
8. Explain one drawback to a small business as setting up as a private limited company.
9. Explain one benefit to a small business as setting up as a franchise.
10. Explain one drawback to a small business as setting up as a franchise.
11. Explain one factor that will influence where a small business will choose to locate.
12. Explain one reason why a business may choose to set up close to competitors.
13. Explain one reason why price is important to a small business.
14. Explain one benefit to a business of charging a high price for its product.
15. Explain one reason why product is important to a small business.
16. Explain one benefit to a small business of increasing its product range.
17. Explain one reason why promotion is important to a small business.
18. Explain one reason why place is important to a small business.
19. Explain one factor that will have an influence on the marketing mix of a small business.
20. Explain one impact of changing customer needs on the marketing mix of a small business.
21. Explain one reason why business plans are important to a small business.
22. Explain one reason why a bank may be interested in the business plan of a small business.

Unit 1.5

1. Explain one impact that the local community may have on a small business.
2. Explain one way in which the employees may impact on a small business.
3. Explain one reason why a small business may experience stakeholder conflict.
4. Explain one way in which a small business may use technology.
5. Explain one benefit of e-commerce to a small business.
6. Explain one drawback of e-commerce to a small business.
7. Explain one way in which technology influences business activity.
8. Explain one way in which technology impacts the marketing mix of a small business.
9. Explain one drawback that advancements in technology may have on a small business.
10. Explain one impact that consumer law has on a small business.
11. Explain one impact that employment law has on a small business.
12. Explain one drawback that legislation can have on a small business.
13. Explain one impact of a change in consumer income levels will have on small business.
14. Explain one impact that high levels of unemployment can have on a small business.
15. Explain one impact that an increase in the levels of taxation can have on a small business.
16. Explain one impact that rising levels of inflation can have on a small business.
17. Explain one impact that an increase in interest rates can have on a small business.
18. Explain one impact that a rise in the value of the pound may have on a small business.
19. Explain one impact that a fall in the value of the pound may have on a small business.
20. Explain how a fall in economic activity might impact on a small business.

Unit 2.1

1. Explain one benefit to a business from growing internally.
2. Explain one drawback to a business from growing internally.
3. Explain one benefit to a business from external growth.
4. Explain one drawback to a business from external growth.
5. Explain one way in which a business can grow externally.
6. Explain one method of internal growth.
7. Explain one benefit to a business of becoming a public limited company.
8. Explain one drawback to a business of becoming a public limited company.
9. Explain one benefit to a business of using retained profit to fund growth.
10. Explain one drawback to a business of using retained profit to fund growth.
11. Explain one benefit to a business of selling assets to fund growth.
12. Explain one drawback to a business of selling assets to fund growth.
13. Explain one benefit to a business of using loan capital to fund growth.

14. Explain one drawback to a business of using loan capital to fund growth.
15. Explain one benefit to a business of using share capital to fund growth.
16. Explain one drawback to a business of using share capital to fund growth.
17. Explain one reason why a business may pursue stock market flotation.
18. Explain one reason why a business' objectives may change over time.
19. Explain one impact on a business from focussing on survival.
20. Explain one impact on a business from entering new markets.
21. Explain one impact on a business from reducing the size of its workforce.
22. Explain one impact on a business from increasing the size of its workforce.
23. Explain one impact on a business of increasing its product range.
24. Explain one impact on a business from decreasing its product range.
25. Explain one reason why the performance of a business can impact its aims and objectives.
26. Explain one benefit to UK businesses from an increase in imports.
27. Explain one drawback to UK business from an increase in imports.
28. Explain one drawback to a multinational of setting up in a foreign country.
29. Explain the impact on a business from an increase in exports.
30. Explain one way in which globalisation may impact on a business.
31. Explain the impact on UK businesses from an introduction of a tariff by the UK government.
32. Explain how being part of a Trade bloc can impact on a business.
33. Explain how competing internationally can impact a business' product.
34. Explain how competing internationally can impact the price a business charges for its product.
35. Explain how competing internationally can impact a business' promotion.
36. Explain one method that a business can use to compete internationally.
37. Explain one benefit to a business from acting in an ethical manner.
38. Explain one drawback to a business from acting in an ethical manner.
39. Explain one way in which a business can behave in an ethical manner.
40. Explain one method a business can use to reduce its environmental impact.
41. Explain one way in which environmental considerations may influence a business' activity.
42. Explain one impact a pressure group may have on a business.
43. Explain one impact a pressure group may have on a business' marketing mix.

Unit 2.2

1. Explain one way in which the business could improve its design mix.
2. Explain why the function of the product is important to a business.
3. Explain one method a business could use to differentiate itself from rivals.
4. Explain one benefit to a business from differentiating its product.
5. Explain one drawback to a business from having a differentiated product.
6. Explain one impact to a business of a product entering the maturity stage of its life cycle.

7. Explain one impact on a business' cash flow from a product entering the decline stage.
8. Explain one method a business could use to extend the life of one of its products.
9. Explain why a business might charge a high price for its product.
10. Explain why a business might charge a low price for its product.
11. Explain how the product life cycle impacts the price a business charges.
12. Explain how competition impacts the price a business charges.
13. Explain how new technology impacts the price a business charges.
14. Explain one reason why a business may need to know what price its competitors are charging.
15. Explain the benefit to a business of carrying out advertising.
16. Explain the drawback to a business of carrying out advertising.
17. Explain the benefit to a business of undertaking sponsorship.
18. Explain the drawback to a business of undertaking sponsorship.
19. Explain the benefit to a business of introducing special offers for its products.
20. Explain the drawback to a business of introducing special offers for its products.
21. Explain the benefit to a business of introducing product trials.
22. Explain the drawback to a business of introducing product trials.
23. Explain the benefit to a business of having a strong brand.
24. Explain the drawback to a business of using branding to promote its products.
25. Explain one benefit to a business of viral advertising.
26. Explain one way in which a business could use technology when promoting its product.
27. Explain the benefit to a business of using a retailer to distribute their products.
28. Explain the drawback to a business of using a retailer to distribute their products.
29. Explain the benefit to a business of using a wholesaler to distribute their products.
30. Explain the drawback to a business of using a wholesaler to distribute their products.
31. Explain the benefit of e-tailing to a business.
32. Explain one way that promotion may impact on the price element of the marketing mix.
33. Explain one way that the product itself will influence the place element of the marketing mix.
34. Explain one method a business can use to gain a competitive advantage over its rivals.
35. Explain the impact of having an integrated marketing mix.

Unit 2.3

1. Explain the benefit to a business of using job production.
2. Explain the drawback to a business of using job production.
3. Explain the benefit to a business of using batch production.

4. Explain the drawback to a business of using batch production.
5. Explain the benefit to a business of using flow production.
6. Explain the drawback to a business of using flow production.
7. Explain the drawback that new technology can have on production.
8. Explain the benefit that new technology can have on production.
9. Explain one way that new technology impacts the quality of a business' products.
10. Explain one reason why a business may hold buffer stock.
11. Explain the impact on a business from holding buffer stock.
12. Explain the importance to a business of producing a bar chart stock graph.
13. Explain the benefit to a business of having improved logistics.
14. Explain the drawback to a business of having improved logistics.
15. Explain one factor that is important to a business when deciding on which supplier to use.
16. Explain the importance of effective procurement to a business.
17. Explain the benefit to a business of utilising a JIT stock control system.
18. Explain the drawback to a business of utilising a JIT stock control system.
19. Explain the impact on a business from choosing the wrong supplier.
20. Explain why the relationship between a business and its supplier is important.
21. Explain the benefit to a business of utilising a quality control system.
22. Explain the drawback to a business of utilising a quality control system.
23. Explain the benefit to a business of utilising a quality assurance system.
24. Explain the drawback to a business of utilising a quality assurance system.
25. Explain the benefit to a business of producing a high-quality product.
26. Explain the drawback to a business of producing a high-quality product.
27. Explain the benefit to a business of providing good customer service.
28. Explain one method a business may use to provide good customer service.
29. Explain one reason why it is important for a business' employees to have good product knowledge.
30. Explain one reason why it is important for a business to respond to customer feedback.
31. Explain one reason why it is important for a business to engage customers.
32. Explain one reason why it is important for a business to have a speedy and efficient service.
33. Explain one reason why it is important for a business to offer an effective post-sales service.
34. Explain one way in which a business can offer a post-sales service.

Unit 2.4

1. Explain one way in which a business could improve its gross profit.
2. Explain one way in which a business could improve its net profit.
3. Explain one reason why a business might use marketing data.
4. Explain one reason why a business might use market data.
5. Explain one reason why a business might use financial data.

6. Explain one limitation to a business from using financial information to make decisions.

Unit 2.5

1. Explain one impact of having a narrow span of control in a business.
2. Explain one impact of giving employees more authority.
3. Explain one benefit to a business of having a hierarchical structure.
4. Explain one drawback to a business of having a hierarchical structure.
5. Explain one benefit to a business of having a flat structure.
6. Explain one drawback to a business of having a flat structure.
7. Explain one benefit to a business of being centralised.
8. Explain one drawback to a business of being centralised.
9. Explain one benefit to a business of being decentralised.
10. Explain one drawback to a business of being decentralised.
11. Explain an impact on a business of issuing permanent contracts to its employees.
12. Explain one reason why a business may employ employee freelancers.
13. Explain one benefit to a business of employing people on zero-hour contracts.
14. Explain one impact on a business of insufficient communication.
15. Explain one barrier to effective communication within a business.
16. Explain one impact on a business of excessive communication.
17. Explain one way in which employees within a business could communicate effectively.
18. Explain one reason why a business would draw up a job description.
19. Explain one benefit to a business of writing a person specification.
20. Explain one method a business may use to select the most appropriate candidate.
21. Explain one benefit to a business of carrying out interviews.
22. Explain one benefit to a business of conducting formal training.
23. Explain one drawback to a business of conducting formal training.
24. Explain one benefit to a business of conducting informal training.
25. Explain one drawback to a business of conducting informal training.
26. Explain one reason why a business may conduct performance reviews with their employees.
27. Explain why a business may insist that employees undertake ongoing training.
28. Explain one benefit to a business from having motivated employees.
29. Explain one financial method that a business may use to motivate its employees.
30. Explain one non-financial method that a business may use to motivate staff.

Discuss Questions

This question type will test **understanding (A01b)** and **analysis (A03a)**. It will always be worth 6 marks. There is only 1 of these questions in each paper and will come at the end of section A.

This is marked using levels. You will be given a Level for each of the assessment criteria, based on the grid below:

	Marks	Understanding	Analysis
L0	0	No rewardable material	No rewardable material
L1	1-2	Elements of knowledge and understanding	1 linked strand of development
L2	3-4	Mostly accurate knowledge and understanding	2-4 linked strands of development across a maximum of two points
L3	5-6	Accurate knowledge and understanding	5+ linked strands of development across a maximum of two points

There are two ways to approach this question.

One paragraph approach

If you take this approach, you must make a valid point which needs to be supported by a minimum of 5 linked strands of logical development. You will need to use clear connectives to help you achieve this. To get L3 for understanding you have to ensure you show clear and concise knowledge of the topics in the question.

Two paragraph approach

In this approach you will make two separate paragraphs containing different points. Each should be supported by three linked strands of development. Make sure your paragraphs are distinct, so the examiner is clear as to when you are moving onto a new point. To get L3 for understanding you have to ensure you show clear and concise knowledge of the topics in the question.

Let's look at a couple of examples!

Example 1 – Discuss the impact on a business of having limited liability. [6]

P Limited liability reduces the risk faced by investors. This is because an investor cannot lose their personal possessions. dev¹
This means an investor is much more likely to buy shares in the company. dev²
This means that the business will be able to raise finance to expand more easily. dev³

P However, limited liability may make it harder to get bank loans. This is because banks know they cannot seize possessions of the owners. As a result, banks may refuse to lend the business money. dev⁴
Therefore they may be forced to rely on share capital. dev⁵
dev⁶

This response has gone down the two-paragraph approach. In the first paragraph the candidate makes a clear point in that 'it reduces the risk faced by investors'.

This is supported through three logical linked strands of development. The second paragraph follows a similar format. The point being that it is 'harder to get bank loans'. The student then explains why that is the case and what it leads to. In total this response has six linked strands of development. When scoring this, we'd give them L3 for understanding as they clearly demonstrated accurate knowledge of limited liability. They also are awarded L3 for analysis as they have more than the 5 required linked strands, so it scores 6 out of 6.

Example 2 – Discuss how possible conflicts between owners and employees could affect the profit of a small business. [6]

P One conflict between owners and employees could centre around pay. Employees will want increased salaries while owners want to keep costs to a minimum. If employees get their way then fixed costs would increase. This would lead to higher total costs which would mean that the business has to sell more to breakeven which increases the risk of failure meaning there is a greater chance that profitability will fall.

This student has taken the one paragraph approach. Again, it is a 6 out of 6 response. The knowledge is very accurate, they have identified a valid conflict between owners and employees (difference on pay), they have used good business terminology and crucially they have linked their response back to how profits would be affected, which is what the question is asking. Like the previous response there is 6 linked strands of development, but they all come in the one paragraph. L3 for both knowledge and analysis, meaning that full marks can be awarded.

Discuss Questions

Over to you – have a go at some of these discuss questions!

1. Discuss the impact on a small business from having a unique selling point.
2. Discuss the impact that primary market research can have on a small business' competitiveness.
3. Discuss the impact of conducting a cash flow forecast for a small business.
4. Discuss the impact on a small business from financing their start up through bank loans.
5. Discuss the impact that setting up as a franchise can have on a small business' profitability.
6. Discuss the impact increasing consume incomes can have on a small business' profits.
7. Discuss the impact a tariff could have on the profitability of a UK business.
8. Discuss the impact on a business from locating online.
9. Discuss the impact changing to flow production can have on a business' competitiveness.
10. Discuss the impact on a business' profitability from issuing permanent contracts to its employees.

Skill of Analysis

Section B and C involve a case study, questions attached to a case study require. These question require you to make your answer specific to the business in the case study – this is the skill of application. There are lots of questions that carry the skill of application:

- 4a: Outline – 2 marks (1)
- 4b: Analyse – 6 marks (3)
- 5a & b: Calculate – 2 marks
- 5c: Analyse – 6 marks (3)
- 6a: State – 1 mark (1)
- 6b: Outline – 2 marks (1)
- 6c: Justify – 9 marks (3)
- 7b: Identify – 1 mark
- 7c: Outline – 2 marks (1)
- 7d: Justify – 9 marks (3)
- 7e: Evaluate – 12 marks (3)

That's a total of 19 marks (ignoring the calculation and identify questions!). To highlight the skill of application we need to look at a case study; have a read of this one:

Graham Munroe started *Woodkit Ltd* a few years ago. They are a family run business with strong values. They are a major internet retailer and wholesaler of many international brands of wooden planes, tanks, boats and accessories. The business has the UK's widest product range selling over 4,000 exquisite, precision-made items to markets at home and abroad. They sell both vintage and contemporary models, catering for all needs, tastes and budgets.

At *Woodkit*, Graham places a considerable amount of value on making customers happy. They have a large number of repeat customers, particularly those who are enthusiastic collectors. Graham encourages customers to get in touch regarding any queries that they may have. They also keep customers regularly informed about what the business is up to through a regular e-newsletter. Signing up for the e-newsletter gives customers access to all the business' special offers and member benefits. They have also set up a Facebook page so that customers can be part of *Woodkit's* online community.

Woodkit have a dedicated website which allows the customers to see all the products that are on offer as well as all the international brands that they also sell. Customers can order directly from the website. Graham recognised that there was a big market for model-making and accessories in both the USA and Australia. They sell extensively to customers in these countries, giving free delivery for orders over a certain weight.

How to gain application marks

There are some easy application wins that you can easily put into your answers by not using generic words but using terms related to case study, for the case study above these would be:

Instead of....	Use...
Owners	Graham Munroe and family
Product	Wooden model planes, tanks, boats and accessories
Customers	Model collectors/enthusiasts
Competitors	Howes Models
Market	Model-making market – UK/USA and Australia
USP	Largest product range (selling over 4000 items)

There is other important info that you can use:

- The business only trades over the internet.
- Sell models in Australia and USA

Also from the case study:

- See how competitive the market is;
- What are their objectives?
- Use financial figures if they are available.

State Questions

These questions test **application** only (**A02**) as there are only worth 1 mark. Even if the answer given is theoretically correct, if there is no application in the response it will score 0. Let's look at an example.

Question: **State one way that Woodkit could encourage repeat custom.** [1]

Example 1

They could contact customers with special offers.

This response would score 0 as it is generic and contains no application.

Example 2

They could contact collectors with special offers.

This response would score 1 as the method (special offers) is correct and there is application through the use of the word 'collectors' instead of customers.

Outline Questions

These questions are always worth 2 marks and there are usually three of them in each paper. You have to do three things to gain both marks. You must:

- Make a valid point.
- Have a linked strand of logical development.
- Have application somewhere in the response (this needs just be a word!)

Question: **Outline one impact on Woodkit from having a wide range of stock [2]**

Example 1

P One impact is that it gives customers a greater choice of products to select from. This will help them to increase sales. dev

This response would score 1 as although there is a valid point and a linked strand of development there is no application.

Example 2

P One impact is that it gives customers a greater choice of models to select from. This will help them to increase sales. dev

This response would score 1 as although there is a valid point and a linked strand of development there is no application.

Analyse Questions

These questions assess **application (A02)** and **analysis (A03a)**. They will always be worth 6 marks. There are two of these questions in each paper (usually Q4b and Q5c) and will appear in Section B.

They are marked using levels. You will be given a level for each of the assessment criteria, based on the grid below:

	Marks	Application	Analysis
L0	0	No application	No rewardable material
L1	1-2	Limited application	1 linked strand of development
L2	3-4	Sound application	2-4 linked strands of development across a maximum of two points
L3	5-6	Detailed application throughout	5+ linked strands of development across a maximum of two points

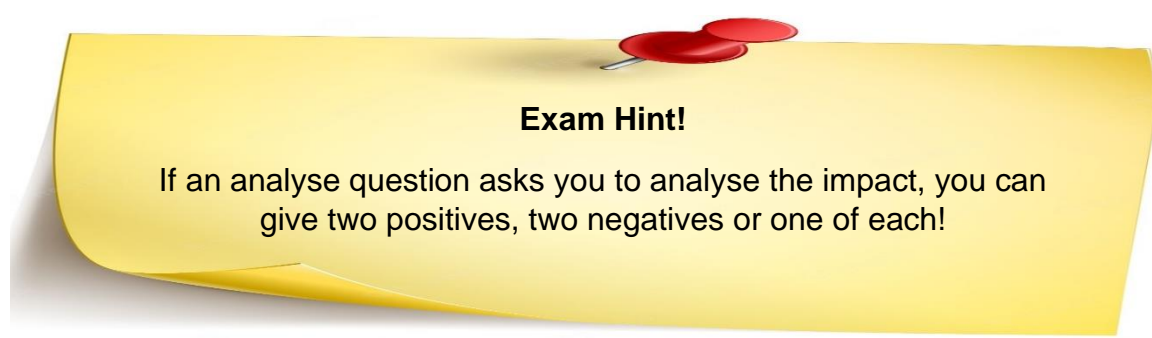
There are two ways to approach this question.

One paragraph approach

If you take this approach, you must make a valid point which needs to be supported by a minimum of 5 linked strands of logical development. You will need to use clear connectives to help you achieve this. To get L3 for application you need to have evidence of context throughout the paragraph.

Two paragraph approach

In this approach you will make two separate paragraphs containing different points. Each should be supported by three linked strands of development. Make sure your paragraphs are distinct, so the examiner is clear as to when you are moving onto a new point. To get L3 for application you must have evidence of application in both paragraphs, and it can't just be one example, it needs to be throughout.



Exam Hint!

If an analyse question asks you to analyse the impact, you can give two positives, two negatives or one of each!

Application Analysis Exercise

Below is a paragraph in answer to the following question:

Analyse the impact on **Woodkit** of being a private limited company.

[6]

P Being a limited company means that the owners will have limited liability. This reduces the risk that they face in running their business^{dev1}. This is because they are seen as separate legal entities from the business^{dev2}. This means that if the sales of products fall, the business cannot afford to pay for the debts that it has, ~~it~~^{dev3} however the owners will not have to sell their personal possessions to pay for it.^{dev4}

You will notice that even though it has linked strands of development there is no evidence of application, and it could be about any business whatsoever; there is nothing specific about Woodkit. Over the page you will see that there is the exact same paragraph in terms of the point made and the analysis, but this time application has been added (the red boxes indicate where this is). This is how you need to write your paragraphs for not only this question type, but also for the **9 mark 'Justify' questions** and the **12 mark 'evaluation' questions**.

P Being a limited company means that Graham and his family will have limited liability. This reduces the risk that they face in running their model-making company^{dev1}. This is because they are seen as separate legal entities from the business^{dev2}. This means that if the sale of model planes, tanks and boats fall, the business cannot afford to pay for the debts that it has^{dev3} however Graham and his family will not have to sell their personal possessions to pay for it.^{dev4}

Analyse Question Exemplar

Question: Analyse the benefit to Graham of creating a business plan before the start up of **Woodkit**. [6]

One benefit is that it would help Graham see the risks involved in setting up his model business, particularly in selling abroad. Part of his plan would have been to sell to modelling enthusiasts in the USA and Australia. Therefore he would be prepared for changes in exchange rates that impact his sales of planes, tanks and boats in these countries. As a result any potential financial problems would be minimised.

A second benefit is that he would have been able to use the business plan to help raise finance. Graham stocks a large range of models and accessories which would have been expensive to purchase initially. By planning, Graham would have been able to prove to investors that there would be sufficient demand for his models to have enough cash flowing into the business to cover any repayments. This would help to show that he is less risky.

This response has gone down the two-paragraph approach. The first paragraph contains a valid benefit which is supported by there linked strands of development. There is lots of application and crucially it is spread throughout the whole paragraph. The second paragraph follows a similar pattern, again there are three linked strands and context is detailed. This scores L3 for application as it is throughout and there are more the 5 links required for L3 in analysis. This scores 6 out of 6!

Justify Questions

In these questions you are assessed in three skill areas. They assess **application (A02)**, **analysis (A03a)** and also **evaluation (A03b)**. They will always be worth 9 marks. There are two of these questions in each paper (usually Q6c and Q7d) and will appear in Section B and C.

These questions will present you with two options for the business in the case study. You must justify which of the two options is best, given the scenario. In doing so, you must pick an option and look at the benefit and drawback of that option before coming to a conclusion. As such a three paragraph approach is best, which should be structured as follows:

1. Advantage of the chosen option – this should be supported by three linked strands of development and contain application throughout (same approach as in the 'Analyse' questions).
2. Disadvantage of the chosen option – this should be supported by three linked strands of development and contain application throughout (same approach as in the 'Analyse' questions).
3. Conclusion – see paragraph below


What to include in a conclusion

Your conclusion should include your judgement, in doing so you should be detailing what the **main reason for you selecting that option is** – this must be in context – be specific about the business. Try and place **value on your argument** by saying things such as, 'it is vital for the business because...'. You must also say **what your decision depends on**.

Your response is again marked using levels. You will be given a level for each of the assessment criteria, based on the grid below:

	Marks	Application	Analysis	Evaluation
L0	0	No application	No rewardable material	No balance in the response
L1	1-2	Limited application	1 linked strand of development	Limited evaluation
L2	3-4	Sound application	2-4 linked strands of development across a maximum of two points	Developed balancing argument
L3	5-6	Detailed application throughout (in every paragraph)	5+ linked strands of development across a maximum of two points	Developed balancing argument plus a sophisticated conclusion

We will now look at an example. To do so we will refer to the following case study from Paper 2 from the 2019 summer examination series. Please have a read of it below:



© Mind Candy

Mind Candy Ltd produces games and apps for computers and mobile devices. Its most successful game was Moshi Monsters. The game was aimed at young teenagers and was a global hit, with 80 million users in 2012.

In 2013, *Mind Candy* made large losses as sales revenue fell due to the falling popularity of its games. This was blamed on the short product life cycle of Moshi Monsters and increased competition in its market. As a result of these losses, *Mind Candy* reduced its workforce of software developers.



(Source from: <https://www.petlandia.com/custom-book.html#create>)

Mind Candy now needed to raise £1.2 million of extra finance. It required this finance to pay existing costs and fund the development of new apps such as Petlandia. *Mind Candy* believes Petlandia will allow it to return to organic growth. The app is free to download and allows players to design a virtual version of their own pet. This virtual pet can go on an adventure within the app. The adventure is then turned into a personalised storybook which can be purchased for £19.99.

In order to raise the £1.2 million of extra finance needed, *Mind Candy* considered two options:

Option 1: retained profit

Option 2: share capital.

(c) Justify which **one** of these two options *Mind Candy* should choose.

(9)

Mind Candy could use retained profit from its successful game, Mashi Monsters in order to raise the £1.2m needed.

An advantage of this is that it means they do not have to borrow any money from external sources. This would mean that the app developer would be able to keep their costs down because no loan repayments are needed, which means that no interest is paid. As a result the profit margins on its new app, Petlandia and the associated storybook can be kept high.

This student makes a judgement in the first sentence, setting out their choice. A valid benefit of using retained profit is provided, which is then well supported by developed chains of analysis (there are 4 linked strands) and effective use of application, with examples such as 'app developer', 'Petlandia and the associated storybook'.

However, a disadvantage of this method is that the app developer may not have sufficient retained profit to meet the required £1.2m. This is because even though Mashi Monsters was a global hit in 2012 the losses made in 2013 suggest they may not have £1.2m left in the form of retained profit. As a result the app developer may have to look elsewhere anyway.

This second paragraph shows a balancing argument, so the student is now picking up evaluation marks as they look at a drawback of retained profit. This is supported by two logical linked strands of development which are rooted in the context of Mind Candy and use the information, detailed in the case study, well.

Overall I believe using retained profit is the best option. The game and app market is an incredibly competitive one and therefore to be successful in it, it is vital that costs are kept to a minimum so the software producer can keep the prices of its app low. However, this is dependent on the amount of retained profit left. Because their games had fallen in popularity they may not have enough and therefore issuing shares may be the better way of raising £1-2m.

Crucially the conclusion contains application, allowing L3 for application to be achieved. The student hasn't simply repeated themselves and detail why it's vital that they use retained profit - in order to keep costs down. They also provide an 'it depends on'.

This answer is awarded level 3 in every skill area, giving it full marks!



Exam Hint!

Inappropriate structure limits evaluation marks (makes it harder):

- ✗ Advantage of option 1 and disadvantage of option 2
- ✗ Advantage of option 1 and advantage of option 2

Inappropriate structure limits the analysis due to the amount of time it takes:

- ✗ Advantage and disadvantage of option 1 as well as advantage and disadvantage of option 2

Justify Question – You have a go!



Good and Proper Tea was founded in 2012 by Emilie Holmes. The business website states:

'We source our teas from around the world, from Kenya to India, Japan to China and many more places in between. It is important to us that we know exactly where each tea comes from and who is responsible for harvesting the leaves we buy. We will always share this information with our customers.'

The business started when Emilie converted an old Citroën van (pictured right) into a mobile brew bar. Emilie wanted to expand the business. To achieve this she needed finance.

She decided to raise finance using crowdfunding through the Kickstarter website. 372 individual backers each provided between £1 and £1000. *Good and Proper Tea* was launched. The first cup of tea was brewed and sold in Shoreditch, London, in 2012.



The success of the mobile business led Emilie to plan to open a shop selling the same high-quality teas. Once again she decided to use crowdfunding as her source of finance. This time, using the Crowdcube website, she successfully raised £140,000. The shop was opened in 2016 and is very successful.

As *Good and Proper Tea* imports its most important ingredient, it is affected by changes in the exchange rate. Recent changes in the value of the pound mean that its costs have increased.

(Source: adapted from <http://www.stylist.co.uk/stylist-network/work-life/work-life-emilie-holmes-founder-good-and-proper-tea>)

To reduce the impact of its rising costs, *Good and Proper Tea* is considering two options:

Option 1: Buying cheaper ingredients from different suppliers.

Option 2: Charging higher prices for its tea.

(d) Justify which **one** of these two options *Good and Proper Tea* should choose.

(9)

Evaluation Question

In these questions you are assessed in all four skill areas. They assess, **understanding (A01b)**, application (**A02**), **analysis (A03a)** and also **evaluation (A03b)**. They will always be worth 12 marks. There is only one of these in each paper, and it will be the last question in the paper.

These questions will ask you to evaluate something in the context of the business. You must look at the advantage (an argument in favour) and then look at the disadvantage (argument against) before drawing to a conclusion. As such a three paragraph approach is best (similar to the 9 mark 'Justify' questions), which should be structured as follows:

1. Advantage – this should be supported by three linked strands of development and contain application throughout.
2. Disadvantage/counter argument – this should be supported by three linked strands of development and contain application throughout.
3. Conclusion – see paragraph below

What to include in a conclusion

Your conclusion should include your judgement (which argument is stronger), in doing so you should be detailing what the **main reason is for your judgement** – this must be in context – be specific about the business. Try and place **value on your argument** by saying things such as, 'it is vital for the business because...'. You must also say **what your decision depends on**.

Your response is again marked using levels. You will be given a level for each of the assessment criteria, based on the grid below:

	Marks	Understanding	Application	Analysis	Evaluation
L0	0	No rewardable material	No application	No rewardable material	No balance in the response
L1	1-2	Elements of knowledge and understanding	Limited application	1 linked strand of development	Limited evaluation
L2	3-4	Mostly accurate knowledge and understanding	Sound application	2-4 linked strands of development across a maximum of two points	Developed balancing argument
L3	5-6	Accurate knowledge and understanding	Detailed application throughout (in every paragraph)	5+ linked strands of development across a maximum of two points	Developed balancing argument plus a sophisticated conclusion

We will now look at an example. To do so we will refer to the following case study. Please have a read of it below:

Wagamama Ltd is a British restaurant chain that serves Asian food based on Japanese cuisine. The first restaurant was opened in Bloomsbury, London back in 1992. As of 2019, the chain boasted a portfolio of 135 directly operated restaurants in the UK. As well as having 135 restaurants they have also set up a delivery kitchen side to their business. **Wagamama** currently operate 'dark kitchens' and are looking to open more. These are kitchens that prepare food at a separate takeaway facility rather than at a restaurant. Customers can order from the usual menu via Deliveroo.

Delivery sales, both from restaurants and 'dark kitchens' rose to 12% of **Wagamama's** total sales in 2019, up from 10% in 2018. This is one of the reasons that the management has identified this as a growth area.

In November 2019 **Wagamama** opened a spin-off restaurant brand called **Mamago** in London. This restaurant produces dishes designed for grab and go in order to meet the needs of a

Figure 1: **Wagamama Limited** Income Statement 2018 and 2019

	£'000s	
	2019	2018
Revenue	326,303	293,589
Cost of sales	192,891	170,856
Gross profit	133,412	122,733
Other operating expenses and interest		97,913
Net profit/(loss)	(24,367)*	24,820

growing number of customers who want food on the go. The chain's famous katsu curry has been adapted into multiple dishes such as katsu chicken wrap, katsu rice bowl and chicken katsu salad.

* In accounting practice,

brackets indicate that a loss has been made.

Question: **Evaluate whether opening more Mamago restaurants is the most suitable method for Wagamama to increase its profit.** [12]

Exam Hint!

This question requires the following structure:

1st paragraph: argue why Mamago should open more restaurants to increase profit.

2nd paragraph: argue why opening more restaurants may be detrimental to profits.

3rd paragraph: should they open more or not? What does it depend on?

Opening more Mamago restaurants could be a good way of improving profits because the demand for 'food to go' is increasing. By setting up these grab and go outlets, Wagamama will better meet the needs of customers. As a result they will see an increase in footfall in their food outlets, leading to a larger amount of sales of Katsu curries, wraps, rice bowls and salads. This will help to increase the sales of the Asian food retailer, which would potentially lead to more profits.

This first paragraph looks at why opening more restaurants leads to more profit, the development must refer back to this 'hook' from the question. There are great links (5 is more than needed) and lots of examples of application spread throughout.

However opening more grab and go restaurants may not be the best way to increase profit. This is because opening more food to go outlets is expensive which would mean that costs would start to rise as a result the price of Katsu curries and other food may increase which might deter potential customers therefore actually lowering profits.

This paragraph looks at a counter argument which is needed for evaluation. It has 4 further linked strands and more examples of application.

Overall I think the Asian food retailer should open more restaurants. The crucial thing is that they need to provide what customers want and with the rise in popularity of grab and go food, Wagamama need to take advantage of this, especially as they have a unique offering compared to rivals such as McDonalds and Burger King. However, whether this will increase profitability will depend on how much extra cost is incurred in setting up the food outlets. The business has experienced rising costs from £97,913 to £157,779, and these would need to be controlled if more profit is to be made.

This is a sophisticated conclusion. The student has made a decision and placed value on it, saying that it is crucial that they do it as it is what consumers want. They also detail what their decision depends on to good effect.

Scoring – 12 out of 12

Understanding: great knowledge is shown throughout. The student has used business terminology. They clearly have demonstrated accurate understanding of the business concepts throughout. **Level 3**

Application: the answer is applied throughout and crucially is in all three paragraphs. The conclusion is particularly rooted in the context of the business and the market that they are in. **Level 3**

Analysis: there are 9 linked strands of development across the two points, so clearly enough for L3 as a minimum of 5 are required. **Level 3**

Evaluation: there is a well developed balancing argument, with a sophisticated conclusion, that places value on the argument and uses the 'it depends on' rule well. **Level 3**

Theme 1 - 12 Mark Evaluation – What arguments to form:

Evaluate whether profit is the main reward that xxxx seeks from running the business.

Argument 1:

Yes, profit is the main reward.

Argument 2:

No, profit isn't the main reward something else is, e.g:

- Personal satisfaction
- Helping others
- Being ethical.

Evaluate the effectiveness of the market research that xxxxx conducted

Argument 1:

Argument 2:

Evaluate the most effective method that xxxxx bakery could use to increase profits.

Argument 1:

Argument 2:

Evaluate the importance of product in xxxxxxxx's marketing mix.

Argument 1:

Argument 2:

Evaluate whether changes in the economic climate are the greatest external influence on the business.

Argument 1:

Argument 2:

Evaluate whether the value of the pound will help xxxx become more competitive in its market.

Argument 1:

Argument 2:

Evaluate whether rising costs will have an impact on the profits of xxxxxxxx.

Argument 1:

Argument 2:

Evaluate whether the lack of detailed market research was the main reason why the owners of xxxxxx did not make as much profit as possible.

Argument 1:

Argument 2:

Theme 2 - 12 Mark Evaluation – What arguments to form:

Evaluate the importance to xxxx of being ethically responsible.

Argument 1:

Yes, it is important because...

Argument 2:

No, it's not important because.....

Evaluate whether using social media campaigns is the best way to raise awareness of the business.

Argument 1:

Argument 2:

Evaluate the importance of xxxx's quality assurance system in providing the business with a competitive advantage.

Argument 1:

Argument 2:

Evaluate whether opening more outlets is the most effective way to increase net profit.

Argument 1:

Argument 2:

Evaluate whether allowing employees to select their own salaries is the most effective method for xxxx to motivate its employees.

Argument 1:

Argument 2:

Evaluate whether promotion will be the most important component of the marketing mix in contributing to the successful launch of xxxx's new products.

Argument 1:

Argument 2:

Evaluate whether xxxx's relationship with its supplier is the key factor in determining the profitability of the business.

Argument 1:

Argument 2:

Evaluate whether having lower prices than competitors is the best way for xxxx to compete in its market.

Argument 1:

Argument 2: