

Sample Question Paper

A Level Business

H436/02 Business 2: operations, finance and external influences

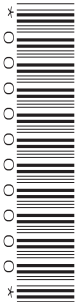
Time allowed: 2 hours

You must have:

- the Formula Sheet

You can use:

- a scientific or graphical calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions.

INFORMATION

- The total mark for this paper is **90**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **20** pages.

ADVICE

- Read each question carefully before you start your answer.

Section A

Put a tick (✓) in the box next to the **one** correct answer for each question.

1 What is likely to decrease supply in the salad vegetable market:

- (a) Good weather during the growing season
- (b) Improvements in farming productivity
- (c) Increases in the cost of harvesting
- (d) Subsidies for food producers

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[1]

2 Which is **not** a production activity?

- (a) Creating digital products
- (b) Manufacturing physical products
- (c) Providing services
- (d) Selling goods

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[1]

3 Transport infrastructure refers to:

- (a) 3D printing, nanotechnology and robotics
- (b) airports, motorways and railway lines
- (c) distribution networks, ecommerce and roads
- (d) lorries, ships and trains

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[1]

- 4 Variance analysis data is shown below.

Type of budget	Planned	Actual
Total cost	£6m	£5.5m
Total revenue	£10m	£9.0m

According to the data, which of the following is true?

- (a) Both budgets have favourable variances
- (b) Fewer goods were sold than expected
- (c) Profit was lower than expected
- (d) The total cost budget has an adverse variance

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[1]

- 5 One way a gym can add value is by:

- (a) charging higher prices for its subscriptions
- (b) offering free on-site parking facilities
- (c) reducing the number of fitness instructors it employs
- (d) requiring all members to wear branded trainers

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[1]

- 6 The estimated net cash flow for an investment is shown below.

Year	Net cash flow £
0	(87 000)
1	22 000
2	44 000
3	63 000
4	95 000

The payback period for this investment is:

- (a) 2 years 3 months
- (b) 2 years 4 months
- (c) 3 years 3 months
- (d) 3 years 4 months

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7 An increase in the number of firms in a market is **most** likely to lead to:

- (a) fewer customers
- (b) higher prices
- (c) increased competition
- (d) reduced productivity

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[1]

8 A company's return on capital employed is 13%.

This means that for every:

- (a) £100 of net assets, the company makes a profit of £13
- (b) £100 of gross profit, the company had expenses of £87
- (c) £100 of revenue, the company's cost of sales was £87
- (d) £100 of total equity, the company makes revenues of £13

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[1]

9 Which would be found on an income statement?

- (a) Cost of sales, profit for the year, taxation
- (b) Dividends, equity, gross profit
- (c) Expenses, net assets, operating profit
- (d) Reserves, retained profit, revenue

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[1]

10 Which is an example of a technological influence on a business?

- (a) A pressure group campaigning for greater use of technology in schools
- (b) An increase in government subsidies for technology companies
- (c) Recent innovations in wearable technologies
- (d) The increasing popularity of mobile technologies

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[1]

Section B

Read the case study and answer the questions.

Ryugo Ltd

Ryugo Ltd manufactures its own brand of cycling clothing. The company's founders, Ryan and Hugo, met while at university. Ryan was studying politics and Hugo was studying business law. Ryugo Ltd's stylish, yet functional, product range consists of shorts, leggings, t-shirts and jerseys. The brand is proving popular with under 35s who cycle to work.





Ryugo Ltd supplies sportswear retailers and specialist cycle outfitters across the UK. After three years of trading, the company now has 75 employees who produce hundreds of items a day in a range of designs, colours and sizes. On average, Ryugo Ltd sells its clothing to retailers for £60 per item with variable costs of £12 per item. The company's fixed costs, including storage costs, are currently £350 000 per month. Ryan and Hugo both invested personal savings in the company. They hope that this year the company might turn its first profit. The company has a low gearing ratio.

Recently the company has experienced the following problems:

- political sanctions causing supply issues for carbon black, an important raw material
- volatile exchange rates causing severe fluctuations in the cost of fabrics
- out-of-date stocks of perishable rubber compound needing to be destroyed
- damage to work in progress due to a spillage in the cluttered sewing room
- needing to use a cleaning cupboard to store high inventory levels of winter jerseys
- being unable to supply a large order for t-shirts due to uncertainty over stock levels
- customers cancelling orders due to delays in dispatching some sizes and colours.

Ryan and Hugo have decided that the company would benefit from using inventory control software. The cost of the software is £15 000, plus ongoing licensing and support fees. The purchase will need to be financed externally. Ryan favours crowdfunding and has drawn up an investor reward scheme (see **Fig. 1**). Hugo favours a bank loan. He recommends a 60-month, variable rate loan, available from the company's bank with an initial APR of 5.9%.

Fig. 1 Investor reward scheme

Amount invested		Rewards
£10 - £99		Exclusive cap
£100 - £999		1 jersey + exclusive cap
£1000 - £4999		1 pair of shorts + 1 pair of leggings + 1 t-shirt + 1 jersey + exclusive cap
£5000+		2 pairs of shorts + 2 pairs of leggings + 2 t-shirts + 2 jerseys + exclusive cap + investor dinner

Ryan and Hugo both hope that the inventory control software will allow them to scale up operations. They wish to begin selling abroad. They have chosen the Japanese market. Japan has a population of 127m and an average ownership of 0.67 bicycles per person. The owners have further plans to export to businesses in America and Australia in due course.

11

- (a) State what is meant by the term 'profit'.

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..... [1]

- (b) Calculate the minimum number of items of clothing Ryugo Ltd needs to sell this year to avoid making a loss. Show your workings.

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- 12 Analyse **two** advantages for Ryugo Ltd of inventory control.

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DRAFT

14* Evaluate potential challenges to Ryugo Ltd of selling its range of cycling clothing to businesses in Japan. **[14]**

DRAFT

DRAFT

Section C

Read the case study and answer the questions.

Merlin Entertainments Limited

Merlin Entertainments owns and operates 141 tourist attractions across 23 countries. In the UK these include Legoland, Madame Tussauds, Cadbury World, Sea Life aquariums and the London Eye, as well as several branded theme parks including Alton Towers, Chessington World of Adventures and Thorpe Park. Merlin Entertainments focuses on providing a high quality of experience to its guests. Delivering uplifting experiences with exceptional service is a core element of its purpose.

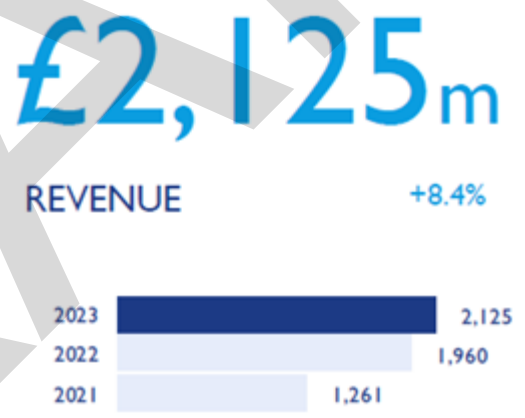
In 2022 Merlin Entertainments began outsourcing some of its food and drink provision. This included outsourcing the entire supply of food and drink at all of its UK theme parks. Aramark is Merlin Entertainments' chosen specialist provider in the UK. Merlin Entertainments no longer receives revenue directly from visitor spending on food and drink. Instead, it receives payments from Aramark under the terms of the contract to supply.

Merlin Entertainments made a loss of £17m in 2023, compared to a profit of £89m in 2022. Nevertheless, the company's annual statement reported increased visitor numbers (see **Fig. 2** for Merlin Entertainment's infographic). The company also reported its highest ever revenues (see **Fig. 3** for Merlin Entertainment's infographic).

Fig. 2 Merlin Entertainments Limited
visitor numbers 2021 - 2023



Fig. 3 Merlin Entertainments Limited
revenue 2021 - 2023



The company attributes its increase in visitor numbers to robust demand for 'enjoyable experiences', (especially in the UK, Asia Pacific and continental Europe). The increased revenues are due to admission fees (including annual passes, multi-day tickets and day admittance) from high visitor numbers. They are also due to increased spend per guest (on commercial goods such as onsite sales of retail merchandise and souvenirs such as photos).

Merlin Entertainments monitors its liquidity position closely. It reviews 3-month cash flow forecasts for all of its attractions on a weekly basis. It also keeps the availability of sources of finance under constant review.

The company's borrowings fell slightly to £3712m at end of 2023, from £3807m at end of 2022. However, Merlin Entertainments' finance costs increased due to higher interest rates and unfavourable movements in exchange rates affecting loans not in Pounds Sterling (£).

Selected end of year balances for Merlin Entertainments are shown in the table below.

End of year balances:	2023 (£m)	2022 (£m)
Current liabilities	554	627
Current assets	443	529
of which:		
inventories	69	61
cash and cash equivalents	164	266

15

- (a)** Explain **one** way of managing operational quality in a business.

[2]

- (b)** Explain **one** likely reason why Merlin Entertainments focuses on providing a high quality of experience to its guests.

[2]

- 16** Analyse **one** advantage and **one** disadvantage for Merlin Entertainments of outsourcing its provision of food and drink at its UK theme parks.

..... [8]

- 17** The demand for Merlin Entertainments' UK theme parks is likely to be affected by a range of market factors including:

- the income of customers
- the price of substitutes.

Analyse both factors.

Recommend which factor is likely to have the greatest impact on the demand for Merlin Entertainments' UK theme parks.

Justify your answer.

[14]

DRAFT

18* Using calculations of the current ratio and the acid test ratio, evaluate Merlin Entertainments' liquidity position. **[14]**

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END OF QUESTION PAPER

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Sample Mark Scheme

A Level Business H436/02 Operations, finance and external influences

MARK SCHEME

Duration: 2 hours

MAXIMUM MARK 90

Version: **Sample**

This document has xx pages

MARKING INSTRUCTIONS

PREPARATION FOR MARKING RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Rubric Error Responses – Optional Questions

Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.

7. Award No Response (NR) if:
- there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.
9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. Annotations

Annotation	Meaning

12. Subject Specific Marking Instructions**Section A: Multiple Choice**

SECTION A			
Question	Answer	Marks	Assessment Objective
1	C	1	2
2	D	1	1
3	B	1	1
4	C	1	2Q
5	B	1	2
6	B	1	2Q
7	C	1	1
8	A	1	2Q
9	A	1	1
10	C	1	1

Section B

Question	Answer	Mark	Guidance
11a	<p>State what is meant by the term 'profit'.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Money leftover once expenses have been paid • The amount by which revenue exceeds costs • Financial reward for enterprise <p style="text-align: right;">ARA</p>	<p>1</p> <p>(AO1 1)</p>	<p>One mark for identification. ✓</p> <p>Answers do not need to relate to Ryugo Ltd.</p> <p>Do not credit the formula for profit or how to calculate profit.</p>
11b	<p>Calculate the minimum number of items of clothing Ryugo Ltd needs to sell this year to avoid making a loss. Show your workings.</p> <p>Indicative content: Fixed cost = $12 \times £350,000 = £4,200,000$ (1) Contribution = $£60 - £12 = £48$ (1) Break-even = $\frac{£4,200,000}{£48} = 87,500$ items (1) (of clothing)</p>	<p>3</p> <p>(AO2 3)</p>	<p>Credit three marks for correct answer (with or without working) i.e. 87,500 items. ✓</p> <p>Credit two marks for a correct numerical answer but with incorrect units e.g. a pound sign or percentage sign.</p> <p>Else award one mark for <u>each</u> of the following, if seen (£ signs not required).:</p> <ul style="list-style-type: none"> • $4,200,000/4.2\text{m}$ (fixed costs) • 48 (contribution)

Question	Answer	Mark	Guidance
12	<p>Analyse <u>two</u> advantages for Ryugo Ltd of inventory control.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Minimise costs of holding storing inventory/stock • To inform on reorder levels and timings • Reduce risk of stock outs • Minimise risk of damage to stock • To communicate effectively with suppliers • To expedite procurement when needed • To provide inventory/stock updates to customers • Effective cash flow forecasting <p>Application may include:</p> <ul style="list-style-type: none"> • Supplier issues with carbon black • Exchange rates volatile affecting cost of fabrics • Perishable rubber compound needed to be destroyed • Spillage in sewing room • Using a cleaning cupboard to store winter jerseys • Being unable to supply a large order for t-shirts due to uncertainty over inventory/stock levels • Orders being cancelled due to size/colour supply issues <p>ARA</p>	<p>8</p> <p>(AO1 2) (AO2 2) (AO3 4)</p>	<p>Use level of response marking grid to assess skill levels.</p> <p>Annotate as:</p> <p>Up to two marks for knowledge and understanding [KU]</p> <p>Up to two marks for application [APP]</p> <p>Up to four marks for analysis [AN]/[DEV]</p> <p>NB responses can relate to stock of raw materials, finished good or work in progress.</p>

Q12 Analyse two advantages for Ryugo Ltd of inventory control.

[8]

	Knowledge & Understanding (2 marks)	Application (2 marks)	Analysis (4 marks)
Strong	2 marks Knowledge of two advantages of inventory control. [KU]	2 marks Application to Ryugo Ltd of two advantages of inventory control. [APP]	4 marks Developed analysis of two advantages of inventory control. [DEV]
Good			3 marks Developed analysis of one advantage of inventory control. [DEV]
Reasonable	1 mark Knowledge of one advantage of inventory control. [KU]	1 mark Application to Ryugo Ltd of one advantage of inventory control. [APP]	2 marks Basic analysis of two advantages of inventory control. [AN]
Limited			1 mark Basic analysis of one advantage of inventory control. [AN]

Question	Answer	Mark	Guidance
13	<p>Analyse both sources of finance. Recommend which source of finance is most suitable for Ryugo Ltd. Justify your answer.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Crowdfunding e.g. does not need to be paid back, can be used as a promotional tool, uncertainty over how much will be raised, need to give out rewards, etc • Bank loan e.g. monthly instalments, needs to be paid back, interest charged, changeable interest rate, etc <p>Application may include:</p> <ul style="list-style-type: none"> • Software costs £15,000 • Already has fixed costs of £350,000 per month/£4.2m per annum • Not yet made a profit • Bank loan interest £885 per annum (simple interest)/£4425 over 5 years • Rewards also advertise the clothing • Difficulties creating an equitable award scheme (£100 most lucrative for investors) • Crowdfunding gives no incentive to invest more than £5000 • Currently has a low gearing ratio • Both owners have personal savings invested in the business <p style="text-align: right;">ARA</p>	<p>14</p> <p>(AO1 2) (AO2 2) (AO3 4) (AO4 6)</p>	<p>Use level of response marking grid to assess skill levels.</p> <p>Annotate as:</p> <p>Up to two marks for knowledge and understanding [KU] Up to two marks for application [APP] Up to four marks for analysis [AN]/[DEV] Up to six marks for evaluation [EVAL]/[EE]</p> <p>Justification can support either method. Reasoning is likely to weigh up the advantages and disadvantages of both methods. Responses may also try to compare the bank loan cost with the cost of the rewards or consider the importance of avoiding being highly geared, especially until the owners receive a return on their investment.</p>

Q13 Ryan and Hugo are considering the following sources of finance to fund the purchase of the inventory control software for their business:

- crowd funding
- bank loan.

Analyse both sources. Recommend which source of finance is most suitable for Ryugo Ltd. Justify your answer.

[14]

	Knowledge & Understanding (2 marks)	Application (2 marks)	Analysis (4 marks)	Evaluation (6 marks)
Strong	2 marks Knowledge of an advantage/disadvantage for both of the sources of finance. [KU]	2 marks Application to Ryugo Ltd of an advantage/disadvantage for both of the sources of finance. [APP]	4 marks Developed analysis of an advantage/disadvantage for both of the sources of finance. [DEV]	5-6 marks A justified evaluation as to which sources of finance is most suitable for Ryugo Ltd, including why the alternative is less suitable (with explicit use of the context). [EE][EE]
Good			3 marks Developed analysis of an advantage/disadvantage for one of the sources of finance. [DEV]	4 marks A justified evaluation as to which of the sources of finance is most suitable for Ryugo Ltd (with explicit use of the context). [EE]
Reasonable	1 mark Knowledge of an advantage/disadvantage for one of the sources of finance. [KU]	1 mark Application to Ryugo Ltd of an advantage/disadvantage for one of the sources of finance. [APP]	2 marks Basic analysis of an advantage/disadvantage for both of the sources of finance. [AN]	2-3 marks A justified evaluative comment as to which of the sources of finance is most suitable for a business. [EVAL] [EVAL]
Limited			1 mark Basic analysis of an advantage/disadvantage for one of the sources of finance. [AN]	1 mark A basic assertion as to which of the sources of finance is most suitable for a business. [EVAL]

Question	Answer	Mark	Guidance
14*	<p>Evaluate potential challenges to Ryugo Ltd of selling its range of cycling clothing to businesses in Japan.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Exchange rates e.g. conversion, volatility • Customs e.g. documentation • Exports e.g. UK's Japanese free trade agreement, possible tariffs and quotas • Transportation issues e.g. speed, cost • Language barriers e.g. communication • Cultural barriers • Differing political environments • Differing legislation <p>Application may include:</p> <ul style="list-style-type: none"> • Ryan studied politics at university • Hugo studied business law at university. • First overseas market • Japan population of 127m • Japan bicycles per person 0.67 • Number of bicycles in Japan 85m <p style="text-align: right;">ARA</p>	<p>14</p> <p>(AO1 2) (AO2 2) (AO3 4) (AO4 6)</p>	<p>Use level of response marking grid to assess skill levels.</p> <p>Annotate as:</p> <p>Up to two marks for knowledge and understanding [KU] Up to two marks for application [APP] Up to four marks for analysis [AN]/[DEV] Up to six marks for evaluation [EVAL]/[EE]</p> <p><i>See appendix A for Quality of Extended Response marking grid – statements with appendix A should be taken into account when marking AO4.</i></p> <p>Evaluation is likely to consider the magnitude or severity of the problems exporting in general and to Japan in particular. It may also weigh up the timeframe of the challenges i.e. are they one off on entry to the market or ongoing. Responses may consider the relative popularity of cycling in Japan, the size of the target market, differences in climate and the degree of westernisation. It may also include the extent to which Ryan's political understanding and Hugo's legal knowledge might reduce the challenge. Ryugo's next markets, America and Australia, might have been a better choice of first export market given they have a greater similarity of culture and language.</p>



Q14* Evaluate potential challenges to Ryugo Ltd of selling its range of cycling clothing to businesses in Japan.

[14]

	Knowledge & Understanding (2 marks)	Application (2 marks)	Analysis (4 marks)	Evaluation (6 marks)
Strong	2 marks Breadth of knowledge of the challenges of selling abroad. [KU]	2 marks Breadth of application to Ryugo Ltd of the challenges of selling to Japan. [APP]	4 marks Developed analysis of the challenges of selling abroad. [DEV]	5-6 marks A justified evaluation as to which challenge is the greatest for Ryugo Ltd, including why the alternative is less challenging (with explicit use of the context). [EE][EE]
Good			3 marks Developed analysis of a challenge of selling abroad. [DEV]	4 marks A justified evaluation as to which challenge is the greatest for Ryugo Ltd (with explicit use of the context). [EE]
Reasonable	1 mark Knowledge of a challenge of selling abroad. [KU]	1 mark Application to Ryugo Ltd of a challenge of selling to Japan. [APP]	2 marks Basic analysis of the challenges of selling abroad. [AN]	2-3 marks A justified evaluative comment judging the challenge to a business of selling abroad. [EVAL] [EVAL]
Limited			1 mark Basic analysis of a challenge of selling abroad. [AN]	1 mark A basic assertion judging the challenge to a business of selling abroad. [EVAL]

Section C

Question	Answer	Mark	Guidance
15a	<p>Explain <u>one</u> way of managing operational quality in a business.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Quality control • Quality assurance <p>ARA</p>	<p>2</p> <p>(AO1 2)</p>	<p>One mark for identification of an identification plus one further mark for explanation. ✓</p> <p>Answers do not need to relate to Merlin Entertainments.</p> <p>Example response:</p> <p>Quality control (1) can be used. This involves the inspection of inputs and outputs against predetermined standards (1).</p>

Question	Answer	Mark	Guidance
15b	<p>Explain <u>one</u> likely reason why Merlin Entertainments focuses on providing a high quality of experience to its guests.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • To meet customer expectations • To increase attendance • To command a higher price • To satisfy customers • To reduce complaints • To encourage repeat custom • To maintain a positive reputation • To strengthen its branding • To bolster brand/corporate image • To gain advantage on the competition <p>Application may include:</p> <ul style="list-style-type: none"> • Increased visitor numbers in 2023 • 62.1m in 2023 visitors cf 55.1 in 2022 • Revenue of 2.125m in 2022 cf £1960m in 2022 • Made a loss of £17m in 2023 • 141 tourist attractions across 23 countries • Branded theme parks • Delivering uplifting experiences is its purpose • Robust demand for enjoyable experiences • Retail merchandise and souvenirs • Increased spend per guest • Entertainment industry competes with other tourist attractions <p style="text-align: right;">ARA</p>	<p>2</p> <p>(AO1 1) (AO2 1)</p>	<p>One mark for a valid reason. </p> <p><i>No application marks can be gained without understanding.</i></p> <p>One further mark for application to Merlin Entertainments. </p> <p>Example response:</p> <p>Focusing on quality is likely to lead to high levels of customer satisfaction (1), leading to visitors recommending the theme park to family and friends (APP).</p>

Question	Answer	Mark	Guidance
16	<p>Analyse <u>one</u> advantage and <u>one</u> disadvantage for Merlin Entertainments of outsourcing its provision of food and drink at its UK theme parks.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Advantages e.g. managing capacity, cost reduction, focus on core activities, increased specialisation, increased efficiency, higher quality service, benefits of being linked to a leading brand, etc • Disadvantages e.g. loss of control, more difficult to manage, reduced confidentiality, less flexibility, conflict of organisational objectives, etc <p>Application may include:</p> <ul style="list-style-type: none"> • 141 tourist attractions • Focus on quality and exceptional service • Increased visitor numbers in 2023 • 62.1m in 2023 visitors cf 55.1 in 2022 • Revenue of 2.125m in 2022 cf £1960m in 2022 • Made a loss of £17m in 2023 • Delivering uplifting experiences is its purpose • Robust demand for enjoyable experiences • Retail merchandise and souvenirs • Entertainment industry competes with other tourist attractions • Increased spend per guest <p style="text-align: right;">ARA</p>	<p>8</p> <p>(AO1 2) (AO2 2) (AO3 4)</p>	<p>Use level of response marking grid to assess skill levels.</p> <p>Annotate as:</p> <p>Up to two marks for knowledge and understanding [KU] Up to two marks for application [APP] Up to four marks for analysis [AN]/[DEV]</p>

Q 16 Analyse one advantage and one disadvantage for Merlin Entertainments of outsourcing its provision of food and drinks at its UK tourist attractions. [8]

	Knowledge & Understanding (2 marks)	Application (2 marks)	Analysis (4 marks)
Strong	2 marks Knowledge of one advantage and one disadvantage of outsourcing. [KU]	2 marks Application to Merlin Entertainments of one advantage and one disadvantage of outsourcing [APP]	4 marks Developed analysis of one advantage and one disadvantage of outsourcing [DEV]
Good			3 marks Developed analysis of one advantage/disadvantage of outsourcing. [DEV]
Reasonable	1 mark Knowledge of one advantage/disadvantage of outsourcing. [KU]	1 mark Application to Merlin Entertainments of one advantage/disadvantage of outsourcing. [APP]	2 marks Basic analysis of one advantage and one disadvantage of outsourcing. [AN]

Limited			1 mark Basic analysis of one advantage/disadvantage of outsourcing. [AN]
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Question	Answer	Mark	Guidance
17	<p>Analyse both market factors. Recommend which factor is likely to have the greatest impact on the demand for Merlin Entertainments' UK theme parks. Justify your answer.</p> <p>Responses include:</p> <ul style="list-style-type: none"> Income of customers e.g. higher income increases demand/lower income reduces demand/direct relationship between income and demand, leisure industry, tourists, holiday makers, luxury good, discretionary spending, high YED (>1), etc Price of substitutes e.g. higher price of substitutes increases demand/lower price of substitutes reduces demand/inverse relationship between price of substitutes and demand, closeness (similarity) of substitutes, quality of substitutes, location of substitutes, may visit multiple attractions, strength of own brand, Merlin's other tourist attractions/non-UK theme parks, etc <p>Application may include:</p> <ul style="list-style-type: none"> Tourism and entertainment market Its theme parks in the UK are branded Competition from own attractions in other 22 countries Competition in the UK from Merlin's UK non-theme park attractions e.g. Legoland, Madame Tussauds, Cadbury World, Sea Life, the London Eye Focus on quality and exceptional service 	<p>14</p> <p>(AO1 2) (AO2 2) (AO3 4) (AO4 6)</p>	<p>Use level of response marking grid to assess skill levels.</p> <p>Annotate as:</p> <p>Up to two marks for knowledge and understanding [KU] Up to two marks for application [APP] Up to four marks for analysis [AN]/[DEV] Up to six marks for evaluation [EVAL]/[EE]</p> <p>Justification is likely to way up the magnitude of the impact of both factors or the seriousness/longevity of the factors or likelihood of the factors occurring. Either factor can be chosen so long as the reason justifies its selection. Considerations may include the leisure market Merlin Entertainments operates in, the nature of discretionary spending and YED. It may also consider the strength of theme park's branding and guests desire to visit several tourist attractions. For the price of substitutes the justification may also consider how Merlin Entertainments other tourist attractions/non-UK theme parks compete against its UK provision.</p>

	<ul style="list-style-type: none">• Increased visitor number in 2023• 62.1m in 2023 visitors cf 55.1 in 2022• Revenue of 2.125m in 2022 cf £1960m in 2022• Made a loss of £17m in 2023• Delivering uplifting experiences is its purpose• Robust demand for enjoyable experiences in UK, Asia Pacific and continental Europe• Retail merchandise and souvenirs• Entertainment industry competes with other tourist attractions• Increased spend per guest	ARA	
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Q17 The demand for Merlin Entertainments' tourist attractions is likely to be affected by a range of market factors including:

- the income of customers
- the price of substitutes.

Analyse both factors. Recommend which factor is likely to have the greatest impact on the demand for Merlin Entertainments' UK theme parks. Justify your answer. **[14]**

	Knowledge & Understanding (2 marks)	Application (2 marks)	Analysis (4 marks)	Evaluation (6 marks)
Strong	2 marks Knowledge of the impact on demand of both of the market factors. [KU]	2 marks Application to Merlin Entertainments of the impact on demand of both of the market factors. [APP]	4 marks Developed analysis of the impact on demand of both of the market factors. [DEV]	5-6 marks A justified evaluation as to which market factor is likely to have the greatest impact on demand for Merlin Entertainments tourist attractions, including why the alternative has a lower impact (with explicit use of the context). [EE][EE]
Good			3 marks Developed analysis of the impact on demand of one of the market factors. [DEV]	4 marks A justified evaluation as to which market factor is likely to have the greatest impact on demand for Merlin Entertainments tourist attractions (with explicit use of the context). [EE]
Reasonable	1 mark Knowledge of the impact on demand of one of the market factors. [KU]	1 mark Application to Merlin Entertainments of the impact on demand of one of the market factors. [APP]	2 marks Basic analysis of the impact on demand of both of the market factors. [AN]	2-3 marks A justified evaluative comment as to which market factor is likely to have the greatest impact on demand. [EVAL] [EVAL]
Limited			1 mark Basic analysis of the impact on demand of one of the market factors. [AN]	1 mark A basic assertion as to which market factor is likely to have the greatest impact on demand. [EVAL]

Question	Answer	Mark	Guidance
18*	<p>Using calculations of the current ratio and the acid test ratio, evaluate Merlin Entertainments' liquidity position.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Ability to turn assets into cash • Ability to pay short term debts • Concerned with solvency • To avoid bankruptcy/liquidation • Sufficient cashflow for operations <p>Application may include:</p> <ul style="list-style-type: none"> • Current ratio: 2023 $443/554 = 0.799 = 0.80$; 2022 $529/627 = 0.843 = 0.84$ • Acid test ratio: 2023 $(443-69)/554 = 0.675 = 0.68$; 2022 $(529-61)/627 = 0.746 = 0.75$ 	<p>14</p> <p>(AO1 2) (AO2 2) (AO3 4) (AO4 6)</p>	<p>Use level of response marking grid to assess skill levels.</p> <p>Annotate as:</p> <p>Up to two marks for knowledge and understanding [KU] Up to two marks for quantitative application* [APP] Up to four marks for analysis [AN]/[DEV] Up to six marks for evaluation [EVAL]/[EE]</p> <p>*Application refers to the use of given data to demonstrate quantitative skill. Candidate should undertake the calculation of both liquidity ratios.</p> <p><i>See appendix A for Quality of Extended Response marking grid – statements with appendix A should be taken into account when marking AO4.</i></p> <p>Evaluation may consider mitigating factors such as cash-flow forecasting, reviewing of debt markets, being a large well-known firm, robust demand, increasing visitor numbers, increased customer spend and multiple income streams. It may also consider risks such as interest rates and exchange rates or review historic ratios to judge whether they were sufficient in the past. Evaluation could also include suggested courses of action for Merlin Entertainments such as lowering inventory, reducing current liabilities or increasing current assets.</p> <p>Do not credit arguments relating to the acid test ratio being lower/worse than the current ratio.</p>

Q18 *Using calculations of the current ratio and the acid test ratio, evaluate Merlin Entertainments' liquidity position.

[14]

	Knowledge & Understanding (2 marks)	Application (2 marks)	Analysis (4 marks)	Evaluation (6 marks)
Strong	2 marks Breadth of knowledge relating to liquidity. [KU]	2 marks Correct calculation of both of the liquidity ratios. [APP]	4 marks Developed (quantitative) analysis of both of the liquidity ratios. [DEV]	5-6 marks A justified evaluation of Merlin Entertainments' liquidity position with explicit evaluative use of the ratio data. [EE][EE]
Good			3 marks Developed (quantitative) analysis of a of the liquidity ratio. [DEV]	4 marks A justified evaluation of Merlin Entertainments' liquidity position (with explicit use of the context but with no evaluative use of the ratio data). [EE]
Reasonable	1 mark A piece of knowledge relating to liquidity. [KU]	1 mark Correct calculation of a liquidity ratio. [APP]	2 marks Basic analysis of factors relating to liquidity. [AN]	2-3 marks A justified evaluative comment as to the value of liquidity for a business. [EVAL] [EVAL]

Limited			1 mark Basic analysis of a factor relating to liquidity. [AN]	1 mark A basic assertion as to the value of liquidity for a business. [EVAL]
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Appendix A – Quality of Extended Response (*) marking grid

Level	Marking Criteria (AO4)
4	<i>There is a well-developed and sustained line of reasoning which is clear and logically structured. Information presented is relevant/appropriate and substantiated.</i>
3	<i>There is a line of reasoning presented with some structure. Information presented is mostly relevant/ appropriate and supported by some evidence.</i>
2	<i>The response has limited structure. Information presented is sometimes appropriate.</i>
1	<i>The response is poorly structured. Information presented is rarely relevant/appropriate.</i>