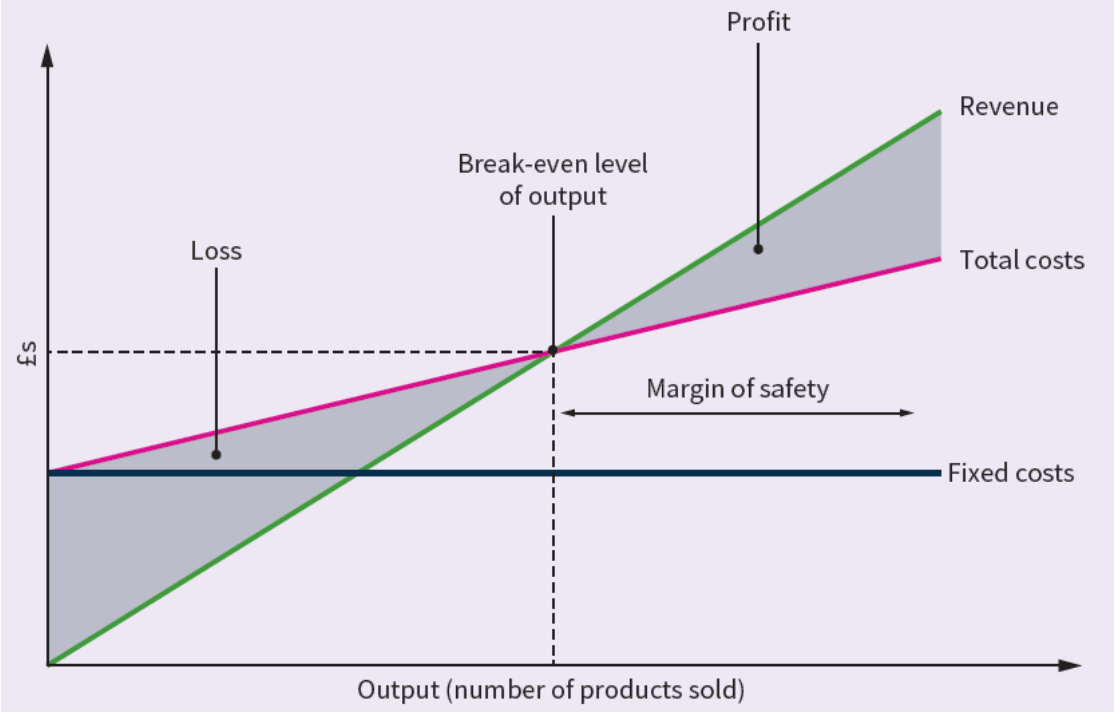
Oxford Revise | Edexcel GCSE Business | Answers

Chapter 8 Business revenues, costs and profits

Please note: Figure 1 Break-even diagram on page 34 of the revision guide shows an error. The label 'Cost' should be replaced with 'Loss' as shown in the corrected image below.



Updated Figure 1 Break-even diagram

8.1 Award 1 mark for each correct answer. The correct answers are: **C** Rent and **D** Salaries.

A, **B** and **E** are not correct because they are all variable costs.

8.2 Award 1 mark for identifying one benefit, plus up to 2 further marks for explaining this benefit. Here is an example of a 3-mark answer:

- *Budgeting enables an entrepreneur to ensure they have enough cash to meet planned costs (1).*
- *By forecasting revenue and estimating costs for a specific period of time, an entrepreneur can establish the break-even level of output (1).*
- *They can then track changes in revenue and costs and, if necessary, make adjustments to ensure the business is successful and does not make a loss (1).*

8.3 Award 1 mark for identifying one reason, plus up to 2 further marks for explaining this reason. Here is an example of a 3-mark answer:

- *Understanding the competitive environment enables an entrepreneur to differentiate their brand from the competition (1).*

- *For example, if customers value quality over price, offering a higher-quality product can be a strength (1).*
- *Additionally, offering a wider range of products than competitors will provide customers with more choice, potentially increasing customer satisfaction and loyalty (1).*

8.4 Award up to 6 marks. First identify the correct level, and then decide whether the answer falls towards the bottom of the level or towards the top of the level and award marks accordingly.

Level	Marks	Explanation
1	1–2	• The answer demonstrates elements of knowledge and understanding of business concepts and issues. It contains limited business terminology. • The answer attempts to explore business information and/or issues. It contains limited connections between points.
2	3–4	• The answer demonstrates mostly accurate knowledge and understanding of business concepts and issues. It includes appropriate use of business terminology in places. • The answer explores business information and/or issues. It contains interconnected points with chains of reasoning, although some of the logic may be inconsistent.
3	5–6	• The answer demonstrates accurate knowledge and understanding of business concepts and issues throughout. It includes appropriate use of business terminology. • The answer explores business information and/or issues. It contains detailed interconnected points with logical chains of reasoning.

Relevant points that could be included

- The break-even point is reached when total revenue equals total costs, and a business starts to make a profit once the break-even point is passed and total revenue exceeds total costs. The break-even point can be influenced by adjusting costs, price or quantity.
- While a business can set a price that ensures it passes the break-even point, it must consider the competitive environment. If the price is too high, when compared to similar products from competitors, customers may choose a cheaper alternative, leading to lower sales.

8.5 Award 1 mark for an example of a variable cost; for example, wages or raw materials or packaging.

8.6 Award 1 mark for correct working and 1 mark for the correct answer:

8000 − 6000 (1)

Answer = 2000 units (1)

Alternatively, award 2 marks for the correct answer without working.

8.7 Award 2 marks for linked points that apply to the case study. Award 1 mark if the points are not linked or do not apply to the case study. Here is an example of a 2-mark answer:

- *Increased competition can lead to more customer power and lower prices (1).*
- *As a result, increased competition could result in Couple of Quid Ltd losing sales because all its products are sold for £2 and it cannot lower its prices (1).*

8.8 Award up to 9 marks. First identify the correct level, and then decide whether the answer falls towards the bottom of the level or towards the top of the level and award marks accordingly.

Level	Marks	Explanation
1	1–3	• The answer contains limited application of knowledge and understanding of business concepts and issues to the case study. • The answer attempts to explore business information and/or issues. It contains limited connections between points. • The answer contains a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made.
2	4–6	• The answer contains sound application of knowledge and understanding of business concepts and issues to the case study, although there may be some inconsistencies. • The answer explores business information and/or issues. It contains interconnected points with chains of reasoning, although some of the logic may be inconsistent. • The answer contains a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made.
3	7–9	• The answer contains detailed application of knowledge and understanding of business concepts and issues to the case study throughout. • The answer explores business information and/or issues. It contains detailed interconnected points with logical chains of reasoning. • The answer contains a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made.

Relevant points that could be included

- If Couple of Quid Ltd chooses to sell the new product, it will need to spend £14,000 to buy 8000 units and, if all 8000 units are sold, it will make a gross profit of £2000 and a net profit of £1500. If Couple of Quid Ltd is confident that it will sell at least 6000 units, then the new product will contribute towards its fixed costs and provide a reason for customers to visit where they might buy other products.
- If Couple of Quid Ltd chooses to sell the new product but Caleb has misjudged his customers' needs, then the business will make a significant loss. If the brand is why people buy the branded version, they will not want the unbranded version even if it is cheaper.

- Couple of Quid Ltd should choose to sell the new product, but only if they have the cash flow to withstand the loss if the product does not sell. The business should also carry out market research to ensure it fully understands its customers' needs.

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