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June 2025

Int GCSE Business 4BS1 01

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Introduction

This report provides feedback on 4BS1/01 – Investigating small business.

Paper 1 allows learners to apply theory to realistic contexts.

This paper is based on the business *Four Fitness*, who own 2 gyms in Italy. This case study proved to be accessible to candidates. Many candidates understood the nature of the business and the services offered by the business.

Candidates responded well to the paper. The time provided for the paper was sufficient and the paper differentiated well.

Candidates showcased evidence of their understanding of business from studying this course. Candidates took many routes to provide context within their response and some candidates managed to contextualise their responses, whilst other candidates struggled to provide answers in context, especially in the 'state' and 'outline' questions.

Centres are advised to look at the command words outlined on page 31 of the specification as many candidates are losing marks through their lack of understanding of these words.

To assist centres in their preparation for future examinations it is worth noting that the mark scheme does include the Assessment Objectives (AO) for all questions. The breakdown for each AO can be seen on page 7 of the 'Getting Started to Teach' guide. For analysis (AO3) and evaluation (AO4) responses candidates are asked to write an extended answer using the information provided within the paper.

Question 1(b)

This question asking candidates to define the term 'trade bloc' was answered quite well. When candidates understood the concept of trade blocs, most were correctly able to include a response that included ‘countries working together’ and ‘to avoid tariffs/taxes’. However, a small number of candidates only included either part of this response so they received zero marks. The most common incorrect response referred to ‘trade being blocked/banned’.

(b) Define the term **trade bloc**.

(1)

A trade bloc is a group of states or countries that have an agreement to trade between each other freely without many conditions or fees, e.g. the trade bloc of the ~~Europ~~ EU.

ResultsPlus
Examiner Comments

1 mark awarded for a correct definition of a trade bloc.

ResultsPlus
Examiner Tip

For 'Define' questions candidates are required to show they have a clear understanding of the term.

(b) Define the term **trade bloc.**

(1)

When a bussines might not be able to trade ~~e~~ internationaly due to rules and regualations.

ResultsPlus Examiner Comments

An example of the type of incorrect response that many candidates stated. 0 marks awarded for an incorrect definition of the term.

Question 1(c)

This question was answered well. Many candidates understood the concept of job production, and most could show that products would be made one at a time, and/or they would be personalised or made to order. A small number of candidates incorrectly referred to a human resources process, presumably because of the word 'job'. For example, 'creating more job opportunities'.

(c) Define the term **job production**.

(1)

The production method, when a bussines gets an order only then produces One unit of product, which ~~a~~ can be customised

ResultsPlus
Examiner Comments

1 mark awarded for a correct definition of the term 'job production'.

ResultsPlus
Examiner Tip

This response demonstrates accurate knowledge of the term 'job production'.

(c) Define the term **job production**.

(1)

making new Jobs to Provide a benaFit
for the company

ResultsPlus
Examiner Comments

0 marks awarded as the candidate has referred to 'making new jobs' which is incorrect.

Question 1(d)

This question was not answered well. Many candidates were able to include a correct response, but most lacked context to the organisation within the question, *Four Fitness*. Common correct responses were ‘work harder’, ‘stay loyal to the business’, or ‘rewards the employees’. Where candidates did receive the mark, the context was usually ‘instructors’, or ‘highly qualified instructors’.

(d) State **one** reason why *Four Fitness* would pay its employees more than the minimum wage.

(1)

In order to retain its gym instructors and prevent them from going to other nearby gyms in Italy that may pay higher.

ResultsPlus
Examiner Comments

1 mark awarded for a correct response to the question. The learner has stated a suitable reason and the response is in the context of Four Fitness.

ResultsPlus
Examiner Tip

The command word 'State' requires candidates to provide a contextual response to gain access to the available one mark which is an AO2 mark.

(d) State **one** reason why *Four Fitness* would pay its employees more than the minimum wage.

(1)

it is Beause it to ~~att~~ ~~reqain~~ Retain employees to keeping working For four Fintness.

ResultsPlus
Examiner Comments

0 marks awarded as the response is not contextualised.

ResultsPlus
Examiner Tip

Using the name of the business is not application (A02) as the name of the business 'Four Fitness' is used in the question.

Question 1(e)

This question was answered well. Many candidates were able to include the correct answer of £162.75 for two marks or were able to include a variety of different responses for one mark but the most common was the calculation of £32.55.

As part of its 'social activities' *Four Fitness* is planning an evening event promoting healthy eating and living. The price of a ticket is €35. *Four Fitness* members will be given a 7% discount.

(e) Calculate the total price if five *Four Fitness* members attend the event. You are advised to show your working.

(2)

$\frac{€35 \times 7}{100} = €2.45$

7% of €35 => € 2.45

€35 − € 2.45 = ~~3~~

€ 32.55 => the discount

€ 32.55

ResultsPlus
Examiner Comments

Although the candidate has not stated the correct total price, they have included their workings and are awarded a mark for calculating the discount ticket price of £32.55.

ResultsPlus
Examiner Tip

This is a good example of why we encourage centres to remind candidates to show their working out. Whilst this candidate has not got the final correct answer, they have gained access to 1 mark for their workings.

Question 1(f)

This question was answered well. Most candidates were able to receive three marks for this question, and the most common correct response centred around motivated employees, leading to higher productivity, leading to greater sales/market share. Other correct responses focused on motivation leading to better customer service, or employee loyalty and lower recruitment costs. It was rare to see a candidate get zero marks.

(f) Explain **one** impact to a business of providing fringe benefits to employees.

(3)

Fringe benefits are a form of motivation to it's employees by providing basic necesities like ~~free~~ healthcare. Fringe benefits will motivate the gym's employees to work better, be more helpful to customers and do an overall better job. This will increase customer loyalty and on the long term will create more profits. This way workers will ~~also work~~ be more productive and work more effectively.

ResultsPlus
Examiner Comments

3 marks awarded The candidate has stated an impact of providing fringe benefits to employees--'more motivation' and has developed their response with 'work better, be more helpful to customers' and 'increase customer loyalty/create more profits'.

ResultsPlus
Examiner Tip

No context/reference to the business in the exam paper (Four Fitness) is required in Explain questions.

(f) Explain **one** impact to a business of providing fringe benefits to employees.

(3)

One impact of using fringe benefits to their employees is that it reduces their salaries which can de motivate the employees resulting in a loss at business or slowing it down.

ResultsPlus
Examiner Comments

0 marks awarded as the candidate has attempted an impact on the employee rather than the business.

Question 1(g)

An 'analyse' question which requires candidates to analyse the effectiveness of a wide span of control. The Assessment Objectives being assessed for this command word are AO2 and AO3 so candidates are required to analyse in a contextual manner. Examiners will place the response with the best fit level, looking at how well the level descriptors have been met by candidates.

This question was answered moderately well. Candidates were often able to receive three marks by correctly identifying and developing correct responses including 'Gianni can closely monitor all his employees', 'there are less layers so more effective communication', and 'decisions are made more quickly'. A lack of context stopped candidates receiving the highest marks with 1 or 2 being the most common marks for AO2. Some candidates struggled to apply their response in the context of *Four Fitness* so therefore could not access the top of level 3.

The most common incorrect response for zero marks referred to more work getting done as there are more employees to do it.

Gianni Polvani's span of control is 14.

(g) **Analyse the effectiveness of the wide span of control used by Gianni Polvani.**

(6)

Being a manager and having to control 14 employees would definetely be more effective then controlling 5 or 4.

14 qualified instructor would lead to a good coordination as each would have a specific job, if they were less they would've shared their tasks making them to have fatigue very quickly and lose motivation.

Being high in staff number would also make the job be quick and take less time and energy leading to ~~less~~ great work.

Gianni Polvani doesn't need to be everywhere as he can control his employee and tell him to check or do something.

ResultsPlus
Examiner Comments

0 marks awarded The candidate demonstrates no knowledge of a wide span of control.

Gianni Polvani's span of control is 14.

(g) Analyse the effectiveness of the wide span of control used by Gianni Polvani.

(6)

Gianni Polvani having a wide span of control means that he can tell his 14 employees what he wants done and how. This means that there is less likely to be misscomunication or misunderstanding between him and his employees with what he wants done regarding his two gyms and the physical and social activities that take part in them with the gym members.
By having less misunderstandings due to the ~~the~~ wide span of control, ~~the~~ both of the gym's are more likely to become more successful and so the employees who are highly trained instructors can better teach the gym members what to do and help them if they don't understand something. Therefore this can lead to the business performing more effectivley and so the business is more likely to maintain a positive cashflow.

ResultsPlus
Examiner Comments

6 marks awarded. The candidate has provided 1 point with developed strands, analysing the effectiveness of the wide span of control. There is application throughout their response.

ResultsPlus
Examiner Tip

Candidates are reminded that there are no marks for knowledge in this question and their response must be in the context of Four Fitness to access the A02 marks.

Question 2(a)

A 'state' question where centres are reminded responses should be contextualised to gain access to the mark for this AO2 question.

This question was not answered well. Many candidates were able to include a correct response, but most lacked context to the organisation within the question. Common responses were 'locate away from competitors', 'locate close to the required supplies' and 'locate close to the target market'. These responses mostly lacked context, but where candidates did receive the mark the context was usually 'close to instructors' or 'close to customers who want to be healthy'.

After a recent increase in customer numbers *Four Fitness* is considering opening a third gym.

2 (a) State **one** factor *Four Fitness* may consider when choosing a location for its new gym.

(1)

~~materials, to ensure a reliable & steady supply~~
~~customers~~ labour, as four fitness hires 14 highly-qualified gym instructors in two gym.

ResultsPlus
Examiner Comments

1 mark awarded for stating a correct factor, in the context of Four Fitness.

ResultsPlus
Examiner Tip

Just one reference to the context of the business is enough for a 'state' question.

Question 2(b)

Another 'state' question where the command word requires candidates to provide a correct contextualised response, in this case a reason why branding is important to *Four Fitness*.

This question was not answered well. As with the previous 'state' question, many candidates were able to include a correct response, but most lacked context to *Four Fitness*. Common responses were ‘stand out against competitors’, ‘attract customers’ or ‘allow them to charge a higher price’. These responses mostly lacked context but where candidates did receive the mark the context was usually ‘competing gyms, or ‘increased members’ or ‘charge a higher monthly membership fee’.

(b) State **one** reason why branding is important to *Four Fitness*.

(1)

Branding may be important to Four fitness as they want a good quality product and brand image.

ResultsPlus
Examiner Comments

0 marks awarded as the response is not in context.

(b) State **one** reason why branding is important to *Four Fitness*.

(1)

To attract more potential gym members who might be looking for a suitable gym to work out.

ResultsPlus
Examiner Comments

1 mark awarded for a correct reason which is in the context of Four Fitness.

ResultsPlus
Examiner Tip

A good response with clear context making reference to not only 'gym members' but also to 'suitable gym to work out'.

Question 2(c)

This question was answered relatively well. As a broad approach was taken with this question, many candidates were able to pick up marks by referring to higher quality products or less mistakes/wastage. From these points candidates were often able to develop them effectively for three marks. However, it should be noted that it was rare to see candidates refer to quality control, quality assurance or other forms of TQM.

(c) Explain **one** advantage to a business of using total quality management.

(3)

One advantage is it reduces waste. Checking products along the production line means less waste because they don't have to throw away any products like if they did quality checks at the end

ResultsPlus
Examiner Comments

2 marks awarded. Advantage: reduces waste. Checking products along the production line means less waste because they don't have to throw away any products. No further development of this point so third mark not awarded.

(c) Explain **one** advantage to a business of using total quality management.

(3)

Total quality management gives a business ~~a bt better name bet~~ increase in customer satisfaction. Business will run smoother resulting in higher productivity. This will increase profit which increases revenue.

ResultsPlus
Examiner Comments

0 marks awarded There is no understanding of TQM demonstrated in the response therefore the reference to 'increased customer satisfaction/higher productivity' is not awarded.

ResultsPlus
Examiner Tip

No context is required for 'explain' questions.

Question 2(d)

This question was answered relatively well. The common correct responses referred to mistakes being made and slower communication, and development was often focused on wastage, increased costs, and decreased profits, or poor customer service, a lack of customer loyalty, and less sales being made.

(d) Explain **one** problem a business might face as a result of ineffective communication.

(3)

Poor communication leads to ~~ineffectiency~~ inefficiency in a business. Messages being delayed or sent to the wrong receiver might cause decision-making to slow down. This can cause the business to miss out on opportunities such as securing a deal with a new supplier.

ResultsPlus
Examiner Comments

3 marks awarded. The candidate has stated a problem, 'messages being delayed or sent to wrong person', and has explained this further, 'might cause decision-making to slow' meaning may 'miss out on opportunities'.

ResultsPlus
Examiner Tip

This is a good response where the candidate clearly understands this topic area.

Question 2(e)

This question was answered relatively well. The overwhelming correct response referred to interest being charged which was often developed with increased costs leading to less profit or less working capital. Another correct response that is worth noting picked up on the concept of the business being small so they may struggle to access/apply for the loan. The most common incorrect response referred to the business not being able to repay the loan. This is not a drawback of bank loans but an issue with the business itself.

(e) Explain **one** disadvantage to a small business of borrowing money from a bank.

(3)

A disadvantage to a small business of borrowing from a bank means the business will have to pay intrest on the loan every month, this would lead to an increase in total costs which will be bad for profit

ResultsPlus
Examiner Comments

3 marks awarded. This was a typical response achieving full marks and demonstrating good understanding of the topic being assessed.

ResultsPlus
Examiner Tip

There is no need to overelaborate when answering questions. 'Explain' questions, for instance, should only require three sentences to answer the question. Anything more is not required and wastes time.

(e) Explain **one** disadvantage to a small business of borrowing money from a bank.

(3)

Being a Small business creates more risks most importantly financial risks. If a small business borrows money from a bank they must pay it back. Due to the business being small it still has risk of failure meaning there is a higher risk that the business then cant pay the bank back.

ResultsPlus
Examiner Comments

1 mark awarded. The candidate has stated a disadvantage, 'they must pay it back'. There is no development of this point as the candidate has gone on to talk about risks, which is not linked to the disadvantage stated in relation to borrowing money from a bank.

ResultsPlus
Examiner Tip

'Explain' questions are worth three marks and require two strands of linked development. Candidates must be aware of this as they will not give themselves the opportunity to score all three marks if they do not do this.

Question 2(f)

There still remain a number of issues relating to how to structure an answer to 'Justify' questions, which also assesses AO4 'Evaluation'. This requires candidates to reach balanced and supported judgements as to which is the best option. Some candidates continue to focus on the benefits of both options believing that this naturally leads to evaluative comment. This would only happen if the candidate starts to contrast the level of importance of the two benefits through some aspect of contrast.

Whilst there is not one preferred approach, the highest quality answers tend to pick one option and then consider the benefits and drawbacks of that option. If they then add a conclusion which adds extra evaluation rather than simply repeating what has already been written, and ensure there is application throughout the answer (including the conclusion), then 9 marks will be accessible. There is no need to consider both options as part of this process.

This question proved to be well answered, with both options being equally popular and allowing candidates to produce high level answers. Candidates were able to show they understood the benefits and drawbacks of each option, and often context was provided that was not included in the question itself. For example, the gym will need to complete with online fitness classes already on YouTube. It was more common to see candidates gain AO4 marks through exploring the benefits of both options, as opposed to the benefits and drawbacks of just one option.

Four Fitness is looking to introduce a new service to increase its market share. It is considering two options:

Option 1: as part of its monthly subscription price, members are given a 'Technogym Electronic Key' which is inserted into the gym equipment. The key will track and store their progress. An instructor helps them to analyse their progress.

Option 2: introduce links to online fitness classes on its website that can be accessed from home. Customers will be charged for each fitness class downloaded.

(f) Justify which **one** of these two options *Four Fitness* should choose.

(9)

I believe that the best option is 1 this is because it gives the customers a more tailored experience, this is beneficial because it may entice new customers to join ~~and~~ and give a new lead against competitors leading to them having a greater market share

I believe that option 2 is not right as although it may work to giving a larger market share it comes with an added cost which to customers may be seen as a negative leading to them choosing competitors and leading to their company not increasing its market share.

Overall I think option one is better not only because its tailored but it is free of charge unlike option 2. It also uses new technology which may ~~apt~~ not be used by competitors which identifies a gap in the market which can also lead to an increase in market shares as ~~their~~ they're the only ones offering it.

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Examiner Comments

Level 1 - 2 marks. The candidate has considered the advantages of Option 1 and the disadvantages of Option 2 with some attempt at development. There is no application within the response so no marks are awarded for A02. The candidate has looked at the advantages of Option 1 and the disadvantages of Option 2. There is no counterbalance and therefore this cannot be regarded as evaluation. The candidate could have stated the disadvantages of option 1 or the advantages of option 2 to provide evaluation in their response. The conclusion does not add anything new and therefore does not count as evaluation, so no marks can be awarded for A04.

ResultsPlus
Examiner Tip

Higher level candidates must realise that scoring full marks on this type of question is more than accessible. However, they must consider the points raised here for that to happen.

Four Fitness is looking to introduce a new service to increase its market share. It is considering two options:

Option 1: as part of its monthly subscription price, members are given a 'Technogym Electronic Key' which is inserted into the gym equipment. The key will track and store their progress. An instructor helps them to analyse their progress.

Option 2: introduce links to online fitness classes on its website that can be accessed from home. Customers will be charged for each fitness class downloaded.

BLT +
BLT –
AJIM

(f) Justify which **one** of these two options *Four Fitness* should choose.

(9)

Market share is the amount of shares a market has.
In my opinion I think Four Fitness should use option number 1, this is because it will motivate customers to keep comming to the gym to check their progress. leading to more supscriptions being paid, and happier customers. Also having an instructor increases their confidence, therefore more motivated customers will come to Four Fitness.

However, this option also has its disadvantages, for example, having to come to the gym everytime a customer wants to see their process might become tiring. This is because they might live far away and can't come everytime they want. This leads to a demotivation in customers, therefore they might cancel the subscription

In conclusion, I think Four Fitness should introduce option number 1, as it is more effective on customers, and ensures they will like the experience. However it depends on how far away the gym's customers are located, if too far away, they migh feel demotivated. Most importantly, if the idea works correctly, Four fitness will generate more profit and customer loyalty.

ResultsPlus
Examiner Comments

Level 3 - 7 marks awarded. The candidate has demonstrated sound application of knowledge and understanding of business concepts and issues to the business context (A02). The candidate has selected Option 1 and considered the advantages and disadvantages of this option. There are interconnected points with chains of reasoning presented (A03). The candidate makes a judgement (A04), providing a sound evaluation of the reasons for Option 1. The actual conclusion is limited in terms of adding anything new and is limited to Level 2. Overall the response sits at the bottom of Level 3.

ResultsPlus
Examiner Tip

Ensuring that 'linking words/terms' such as 'thus', 'therefore', because' or 'this leads to' allows more connected writing and development of answers. This is vitally important for answers that require extended writing.

Question 3(a)

This question was answered relatively well. The common correct response referred to a reduction in unit cost due to the growth or expansion of the business. However, unfortunately some candidates did not receive the mark as they simply stated 'a fall in unit costs' which does not show understanding of economies of scale.

3 (a) Define the term **economies of scale.**

(1)

Economies of scale is the average cost decreasing when we increase the ~~amount~~ quantity of products produced

ResultsPlus
Examiner Comments

1 mark awarded for a correct response showing a clear understanding of the term 'economies of scale'.

ResultsPlus
Examiner Tip

For 'Define' questions candidates are required to show they have a clear understanding of the term.

3 (a) Define the term **economies of scale.**

(1)

Average cost of output

ResultsPlus
Examiner Comments

0 marks awarded as the candidate provides an incomplete definition of the term 'economies of scale'.

ResultsPlus
Examiner Tip

Learn the specification terminology.

Question 3(b)

This question was not answered well. If a candidate received marks, it was more common to see them refer to price from the marketing mix and link this to quantitative data received from a survey or from competitors. It was much rarer to see learners refer to other elements of the marketing mix, presumably because they struggled to make the link to a quantitative element. Occasionally candidates would refer to some form of quantitative data like level of profits or market share but there was no link to the marketing mix.

Some candidates did not answer the question asked and simply defined quantitative data and how it could be displayed.

(b) Outline **one** way quantitative research data might help *Four Fitness* to improve its marketing mix.

(2)

One way is that quantitative is easy to display ~~charts, also~~ for them in charts, for example, the prices of ~~competitors, and~~ gym competitors, and compare theirs with Four fitness prices, and see the trend and make decisions on their prices, especially in ~~their~~ their third gym they are planning to open in the ~~fu~~ future.

ResultsPlus
Examiner Comments

2 marks awarded. The candidate has linked the 'price' element of the marketing mix to using quantitative data regarding competitors pricing in their response. The response is contexualised by the use of 'competitor gym' and 'third gym'.

ResultsPlus
Examiner Tip

Only one reference to context is required in an 'outline' question.

(b) Outline **one** way quantitative research data might help *Four Fitness* to improve its marketing mix.

(2)

It is accurate and easy to ~~dea~~ read helping four fitness to analyse the data they collected.

ResultsPlus
Examiner Comments

0 marks awarded. The candidate has not identified any specific quantitative research data that may be used by Four Fitness. 'Data' on its own is too vague to be awarded a mark. It must outline specific data that can be used by Four Fitness to improve its marketing mix.

ResultsPlus
Examiner Tip

An 'outline' question requires a point with development, in context, to be awarded the 2 marks available.

Question 3(c)

This question was answered very well. A large majority of candidates included the correct calculation and correct answer. It was pleasing to see candidates showing their workings.

Figure 3 is an extract of financial information from a *Four Fitness* monthly cash flow forecast.

	€
Cash inflow	60 000
Closing balance	21 500
Cash outflow	48 600

Figure 3

(c) Calculate the net cash flow balance. You are advised to show your working.

(2)

60000 – 48600 = 11400

€ 11400

ResultsPlus
Examiner Comments

2 marks awarded for a correct response.

Question 3(d)

An 'analyse' question which requires candidates to benefits of recruiting externally. The Assessment Objectives being assessed for this command word are AO2 and AO3 so candidates are required to analyse in a contextual manner.

This question was answered relatively well but there was a distinct lack of context in many responses restricting the marks awarded. The common correct responses referred to new ideas/skills being brought into the business, and a wider pool of applicants. These points were often developed with links to product and promotion from the marketing mix. However, unfortunately a significant number of candidates did not refer to external recruitment and interpreted the question as the benefits of recruiting an extra person so they referred to things like 'having an extra person to help supervise instructors'.

Four Fitness will need to externally recruit a Marketing Manager when it opens a third gym.

(d) Analyse the benefits to *Four Fitness* of recruiting externally.

new ideas.
no gap to fill recruit

(6)

By recruiting externally, Four Fitness introduces someone with new ideas. In order to market a product, promotion is a very important part. A manager with new ideas can find ways to target the fitness and social classes to the right market segment. This allows the business to market a product ~~marketing costs~~ ~~to be worth it~~ to the right potential customers to maximise profits.

Secondly, by recruiting externally, a business will not have to fill a vacant position once the person has changed jobs. This saves the business time and money advertising ~~for~~ a specialist gym instructor. By doing this, they save money as they only have to ~~recr~~ advertise and recruit one person, not two.

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Examiner Comments

Level 2 - 5 marks awarded. The candidate has used sound application throughout the response and used detailed interconnected points with logical chains of reasoning to analyse the benefits of recruiting externally.

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Examiner Tip

Detailed reference is made in the examiner's report each year about the importance of application and context in answers. Despite this, it still remains a key issue and a key area where candidates lose marks each year.

Four Fitness will need to externally recruit a Marketing Manager when it opens a third gym.

(d) Analyse the benefits to *Four Fitness* of recruiting externally.

(6)

Recruiting ~~ext~~ within the company is helpful because the ~~r~~ employee, the company is gonna select already get familiar to the workplace and ~~know thi~~ have knowledge to know to work within the company.

~~The comp~~ By recruiting within the company itself, This helps the company to save money instead of wasting it on training another one outside the business.

Recruiting someone from the company is essential to the company growth because the employee has already the skill needed ~~foor~~ for the position.

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Examiner Comments

0 marks awarded. The candidate has not answered the question as the response refers to internal recruitment instead of external recruitment.

Question 3(e)

This question was answered moderately well but there was a distinct lack of context in many responses restricting the marks awarded. Candidates were able to demonstrate that they understood both methods of ownership and they could develop their responses to achieve marks for AO3. As candidates generally had sound knowledge, they were also able to pick up marks for AO4 by including drawbacks or exploring both options, though some candidates did not get any marks which was usually because there was an issue with the structure of their response. The clear weakness was applying their points in context to the question.

→ one business owner

Gianni Polvani operates *Four Fitness* as a sole trader. He is considering a change to the ownership of the business and is looking at two options:

Option 1: a partnership with three of his employees

Option 2: a private limited company. LTD → limited liability

(e) Justify which **one** of these two options Gianni should choose.

(9)

I believe Gianni Polvani should chosose a private limited company as the ownership rather than a partnership with three employees. With a partneship, especially with employees it could lead to many disagreements and the profits must be shared. With a private limited comany (LTD) it is limited liabality meaning personal assets will not be affected. It is much more trust worthy rather than relying on employees who most likely don't have as much money to invest into the business. Also with partneships it is unlimited liability meaning their assets will be at risk if the company begins to decline. Since the employees are used to having a job and might not have been saving, this can cause them to be at major risk.

ResultsPlus
Examiner Comments

Level 1 - 1 mark awarded. The candidate has made a series of points in relation to Option 1 and Option 2. There is one linked strand 'meaning personal assets will not be affected'. There is no application of context within the response, so no AO2 marks are evident. There is no counterbalance or evaluation. The candidate has looked at the advantages of Option 2 and disadvantages of Option 1, so this is not evaluation (A04).

ResultsPlus
Examiner Tip

Advice—keep in mind that 'Justify' questions do not require the consideration of both options, and that some structures can make it considerably harder to demonstrate the evaluative skill.

Gianni Polvani operates *Four Fitness* as a sole trader. He is considering a change to the ownership of the business and is looking at two options:

Option 1: a partnership with three of his employees

Option 2: a private limited company.

(e) Justify which **one** of these two options Gianni should choose.

(9)

Gianni Polvani should create a partnership with three of ~~its~~ his employees. They will create a partnership deed and run the company together. By doing so, tasks and duties within running the business can be shared. By choosing trusted employees, Gianni Polvani would be able to make one of the employees the general supervisor of the gyms. This would decrease his workload, as well as motivate the supervisor to work hard and do his job, as he would feel valued and trusted. Moreover, the skills of the highly qualified employees may be usefull in running the business, as they could provide usefull insights about the physical and social activities as well as of costumers using the gyms, for example. Gianni Polvani may not have been able to notice this before, on his own, so business decisions will be better founded.

Secondly, Gianni Polvani will be able to generate more funding for Four Fitness, using money pumped in by the new partners. More finance and capital might allow Four Fitness to expand and dominate the gym market. They might also be able to decrease prices of subscriptions to emphasize their competitive edge and win own ~~costumes~~ costumers at the expense of rivals.

Hovever, Giovanni Paulini remains with unlimited liability for his business debts, which poses a higher risk if the business fails. He may only be able to have limited liability by becoming a sleeping partner, ~~as this~~ but this would result in loss of control over

(Total for Question 3 = 20 marks)

Four Fitness.

In conclusion, I still believe Giovanni Paulini should create a partnership, as it provides more options in running the business and increases finance.

ResultsPlus
Examiner Comments

Level 3 - 7 marks awarded. The candidate has presented an argument for and against option 1, becoming a partnership. There is use of context in relation to Four Fitness throughout the response (gyms, physical/social actitivities, gym market, subscriptions). The reason why this response sits at the bottom of Level 3 is due to the weak final judgement/evaluation (A04) which adds nothing new to the response.

ResultsPlus
Examiner Tip

'Justify' questions do not need to consider both options.

Question 4(a)

This question was answered very well. A large majority of candidates included the correct calculation and correct answer. Where marks were dropped, it was usually because the candidate had not included the correct decimal places.

4 **Figure 4** is an extract from a *Four Fitness* Statement of Comprehensive Income.

	€
Revenue	168 000
Costs of sales	54 638
Gross profit	113 362

Figure 4

(a) Calculate, to two decimal places, the gross profit margin. You are advised to show your workings.

(2)

$$\frac{113\,362}{168\,000} \times 100 = 67.477$$

67.477 %

ResultsPlus
Examiner Comments

1 mark awarded for workings. The candidate has not presented their final answer to 2 decimal places.

ResultsPlus
Examiner Tip

Attention to detail is vital, even in calculate questions. Some business calculations will require answers to be provided to 2 decimal places. This will be stated in the question so it is important to read the question carefully.

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Figure 4

(a) Calculate, to two decimal places, the gross profit margin. You are advised to show your workings.

(2)

$$\frac{\text{gross progit}}{\text{revenue}} \times 100$$

gross progit = 168,000 − 54,638 = 113,362

67.48 %

ResultsPlus
Examiner Comments

2 marks awarded for a correct response.

ResultsPlus
Examiner Tip

There are no marks awarded for writing out formulae in words.

Question 4(b)

This question was answered moderately well. Many candidates included correct responses referring to 'not being closed down' or 'making staff and customers feel safe'. They were often able to develop these points and include context such as 'injuries' and 'gym equipment'. Occasionally candidates would only explore how the business could comply with health and safety laws rather than why they would need to.

(b) Analyse why *Four Fitness* complies with health and safety laws.

(6)

Four Fitness must comply with health and safety laws to ~~avoi~~ be in line with government regulation. For example, they will not ~~be~~ buy illegal substances or dangerous machines due to administrative barriers set up by the government. Failiure to do so might lead to them being fined by consumer protection services or even dismantling the business. Also, having safe equipment and therefore little or no accidents in the gym will increase customer trust in Four Fitness and therefore brand loyalty is increased, leading to more revenue.

ResultsPlus
Examiner Comments

Level 3 - 5 marks awarded. The candidate has provided a concise analysis of why Four Fitness complies with Health and Safety laws with several interconnected points. The response has sound application of knowledge to the business context within the response.

ResultsPlus
Examiner Tip

If the name of a business is written in the question then context must be included in the answer.

Question 4(c)

This question was answered moderately well. Candidates mostly referred to changes in the market that were referenced in the question, and it was rare to see other ideas explored. Sometimes candidates would refer to actions that the business could take to respond to changes such as market research, but unfortunately there was no link to a change in the market, meaning these candidates scored zero marks.

The global health and fitness market has an average growth of 7% a year. Individuals are spending more money on looking after their health by becoming fitter and taking out a gym membership. Advancements in technology are also making it easier to monitor fitness levels.

Four Fitness has two gyms in a health-conscious Italy. The team of instructors are all professionally qualified and enthusiastic to share their experience with its customers.

(c) Evaluate how *Four Fitness* may respond to the changes in the market. You should use the information provided as well as your own knowledge of business.

(12)

As technology is improving, Four Fitness should set up online home exercise programs. This will allow them to target a big number of people such as internet users.

Four Fitness should also try above-the-line promotion which involves advertising a product with the use of media. They will be able to make creative and attractive adverts on TV's for example which will attract a big number of customers.

Four Fitness should try to give free month trials which can ~~at~~ also attract customers and this ~~a~~ is a good way of responding to competitors.

Four Fitness should also start to give discount codes to their best customers which will improve their relation, this can improve the image of the business.

ResultsPlus
Examiner Comments

Level 1 - 4 marks awarded. The candidate demonstrates elements of knowledge (A01) and has limited application in their response (A02). The candidate has made reference to technology improving (response to change) with an attempt at development. There is a second point made ('free month trials') with some development (A03). There is no evaluation presented for A04.

The global health and fitness market has an average growth of 7% a year. Individuals are spending more money on looking after their health by becoming fitter and taking out a gym membership. Advancements in technology are also making it easier to monitor fitness levels.

Four Fitness has two gyms in a health-conscious Italy. The team of instructors are all professionally qualified and enthusiastic to share their experience with its customers.

(c) Evaluate how *Four Fitness* may respond to the changes in the market. You should use the information provided as well as your own knowledge of business.

(12)

The dynamic nature of the Italian Gym market influences how Four Fitness responds to its changes.

First of all, the increasingly informed customer base present in the market wishes to improve their health and fitness. They are likely to be well-informed in the type of exercises needed to become fit, as well as food that damages their health. Four Fitness can respond to this change in the market by selling online cams on its websites, which guarantee results over a specific time period. They might also include salad boxes and vitamin drinks available to be purchased on the premises. Both expansions of services and products may result in more sales, leading to ~~more~~ more revenue and higher profits. However, customers may not be impressed by food sold by gyms, which might cause cash flow problems, especially if Four Fitness invested in new salad boxes or other foods.

Second of all, Four Fitness might adopt technology in its gyms to better monitor fitness levels of clients. Computers that can calculate exact loss of calories installed to treadmills might be an example of new technology Four Fitness can adapt. More customers will be attracted to better methods of tracking progress, which might mean a higher number of subscriptions and more ~~progress. It~~ profit. However, investments in technology can be costly for Four Fitness, high installation costs perhaps diminishing existing profit and capital.

Third of all, the constant growth of the market presents both possibilities, as well as dangers. Four Fitness can capitalise on the rapid market growth as it has been established for 20 ~~years~~ years. Their experience in the market may allow them to better exploit new customers. They may focus on expansion in new locations, as well, to have access to a larger customer pool, improving their reputation and presence in the market, as well as ~~revenue~~ revenue. However, a fast market growth poses the threat of competitors, more funded or with better methods driving out Four Fitness of the market.

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

Four Fitness must therefore remain competitive and constantly invest in promotion and marketing.

In conclusion, Four Fitness is well positioned to take advantage of the expanding market, however they must be careful to how they do it.

ResultsPlus
Examiner Comments

Level 3 - 11 marks awarded. The candidate demonstrates accurate knowledge and understanding of business concepts and issues throughout, using appropriate terminology (A01). There is detailed application of knowledge and understanding of business concepts and issues to the business context throughout the response (A02). The candidate has deconstructed business information with interconnected points to explain how the business could respond to the changes in the market (A03). The candidate has made a judgement (A04) providing a justification based on sound evaluation of the points made throughout their response. The conclusion does not add any merit to the response.

ResultsPlus
Examiner Tip

The conclusion is a key part of 'Evaluate' questions and the quality of conclusions should be something that should be a focus in centres.

Paper Summary

Based on the performance in this paper candidates and centres are offered the following advice:

- Not repeating the question in the first line of their response—it wastes time and allows no extra marks to be scored.
- Understand key terms from the specification.
- Ensuring that 'linking words/terms' are used in answers, such as 'thus', 'therefore', 'because' or 'as a result' to create a 'firebreak' between linked strands of development.
- Recognising that all questions are marked according to the Assessment Objectives (AOs) that they are designed to test. A 'good answer' is not necessarily a 'good answer' unless it satisfies the Assessment Objectives (AOs) that are associated with the command word that was used in the question.
- Recognising the importance of including context/application in 'state' and 'outline' questions.
- When using the source material to select relevant context it is important to understand the relevance of this information rather than copying extracts from the material and including it in answers.
- Realising that 'Justify' questions do not require the consideration of both options, and that some structures adopted can make it considerably harder to demonstrate the evaluative skill.
- Ensuring that 3 mark 'Explain one ...' questions are not 'over-engineered'. 3 marks can be obtained in as few as three sentences.
- 'Explain' questions require no context but a full explanation of the point being made is necessary.

Grade boundaries

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