

Additional Assessment Materials

Pearson Edexcel GCE in A level Business

9BS0

Resource Set 2

3.2 Business growth

 3.2.1 Growth

 3.2.2 Mergers and takeovers

 3.2.3 Organic growth

 3.2.4 Reasons for staying small

**3.2.1 Growth**

1 Assess the extent to which the problems of rapid growth may have been managed by Tended Ltd.

(12)

**3.2.2 Mergers and takeovers**



2 Assess the likely effects for AG Barr of taking over Funkin, the cocktail mixer

business.

(12)

**3.2.3 Organic growth**

3 Assess whether expanding by organic growth was the right decision for Mumtaz.

(10)

**3.2.4 Reasons for staying small**



4 Explain **one** reason why businesses that sell VisionSpring’s glasses may prefer to stay small.

(4)

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| Question Number | Indicative content | Mark  |
| **1**  | **Knowledge 2, Application 2, Analysis 4, Evaluation 4****Indicative content*** Knowledge of problems of rapid growth such as diseconomies of scale, communication and overtrading.

**Ways in which the problems have been managed:** * Good leadership may have enabled Tended Ltd to overcome communication difficulties e.g. employees have pulled together as a team.
* Overtrading difficulties were eased by obtaining additional finance – Tended Ltd was loaned £50,000 from Enterprise Loans.
* Development issues, such as creating new products e.g. new smartwatch were addressed through securing the additional necessary funding from Enterprise Loans.

*Possible counterbalance* * In the short-term communication and co-ordination may have still been a problem as a result of the rapid expansion of the workforce from a team of one to 10 employees in eight months.
* Despite obtaining additional finance, Tended Ltd may have struggled with overtrading – the business had difficulties raising finance and still faced cash flow issues on a few occasions.
* Longer term development issues may not be managed – these may include finding bigger premises and obtaining more suppliers for new products such as smartwatches.

*Potential judgement** Tended Ltd has survived and overcome the problems of rapid growth, because it is still constantly innovating and staying agile through careful planning and effective management of the increased workload.
* Tended Ltd may not overcome all the problems of rapid growth. This is because Leo Scott Smith is young and may lack experience to solve problems such as effectively managing a bigger workforce.
 | **(12)** |

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| Level | Mark | Descriptor |
|  | 0 | A completely inaccurate response. |
| Level 1 | 1–2 | Isolated elements of knowledge and understanding – recall based.Weak or no relevant application to business examples.Generic assertions may be presented. |
| Level 2 | 3–4 | Elements of knowledge and understanding, which are applied to the business example.Chains of reasoning are presented, but may be assertions or incomplete.A generic or superficial assessment is presented. |
| Level 3 | 5–8 | Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context.Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments. |
| Level 4 | 9–12 | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement. |

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| Question Number | Indicative content | Mark  |
|  **2**  | **Knowledge 2, Application 2, Analysis 4, Evaluation 4****Indicative content**A takeover is where one business buys a majority shareholding in another business and obtains full management control**Potential financial risks:*** Initial cost of £16.5m which could rise to £21m. This is a significant amount which could be lost if the takeover is not successful
* Opportunity cost – could the £21m be better spent on developing new soft drinks or increased marketing?
* Lack of expertise – this is a new market for AG Barr and carries greater risk and uncertainty, which could negatively affect profitability

**Potential financial rewards:*** Diversification into new markets. AG Barr would no longer be reliant on the soft drinks market for its sales revenue and profits
* Entering a new market. The cocktail mixer market is growing and AG Barr can sell its products to another market segment, providing the opportunity for increased sales and profits
* Potential economies of scale. AG Barr can use its existing distribution network and production facilities. This could lead to reduced unit costs

*Potential judgement** The financial rewards could be greater as the takeover provides the opportunity for AG Barr to diversify into a growing market
* The financial risks could be greater as AG Barr is entering a new market and due to their lack of expertise, could potentially fail with the loss of at least £21m
 | **(12)** |

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| Question Number | Indicative content |  Mark |
| **3** | **Knowledge 2, Application 2, Analysis 3, Evaluation 3****Indicative content*** Organic growth occurs when a business expands internally and does not involve another business taking over or merging with it

**Reasons for organic growth:*** Mumtaz Foods retains control especially as it is a family owned business
* It maintains its existing management/structure/culture
* It enables the business to plan for and control growth

e.g. the decision to enter the ready meals and halal baby food market plus to open its own restaurants and factories*Possible counterbalance:** Organic growth is slower e.g. Mumtaz Foods has existed since 1979 and has only gradually grown to its current size
* Organic growth is limited, for example the business has only expanded in the Asian food market
* Limited finance available to fund organic growth e.g. Mumtaz has only used internal finance

*Potential judgement** Organic growth is the right decision because it enables the business to maintain control, which is especially important because Mumtaz is a long established business that has always been owned by the Akbar family
* Organic growth is not the right decision because the business may have been slower than its competitors to grasp the opportunities offered by the growing ready meals market
 | **(10)** |

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| Question Number | Answer | Mark  |
| **4** | **Knowledge 1, Application 2, Analysis 1** **Knowledge: 1 mark for** one reason why businesses that sell VisionSpring glasses may prefer to stay small:* Flexibility in responding to customer needs
* Reduced risk of business failure

**Application: up to 2 marks for two uses of context e.g** * Shops selling glasses are located in rural areas
* Small business owners visit villages to conduct eye tests.

**Analysis: 1 mark for*** Local businesses may have greater knowledge of their customers’ needs.
* Therefore the small business owners can respond quickly to their customer needs by supplying glasses immediately if needed.
 | **(4)** |