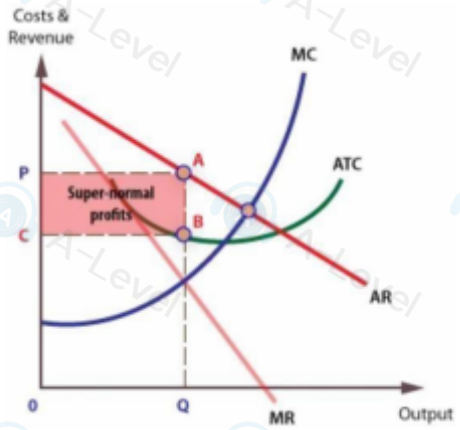
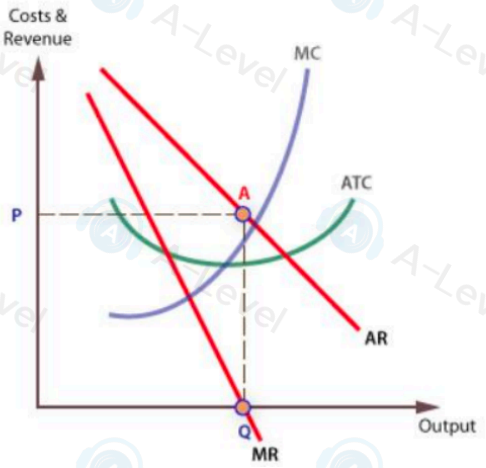
6	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	**The only correct answer is B** A is incorrect because this occurs where MR=0 C is incorrect because this occurs where MC=MR D is incorrect because this occurs between profit maximisation and sales volume maximisation	**(1)**

Question	Evaluate the view that the objectives of state-owned enterprises and private sector organisations always differ. Illustrate your answer with an appropriate diagram(s). **Indicative content**
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • A private sector organisation is one that is owned by individuals and not the state • State-owned enterprises are run by the government **Private sector**  • Private sector organisations may have an objective to profit maximise (where MC=MR) for example the private sector in America • At this point the firm is making the highest level of profit possible • Private sector organisations may be owned by shareholders who want dividends as reward for their investment • Private sector organisations need to make a profit to survive in the free market therefore will have profit as a key objective, universities need to set high prices to cover costs • Private sector organisations need to make at least normal profit if they are to remain in the industry. If they choose not to maximise profits,

	they may have either a revenue maximisation objective (MR=0) or a sales maximisation objective (AR=AC) • If there is a divorce between ownership and control private sector organisations may have a satisficing objective **State-owned enterprises** • State-owned enterprises may be run in order to provide public goods and services and not always to generate a Therefore, these organisations may have other objectives rather than profit • State-owned enterprises may have social objectives to improve standards of living and quality of life. For example health care and education • State-owned enterprises will have an objective to provide a service to the citizens of its country • The social objectives of state-owned enterprises may include greater equality, environmental considerations and social mobility • State-owned firms may have an objective to achieve allocatively efficient pricing, or pricing to avoid a loss **NB if no diagram candidate can achieve a maximum of level 3** **If only one economic agent discussed candidate can achieve a maximum of level 3** **Accept reverse argument**

	Evaluation (8 marks) – indicative content • Many privately owned firms may have social objectives as consumers are more socially driven and this can increase demand • Pressure groups and regulators have increased consumers' awareness of the negative impacts of private firms encouraging them to have more social objectives • Nationalised firms often are regulated to cross-subsidise non-profitable parts of their business • Charitable organisations are privately run but do not make a profit and run to provide a service for society • State-owned enterprises may shut down if they are run at a loss • Some state-owned enterprises do aim to make a profit e.g. to create additional revenue for the government. For example governments investing in private partnerships or profit making businesses

Question	Evaluate the view that revenue maximisation is always the main objective of a firm. Illustrate your answer with an appropriate diagram(s). **Indicative content**
10	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (12 marks) – indicative content** • Business objectives defined or listed • Revenue maximisation MR=0  • This point allows the business to achieve the highest level of revenue • At point A the firm is maximising revenue • Firms in competitive markets may not maximise profits in order to increase their market share, therefore they operate where MR=0 • Revenue maximisation will increase the output and sales, helping to increase market share, compared with the profit maximisatin level of output • Increasing quantity may also help the firm to achieve economies of scale as it grows in size, lowering average costs • In the short-run firms might have a revenue maximising goal to establish themselves in the market e.g. in China

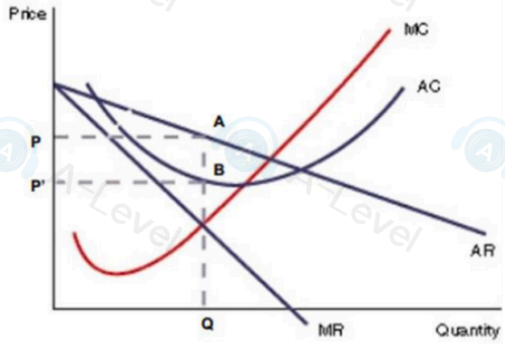
	• If there are low barriers to entry into the market a firm may have a revenue maximising objective to deter new entrants into the market • If demand is elastic firms may have a revenue maximising objective to maintain low prices • Firms may revenue maximise in the short-run to increase market share and build monopoly power in the long-run **NB if no diagram candidate can achieve a maximum of level 3**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

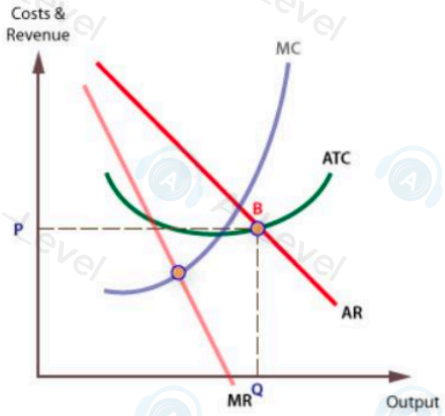
- Divorce between ownership control may occur and satisficing behaviour may cause the managers and owners to have different objectives
- Revenue maximisation may only be a short-run objective
- The firm may wish to change its objective in the long-run when the firm is more established and can increase prices more easily/market conditions may change
- Level of contestability will impact the objectives of the firm, the higher the barriers to entry the more likely the firm will be profit maximising
- Other objectives might be more significant:
- Firm survival for small or new firm in the industry

Profit maximisation occurs when MR=MC



- This enables the firm to achieve supernormal profits PP^1AB

Sales volume maximisation occurs when ATC=AR



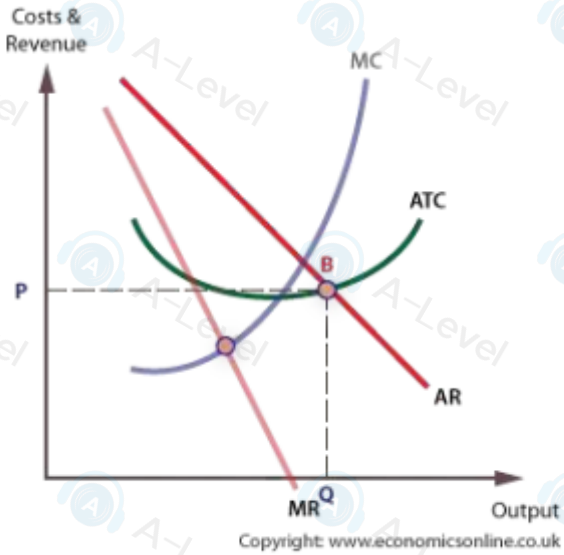
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

2	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is incorrect because satisficing would result in a reduction of profits **C** is incorrect because shareholders would not accept a low level of dividend payments **D** is incorrect because the manufacturer would not want to maximise total costs	**(1)**

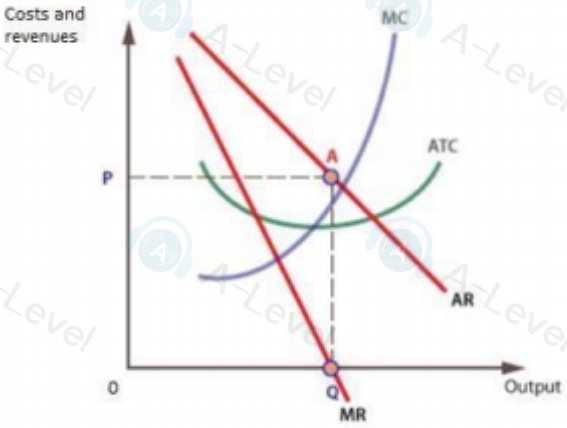
4	**QS4: Construct and interpret a range of standard graphical forms** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	The only correct answer is D A is incorrect because average revenue would be greater than marginal cost B is incorrect because marginal revenue would be lower than average revenue C is incorrect because marginal revenue would be less than total cost	**(1)**

Question	Quantitative skills assessed	Answer	Mark
1	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this is the lowest point on the AC curve C is incorrect because this is where change in TC is constant D is incorrect because this is the equilibrium for revenue maximisation	**(1)**

5	**QS9**: Interpret, apply and analyse information in written, graphical tabular and numerical forms.	D	**(1)**

Question	Evaluate the likely impact of the divorce of ownership from control on business objectives. Illustrate your answer with an appropriate diagram(s). Indicative content
10	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (12 marks) – indicative content** • The divorce of ownership from control occurs when there is a separation of ownership and control in a company such as the UK's Royal Mail. • Shareholders such as Daniel Kretinsky, own the company, like Royal Mail, and elect a board of directors to oversee management and make important decisions on their behalf. • The day-to-day running of the Royal Mail is carried out by professional managers who may or may not have significant ownership in the company • This separation of ownership from control may create potential conflicts of interest between shareholders and management. For example, management may be more focused on maximising their own bonuses or job security, rather than acting in the best interests of the shareholders. Similarly, shareholders may prioritise short-term profits over the long-term success of the company • Managers often want to meet sales maximising objectives and shareholders often aim to profit maximise profits. This causes satisficing behaviour • Sales maximisation at AR=ATC 

- Revenue maximisation (output at which MR=0) may be pursued because of the principle- agent problem



- At point A the business is achieving supernormal profits, not as high as if the business was profit maximising. It is also reaching a higher level of output. However the sales are not as high as they would be under sales maximisation. Both managers and shareholders are satisficed
- Businesses in the private sector are likely to have shareholders who need dividends to be incentivised to invest because they are not employed by the business
- Allow profit maximisation if they connect to Jeff Baoes as a share holder

NB if no diagram candidate can achieve a maximum of level 3

Evaluation (8 marks) – indicative content

- Divorce of ownership from control may not occur if managers are also shareholders such as Amazon. Many private sector firms offer shares to their managers
- The type of business might be more important in determining the objective e.g. niche firms/specialist businesses are unlikely to have sales maximisation as an objective
- Other objectives might be more important such as business survival if it is a small or new firm in the industry
- Some shareholders may be investing for the long-run and would be willing to accept growth as a priority
- Business objectives are influenced by other factors e.g. private vs public sector, not for profit
- In most countries, directors have a legal responsibility to act in the best interests of shareholders so should be trying to fulfil their objectives rather than their own personal ones

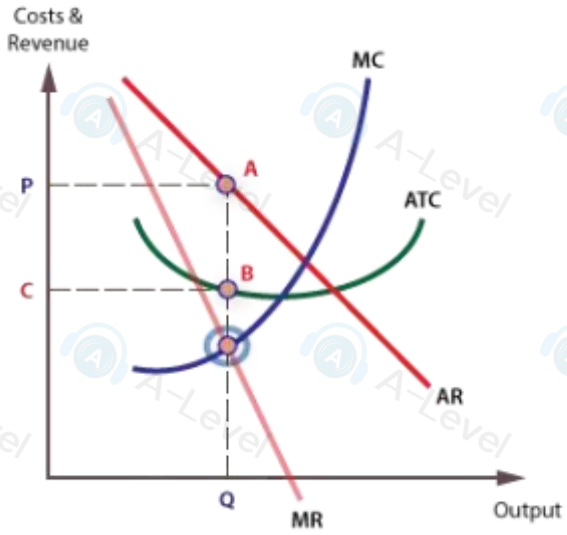
5	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** **A** is incorrect because at this level of output profits would be maximised **B** is incorrect because at this level of output total revenue will not be maximised **C** is incorrect because at this level of output average revenue will be greater than zero	**(1)**

Small/medium-sized enterprises

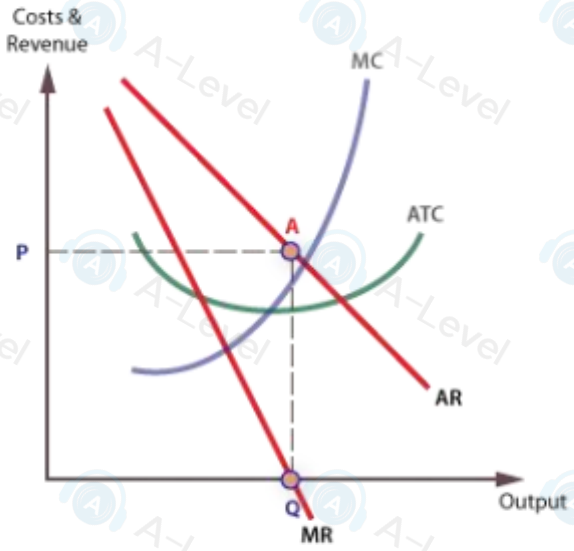
- Small businesses have less than 50 employees and a annual turnover under £10 million/ Medium sized business have less than 250 employees and an annual turnover under £50 million
- Smaller businesses in Malaysia are more likely to remain small and not have growth as an objective because they may lack the finances available to invest in new technologies to expand. This prevents them from increasing output and growth
- The high level of competition in the market for small and medium-sized enterprises making the business have survival as its objective survival
- Smaller/medium-sized enterprises may have survival as an objective as they lack the market power to influence the price or their profit levels
- They may remain small as the owners has the objective of retaining control of the business

Large enterprises

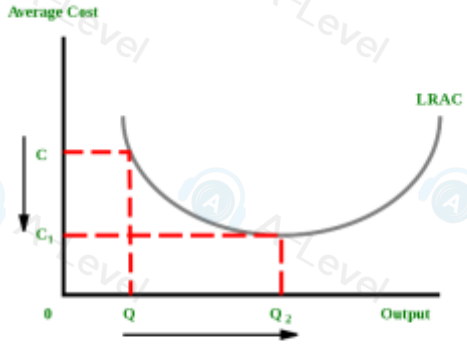
- Large enterprises are more likely to profit maximise because they have the market power to influence the price and quantity where MC=MR



- Large enterprises could also maximise revenues where MR=0 because they want to increase market share and/or to deter the entry of new firms and/or to force other competitors out of the market



• Large enterprises might have an objective to achieve economies of scale to reduce costs and increase supernormal profit. They will expand to reach their MES at Q2

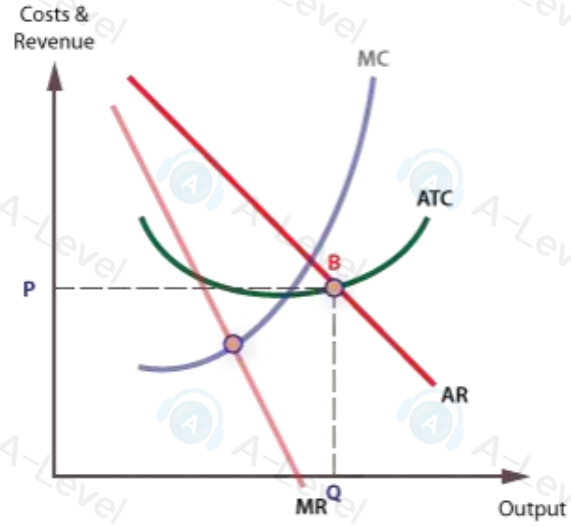


- Large enterprises are more likely to profit satisfice as they are more likely to experience divorce of ownership from control

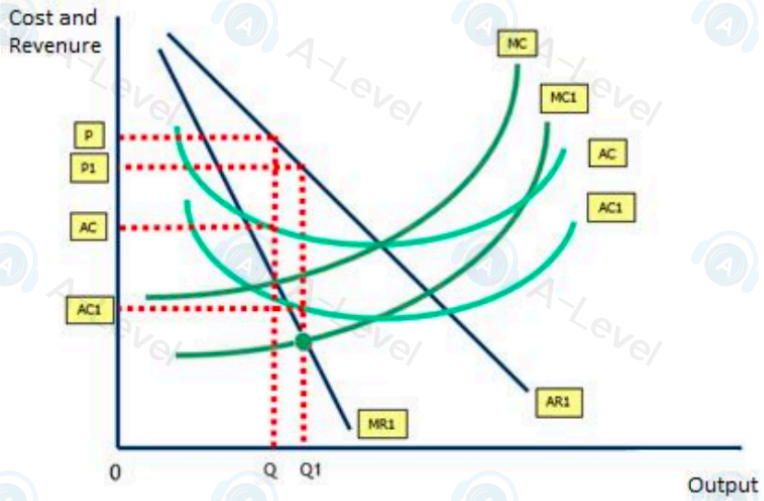
NB if no diagram candidate can achieve a maximum of level 3

Evaluation (8 marks) – indicative content

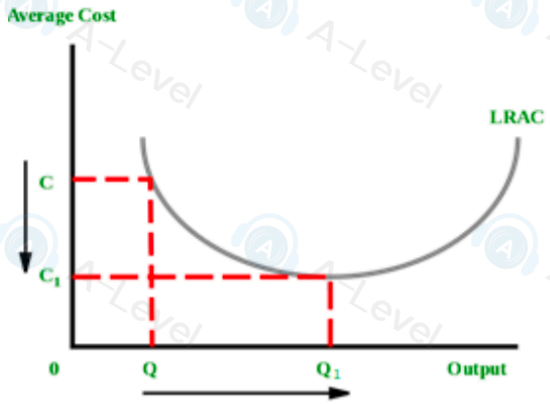
- It depends on the nature of the good. Some enterprises firms in niche markets may have the objective of profit maximisation especially if demand for the product is inelastic
- The objective depends on the level of competition, the more competitive the market the more likely sales volume maximisation is the objective even if the enterprise is large
- Government support for small and medium-sized enterprises would help them to expand and overcome obstacles such as lack of finance
- If the large enterprise is a charity or a government-owned enterprise, profits might not be the objective of the business/ large firms may have environmental and social objectives
- Small/medium-sized enterprises may have sales volume maximisation as an objective as the level of competition would make the demand for their products more elastic. Therefore they are likely to set a price and quantity where AC=AR resulting in normal profits



1	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** *is not correct because this is profit maximisation* **C** *is not correct because this is revenue maximisation* **D** *is not correct as this will not maximise sales*	**(1)**
2	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** A is incorrect because this is when MR=0 B is incorrect because this is when MC=MR D is incorrect because the firm will make some supernormal profit to pay as dividends	**(1)**

Question	For an industry of your choice, evaluate why many businesses have growth as their main objective. Illustrate your answer with an appropriate diagram(s). **Indicative content**
8	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Businesses can grow either organically or inorganically through mergers and takeovers • Business objectives goals/targets for business including profit maximisation, revenue maximisation, sales maximisation and satisficing • Increase in demand leading to higher revenue and profits/higher profits generates more funds for investment, improves innovation, further increasing profits • Businesses such as Visinema would benefit from having more control over every aspect of their business allowing them to expand into new areas such as animated films • Businesses may benefit from increased profits by internalising new areas of the business that they previously outsourced. This reduces costs and increases profits. Fall in AC to AC1and MC to MC1 showing a new equilibrium with a higher profit level P1 x Q1 (TR) - AC1 x Q1 (TC) 

- Businesses can benefit from economies of scale and a fall in long-run average total costs
- The cost savings could be passed onto the consumer in the form of lower prices increasing competitiveness



- Businesses may be able to achieve monopsony power over suppliers and labour enabling them to negotiate better terms when purchasing supplies and workers reducing costs
- Increased market share gives higher price-setting ability, potentially increasing prices and profits
- Businesses such as Visinema can benefit from risk diversification. If the animated film industry declined other areas of their film production may offset the losses

Accept reverse argument as KAA

Restrict to a maximum of Level 3 if no appropriate diagram provided

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.

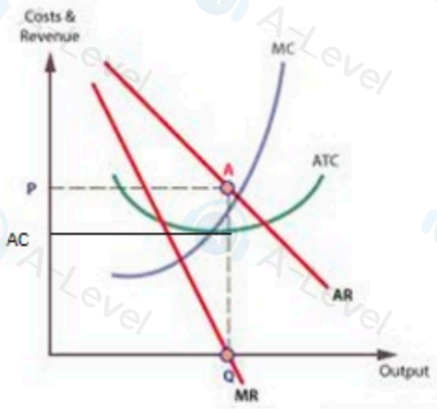
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

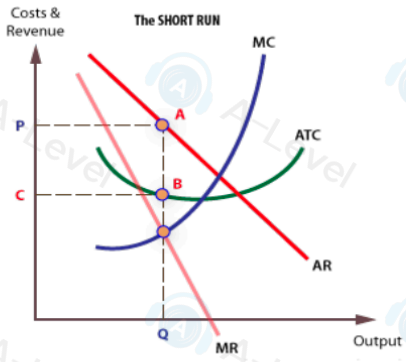
- Firms may wish to stay small to avoid diseconomies of scale if they move beyond their MES
- Some businesses benefit from operating in a niche market and are able to be profitable from selling at a higher price with a lower output
- Small businesses can maintain high levels of flexibility/innovation as the market changes
- Some businesses do not have the finances to grow and therefore getting bigger is not an option
- Large businesses can attract the attention of the competition authorities. Therefore a business may wish to stop growing to stop any form of intervention
- Business owners may have an objective of staying small and keeping total control of all aspects of the businesses
- Alternative business objectives e.g. satisficing

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments.

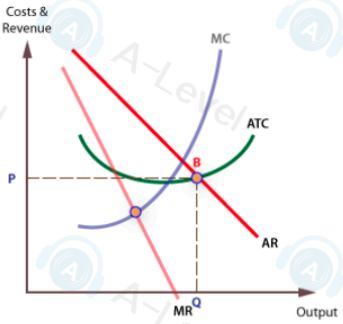
		No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	Indicative content
10	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS4**: Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (12 marks) – indicative content** Range of business objectives include: • profit maximisation • revenue maximisation • sales maximisation • profit satisficing will impact on profits • social objectives • growth • If maximising revenue is the main objective, output is where MR=0 and TR is maximised. The firm in the diagram is making a supernormal profit (AR exceeds AC), but profit is less than at profit maximising output. 

- Profit maximisation objective where MC = MR (Accept perfect competition or monopoly diagram). Firm makes highest possible supernormal profit.



- If the firm's objective is sales maximisation this will be where AC=AR or TR=TC. In this case profit is lower but the firm is selling a higher quantity of goods. It is prioritising sales volume/market share over profit



- Some private sector organisations are non-profit making (eg charities), others may prioritise social responsibility eg co-operatives. Therefore profits are likely to be lower or non-existent

- **Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no diagram provided.**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.

Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
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	Evaluation (8 marks) – indicative content • For public sector organisations which can be financed through tax revenues, a profit objective may be non-existent or less important eg health, education, transport, postal services • There may be conflicting objectives in a large private sector organisation where there is a divorce of ownership and control. Eg shareholders want higher profits, managers want sales maximisation • Business objectives can change depending on circumstances - macroeconomic conditions (eg in a recession survival will be a prime objective) - changes within a market (eg more competitive conditions may involve sacrificing some profit in the short-run) - new government legislation (eg tightening up on environmental laws may emphasise social responsibility) - short-run & long-run distinction. Eg a business may seek to maximise revenue in the short-run aiming to remove competitors. This may then enable to business to raise prices and hence profits in the long-run	

5	**QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** A is incorrect because supernormal profit and price will change	**(1)**
		B is incorrect because supernormal profit and price will decrease D is incorrect because the business supernormal profit and price will decrease	