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Mock Paper Set 1

Paper 1 (Short Answer and Data Response) · Paper 2 (Case Study) with its insert
Written to the format of the Cambridge IGCSE Business 0264 syllabus for examinations in 2027, 2028 and 2029. Syllabus 0264 replaces Business Studies 0450 from 2027. There are no tiers: every candidate sits both papers.

What is inside this set

Paper	Type	Time	Marks	What it tests
Paper 1	Short Answer and Data Response	1 hour 30 minutes	80	4 compulsory questions, 20 marks each, parts worth 2, 4, 6 and 8 marks, on four different businesses
Paper 2	Case Study (insert printed in this set)	1 hour 30 minutes	80	4 compulsory questions, 20 marks each, parts worth 8 and 12 marks, all on one business and its appendices

Then: **worked solutions and mark schemes** for every part, a **topic map** (each question → syllabus reference → our notes chapter), an **"If you lost marks on…"** table and a percentage self-check.

How to use this set

1. Sit each paper in one go, **timed**, with no notes. You may use a calculator. Read the insert before you start Paper 2 and keep it open beside the questions.
2. Mark your work with the mark scheme. Each badge is one mark: `k` knowledge; `app` application to this business; `an` analysis (a developed consequence); `eval` evaluation (a justified decision); `M1` method; `A1` correct answer. Paper 2 long answers use a level table with marks 1 to 12.
3. Read the model answer for every part where you lost marks, then use the topic map to revise from the notes chapter.

Timing guide

Both papers give you about 1 minute per mark: about 22 minutes per question. Spend about 10 minutes on an 8-mark part and about 15 minutes on a 12-mark part.

★ **Exam tip:** Command words matter: **define** = precise meaning; **identify** or **state** = name it, briefly; **outline** = main points; **explain** = say why or how, using the business; **consider** = review the information given; **justify** = back your decision with reasons.

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BUSINESS 0264 · Mock Set 1 — 1 hour 30 minutes

Paper 1 Short Answer and Data Response

You must answer on the question paper. No additional materials are needed.

INSTRUCTIONS

- Answer all questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your answer to each question in the space provided.
- Do not use an erasable pen or correction fluid.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

1

KSW is a primary sector business in country X. It grows and harvests seaweed in coastal waters and has 140 employees. KSW sells wet seaweed to food manufacturers. The directors plan to build a factory next to a coastal village, where KSW will dry its seaweed and pack it as a snack. This would use money that KSW could otherwise spend on two new harvesting boats. The directors want to increase added value (see Table 1.1). KSW also wants to be more sustainable, so the directors are considering using only renewable energy in the new factory.

Table 1.1 Extract from KSW's data

per tonne of seaweed harvested	wet seaweed (now)	dried snack packs (planned)
selling price	£800	£2300
cost of bought-in materials	£350	£850

(a) Define 'opportunity cost'.

.....

.....

..... [2]

(b) (i) Use Table 1.1 to calculate the increase in added value per tonne if KSW changes from wet seaweed to dried snack packs. Show your working.

increase in added value per tonne = ... [2]

(ii) Identify **two** other ways KSW could increase the added value of its products.

way 1

way 2

[2]

(c) Explain **two** external costs the new factory might create for people in the village.

external cost 1

explanation

external cost 2

explanation

[6]

(d) Do you think the advantages for KSW of using only renewable energy in its new factory are greater than the disadvantages? Justify your answer.

justification

[8]

[Total: 20]

2

Elena plans to leave her job at a veterinary clinic and start a mobile dog-grooming business as a sole trader. She will wash and trim dogs in a converted van outside customers' homes. This is a niche market. To help set her price, she asked 60 dog owners in one town park, on weekday mornings, how much they would pay (see Table 2.1). Elena has also prepared a cash flow forecast (see Table 2.2). She has not yet decided on a pricing method.

Table 2.1 Elena's survey results

highest price the owner would pay for a full groom	*number of dog owners*
less than £30	9
£30 to £39	24
£40 to £49	18
£50 or more	9
total	60

Table 2.2 Extract from Elena's cash flow forecast

	month 1 (£)
cash inflow	2700
cash outflow	3450
opening balance	1000
closing balance	X

(a) Define 'niche market'.

.....

.....

.....

[2]

(b) (i) Use Table 2.1 to calculate the percentage of the dog owners who would pay £40 or more. Show your working.

percentage = ... *[2]*

(ii) Use Table 2.2 to calculate the value of X. Show your working.

X = ... *[2]*

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(c) Explain **two** reasons why Elena's market research data might not be accurate.

reason 1

explanation

reason 2

explanation

[6]

(d) Explain **two** pricing methods Elena could use for her business. Which is likely to be the best method for Elena to use? Justify your answer.

method 1

method 2

justification

[8]

[Total: 20]

3

TWM is a private limited company with 65 employees. It manufactures lightweight wheelchairs in batches at one factory. The Finance Director has drawn a break-even chart for TWM's main model (see Fig. 3.1). TWM expects to sell 850 of this model next year. TWM keeps eight weeks of aluminium tube and seat fabric in inventory. The Operations Director is considering a change to just-in-time (JIT) inventory control.

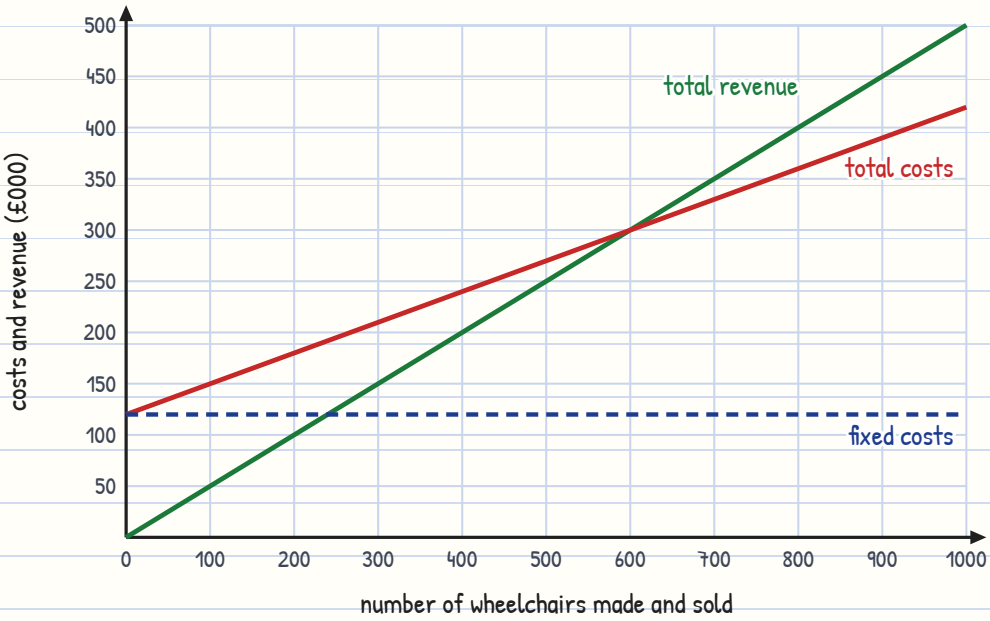


Fig. 3.1 Break-even chart for TWM's main model

(a) Define 'margin of safety'.

.....

.....

..... [2]

(b) (i) Use Fig. 3.1 to identify the break-even output and the fixed costs.

break-even output .....

fixed costs .....

[2]

(ii) Calculate the margin of safety next year. Show your working.

margin of safety = ... [2]

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(c) Explain **two** limitations for TWM of using break-even analysis.

limitation 1

explanation

limitation 2

explanation

[6]

(d) Do you think the advantages for TWM of using just-in-time inventory control are greater than the disadvantages? Justify your answer.

justification

[8]

[Total: 20]

4

ELV is a multinational company (MNC) which installs and maintains lifts (elevators) in 9 countries. It has 6400 employees, including 2300 repair engineers who usually work alone in customers' buildings. Head office sends each engineer the details of a job by text message, written in English. ELV imports lift parts into country Y, where the government has just introduced an import tariff on these parts. Regional managers are worried by the number of late repair visits (see Table 4.1) and are reviewing how they lead their engineers.

Table 4.1 ELV's repair visits

year	repair visits	visits that arrived late
2024	80 000	4000
2025	84 000	6300
2026	90 000	9900

(a) Identify **two** benefits a business can gain from becoming an MNC.

benefit 1

benefit 2

[2]

(b) Outline **two** ways the import tariff might affect ELV's business in country Y.

way 1

way 2

[4]

(c) Explain **two** communication barriers which might affect the messages sent from head office to ELV's repair engineers.

barrier 1

explanation

barrier 2

explanation

[6]

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(d) Explain **two** leadership styles ELV's regional managers could use with the repair engineers. Which is likely to be the best style for ELV to use? Justify your answer.

style 1

style 2

justification

[8]

[Total: 20]

Paper 1: worked solutions and mark scheme

Each badge is one mark: k knowledge, app application (a real detail of this business, used so that it makes sense), an analysis (a developed consequence), eval evaluation (a justified decision), M1 method, A1 correct answer. Tags such as *[k]* in a model answer show where a mark is earned. Accept any valid point that is not listed, worded in any way. Grey notes say what else to allow. The 0264 specimen mark schemes award 6 and 8-mark parts by points, so the badges decide your mark; each "Level check" gives a quick second view of the same marks. Total 80.

Question 1: KSW (20 marks)

(a) Opportunity cost is the next best alternative that is given up when a choice is made.

> **Mark scheme** the next best alternative k; given up when a choice is made k one mark only for an example with no explanation, e.g. "the two boats"; do not allow "the cost of the factory"

(b)(i) Wet seaweed: £800 – £350 = £450. Dried snack packs: £2300 – £850 = £1450. Increase = £1450 – £450 = **£1000 per tonne.**

> **Mark scheme** either added value found (£450 or £1450) M1; £1000 A1 correct answer alone scores both marks; allow own figure for one slip in a subtraction

(b)(ii) Any two, for example: build a strong brand image; improve the quality or the design of the product; offer better customer service; buy materials more cheaply.

> **Mark scheme** each valid way k k "other" ways: do not allow drying or packing seaweed; allow attractive packaging; mark the first response on each line

(c) External cost 1: more noise and traffic *[k]*, as lorries carry seaweed through the village to the factory *[app]*. This disturbs residents and makes the narrow roads more dangerous, so their quality of life falls *[an]*.

External cost 2: water pollution *[k]* from washing seaweed and draining the water back into the coastal water beside the village *[app]*. This can harm fish, so local people who earn a living from fishing or tourism lose income *[an]*.

> **Mark scheme** external cost 1: k app an; external cost 2: k app an also allow smell from drying; air pollution; loss of coastal views or green space. Do not allow costs KSW pays itself (building costs, wages): these are not external costs.
>
> **Level check (6 marks):** Level 1 (1–2): identifies points, with little or no use of the business. Level 2 (3–4): identifies both points and applies or develops at least one. Level 3 (5–6): both points identified, applied to the business and developed.

(d) Advantages: a better reputation *[k]* with people who buy a natural seaweed snack *[app]*, so sales and prices may rise *[an]*. Lower energy bills in the long term *[k]*, because drying needs energy every day *[app]*, which keeps costs down and raises profit *[an]*.

Disadvantages: a high set-up cost *[k]*, as solar panels or a wind turbine add to the cost of the new factory *[app]*, so cash outflows rise before any snack is sold *[an]*. Supply can be unreliable *[k]*, as drying could stop on still or cloudy days *[app]*, delaying orders *[an]*.

Justification: the advantages are greater. The set-up cost is paid once, but the saving on energy continues every year of the factory's life *[eval]*. The higher added value of £1450 per tonne *[app]* should help KSW afford the cost, and the supply risk can be managed by keeping a grid connection for still days *[eval]*.

> **Mark scheme** up to 2 marks for each skill: identifying points k k; applying them to KSW app app; developing them an an; a justified decision that does not just repeat earlier points eval eval
>
> either decision can gain full marks; application may use seaweed, the snack, the factory, the coast, 140 employees or Table 1.1
>
> **Level check (8 marks):** Level 1 (1–3): points identified with little context and no real decision. Level 2 (4–6): points applied and developed; a decision with some reasoning. Level 3 (7–8): both sides or both options applied and developed; a decision justified with reasons not already given.

Question 2: Elena (20 marks)

(a) A niche market is a small, specialised part of a larger market, in which a product is aimed at one particular group of customers.

> **Mark scheme** small / specialised part of a market k; aimed at a particular group of customers' needs k one mark only for "a small market"

(b)(i) Owners who would pay £40 or more = 18 + 9 = 27. Percentage = 27 ÷ 60 × 100 = **45%**.

> **Mark scheme** 27 ÷ 60 × 100 M1; 45% A1 correct answer alone scores both marks

(b)(ii) Net cash flow = £2700 − £3450 = (£750). X = opening balance + net cash flow = £1000 − £750 = **£250**.

> **Mark scheme** 1000 + 2700 − 3450, or net cash flow of (750) found M1; £250 A1 correct answer alone scores both marks; the £ sign is not needed

(c) Reason 1: the sample is too small *[k]*, at only 60 dog owners *[app]*, so the results may not represent all owners in the town and Elena could set the wrong price *[an]*.

Reason 2: the sample is biased *[k]*, because she asked people in one park on weekday mornings *[app]*. People at work were missed, yet they may value a home visit most and pay more, so the data could understate what customers would pay *[an]*.

> **Mark scheme** reason 1: k app an; reason 2: k app an also allow: people may name a lower price than they would really pay; only asked about price, not about how often they would use the service; poor question wording
>
> **Level check (6 marks):** Level 1 (1–2): identifies points, with little or no use of the business. Level 2 (3–4): identifies both points and applies or develops at least one. Level 3 (5–6): both points identified, applied to the business and developed.