

**Paper 2:
Marking Scheme**

Sample Paper

1 hour 45 minutes

Mark Scheme Criteria

Examiners must apply positive marking only. Do not deduct any marks for incorrect responses. Provide marks in line with this scheme only.

Response(s) must be in line with prescribed marking indicators shown below. Variation is permissible only with prior acknowledgment from Chief Examiner.

Text shown below, in the majority of instances, is a text perfect response. Learners do not have to provide a text perfect response in order to qualify for a mark; their response must be in line with the text shown within the response, but the wording can vary.

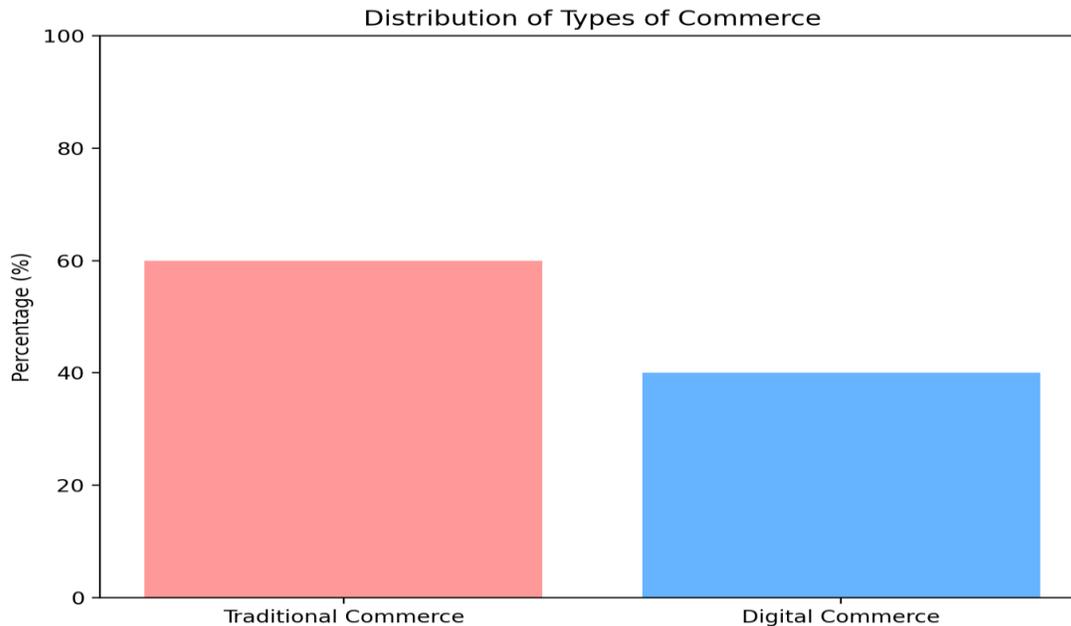
For single mark questions, learner response must meet the stated characteristics as indicated in this mark scheme. Where more than one option is shown, learners can deviate from the prescribed responses, as long as they meet the general theme of the response.

For multiple mark questions, learner responses must meet the stated characteristics as indicated in this mark scheme. However, where the examiner feels a learner has demonstrated more than a basic response, and which meets the minimum stated characteristics, additional marks may be awarded. Where this occurs, the examiner must flag this response for enhanced moderation by the Chief Examiner.

Whilst indicative responses are shown below, and particularly for multiple mark responses, where 2 or more marks are permissible (as shown for each question), where learner responses do not align with the suggested response, examiners can use best judgement. Where this occurs, the examiner must flag this response for enhanced moderation by the Chief Examiner.

Structured Questions:

Question 1. Consider the following figure:



Answer all the following questions after referring to the figure:

A) Differentiate between traditional and digital commerce. [3 Marks]

Traditional Commerce: Physical interaction between buyers and sellers, often limited to a geographic location.

Digital Commerce: Transactions conducted online, offering a wider reach and convenience.

Difference: Traditional relies on in-person sales and physical stores, while digital leverages e-commerce platforms and technology.

B) A business analyst is evaluating the market trends. Examine the implications of a 60% traditional commerce market share on business strategies. [5 Marks]

- Focus on physical store presence for competitive advantage.
- Need for strong local supply chains and customer service.
- Greater emphasis on logistics for physical delivery.
- Slow adaptation to digital trends could pose a long-term risk.
- Opportunities exist to expand digital channels to capture remaining market share.

C) A startup focuses solely on digital commerce. Explain how might the 40% share of digital commerce impact its growth potential compared to traditional businesses? [8 marks]

- Startups can leverage digital tools to reach global markets easily.
- Lower operational costs compared to traditional commerce (e.g., no physical storefronts).
- Opportunity to target tech-savvy and younger demographics.
- a smaller share compared to traditional commerce may limit immediate market size.
- High competition in digital commerce can be a challenge.
- Scalability is easier due to reliance on technology rather than physical infrastructure.
- Digital-only startups can benefit from increasing consumer preferences for online shopping.
- Adapting to changing consumer trends will be critical for long-term growth.

D) A government policy aims to boost digital commerce. Summarise how increasing the digital commerce share from 40% to 60% could affect the overall economy and employment in traditional sectors. [10 Marks]

Economic Effects:

- Boost in technology adoption and digital infrastructure investments.
- Growth in tech-related industries such as IT services and logistics.
- Higher tax revenues from growing e-commerce businesses.

Employment in Traditional Sectors:

- Potential job losses in sectors relying heavily on physical retail.
- Shift in workforce demand from traditional to digital skills.
- Opportunities for reskilling and transitioning to new roles in e-commerce.

Overall Impact:

- Economic diversification with a balanced mix of digital and traditional commerce.
- Challenges for older businesses and those resistant to change.

Question 2. Consider the following scenario:

SmartMart Ltd., a growing retail chain, is exploring different business strategies to expand its operations. The company is considering entering international markets, adopting franchising as a strategy, and collaborating with multinational companies (MNCs) to enhance its supply chain. To streamline operations, SmartMart is also evaluating the factors affecting business locations, including logistics, competition, and suppliers.

Answer all the following questions after referring to the scenario:

A) Write TRUE if the statement is correct and FALSE if it is incorrect.	
[8 Marks]	
SmartMart Ltd. is an example of a public sector enterprise.	FALSE

Multinational companies (MNCs) can provide SmartMart access to global supply chains.	TRUE
Franchising always involves the franchisor owning all the franchise outlets	FALSE
Factors like logistics and competition are critical when choosing a business location.	TRUE
Private enterprises like SmartMart are operated for profit.	TRUE
A sole trader would be the best business structure for SmartMart's international expansion.	FALSE
The main purpose of public corporations is to generate maximum profit.	FALSE
Trading blocs can reduce trade barriers for SmartMart in international markets.	TRUE

B) Fill in the blanks:

[8 Marks]

- SmartMart Ltd. is a _____ enterprise that operates in the private sector.
- Multinational companies are characterised by their operations across _____.
- Franchising allows businesses like SmartMart to expand with reduced _____ risks.
- Key factors affecting SmartMart's physical business location include _____, competition, and suppliers.
- A _____ is a business structure owned and run by a single individual.
- Public corporations are established to provide essential _____ to the public.
- The _____ sector includes enterprises owned and managed by the government.
- Collaborating with MNCs can help SmartMart benefit from _____ expertise.

Answer Key:

- private
- multiple countries
- financial
- logistics
- sole trader
- services
- public
- global

C) Match the items in **Column A** with the correct statements in **Column B**: [4 Marks]

Column A	Column B
Multinational Companies (MNCs)	Includes profit-oriented enterprises like SmartMart Ltd.
Logistics	A critical factor in determining an efficient business location.
Private Sector	Allows businesses to expand with reduced financial risks.
Franchising	Operate in multiple countries and enhance global supply chains.

Answer Key:

- 1 → D
- 2 → B
- 3 → A
- 4 → C

Question 3. Consider the following figure:

Product	Revenue (£)	Cost of Sale (£)	Gross Profit (£)	Expenses (£)	Net Profit (£)
Organic vegetables	12,000	7,000	(i)	3,000	(ii)
Packaged Snacks	18,000	(iii)	5,000	4,500	3,500

Fig. 3.1: Trading Data for AliHub.

Answer all the following questions after referring to the data:

A) Calculate the missing values for (i), (ii), and (iii) in Fig. 3.1. [6 Marks]

(i) Gross Profit for Organic Vegetables

Gross Profit = Revenue - Cost of Sales
 Gross Profit = £12,000 - £7,000 = £5,000

(ii) Net Profit for Organic Vegetables

Net Profit = Gross Profit - Expenses

Net Profit = £5,000 - £3,000 = £2,000

(iii) Cost of Sales for Packaged Snacks

Cost of Sales = Revenue - Gross Profit

Cost of Sales = £18,000 - £5,000 = £13,000

B) Define "gross profit" in commerce. [2 Marks]

Gross profit is the difference between revenue (sales income) and the cost of goods sold (COGS). It represents the profit a company earns before deducting operating expenses, taxes, or other costs.

C) Explain two benefits of using wholesalers for sourcing Packaged Snacks in the supply chain. [6 Marks]

- Bulk Purchasing: Wholesalers enable AliHub to buy snacks in large quantities, which often results in cost savings through discounts and reduced per-unit costs. This helps AliHub maintain competitive pricing for customers while managing its profit margins effectively. Bulk purchasing also reduces the frequency of reordering, saving time and administrative effort.
- Reliable Supply Chain: Wholesalers act as dependable intermediaries between manufacturers and retailers, ensuring AliHub has a steady and consistent supply of snacks. This reduces the risk of stockouts, which could lead to lost sales and dissatisfied customers. Wholesalers often handle logistical challenges, such as transportation and storage, making inventory management easier for AliHub.

D) AliHub is considering selling products online. Summarise two advantages and two disadvantages of adopting this digital trend. Recommend if this move would be beneficial. [10 Marks]

Advantages:

Enhanced Customer Convenience: Online shopping provides customers with the flexibility to browse and purchase products 24/7.

Scalability: E-commerce platforms allow businesses like AliHub to scale operations more efficiently by catering to a diverse customer base.

Disadvantages:

Cybersecurity Risks: Digital platforms are prone to hacking, fraud, and data breaches, which could harm AliHub's reputation and customer trust.

Dependence on Technology: Any technical glitch or system downtime can disrupt sales and affect customer satisfaction.

Recommendation:

AliHub should adopt e-commerce to remain competitive and appeal to tech-savvy customers. However, the company must invest in robust cybersecurity measures and ensure a seamless digital experience to mitigate risks. With proper planning, this strategy can drive growth and improve market positioning.