Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/22**

Paper 2 Case Study **May/June 2023**

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

© UCLES 2023

[Turn over

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

© UCLES 2023

Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

© UCLES 2023

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

0450/7115/0086 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
APP	Application	Indicates appropriate reference to the information in the context.
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

© UCLES 2023

Question	Answer	Marks
1(a)	**Explain <u>four</u> characteristics needed for an entrepreneur to be successful.** Award 1 mark for each relevant characteristic (max 4). Award a maximum of one additional mark for **each** explanation of a characteristic of being a successful entrepreneur. There are no application marks available. Relevant characteristics might include: • Self-confident – strong belief in their own ability and ideas • Creative – find new and different ways to attract customers • Independent – willing to go with own ideas • Hard worker/dedicated – prepared to work long hours • Risk-taker – willing to risk losing own capital/as a sole trader or partnership willing to risk losing personal assets • Effective communicator – able to persuade others • Optimistic – think positively about new ventures and continue if there are setbacks • Innovative – able to develop new products to retain customers • Good at networking – prepared to learn from others • Self-motivated/Determined/Passionate/Driven • Results driven • Strong leadership qualities • Resilience • Experience/Knowledge/Multi-skilled For example: Self-confident (1) as the entrepreneur has a strong belief in their own ability and ideas to convince others such as banks to lend to them (1)	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Consider the advantages and disadvantages of starting up ET as either an unincorporated business or as a limited company. Which should Zane and Zaara choose? Justify your answer.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both options.

Well-justified recommendation.

Candidates discussing both options in detail, in context and with a well-justified conclusion including why the alternative option was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one option.

Judgement with some justification / some evaluation of choices made.

Candidates discussing at least one option in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the options with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both options in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table></td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Unincorporated business</td><td>• Partners are in complete control of the business
• Do not have to share profits with shareholders – may lead to higher profits each if shared between fewer owners
• Easy to set up the theatre and will have few legal requirements to operate the business – reducing effort and cost to set up</td><td>• Unlimited liability – could lose all personal possessions
• Limited sources of capital – if only 2 partners invest in the business as limited to their own capital
• Partners are responsible for all decisions taken by either partner if mistakes are made – may lead to personal financial losses and may be equally liable</td></tr>
<tr><td>Limited company</td><td>• Limited liability – owners personal possessions will not be used to pay business debts
• Owners and business are separate legal identities – provides continuity on the death of owners
• Can sell shares to raise capital to set-up the theatre – to family and friends – large amounts of capital may be raised</td><td>• Accounts are not private – competing theatres may access the accounts
• Not easy to transfer shares as a private limited company – may make it difficult to sell shares to family and friends
• Legal formalities to set up – may take more time and cost than a partnership
• Legal formalities to operate the company – needs to have accounts audited and registered with the government takes time and increases costs</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
1(b)	Recommendation: Justification may include: ● ET should be an unincorporated business because it is easy to set up the partnership. Zane and Zaara will have complete control of the **theatre** and keep all the profits. There are not the legal formalities with a partnership that will increase costs that there are if ET was a private limited company. ● ET should be a limited company to gain the benefits of limited liability. If anything goes wrong with the **theatre**, then any liability will only be for an amount invested in the business, all Zane and Zaara's personal belongings will be safe.	

Question	Answer	Marks
2(a)	**Explain <u>one</u> business objective for ET and <u>one</u> other objective that a social enterprise like Daycare might have.** One mark for each objective (max of 2). Award a maximum of 3 additional marks for **each** explanation of the objective – **one of which must be applied to this context.** Relevant answers might include: **Business objective for ET** • Survival – to not go bankrupt in the first year of operation – to cover costs • Profit – to provide a return on investment – for the owners who risked their own money • Growth of the business – to possibly increase sales – leading to increased revenue in the future • Market share – attract a higher number of customers – possibly leading to higher revenue **Other objectives for social enterprise, Daycare** • Service to the community/help local people – to create jobs for people in the local area – support disadvantaged groups in society/make a profit to put back into local initiatives • Provide childcare to enable low-income parents/carers to go out to work – increase their incomes – raising their living standards • Provide education for the pre-school children of low-income families • Provides access to education that otherwise would not be provided • Improves the likelihood of these children being more successful when they do go to school/may improve their ability to earn higher incomes in the future/get a better paid job • To provide funds to reinvest back into the social enterprise – by making a profit • To break-even For example: To provide a service to the community (1) to look after the pre-school children (app) and support disadvantaged groups in the society that cannot afford to pay for these services (1) so it will allow parents/guardians to go to work and improve their family's income (1) **Application** might include: pre-school children; theatre; performances; actors; pay fair wages; tourists; low-income area; 24 part-time employees; provides education for children under 5.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Using Appendix 2 and other information, consider the <u>two</u> options for the first performance at the theatre. Which is the best option for Zaara to choose? Justify your answer using suitable calculations.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both options.

Well-justified recommendation.

Candidates discussing both options in detail, in context and with a well-justified recommendation including why the alternative option is rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one option.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one option in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the options with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining both options in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Option 1</td><td>• Fewer employees are required to put on a performance – reducing total variable costs
• Costs for scenery and costumes is the lowest of the two options – $1000 lower than Option 2
• Total cost is the lowest of the two options – at $1210 per performance
• Lowest price per seat at $10 – so likely to sell all the tickets ensuring the estimated revenue is received</td><td>• The average wage cost is the highest – $20 higher than Option 2
• Makes a loss of $210 for each performance
• Lowest revenue gained for each performance of the two options – $1000 per performance</td></tr>
<tr><td>Option 2</td><td>• Has the lowest wage cost per employee of the two options – at $10 per actor
• Makes the highest profit per performance of the two options – at $260 per performance
• Has the highest revenue of the two options – at $2500 – $1500 higher than Option 1</td><td>• Has the highest number of employees per performance – 17 more than Option 1 – highest total wage costs
• Highest cost of the two options – $2240 per performance
• Highest price per person – $25 each – may not sell all tickets – so revenue may be lower than estimated at $2500</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer		Marks
2(b)	Recommendation	Justification may include: • ET should choose Option 1 to have in the theatre as it has the cheapest total cost at $1210 per performance. As the theatre is new it should try to keep its costs as low as possible. Option 2 has much higher costs to put on the performances and ET may not have the funds to do this. Also the price per ticket is higher for the other option and as the theatre is located in **a low-income area** of Main City the theatre may not **sell all 100 seats** and the estimated revenue may not be received. • ET should choose Option 2 for the theatre as it makes a profit of $260 per performance when the revenue is **$2500**.	

© UCLES 2023

Question	Answer	Marks
3(a)	**Explain <u>four</u> reasons why it is important that Zane prepares a cash-flow forecast before starting ET.** One mark for each reason (max 4). Award a maximum of one additional mark for **each** explanation of the reason **which must be applied to this context.** Relevant answers might include: • To manage the cash flows in and out of the business – so that Zane and Zaara will be aware of how much cash they may have available when operating the theatre • To ensure there is cash/working capital available to pay for day-to-day expenses/short term debts – or they may be unable to put on performances • To show the bank to gain a bank loan/overdraft – without a loan performances may be of poor quality if costumes cannot be purchased • To show if the business is likely to run short of cash – avoid having a lack of liquidity for the 2 partners or shareholders • To help plan ahead – to make decisions about which price to charge so that all 100 seats are sold • To see whether the business is achieving its financial objectives • May need to include it in the business plan For example: To manage the cash flows in and out of the business (1) so that Zane and Zaara will be aware of how much cash they may have available to spend at the theatre (app). **Application** could include: theatre; performances; 100 seats; costumes; 2 partners/shareholders; pay fair wages; tourists; low-income area; 24 part-time employees; costumes produced in the local area; refreshments from suppliers that do not pollute the environment.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Consider the following <u>three</u> roles of marketing for ET. Which role will be the most important for ET to be successful? Justify your answer.

• Identifying customer needs
• Satisfying customer needs
• Maintaining customer loyalty

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more roles of marketing.

Well-justified conclusion.

Candidates discussing all three roles of marketing in detail, in context and with a well-justified conclusion including why the alternative roles of marketing are rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one role of marketing.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more roles of marketing in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the roles of marketing with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining three roles of marketing in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><td>Identifying customer needs</td><td>• The Marketing Manager needs to find out what types of performances will be popular with audiences – this is to ensure that the shows that are planned will attract enough customers to buy tickets for most of the seats – increasing/maximising revenue for the theatre
• Find out what price customers are willing to pay for seats at the theatre for a performance – if too high a price is charged then many seats may not be sold – leading to a loss for that performance
• To find out what types of refreshments customers wish to buy at the interval – this will help to raise these sales and provide additional revenue for the theatre</td></tr>
<tr><td>Satisfying customer needs</td><td>• Ensuring that the performances are what the audience expects – this improves the reputation of the theatre – so customers tell their friends about the theatre – increasing sales of seats for performances
• If performances are on days which are not convenient for customers then fewer seats will be sold – so it ensures the performances are put on during days that most suit local people and tourists</td></tr>
<tr><td>Maintaining customer loyalty</td><td>• Having links with customers to ensure they keep coming back to the theatre to watch performances – rather than go to other theatres – as regular visits to the theatre will maintain its revenue – enabling them to keep putting on performances/provide liquidity for the next performance/avoid cash flow problems
• Keeping existing customers is preferable to attracting new ones – as it is often cheaper to market to existing customers than to find new ones – makes the theatre's marketing budget more efficient</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer		Marks
3(b)	Conclusion	Justification may include: • Identifying customer needs is most important because if these needs are not understood then the **theatre may plan and pay to put on a performance** that will not attract customers, leading to a loss. Satisfying customer needs is less important to the **success of the theatre** as if the needs have been identified then it is more likely that these will be met by the chosen performance. As theatres may keep attracting **new audiences such as tourists** then maintaining customer loyalty may be less important as long as the different needs of these audiences have been identified. • Satisfying customer needs is most important because if customers are disappointed with **the performance,** then they will tell their friends and family about it and ET will gain a poor reputation. This may lead to fewer sales of **seats for future performances** leading to ET being less successful. • Maintaining customer loyalty is most important as without this it will mean the **theatre** will need to keep attracting new customers and this is expensive to research suitable plays and shows that they will want to see. Marketing costs will therefore be lower if regular customers keep coming back to watch the shows.	

Question	Answer	Marks
4(a)	**Explain <u>two</u> leadership styles that Zane and Zaara could use when managing ET's employees.** One mark for each leadership style (max 2). Award a maximum of 3 additional marks for **each** leadership style – **one of which must be applied to this context.** Relevant answers might include: **Autocratic** • The manager expects to be in charge and have all orders followed • Manager keeps themselves separate from the employees • Manager makes all the decisions and keeps information to themselves • Communication is one-way/employees having no opportunity to comment or take part in any decisions about business • Decision-making is quick **Democratic** • Gets employees involved in decision-making about the business • Information about future plans for the business shared with employees and discussed before owners make the final decision • Communication is both downward and upward allowing the experience of employees to be considered by the owners – leading to possibly better decisions being made • Motivating for employees as they feel more involved in the business – less likely to leave/reduced labour turnover **Laissez-faire** • Main objectives of the new business are shared with employees but then they are left to organise their own work and take decisions without any interference • Communication can be difficult as the leader has little involvement in the decisions being made • Employees can be motivated as they are valued and trusted to take the decisions • Employees can be creative with fresh ideas about how to operate the business For example: They could use a democratic leadership style (1) where communication is both downward and upward allowing the experience of employees to be considered by the owners (1) leading to possibly better decisions being made (1) about how to operate the theatre (app). **Application** could include: theatre; performances; 100 seats; pay fair wages; tourists; low-income area; 24 part-time employees; provides education for children under 5; costumes produced in the local area; refreshments from suppliers that do not pollute the environment.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Consider the following three ethical issues for the theatre. Which ethical issue is likely to have the biggest effect on ET? Justify your answer.

- **Paying fair wages to employees**
- **Only buying costumes produced in the local community**
- **Purchasing all refreshments from suppliers that do not pollute the environment**

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more issues.

Well-justified conclusion.

Candidates discussing all three issues in detail, in context and with a well-justified conclusion including why the alternative issues are rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one issue.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more issues in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss issues with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining all three issues in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><td>Paying fair wages to employees</td><td>• This will provide local people with a higher income than they might have had – leads to higher standard of living in the local area – more likely to sell more theatre seats – increasing revenue for the theatre
• Higher wage rates might lead to higher motivation – improved quality of performances at the theatre
• Lower labour turnover – the 24 part-time employees may be less likely to leave and work for another theatre – improved employee loyalty – lower recruitment costs
• Wage costs are likely to be higher which may lead to higher prices for theatre seats – may lead to lower demand – reducing revenue</td></tr>
<tr><td>Only buying costumes produced in the local community</td><td>• Will attract local people to watch the theatre performances – increase revenue from ticket sales
• May receive good publicity – many local people may encourage family and friends to support the theatre – increasing revenue
• Provides work for local people – important as it is based in a low-income area – raising the standard of living for people in the local area
• Local people may not have the skills necessary – limiting the quality of costumes used and possibly the overall performance</td></tr>
<tr><td>Purchasing refreshments from suppliers that do not pollute the environment</td><td>• May be more expensive than buying from less ethical suppliers – possibly lowering the profit margin for each performance
• Reduces the range of refreshments available – may reduce revenue as choice may be less popular
• Pressure groups will be less likely to protest outside the theatre – which might deter tourists from visiting the theatre</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer		Marks
4(b)	Conclusion	Justification may include: • Paying fair wages is likely to have the biggest effect on ET as this may increase costs which may lead to higher prices for the **100 seats** so customers may go to their competitors instead and reduce revenue. Costumes from the local community may be of lower quality but if the performance is good then people will still buy tickets and revenue will not be affected. Refreshments only have a small impact on the theatre as they are a small proportion of the overall costs and revenue. So higher costs and lower revenue due to paying fair wages is likely to have the biggest effect on ET. • Costumes produced locally provides work for the local community, so ET is more likely to sell all **100 seats for each performance** as local people have the income to buy the tickets. Higher revenue from sales will lead to the biggest effect on ET. • Refreshments purchased from ethical suppliers will lead to a good reputation for the theatre and hence attract customers concerned with the environment so revenue will be higher as more tickets are sold for each **performance** leading to higher profits for ET.	