



GCE AS MARKING SCHEME

SUMMER 2016

**BUSINESS – NEW AS UNIT 1
2510U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE Business

SUMMER 2016 MARK SCHEME

Unit 1: Business Opportunities

Q1	Identify and explain two motives that encourage individuals to become entrepreneurs.	Total
	<p>Award 1 mark for identification of each motive. AO1:4 ma</p> <p>Award 1 mark for explanation of each motive.</p> <p>Indicative content:</p> <ul style="list-style-type: none">• Financial reward – opportunity to earn more when owning a business.• Prefer to make their own decisions – in control of what they do as opposed to being employed.• Greater job satisfaction – creating and building a business can be very enjoyable and allow individuals to attain certain goals they have set themselves.• Passion/interest in what they produce – may enjoy producing a top quality product or inventing a new process.• To create employment – this may be as a result of being made redundant or desiring to create work for others.• Any other appropriate motive briefly explained.	4

Q2	Using examples of goods sold in a supermarket, explain the difference between inferior and normal goods. (6)		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good knowledge of the relationship between income and demand.</p> <p>Clear understanding demonstrated.</p>	<p>2 marks</p> <p>Good application of relevant supermarket examples covering both normal and inferior goods.</p>	<p>2 marks</p> <p>A good analysis of the difference between normal and inferior goods in relation to income elasticity.</p> <p>The analysis shows a clear understanding of the impact of income on demand.</p>
1	<p>1 mark</p> <p>Limited knowledge of the relationship between income and demand.</p>	<p>1 mark</p> <p>Limited application of relevant example of either a normal or inferior good sold in a supermarket.</p>	<p>1 mark</p> <p>A limited analysis of the difference between normal and inferior goods.</p> <p>The analysis shows a superficial understanding of the impact of income on demand.</p>
0	<p>0 marks</p> <p>No knowledge demonstrated.</p>	<p>0 marks</p> <p>No application of relevant examples.</p>	<p>0 marks</p> <p>No analysis offered.</p>

Indicative content:

- Normal goods have positive income elasticity.
- Most goods sold in a supermarket are regarded as normal goods – when incomes rise, so too does demand for the product. (vice versa)
- Inferior goods have negative income elasticity.
- When incomes rise the demand for inferior goods falls. (vice versa)
- Sausages are sometimes regarded as inferior as consumers tend to replace them with steak/chops etc. as incomes rise.
- Bread tends to be consumed less as income rises and more expensive food takes its place.
- Own label products, such as baked beans, tend to be substituted with branded baked beans as incomes rise.

Q3(a)	What is meant by the term market?	Total
	Award 1 mark for each relevant point identified. AO1: 2 marks Indicative content: Any set of arrangements that allows buyers and sellers (x1) to exchange goods and services (x1)	2

Q3(b)	Explain, with reference to the examples given in the text, what is meant by monopolistic competition. (6)		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	2 marks Good knowledge of key features of monopolistic competition demonstrated.	2 marks Good application, using examples given in the text.	2 marks Good analysis evident of the concept of monopolistic competition and the context in which it operates.
1	1 mark Limited knowledge of some features of monopolistic competition demonstrated.	1 mark Limited application of the examples given in the text.	1 mark Limited analysis evident of the concept of monopolistic competition and the context in which it operates.
0	0 marks No knowledge demonstrated.	0 marks No reference to examples in the text.	0 marks No explanation undertaken.

Indicative content:

- In this type of market structure there are a large number of relatively small businesses who compete with each other – nurseries and care homes tend to be small and they are increasing in number across Wales.
- It is relatively easy to set up in such markets – barriers to entry are low. Whilst there is increasing government legislation to comply with both care homes and nurseries are relatively easy to set up on a small scale. Large amounts of capital are not required.
- Businesses attempt to differentiate themselves through branding but this can be difficult to achieve as the services provided are inevitably quite similar.
- Businesses in this market structure tend to be price takers. Pricing can be very competitive and there is limited scope for price changes – price can often be an important aspect when customers are seeking a nursery as the cost tends to be prohibitive for those on relatively low incomes.
- Care homes and nurseries may try to emphasise other elements of their marketing mix – e.g. facilities, caring, entertainment, education, number of staff per child, opening hours.

Q4	Consider, using the concept of price elasticity of demand, why ‘raising price might be a poor decision’. (8)			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good understanding of the concept of PED.</p> <p>Definition is clear and precise.</p>	<p>2 marks</p> <p>Good application of raising the price in the context of the text.</p> <p>Clear reference to the data and relevant content.</p>	<p>2 marks</p> <p>Good, clear analysis of how the PED for a good impacts upon sales when price is raised.</p>	<p>2 marks</p> <p>Well-balanced evaluation of how a change in price may have either a positive or negative impact upon total revenue.</p>
1	<p>1 mark</p> <p>Limited understanding of the concept of PED.</p> <p>Definition is partially correct. Superficial understanding.</p>	<p>1 mark</p> <p>Limited application is attempted to the context of raising the price of coffee in the café.</p>	<p>1 mark</p> <p>Limited analysis of how the PED for a good impacts upon sales when price is raised.</p> <p>Superficial arguments with little development.</p>	<p>1 mark</p> <p>Limited evaluation of how the change a change in price may impact upon a business.</p> <p>Superficial judgements made.</p>
0	<p>0 marks</p> <p>No understanding or knowledge of the concept of PED.</p>	<p>0 marks</p> <p>There is no application to the decision to raise the price of coffee in the café.</p>	<p>0 marks</p> <p>There is no analysis of the impact of raising the price of a good.</p>	<p>0 marks</p> <p>No evaluation of a strategy to raise the price of a good.</p>

Indicative content:

- When Llinos raises her price for coffee, she can anticipate that the quantity demanded will fall.
- The key issue for Llinos is the extent to which the demand for her coffee will fall.
- PED informs us about relationship between the effect of a change in price on quantity demanded.
- If the PED for Llinos’s coffee is elastic, then the percentage change in quantity demanded is greater than the percentage change in price which caused it. Demand for her coffee is said to be price sensitive.
- If the PED for Llinos’s coffee is inelastic, then the percentage change in quantity demanded is less than the percentage change in price which caused it. Demand for her coffee is said to be price insensitive.
- If Llinos increases the price of her coffee and the demand for her coffee is price elastic then the total revenue she receives will fall – justifying Anna’s comment that raising price might be a poor decision.
- However, if Llinos increases the price of her coffee and the demand for her coffee is price inelastic, then the total revenue she receives will rise – this would suggest that Anna’s comment is unjustified.

Q5(a)	With reference to Rogers Travel Ltd, distinguish between <i>quantitative and qualitative data</i> .	Total
	<p style="text-align: right;">AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for explanation of quantitative data. Award 1 mark for explanation of qualitative data.</p> <p>Award 1 mark for each appropriate application to Rogers Travel Ltd.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Data that can be numerically measured. • Data referring to attitudes, intentions and beliefs. • The 10% rise in holidaymakers choosing Scandinavia as a destination - quantitative • Carrying out interviews – qualitative. 	4

Q5(b)	Describe the approach that DataWatch might use when gathering a random sample.	Total
	<p style="text-align: right;">AO1: 4 marks</p> <p>Award 1 mark for each relevant point.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • A very large sample needs to be chosen in order to ensure it is representative of the population. • Computers may be used to produce a random list of numbers which can then be used as the basis for selecting a sample. • Random samples are often drawn from local electoral registers. • The interviewees are contacted at home. • Interviewers call three times before giving up on an address in order to overcome the problem that working people are less likely to be at home or might be on holiday. 	4

Q5(c)	Explain how the use of <i>random sampling</i> will improve the reliability of the market research used by Rogers Travel Ltd.	Total
	<p style="text-align: right;">AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for a limited explanation. Award 2 marks for a good explanation.</p> <p>Award 1 mark for limited application. Award 2 marks for good application.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Data watch will attempt to ensure that every member of the population has an equal chance of being interviewed about views on package holidays to America. • Rogers Travel Ltd had previously haphazardly collected data related to Scandinavian holidays - which proved to be misleading. • Random sampling methods are more likely to produce data that is not weighted towards one side of the population - therefore is unlikely to introduce bias into the results. • Rogers Travel Ltd had previously collected biased data as so many of their respondents in the Scandinavian research were retired. The data lacked validity. 	4

Q6(a)	Evaluate different <i>sources of finance</i> that might be available in Wales to sole traders, such as Bronwen Lewis’s veterinary practice, to assist them in growing their business.(10)			
Band	AO1	AO2	AO3	AO4
	4 marks	1 mark	2 marks	3 marks
2	<p>3-4 marks A number of relevant sources of finance are identified.</p>		<p>2 marks A good analysis of the suitability of the sources of finance in helping to achieve business growth.</p>	<p>2-3 marks Well-reasoned and balanced evaluation that considers a variety of relevant sources of finance.</p> <p>Lines of evaluation are well-developed and informed judgements are made.</p>
1	<p>1-2 marks A limited number sources of finance is identified. Some of these may be unsuitable.</p>	<p>1 mark Applies at least one relevant source of finance specific to Wales.</p>	<p>1 mark A limited analysis of the suitability of the sources of finance in helping to achieve business growth.</p>	<p>1 mark Limited evaluation of a variety of relevant sources of finance.</p> <p>The evaluation maybe one-sided and include general comments.</p> <p>Judgements are superficial and unsupported.</p>
0	<p>0 marks No relevant sources of finance are identified.</p>	<p>0 marks No application to a Welsh context.</p>	<p>0 marks No analysis undertaken.</p>	<p>0 marks No evaluation is undertaken.</p>

Indicative content:

- Retained profit is a cheap form of finance as there are no financial charges, such as interest rates. The owner/s, however, do have to make a sacrifice as the profit is not available for personal expenditure. Low profits may hinder the pace of growth.
- Borrowing from Welsh Government via Business Wales - fast track loans are allocated to businesses. Rates of interest are competitive and benefit small firms by enabling them to take advantage of growth opportunities. Sound business advice is also offered to support the borrower. However, the criteria for accessing these loans are strict and businesses have to convince Business Wales of their strong potential for growth.
- Borrowing from banks – money does become immediately available if loan agreed. However, banks have been reluctant to support small businesses since the economic downturn in 2007. Interest rates tend to be high and availability is limited.

- Grants from Welsh Government – the Welsh Growth Fund offers grants to businesses that they feel have potential for growth. Grants have the huge benefit of not having to be repaid and a considerable amount of expert support is offered along with these grants. However, they are not easily attained and a very sound business plan has to be presented to convince the growth fund that the business has potential. Sometimes the business may have to match the grant with its own funding.
- Venture Capitalists/Business Angels may offer finance to small and medium size businesses and their expertise may also be helpful in achieving growth. They will, however, require some form of equity and the owner will have to sacrifice a degree of control.
- Finance can be attained from friends and family. There is no requirement to provide business plans or meet any conditions and it can be made available quickly. There may or may not be interest required. However, failure to repay the money may lead to family issues arising and the sums required to finance growth are unlikely to come from such a source.
- Other forms that are acceptable include leasing, overdrafts, hire purchase, mortgage, for building, trade credit, owners capital, credit cards and sale of unwanted assets.

Q6(b)	Assess the decision to form a private limited company from both Bronwen's and Lucy's point of view. (12)		
Band	AO2	AO3	AO4
	5 marks	2 marks	5 marks
3	<p>4-5 marks Detailed application to the situation both individuals are facing is clearly evident.</p> <p>An excellent application of the suitability of setting up a limited company is undertaken in relation to both individuals.</p>		<p>4-5 marks An excellent evaluation of how the decision to form a limited company will impact on both parties.</p> <p>The evaluation is well-balanced with clear development on both sides of the assessment.</p> <p>Supported judgements are made with qualifying statements.</p> <p>A holistic assessment may be offered with an overall conclusion.</p>
2	<p>2-3 marks Good application to the situation both individuals are facing is evident.</p> <p>A good understanding the suitability of setting up a limited company is applied to the circumstances facing either or both individuals.</p>	<p>2 marks Good analysis of the impact of the decision to form a limited company on either or both individuals.</p> <p>Key issues have been developed.</p>	<p>2-3 marks Good evaluation of how the decision to form a limited company will impact on either or both parties.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the assessment.</p>
1	<p>1 mark Limited application to either individual's situation.</p>	<p>1 mark Limited analysis of the impact of the decision to form a limited company on either or both individuals.</p>	<p>1 mark Limited evaluation of how the decision to form a limited company will impact on either or both parties.</p>
0	<p>0 marks No application to the data.</p>	<p>0 marks No analysis undertaken.</p>	<p>0 marks No evaluation of the decision undertaken.</p>

Indicative content:

- Currently Bronwen is a sole trader and is financially highly vulnerable. She has unlimited liability, but this will not be the case when she and Lucy operate under limited company status. This is a key benefit which will protect both as they will only be liable up to the amount of their investment.
- Bronwen has been in sole control of her enterprise and will have to sacrifice some of this control, as Lucy will become a shareholder. It is likely, however, that she will have greater voting rights if shares are allocated according to the amount invested by each. Private limited company shares cannot be sold to the public, so control will still largely be with Bronwen.
- Profits will now be shared – something that Bronwen has not needed to do as a sole trader. How they are shared may lead to disagreement and needs to be clarified at the outset.
- The capital that Lucy will be injecting into the business may allow Bronwen to raise sufficient funds for a new operating theatre. If the business grows as a result then both may benefit from increased profits.
- Lucy is taking a risk. She is leaving employment in a practice in Swansea and purchasing shares in a new limited company. Nonetheless, the business seems to be thriving and there is enough work for both.
- Both will be working in close proximity and it is important that they work amicably together. They are already friends and it is likely that they can work harmoniously in the future.
- There may be tax advantages for both as shareholders in a limited company, depending on how much they are currently earning.
- Some businesses will not deal with unlimited businesses as they can be regarded as risky. This will no longer be the case and this may help Bronwen and Lucy in dealing with some previously reluctant suppliers or customers.
- Until now Bronwen's business affairs have been largely confidential. Now financial information will be filed with the Registrar of Companies and can be inspected by both members of the public as well as competitors.
- The raising of finance from external sources may be easier if the business has limited status as it may be regarded as a safer bet. This will benefit both if the business needs further funds for growth.
- Any business venture involves an element of risk. There are many positive aspects to this venture and the business is already doing well. As long as they can work together effectively and Lucy can settle into a new environment then the decision to set up as a limited company seems sensible.
- The business can expand further in the future by the current shareholders agreeing to invite new shareholders to join the business and inject more capital.