

Mark Scheme (Results)

January 2013

GCE Business Studies/Economics and Business
(6BS01/01 - 6EB01/01)
Unit 1: Developing New Business Ideas

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

SECTION A - MARK SCHEME

1. (a)	Answer – 250 (B)	1
1. (b)	<p>Explain your answer (show your workings)</p> <ul style="list-style-type: none"> - Break-even is fixed costs/contribution OR break-even occurs when total revenue equals total costs (1 mark) - Which is 12,500 / 50 (2 marks; 1 mark per applied part of equation) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Up to 2 additional marks for part (b) if part (a) is incorrect.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

2. (a)	Answer – Democratic (A)	1
2. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> - A leadership style is the way in which a person in authority exercises their responsibilities, such as decision-making (1 mark) - Democratic leaders are prepared to share decision-making by talking with employees (1 mark) - Which is what Andy is clearly doing by actually involving his staff at VA through these monthly meetings (1 mark) <p>Alternatively, up to 2 marks may be gained by explaining a distracter/distracters:</p> <ul style="list-style-type: none"> - B is incorrect because Theory X is a management view of worker behaviour which suggests that the workers cannot be trusted, in which case a democratic stance is unlikely to be taken (1 mark) - C is incorrect because although a paternalistic leader might discuss ideas, he/she would ultimately make the decisions rather than agree them with staff (1 mark) - D is incorrect because an autocratic leader would dictate rather than share the decision-making (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

3. (a)	Answer – Staff (D)	1
3. (b)	<p data-bbox="355 275 659 306">Explain your answer</p> <ul data-bbox="403 342 1185 658" style="list-style-type: none"> - Stakeholders are people who have an interest in the business and its activities/operations (1 mark) - Extension to club opening hours may mean a longer working day or Sunday openings (1 mark) - Therefore because of the extension to the club's opening hours, staff may be required to work early mornings/late nights/weekends which may prove impractical (1 mark) <p data-bbox="355 696 1050 763">Alternatively, up to 2 marks may be gained by explaining a distracter/distracters:</p> <ul data-bbox="403 801 1185 1155" style="list-style-type: none"> - A is incorrect because if the club is open more, then it is likely that more resources will be used including shampoo (1 mark) - B is incorrect because members who do not live nearby may now have more time/opportunities to travel to the club (1 mark) - C is incorrect because an extension to opening times may boost membership which should increase sales, profits and, therefore, shareholder dividends (1 mark) <p data-bbox="355 1193 1043 1261">Any acceptable answer which shows selective knowledge/application and/or development</p> <p data-bbox="355 1299 1193 1400">NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p data-bbox="1224 275 1321 342">1-3 marks</p> <p data-bbox="1224 696 1358 728">(Total 4)</p>

4. (a)	Answer – put other objectives before profit (D)	1
4. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> - Profit is total revenue minus total cost/Profit maximisation is when the surplus of total revenue over total costs is at its highest/Objectives are goals which underpin aims (1 mark) - Since their company is a health company it is most likely that they are not interested in making as much money as possible, but instead maximising the health of their clients/A health business is more likely to be ethical, morally correct, because it's about the welfare of people (1 mark) - Which may effectively increase costs and so not maximise profits, given that total revenue-total costs = profits (1 mark) <p>Alternatively, up to 2 marks may be gained by explaining a distracter/distracters:</p> <ul style="list-style-type: none"> - A is incorrect because some profits are usually needed to ensure growth/survival/motivate (1 mark) - B is incorrect because unethical means immoral or unprincipled, which is unlikely to apply to an alternative medical treatment business as it focuses on improving the welfare of clients (1 mark) - C is incorrect because a lack of competition is more likely to increase the profitability of a business, since sales should be higher (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

6. (a)	Answer – Achieve all of the above (D)	1
6. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> - Market mapping is positioning your product (1) - Which plots a product/service/brand against the competition in terms of significant variables, such as quality and price (1 mark) - Which can show gaps in the market and therefore a neglected niche (1 mark) - It allows a company to differentiate its product/service which can be a way to provide value added (1 mark) - Applies mark mapping to Moonpig (1 mark) <p>NB up to 2 marks CANNOT be gained by explaining a distracter/distracters, because in this case each of the distracters are true!</p> <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

7. (a)	Answer – (C)	1
7. (b)	<p data-bbox="357 271 660 300">Explain your answer</p> <ul data-bbox="405 342 1198 869" style="list-style-type: none"> - Stock is a current asset/ongoing expense relating to supplies/trade credit is when businesses are able to buy now and pay suppliers at a later date (1 mark) - Which would usually be paid for using a short-term method of finance (1 mark) - Because repayments can be made once the stock is sold (1) - Jim and Jean are proprietors who have a business which is well established, so they are likely to be able to access trade credit easily for stock (1) - The business is small, which suggests that only a comparatively small amount of stock is required which would involve little trade credit (1) and so be more likely to be given (1) <p data-bbox="357 911 1050 976">Alternatively, up to 2 marks may be gained by explaining a distracter/distracters:</p> <ul data-bbox="405 1019 1190 1406" style="list-style-type: none"> - A is incorrect because debentures would usually be the method of finance used to finance capital expenditure (1 mark) - B is incorrect because share capital is usually issued to extend business ownership or finance long term finance projects (1 mark) - D is incorrect because a commercial bank loan is a medium term method of finance which would attract interest (1 mark) and trade credit is usually free, if payments are made within a short time period (1 mark) <p data-bbox="357 1444 1043 1509">Any acceptable answer which shows selective knowledge/application and/or development</p> <p data-bbox="357 1552 1193 1646">NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p data-bbox="1227 271 1318 331">1-3 marks</p> <p data-bbox="1227 768 1353 797">(Total 4)</p>

8. (a)	Answer – Television advertising (B)	1
8. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> - Niche markets are specialist markets, with distinct characteristics (1) - TV advertising is relatively expensive form of promotion (1 mark) - TV advertising tends to reach a large geographical/national audience and therefore would be inappropriate for a business selling in a specific region/ Birmingham only (1 mark) - Which, given Sweet Heart Ice Cream's niche market position, would not really be appropriate as it is mass marketing technique (1 mark) - Which firms in a highly competitive environment tend to use (1 mark) <p>Alternatively, up to 2 marks may be gained by explaining a distracter/distracters:</p> <ul style="list-style-type: none"> - A is incorrect because by choosing to supply non-dairy ice cream Phiroz and Sabiha may be adding value by seeking more expensive ingredients other than dairy milk such as soya milk (1 mark) - C is incorrect because the owners may have undertaken qualitative market research through interviews with restaurant managers in order to produce the ice cream customers would buy (1 mark) - D is incorrect because a an ethical stance suggests that a non-mass market position would be most likely held by the proprietors in order to remain niche (1 mark) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

January 2013 Unit 1 Section B Mark Scheme

Question Number	Question	Marks
9	Using the case study, distinguish carefully between entrepreneurial characteristics and entrepreneurial motives.	(6 marks)
	Answer	Mark
	<p style="text-align: center;">Knowledge and understanding 4, Application 2</p> <p>Knowledge and understanding: up to 2 marks are available for defining each aspect, e.g. an entrepreneurial characteristic is the personal skill or quality or trait (1); entrepreneurial motive is the purpose/what drives a person (1)</p> <p>Knowledge and understanding: up to 2 marks are available for simply using a specification/textbook example, e.g. creativity, hardworking, resilient, initiative, self-confident OR risk taker (1); his motive was to increase his income, gain independence OR he was driven by a personal passion (1)</p> <p>Application: up to 2 marks are available for relating the above to David, e.g. which we can see because he works long hours OR he went self-employed/gave up a wage of £300 a week (1); in this case from the £150,000 turnover OR this is why he became a hair stylist (1).</p> <p>NB allow up to 3 marks for entrepreneurial characteristics and 3 marks for entrepreneurial motives: 3+3</p>	<p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1-2</p>

Question Number	Question	Marks
10	Explain how the concept of opportunity cost applies to David	(4 marks)
	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: up to 1 mark for defining opportunity cost, e.g. 'the sacrifice of the next best alternative'</p> <p>Application: up to 2 mark is available for using the context, e.g. giving up employment at the opticians (1) to become self-employed (1) OR spending money on training (1) instead of increasing his income (1) OR buying Shiatsu massage chairs (1) rather than saving the profits (1)</p> <p>Analysis: 1 mark is available for explaining how the above affected David, e.g. 'he could have started his business earlier if he had financed by a bank loan rather than personal savings (1)</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1-2</p> <p style="text-align: center;">1</p>

Question Number	Question		Marks
11	Evaluate whether an increase in interest rates is likely to affect David's business		(8 marks)
Level	Mark	Descriptor	Example
1	1-2	Knowledge/understanding of interest rates must be present	e.g. the price of money paid to lenders and paid by borrowers/the current base rate is 0.5%
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. if David borrowed the £40,000 he would have to pay interest
3	5-6	Analysis must be present, i.e. in this case the candidate must identify and explain the consequences of an increase in interest rates for David's salon NB reward 5 marks if NOT in context; 6 marks if in context	e.g. it would cost more money to service the £40,000 loan which may reduce his profits; it may increase mortgage costs to clients so he may lose custom
4	7 8	Evaluation must be present and in context on ONE side, i.e. the candidate must present arguments why an increase in interest rates may/may not affect David's hair salon Evaluation must be present and in context on BOTH sides	e.g. but higher interest payments may be have been avoided if David had used retained profits to fund the £40,000 refit e.g. David's customers are loyal so even if they did have to face higher mortgage interest payments, they would still use the salon rather than go to a cheaper competitor

Question Number	Question		Marks
12	Assess two ways David's salon might achieve competitive advantage		(8 marks)
Level	Mark per way	Descriptor	Example
1	1	Knowledge/understanding must be present, i.e. a definition of competitive advantage and/or identification of a way	e.g. how a business differentiates itself; by providing a better quality service, value for money, customer after-sales care, marketing, advertising (word of mouth)
2	2	Application should be present, i.e. the answer must be contextualised	e.g. offering waiting clients Italian handmade sofas; wide range of hair services available, David's reputation
3	3	Analysis must be present, i.e. in this case the candidate must identify and explain the consequences of using a competitive technique NB Need not be in context	e.g. handmade sofas will make the client experience more enjoyable which may therefore lead to customer loyalty
4	4	Evaluation must be present and one of the arguments must be contextualised, i.e. the candidate must present arguments for and against whether the way will achieve competitive advantage for David's salon	e.g. however, if by providing a better quality experience through Shiatsu massage chairs adds significantly to the price of the hair treatments, then customers may be put off going to the salon when personal budgets are tight/incomes fall because of unemployment.

Question Number	Question		Marks
13	Evaluate the likely value of each of the following to David before Making his decision: a) primary market research method b) a business plan		(12 Marks)
Level	Mark Per method	Descriptor	Example
1	1	<p>Knowledge and understanding of the method must be present</p> <p><i>QWC: To achieve a mark of 1 the candidate will have struggled to use business terminology or write legibly with frequent errors in spelling and/or weak style and structure of writing.</i></p>	<p>a) e.g. collecting data first hand, e.g. through a questionnaire</p> <p>b) e.g. identification of purpose/objectives/functional areas such as marketing</p>
2	2	<p>Application must be present, i.e. the answer must be contextualised,</p> <p><i>QWC: To achieve a mark of 2 the candidate will use some business terms but the style of writing could be better / there will be some errors in spelling / the legibility of the text could have been better in places.</i></p>	<p>a) e.g. giving out questionnaires to clients to gain feedback on quality of service, value for money/prices charged for the hair treatment, etc.</p> <p>b) e.g. comparing the regular expenditure on shampoo, heating and telephone bills to incomes received from hair cuts to ensure that the salon has financial liquidity over a certain time period</p>
3	3-4	<p>Analysis will apply to the method, i.e. causes or consequences of using a) primary research methods and b) a business plan</p> <p>NB reward 3 marks if NOT in context; 4 marks if in context</p> <p><i>QWC: To achieve a mark of 3-4 the candidate will use business terminology quite well/style of writing is appropriate to the question/ reasonable to good spelling.</i></p>	<p>a) e.g. which will enable David to maintain a good relationship with his clients because he will be in touch with their requirements</p> <p>b) because it will prevent David from overstaffing or spending too much on marketing communications to therefore prevent cash-flow problems in the new London salon</p>

4	5-6	<p>Evaluation must be present, i.e. the candidate will explain why a) primary research methods and b) a business plan might be both useful or have limited value to David</p> <p>NB reward 5 marks if ONE side in context; 6 marks if BOTH sides in context</p> <p><i>QWC: To achieve a mark of 5-6 the candidate will use business terminology precisely and effectively and will organise their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and grammar.</i></p>	<p>a) e.g. because there might be few differences between customers in focus groups in London compared to Worcester</p> <p>b) business planning is subject to external constraints and influences which may make predictions invalid. Cash-flow may not be as expected for David because an unanticipated new hair salon may open nearby which could cause sales revenues to fall.</p>
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Unit 1 Jan 2013								
Assessment Objective Mark Grid								
Question	Content	K/U	Application	Analysis	Evaluate	Total	Marker	
1	1.3.1c	1	1	1	1	4		
2	1.3.3e	2	1	0	1	4		
3	1.3.1b	1	1	1	1	4		
4	1.3.3c	2	2	0	0	4		
5	1.3.6a	1	1	1	1	4		
6	1.3.6b	1	3	0	0	4		
7	1.3.5a	1	1	1	1	4		
8	1.3.2b	1	1	1	1	4		
9	1.3.1a/b	4	2	0	0	6	E	
10	1.3.3c	1	2	1	0	4	E	
11	1.3.4a	2	2	2	2	8	E	
12	1.3.6a	2	2	2	2	8	E	
13	1.3.3a/1.3.7a	2	2	4	4	12	E	
Total		21	21	14	14	70		

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