



GCE A LEVEL MARKING SCHEME

SUMMER 2025

**A LEVEL
BUSINESS – UNIT 3
1510U30-1**

About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

WJEC GCE A LEVEL BUSINESS - UNIT 3

SUMMER 2025 MARK SCHEME

1. (a)	State what is meant by sales forecasting.	Total
	AO1: 1 mark Award 1 mark for correct definition Sales forecasting is the art or science of predicting future demand by anticipating what consumers are likely to do in a given set of circumstances.	1
(b)	Complete the table by calculating the missing figures for (i) and (ii).	Total
	AO2: 2 marks Award 1 mark for each correctly calculated figure. (i) £97 or £97 000 (ii) £115 or £115 000	2

(c)	Plot the three point moving averages on the graph provided and use a line of best fit to predict the sales revenue for 2025.	Total																		
	AO2 – 3 marks Award 1 mark for plotting the results Award 1 mark for drawing the line of best fit (Award 1 mark if line of best if correct using Sales Revenue Data) Award 1 mark for correctly predicting the sales revenue (Award 1 mark using OFR if the line of best fit has been drawn using Sales Revenue Data – figure works out at £140 000 so allow anywhere in the range of £130 000 - £150 000) <table><caption>Sales Revenue Data (Estimated from Graph)</caption><thead><tr><th>Year</th><th>Sales revenue (£000's)</th></tr></thead><tbody><tr><td>2016</td><td>90</td></tr><tr><td>2017</td><td>95</td></tr><tr><td>2018</td><td>110</td></tr><tr><td>2019</td><td>105</td></tr><tr><td>2020</td><td>108</td></tr><tr><td>2021</td><td>108</td></tr><tr><td>2022</td><td>125</td></tr><tr><td>2023</td><td>135</td></tr></tbody></table> Answer: £140 or £140 000 Allow anywhere in the range of £130 000 - £150 000 for the revenue prediction.	Year	Sales revenue (£000's)	2016	90	2017	95	2018	110	2019	105	2020	108	2021	108	2022	125	2023	135	3
Year	Sales revenue (£000's)																			
2016	90																			
2017	95																			
2018	110																			
2019	105																			
2020	108																			
2021	108																			
2022	125																			
2023	135																			

(d)	With reference to the data, evaluate the usefulness of time series analysis to the owners of Bassini's Ice Cream Parlour.			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	2 marks Good knowledge and understanding of both the advantage(s) and disadvantage(s) of time series analysis.	2 marks Good application to Bassini's Ice Cream Parlour or the context of ice cream parlours. The learner response is clearly linked to the case study scenario, data and/or to the context of ice cream parlours.	2 marks Good analysis of both the advantage(s) and disadvantage(s) of time series analysis. The learner develops their explanation of the advantages and disadvantages of time series analysis.	2 marks Good evaluation of time series analysis. The evaluation is balanced and includes the key issues. Judgements made to support the evidence.
1	1 mark Limited knowledge or understanding of time series analysis is shown. Learner may identify advantage(s) and/or disadvantage(s) of time series analysis.	1 mark Limited application to Bassini's Ice Cream parlour or the context of ice cream parlours. The learner response is mainly theoretical with limited reference to the case study and/or data and/or context.	1 mark Limited analysis of the advantage(s) and/or disadvantage(s) of time series analysis. Superficial or generic explanation of the usefulness of time series analysis.	1 mark Limited evaluation of time series analysis. The evaluation may be unbalanced with unsupported judgements.
0	0 marks No valid knowledge.	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

According to the chart, sales revenue seems to be a relatively steady increase with some deviation from the line of best fit. Therefore, it appears likely that sales will continue in this same manner for the next two years. Therefore, time series analysis appears very useful to Bassini's Ice Cream Parlour. Equally, the sales forecast is relatively short term. Therefore, a significant variation from the line of best fit is not likely if the company continues with their present rate of growth. This again makes this quantitative forecast very useful.

Advantages of using time series analysis:

- Helps the business plan ahead:
 - Helps financial planning, including cash flow management and budgeting. The owners could create revenue and expenditure budgets based on the sales forecasts and extrapolated sales figures for 2025. This may enable them to have better control finances to ensure that the most profit can be made.

- Helps production planning to determine the right level of supplies are ordered to meet falling or increasing demand. There is a positive trend in the chart using the line of best fit therefore Bassini's owners can order sufficient levels of stock to meet predicted increases in demand for the products that they sell in 2025.

Other valid responses:

- Human resource planning, getting the right number and type of staff in the jobs that are needed. This may mean recruiting more staff, retaining staff or making staff redundant.
- Is useful in identifying seasonal variations.
- Reduces the risk of unexpected surprises that could affect business performance.

Disadvantages of using time series analysis:

- Historical data is not always a good indication of what might happen in the future. Tastes and fashion may change. Whilst ice cream parlours are always likely to be popular in summer months, the trend for waffles and crepes may change and their popularity may fall, which will negatively impact on sales revenue. Therefore, time series analysis may not be useful as this cannot be predicted using historical data and expert opinion may be more beneficial.
- Time series analysis methods fail to consider external factors. For example, sales revenue dropped considerable in 2020 due to the Coronavirus pandemic. It is likely that the ice cream parlour was closed for months and no sales revenue was made. These are issues that cannot be predicted – therefore, sales forecasts cannot be 100% accurate. Therefore, time series is not useful and this may lead to wasted capital for excess stock, labour etc.

Other points could discuss:

- The impact of new competition and/or bad weather.
- Less useful for long-term forecasts.

2.	Evaluate the vision statement and mission statement of Lidl and their impact on the stakeholders of the business. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	3 marks	3 marks
3			3 marks Excellent analysis of the vision statement and mission statement and their impact on stakeholders. The learner will develop clear analysis of both the benefits and limitations of a vision statement and mission statement in relation to their impact on at least 2 stakeholders. Lines of reasoning are clear.	3 marks Excellent evaluation of the vision statement and mission statement and their impact on stakeholders. The evaluation is balanced and detailed and will focus on the key issues. Clear judgements are made with supporting statements to build an argument.
2	2 marks Good knowledge and understanding of vision statements and mission statements.	2 marks Good application to Lidl and their stakeholders. Key aspects of the vision statement and mission statement are described, and the data is used in the development of points. There is direct and clear reference to the vision statement and mission statement of Lidl.	2 marks Good analysis of the vision statement and/or mission statement and their impact on stakeholders. The learner will develop analysis of the benefits and/or limitations of the vision statement and/or mission statement in relation to their impact on at least one stakeholder.	2 marks Good evaluation of the vision statement and/or mission statement and their impact on stakeholders. The evaluation is reasonably well balanced with some development. The learner makes judgements on the key aspects of the vision statement and/or mission statement.
1	1 mark Limited knowledge and/or understanding of vision statements and/or mission statements.	1 mark Limited application to Lidl and or their stakeholders. The response is mainly theoretical with brief reference to the vision statement and/or mission statement of Lidl.	1 mark Limited analysis of the vision statement and/or mission statement and/or their impact on stakeholders. The reasons for and / or against having a vision statement and mission statement may be analysed briefly and/or their impact on stakeholder(s).	1 mark Limited evaluation of the vision statement and/or mission statement and/or their impact on stakeholders. The evaluation will be one sided and include general comments that are not developed or quantified.
0	0 marks No valid knowledge.	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

A vision statement is a description of what a business sets out to achieve in the medium to long term. The vision statement should provide a clear guide to senior management of the future direction of the business and help to direct strategic decision-making across the business.

A mission statement is a brief statement that encapsulates the broad aims of a business. It helps all employees, as well as the wider world, to understand what the business is about. It will guide the everyday operations and decision making of a business.

Reference to Lidl's **vision statement** which states that the business wants to *"enhance the lives of our customers, by providing quality products at market leading value, whilst ensuring that customer satisfaction is at the heart of everything we do"*.

Reasons for vision statements and mission statements include:

- Ensures that all stakeholders are clear on the purpose of the business so that everyone can be focussed on the same aims and objectives. It will give organisation cohesiveness, so that everyone in the organisation from the Chief Executive to the worker on the shop floor has a set of common aims. They know what the organisation stands for and what it is trying to achieve.
- Helps with strategic planning – Lidl have devised their mission statement and aims and objectives from the vision statement from it which includes objectives to satisfy stakeholders including customers, suppliers and employees. For example:
 - Delivering outstanding customer service and ensuring market leading quality will help to attract customers because the Lidl aims to meet their needs and wants and will provide the best quality products and services.
 - The objective to work with business partners in sustainable relationships may encourage better relationships with local suppliers or even customers within local communities because it suggests that Lidl care about the local communities in which they operate.
 - The mission to achieve long term success by investing in recruitment etc. will benefit the local community, government and employees because the business is investing in human resources which may help government with unemployment and tax generation or existing employees with training opportunities and career progression.
- Gives some transparency for investors – can see strategic plan and how/where investment is being used. Therefore, shareholders are likely to continue to invest, or new shareholders may be attracted to provide a source of finance to help the business achieve its mission vision statement and mission statement. If Lidl achieves the mission statement then shareholders will benefit from increased profit and greater dividends as stated the business aims to achieve long term success.
- Helps customers understand the ethics of a company – can attract customers.

On the other hand, it could be argued that the vision statement and mission statement is too general and of limited use. The mission statement is not transparent for all stakeholders. It may be difficult for customers to be aware of how the business intends to meet their needs, likewise the employees. Therefore, it may backfire if employees and customers do not believe in it.

The vision statement is generally vague in nature; it is sometimes an advantage to have one that is more specific and measurable to give a clearer focus on where the organisation is being steered to. In addition, it can be difficult sometimes to distinguish between vision statements and mission statements and some businesses will have a mission statement that looks to the future and a vision statement that focuses on the present.

In conclusion, the mission statement is important as long as everyone in the organisation is committed to it and if an organisation affirms its commitment to the mission statement and makes decisions on a daily basis based upon it.

Credit any other valid point.

3.	Discuss the impact of rationalisation on Northern Automotive Systems and the local community.				[10]
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	3 marks	3 marks	
3			3 marks Excellent analysis of the benefits and drawbacks of rationalisation. Excellent progression of logical chains of reasoning in order to demonstrate the impact of rationalisation on the business and the local community.	3 marks Excellent evaluation of rationalisation and the impact on the business and the local community. The evaluation is balanced and detailed and will focus on the key issues. Clear judgements are made with supporting statements to build an argument.	
2	2 marks Good knowledge and understanding of the concept of rationalisation.	2 marks Good clear application of the impact of rationalisation on the business and/or the local community. Clear reference has been made to the data within the case study.	2 marks A good analysis of benefits and drawbacks of rationalisation. Good progression of logical chains of reasoning in order to demonstrate the impact of rationalisation on the business and/or the local community.	2 marks Good evaluation of rationalisation and the impact on the business and/or the local community. The evaluation is reasonably well balanced with some development. The learner makes judgements.	
1	1 mark Limited knowledge and/or understanding of rationalisation.	1 mark Limited application of the impact of rationalisation on the business and/or the local community. The learner response is mainly theoretical with brief reference to the data.	1 mark A limited analysis of benefits and/or drawbacks of rationalisation. Underdeveloped analysis given to demonstrate the impact of rationalisation on the business and/or the local community.	1 mark Limited evaluation of rationalisation and the impact on the business and/or the local community. The evaluation will be one sided and include general comments that are not developed or quantified.	
0	0 marks No valid knowledge.	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.	

Indicative content:

Benefits and drawbacks to the business:

Northern Automotive Systems may be able to reduce its costs. As stated in the data, the restructure is due to considerable financial losses and the aim to make the company more financially stable. Therefore, by closing or downsizing factories the company will be able to reduce variable costs such as labour costs in the long term which will save them money and improve liquidity. This may improve the company profits or provide capital for them to compete.

However, in the short term the company will have an increase in costs due to the need to pay workers redundancy pay. This may impact on the company's ability to compete with rivals in the short term and will impact negatively on company profits in the short term. It may mean that prices could increase which will have a negative impact on the company's ability to achieve its aim of becoming more attractive to customers.

The company may be able to improve efficiencies in its operations by closing or downsizing factories. Downsizing of the Gilwern factory which may mean that capacity is increased making the business more efficient, which will spread fixed costs across efficient parts of the business, helping to save money in future operations.

However, the company may gain bad publicity or a negative image as a result of the redundancies. Many workers are losing their jobs which could be seen as unethical.

However, this is unlikely with customers tending to be other businesses such as car manufacturers rather than the general public.

Existing staff may feel insecure about jobs and could become demotivated affecting their performance in the future.

Benefits and drawbacks for the local community:

As a result of the rationalisation, the business may now be more financially stable allowing the business to continue to operate, saving 190 employees who will still earn and income and provide demand for the local business, shops and cafes etc.

However, the job losses may negatively impact on the local economy within Gilwern. As stated in the data, the workers regularly use local shops, bars and restaurant. They may see a fall in customers who have less disposable income. Therefore, they may see a fall in ales revenue and potentially profits. It could result in local businesses having to close down which will further impact on unemployment within the area.

Local government may step in to support those losing their jobs. Training courses may be offered to support them get back into work. Members of the local community may improve their skill set and then find alternative work with better remuneration packages.

However, the local government may see a lack of tax revenue in the short term and an increase in spending due to the 130 job losses.

Evaluation:

Overall, the impact on the business is likely to be positive, particularly in the longer term. With improved efficiencies and lower costs the business is more likely to achieve its aim of being 'more attractive to customers and economically stable'.

However, the impact on the local community is likely to be a negative one. In Gilwern, with 130 job losses this is likely to have a significant negative impact on the local economy, as stated by a local Councillor.

4. (a)	With reference to the data, define the following terms:	Total
(i)	Private cost AO1: 1 mark Award 1 mark for correct definition These are costs that the business making the investment must accept. AO2: 1 mark Award 1 mark for correct use of the data • £50billion investment by the government • Training and recruitment costs incurred for the 12 000 jobs	2
(ii)	External benefit AO1: 1 mark Award 1 mark for correct definition These are benefits external to the business that result from making the investment. AO2: 1 mark Award 1 mark for correct use of the data • 12 000 jobs created • Health benefits due to reduced due to reduction in burning of fossil fuels • Clean energy reducing impact on environment	2

(b)	Assess the advantages and disadvantages of using cost benefit analysis for business decision-making. [8]		
Band	AO1	AO3	AO4
	3 marks	2 marks	3 marks
3	3 marks Excellent knowledge and understanding of CBA. Excellent knowledge of the advantages and disadvantages of using CBA.		3 marks An excellent and reasoned evaluation of the advantages and disadvantages of CBA.
2	2 marks Good knowledge and understanding of the concept of CBA. Good knowledge of the advantages and disadvantages of using CBA.	2 marks A good analysis of the advantages and disadvantages of CBA. Good progression of/logical chains of reasoning in order to explain advantages and disadvantages of using CBA.	2 marks A good well-reasoned evaluation of the advantages and disadvantages of CBA.
1	1 mark Limited knowledge and understanding of the concept of CBA and/or the advantages and/or disadvantages of using CBA.	1 mark Limited analysis of the advantages and/or disadvantages of CBA Undeveloped points are made.	1 mark Limited evaluation of the advantages and/or disadvantages of CBA.
0	0 marks No valid knowledge.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

Cost benefit analysis is a method of assessing the viability of a project based on analysis of all of the costs and benefits involved - This includes both private and external costs and benefits.

Advantages of CBA:

- ✓ Considers a wide range of benefits and costs. Unlike many decision making models, CBA considers the private and external impact of a project. Therefore, not only will the financial costs of a project be analysed but also the impact on society and the community.
- ✓ Puts a monetary value to private and external benefits and costs that would normally be ignored by private sector businesses. This allows unlike investments/projects to be ranked in order of public cost.
- ✓ It shows that a firm cares about the local community and the environment, which can be good for public relations.

Learners may use the data from the text to help analyse certain advantages. Data to help analysis would be:

- In this case there are private benefits which include the income generated from the green energy.
- The private costs include the £50billion investment that is required to set up the windfarms. This is a huge public investment that could be better used on other public sector initiatives such as the NHS, improved infrastructure or other green energy projects.
- Social benefits include the achievement of government aims in terms of providing green energy and the creation of 12 000 jobs in the construction industry. Thus reducing unemployment and helping to generate income to the government but also support local economies with workers spending money in their local businesses. Another benefit would be the improvement in health with cleaner energy and less fossil fuels being burnt impacting on air quality.
- Social costs are effects on the environment in terms of environmental damage to natural habitat and sound pollution for residents living near win farms.

Disadvantages of CBA:

- ✗ It is difficult to give a monetary value to some costs/benefits. For example, how can a cost be put on the impact on local residents or certain wildlife as a result of a project such as wind farms. Plus, the findings may be inaccurate such as the amount of jobs created as a result or the expected financial costs.
- ✗ Valuations will often include value judgements – one person's or manager's calculation of an intangible benefit is likely to differ from another person's calculation, who has a different set of views on what is important for a business. Therefore, if for example the social costs and benefits are incorrectly calculated, then the wrong choice could be made.
- ✗ Some costs/benefits may also be overlooked. It is unlikely that all stakeholders would be included. For example, will the local communities always be included in the analysis.
- ✗ It is open to bias. For example, if a business shareholders or the government want it to go ahead with a project, they may make the figures fit it positively.

Evaluation may include:

Overall, CBA may be flawed but it is a widely used method to evaluate large-scale projects. It has its drawbacks, many of the estimates may prove to be inaccurate, but it is better than not attempting to quantify these factors at all.

Credit any other valid point.

5. (a)	Calculate the payback period for Option 1 (Town A) and Option 2 (Town B). Show your workings.	Total																														
	AO1: 1 mark Award 1 mark for correct formula: If learner identifies correct year to be paid off then a mark can be awarded for the formula for calculating the amount of months required to payback: $\frac{\text{Remaining Balance}}{\text{Monthly Cash flow}}$ AO2: 2 marks Award 1 mark for each correct answer: Option 1 = £3 000 000 / £375 000 = 3 years 8 months Option 2 = £4 500 000 / £500 000 = 3 years 9 months If correct answer only – award 3 marks	3																														
(b)	Calculate the net present value (NPV) for Option 1 (Town A) and Option 2 (Town B). Show your workings.	Total																														
	AO2: 6 <table><tr><th></th><th>Option 1 Cash Flow</th><th>Option 1 Present Value</th><th>Option 2 Cash Flow</th><th>Option 2 Present Value</th></tr><tr><td>Year 1</td><td>£2 000 000</td><td>£1 900 000</td><td>£4 000 000</td><td>£3 800 000</td></tr><tr><td>Year 2</td><td>£3 000 000</td><td>£2 700 000</td><td>£4 500 000</td><td>£4 050 000</td></tr><tr><td>Year 3</td><td>£4 000 000</td><td>£3 440 000</td><td>£5 000 000</td><td>£4 300 000</td></tr><tr><td>Year 4</td><td>£4 500 000</td><td>£3 690 000</td><td>£6 000 000</td><td>£4 920 000</td></tr><tr><td>Year 5</td><td>£5 000 000</td><td>£3 900 000</td><td>£6 600 000</td><td>£5 148 000</td></tr></table> Option 1 Present Value = £15 630 000 1 mark Net Present Value = £15 630 000 - £12 000 000 1 mark = £3 630 000 1 mark Option 2 Present Value = £22 218 000 1 mark Net Present Value = £22 218 000 - £18 000 000 1 mark = £4 218 000 1 mark OFR applies (-1 mark if no £(s) sign)		Option 1 Cash Flow	Option 1 Present Value	Option 2 Cash Flow	Option 2 Present Value	Year 1	£2 000 000	£1 900 000	£4 000 000	£3 800 000	Year 2	£3 000 000	£2 700 000	£4 500 000	£4 050 000	Year 3	£4 000 000	£3 440 000	£5 000 000	£4 300 000	Year 4	£4 500 000	£3 690 000	£6 000 000	£4 920 000	Year 5	£5 000 000	£3 900 000	£6 600 000	£5 148 000	
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Year 5	£5 000 000	£3 900 000	£6 600 000	£5 148 000																												

(c)	With reference to both quantitative and qualitative data, discuss the viability of both option 1 and option 2. Recommend which option should be chosen. [12]		
Band	AO2	AO3	AO4
	4 marks	4 marks	4 marks
3	4 marks Excellent application of the quantitative and qualitative data. The data is clearly used to discuss the viability of both option 1 and option 2.	4 marks Excellent analysis of the viability of both option 1 and option 2. Excellent progression of/logical chains of reasoning in order to analyse the viability of both option 1 and option 2. Quantitative and qualitative data has been used to analyse the viability of both option 1 and option 2.	4 marks Excellent evaluation of the viability of both option 1 and option 2. The evaluation is balanced and detailed and will focus on the key issues. Clear recommendation is made with supporting statements to build an argument.
2	2-3 marks Good application of the quantitative and/or qualitative data. The data is used to discuss the viability of option 1 and/or 2.	2-3 marks A good analysis of the viability of option 1 and/or option 2. Good progression of/logical chains of reasoning in order to analyse the viability of option 1 and/or option 2. Quantitative and qualitative data has been used to analyse the viability of option 1 and/or option 2.	2-3 marks Good evaluation of the viability of option 1 and/or option 2. The evaluation is reasonably well balanced with some development. The learner makes a recommendation.
1	1 mark Limited application of the quantitative and/or qualitative data. The response is mainly theoretical, with limited use of the data to discuss the viability of option 1 and/or option 2.	1 mark A limited analysis of the viability of option 1 and/or option 2. Underdeveloped reasoning given to analyse the viability of option 1 and/or option 2.	1 mark Limited evaluation of the viability of option 1 and/or option 2. The evaluation will be one sided and include general comments that are not developed or quantified. Unsupported or no recommendation is made.
0	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

Quantitative Data:

- In relation to the payback period then option 1 should be chosen because it has a shorter payback period of 3 years and 8 months, which is 1 month earlier than option 2. Therefore, profits will be generated slightly quicker.
- In relation to the NPV, then option 2 should be chosen because it generates larger returns with over £500 000 more in total profit generated. This includes inflation calculations.
- The initial cost should also be taken into consideration with option 2 costing £6 000 000 more than option 1. This is important to government spending because capital is tight for the government.
- With only a slightly higher profit, it may be better for the government to invest in option 1, which is £6 000 000 cheaper. This may allow the government to invest in other projects. It may also be possible to expand the leisure centre using the profits gained in future years.
- Based on the NPV % Option 1 at 30.25% is better as it is 7% higher than Option 2 at 23.43%.

Qualitative Data:

- From the data it shows that 58% of people in Town A engage in physical activity and sport and in Town B 72% of people engage in physical activity and sport. If the objective is to increase the percentage of people engaging in physical activity and sport, Town A might be a better option as new facilities may be more appealing. However, as there are already more people engaging in physical activity and sport in Town B, there may be a greater target market to appeal to.
- Option 1 would benefit far more with a greater % of unemployment (4.1% compared to 2.7%). Therefore, the construction of the leisure centre may generate jobs and so will the running of the leisure centre to help reduce unemployment. This may also benefit the government with more people working, less spending on benefits and more income generated via income tax.
- **In addition**, Option 1 have far more people that do not see themselves as being in good health therefore this may help to improve the standards of health. This will benefit public spending in the future in terms of improved health and potentially a lower need for healthcare services.
- **However**, the higher unemployment rate may be a concern because the general public may not be able to afford to pay to join or visit the leisure centre. Therefore, the expected revenues may be incorrect for option 1 and it may be better to build the leisure centre in Town B to ensure returns – option 2.

6. (a)	Calculate the total contribution that would be made if PC Designs Ltd decided to accept the one-time special order for the custom-made T-shirts from the secondary school. Show your workings.	Total
	AO1: 1 mark Award 1 mark for the correct formula Total Contribution = Contribution per item x Number of items sold AO2: 2 marks Award 1 mark for contribution per unit = £16.00 - £14.00 = £2.00 Award 1 mark for total contribution = £2.00 x 400 = £800 (or 3 marks for the correct answer without workings) Use OFR. (-1 mark if no £ sign)	3

(b)	Advise PC Designs Ltd on whether or not to accept the one-time special order for custom-made T-shirts from the secondary school. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	3 marks	2 marks	3 marks
3		3 marks Excellent application of the reasons for and against taking on the special order of custom T-Shirts. The learner makes clear use of the data throughout their answer.		3 marks An excellent evaluation of the reasons for and against accepting the special order. The evaluation is balanced and detailed and will focus on the key issues. Clear judgements are made with supporting statements to build an argument.
2	2 marks Good understanding of the reasons for and against taking on the special order.	2 marks Good application of the reasons for and/or against taking on the special order of custom T-Shirts. The learner makes use of the data in some parts of the answer. X1	2 marks A good analysis of the reasons for and/or against taking on the special order. Good progression of points in order to demonstrate the reasons for and/or against taking on the special order.	2 marks A good evaluation of the reasons for and/or against taking on the special order. The evaluation is reasonably well balanced with some development. Judgements are used to support the evaluation.
1	1 mark Limited understanding of the reasons for and/or against taking on the special order.	1 mark Limited application of the reasons for and/or against taking on the special order of custom T-Shirts. The learner response is mainly theoretical with brief reference to the data.	1 mark Limited analysis of the reasons for and/or against taking on the special order. Superficial analysis.	1 mark Limited evaluation of the reasons for and/or against taking on the special order. Partial judgements are used to support the evaluation.
0	0 marks No valid understanding.	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

In general, if an order covers all of the variable costs and makes some contribution to overheads it can be accepted. Therefore, as PC Designs are making £800 from the new order, then this should be accepted because this money can go towards paying the £20 000 for fixed costs. However, there are a number of other factors that have to be considered before accepting a special order; these will include qualitative (non-financial) factors:

- It should not be accepted if there are **other orders available** that allow a greater contribution to be made, especially if these other orders cover all of the fixed costs and make a profit. The variable costs for the special order are £2 higher than its average variable costs, resulting in a lower contribution for the special order.
- If there is **spare capacity** in the factory it may be reasonable to accept the order in order to keep workers and machines occupied. Currently there is spare capacity with the business working at 80%. Therefore, this order will help to spread fixed costs across more production, helping to save money and the business to become more efficient. **However**, if the new order takes the capacity close to 100%, then the order will impact too greatly on **Labour demands**. If the order cannot be completed in normal hours then any extra hours have to be paid to workers which will impact further on fixed costs.
- Offer of **repeat business in the future**. It is a new customer who may be able to offer repeat business in the future then it may well be worth taking the order. The local school may choose the business to produce more clothing in the future such as school uniform or other events such as clothing for school trips.
- **Product adjustment** – This is a slightly different order to the norm, it could involve changing the production process, using different materials and training workers which may incur additional costs and/or impact on current production. It looks as though there are some extra costs as the variable cost per unit is higher than the usual design/orders.

Credit any other valid point.