

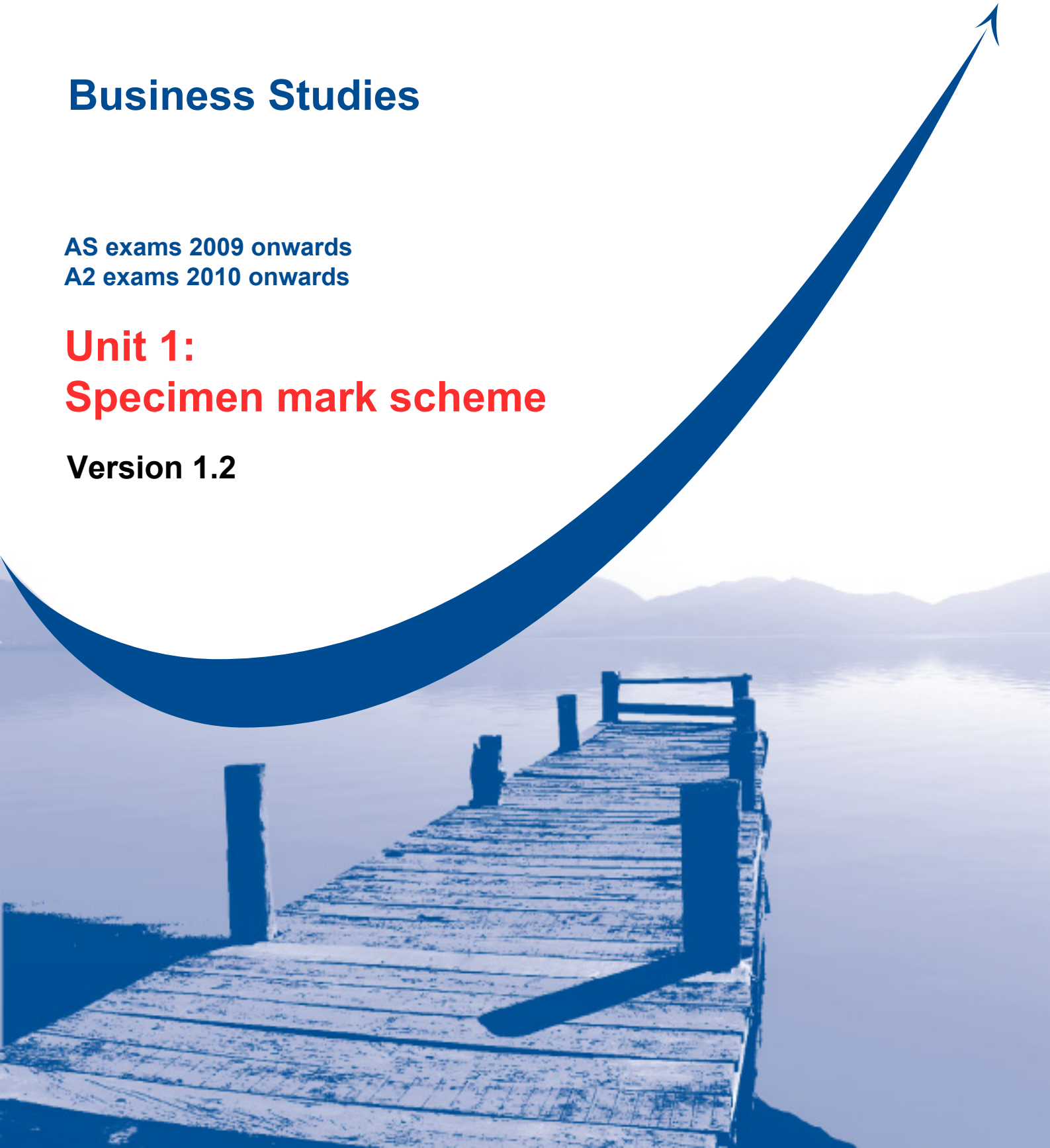
GCE
AS and A Level

Business Studies

AS exams 2009 onwards
A2 exams 2010 onwards

Unit 1: Specimen mark scheme

Version 1.2



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General Certificate of Education

Business Studies

Unit 1: Planning and Financing a Business

Specimen Mark Scheme

for 2009 and 2010

The specimen assessment materials are provided to give centres a reasonable idea of the general shape and character of the planned question papers and mark schemes in advance of the first operational exams.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

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Set and published by the Assessment and Qualifications Alliance.

	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1	Demonstrate knowledge and understanding of the specified content.
AO2	Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations.
AO3	Analyse problems, issues and situations.
AO4	Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources.
Quality of Written Communication	<p>The GCE Qualification Criteria require GCE specifications which require candidates to produce written material in English to:</p> <ul style="list-style-type: none"> • ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear • select and use a form and style of writing appropriate to purpose and to complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate. <p>In this specification QWC will be assessed in all units by embedding QWC in Assessment Objective 4 (AO4).</p>

1**Total for this question: 20 marks**

(a) What is meant by the term 'entrepreneurs' (line 1)?	(2 marks)
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	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of term
Level 1	1 mark Candidate demonstrates some understanding of term

Entrepreneurs are people who establish or operate a business thereby taking a financial risk.

(b) What is meant by the term 'budgets' (line 21)?	(2 marks)
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	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of term
Level 1	1 mark Candidate demonstrates some understanding of term

A **budget** is a financial plan for some specified future period of time.

(c) State two non-financial items that the Bank Manager would have expected to see in the business plan for <i>Just Juice Ltd</i> before agreeing to the loan.	(2 marks)
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Relevant answers might include the following:

- the business idea
- the entrepreneurs' qualifications and experience
- resources required
- staffing requirements
- results of market research.

Award **one mark** for each correct answer identified.

(d) Explain **one** reason why Bill and Anne might have decided to use primary market research as part of their business planning. (4 marks)

	Content 2 marks	Application 2 marks
Level 2	2 marks Candidate demonstrates good understanding of primary market research or identifies and develops valid reason or some combination	2 marks Candidate applies answer effectively to scenario
Level 1	1 mark Candidate demonstrates limited understanding of primary market research or identifies valid reason	1 mark Candidate makes attempt to apply answer to scenario

Relevant answers might include the following:

- they were new to the market and the area and wanted detailed information
- the smoothie market is changing rapidly – secondary research may well be out of date
- they recognised the business might be risky and primary research might help to reduce this.

(e) Use the information in the text and **Table 1** to calculate *Just Juice Ltd's* total profit or loss over its first ten weeks of trading. (6 marks)

	Content 2 marks	Application 4 marks
Level 3		4 marks Candidate calculates break-even successfully
Level 2	2 marks Candidate demonstrates good understanding of profit/loss by offering formula or definition	3-2 marks Candidate offers calculation containing some errors
Level 1	1 mark Candidate shows limited understanding of profit/loss, perhaps offering incomplete formula or definition	1 mark Candidate makes limited attempt to calculate loss

Loss = revenue minus fixed costs plus variable costs or = total contribution minus fixed costs.

Contribution per customer = £3.25 x 350 = 1137.5 – 1430 = (£292.5).

For ten weeks = (£292.5) x 10 = (£2 925).

(f) Calculate the percentage growth in the UK market for smoothies between 2001 and 2006. (4 marks)

	Content 2 marks	Application 2 marks
Level 2	2 marks Candidate demonstrates good understanding of market growth by offering formula or definition	2 marks Candidate calculates market growth successfully
Level 1	1 mark Candidate shows limited understanding of market growth, perhaps offering incomplete formula or definition	1 mark Candidate makes limited attempt to calculate market growth

Market growth measures the increase in the value or volume of sales in a market over a period of time.

$$\begin{aligned} \text{Market growth} &= \frac{\text{increase in sales} \times 100\%}{\text{Original market size}} \\ &= \frac{27.7 \times 100\%}{6.3} \\ &= \mathbf{439.68\%}. \end{aligned}$$

2**Total for this question: 40 marks**

(a)	Analyse the possible reasons for <i>Just Juice Ltd</i> failing to reach its break-even number of customers. (10 marks)
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	Content 3 marks	Application 3 marks	Analysis 4 marks
Level 3	3 marks Candidate shows good understanding of break-even and identifies one relevant reason or two reasons plus limited understanding		
Level 2	2 marks Candidate shows good understanding of break-even or identifies one relevant reason or elements of both	3 marks Candidate applies answer effectively to <i>Just Juice Ltd's</i> circumstances	4–3 marks Sound analysis of reasons for failing to reach break-even
Level 1	1 mark Candidate shows some understanding of break-even or identifies one relevant reason	2–1 marks Candidate attempts to apply answer to circumstances of <i>Just Juice Ltd</i>	2–1 marks Limited analysis of reasons for failing to reach break-even

Relevant reasons might include the following:

- unexpected arrival of a competitor in Bournemouth taking sales from *Just Juice Ltd*
- late opening meant that the company missed the high period of sales (in the summer)
- rising cost of fruit (10%) due to poor harvest pushed up the variable costs increasing the level of output required to break-even
- other costs were unexpectedly high too – for example recruitment costs.

(b) Anne wanted to raise £60 000 of start-up capital from a venture capitalist rather than arranging a bank loan. To what extent do you agree with her? (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks
Level 3	3 marks Candidate shows good understanding of venture capital and identifies one relevant point or identifies two points and shows limited understanding of venture capital		5 marks Good quality analysis of reasons for failing to reach break-even
Level 2	2 marks Candidate shows good understanding of venture capital or identifies one or two relevant point	3 marks Candidate applies knowledge effectively to <i>Just Juice Ltd's</i> circumstances	4-3 marks Sound analysis of reasons for failing to reach break-even
Level 1	1 mark Candidate shows some understanding of venture capital or identifies one relevant point	2-1 marks Candidate attempts to apply knowledge to <i>Just Juice Ltd's</i> circumstances	2-1 marks Limited analysis of reasons for failing to reach break-even

Relevant answers might include the following:

- Bill and Anne have no experience as entrepreneurs or of this industry so the support from a venture capitalist might have been valuable
- a venture capitalist may have been able to offer further finance and advice to help Bill and Anne in their ambition to expand the business in the future
- the amount of capital required to start-up *Just Juice Ltd* is well within the scope of venture capitalists
- a venture capitalist would have wanted some degree of control over the business which Bill and Anne may not have wanted
- the bank would be able to offer financial advice and would not go ahead with the loan if it thought that the business would not succeed
- a bank loan might have been simpler and quicker to organise and this is important given that they did not want to miss the summer season
- judgement may depend upon the relative costs of the two sources of finance
- given that Bill and Anne chose to borrow from the bank perhaps issues, such as control, were very important to them
- in the light of the initial problems, *Just Juice Ltd* encountered at the start of trading, perhaps Anne was right after all.

For Evaluation, you should award marks using the grid below:

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Candidate offers judgement plus full justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communications.	5–4
E2	Candidate offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are some errors in accepted conventions of written communications.	3–2
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated in a simplistic way with limited use of technical terms. There are noticeable errors in accepted conventions of written communications.	1

(c) To what extent might the drawing up of a detailed business plan guarantee the success of *Just Juice Ltd.* (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks
Level 3	3 marks Candidate shows good understanding of business plans and develops one relevant point		
Level 2	2 marks Candidate shows good understanding of business plans or develops one relevant point or elements of both	3 marks Candidate applies knowledge effectively to <i>Just Juice Ltd's</i> circumstances	4-3 marks Sound analysis of importance of business plans
Level 1	1 mark Candidate shows some understanding of business plans or identifies one relevant point	1 mark Candidate makes limited attempt to apply knowledge to <i>Just Juice Ltd's</i> circumstances	2-1 marks Limited analysis of importance of business plans

Relevant arguments might include the following:

- it encouraged Bill and Anne to conduct primary market research to identify whether a market existed for smoothies
- business planning allowed them to identify potential problems such as times of cash flow shortage
- Bill and Anne were inexperienced entrepreneurs so the business plan helped them to think through their idea in detail and to be more objective about it
- drawing up a business plan was essential to gain the £50 000 loan from the bank
- the plan did not identify the likelihood of a new competitor entering the market as actually happened
- the business plan made assumptions about the future prices of fruit and vegetables which proved incorrect following the 10% price rise
- the quality of research will determine the value of business plans – was Bill and Anne's sufficiently thorough?
- businesses, and especially this one, operate in dynamic and changing markets making it impossible for any planning to guarantee success.

For Evaluation, you should award marks using the grid below:

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

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BUSS1 SPECIMEN ASSESSMENT GRID

QUESTION	AO1	AO2	AO3	AO4	TOTALS
1(a)	2				2
1(b)	2				2
1(c)	2				2
1(d)	2	2			4
1(e)	2	4			6
1(f)	2	2			4
2(a)	3	3	4		10
2(b)	3	3	4	5	15
2(c)	3	3	4	5	15
TOTALS	21	17	12	10	60