

Mark Scheme (Final)

Summer 2010

GCE

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

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

Question Number	Answer	Marks
1 (a)	A	1
1 (b)	<ul style="list-style-type: none"> - Definition of either entrepreneur e.g. entrepreneurs are a factor of production which combine the others (1) OR risk averse e.g. when a person refuses to take risks / plays safe (1) - Flexibility is needed to try new ideas / work varied hours (1) - Resilience is when an entrepreneur doesn't give up easily (1) - Anita Roddick clearly had self-confidence given her ability to sell and market her products (1) - She also took risks to develop her unique range of cosmetics (1) <p>Any acceptable answer which shows selective knowledge/application and/or development.</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Marks
2 (a)	A	1
2 (b)	<ul style="list-style-type: none"> - Autocratic means to be oppressive (1) which Lee clearly is not, given his delegation and/or failure to monitor his team (1) - Democratic leaders will tend to delegate because they share decisions/tasks, whilst autocratic leaders will not (1) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Marks
3 (a)	B	1
3 (b)	<ul style="list-style-type: none"> - Definition of niche marketing (1) - Because the Polish population of UK will be relatively small (1) - Who have different tastes in food and other products (1) - Market mapping and market sampling are techniques to support product positioning (1) - Adding value is providing a product or service with an increment to provide customers with more for their money (1) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Marks
4 (a)	B	1
4 (b)	<ul style="list-style-type: none"> - A formula, e.g. new profit/old profit x 100 (1) - this is £9m/£57m (1) x 100 = 16% (1) <p>Alternative calculation methods:</p> <ul style="list-style-type: none"> - $100/57 = 1.75 \times 9 = 15.79\%$ (1) - $57-9 = 48$ (1), therefore $48/57 \times 100 = 84\%$ (1) (or $(57-9)/57 = 84\%$) (1) <p>If some of the data is inserted (1)</p> <p>Maximum 1 mark for explaining why a distracter is incorrect.</p> <p>A is wrong because we don't know what the original cost is OR C is wrong because we don't know what the original cost is OR D is wrong because sales revenue fell by 62m Euros.</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3

Question Number	Answer	Marks
5 (a)	D	1
5 (b)	<ul style="list-style-type: none"> - definition/description of a business plan (1) - as it is usually prepared to raise finance it contains financial projections (1) - which is precisely what cash-flow forecast and projected P & L accounts are (1) - bank statements are merely a record of financial transactions (1 mark), which a start up business will not have given that it has not started to operate as yet (1) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Marks
6 (a)	C	1
6 (b)	<ul style="list-style-type: none"> - Definition of adding value (1) - Prices increase revenue (1 mark) but not customer value (1) - Websites, sofas, magazines and refreshments are for the direct benefit of the customer (1) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Marks
7 (a)	C	1
7 (b)	<ul style="list-style-type: none"> - Definition of product trial (1) - Explains that trials are essentially carried out to avoid expensive mistakes (1) - A trial should give information on likely demand in the wider market (1), who may have the same tastes and preferences as the trial consumers (1) - Interest rates would not directly cause a product trial to take place though they may affect the financing of it (1) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Marks
8 (a)	D	1
8 (b)	<ul style="list-style-type: none"> - Definition of margin of safety (1) - Defines break even (1) - At 900 units the business is operating at 400 units above break even (500) (1) - Therefore the Margin of Safety is 400; 900-500 (1) <p>Any acceptable answer which shows selective knowledge/application and/or development</p> <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3

Section B

Question Number	Answer	Marks
9	<p>Knowledge (4), Application (2)</p> <p>Knowledge: up to 2 marks are available for defining each aspect e.g. characteristics are personal skills/qualities; motives e.g. what drives or inspires a person</p> <p>Knowledge: up to 2 marks are available for giving an example for each aspect, e.g. resilient (characteristics) and ethical reasons (motives)</p> <p>Application: up to 2 marks are available for relating the above to Maria, e.g. she is hard working and has utmost respect for the environment</p> <p>Both aspects needed for full marks (3+3 marks)</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Answer	Mark
10	<p>Knowledge (1), Application (1), Analysis (2)</p> <p>Knowledge: 1 mark for defining or using appropriate business concepts, e.g. levels of disposable income, fashion/taste/preferences, niche product or location</p> <p>Application: 1 mark is available for using the context, e.g. recognising that Cebu Home is a provider of niche products, e.g. walnut furniture.</p> <p>Analysis: up to 2 marks are available for expanding on the above, e.g. by stating that to ensure she attracts the ‘right’ customers, location is pivotal because this is where people live/visit with the appropriate level of disposable income/tastes.</p>	<p>1</p> <p>1</p> <p>1-2</p>

Question Number	Question		Marks
11	In future, Maria could use retained profits to help expand her business. Assess the suitability of this method of financing for Maria and Cebu Home.		8
Level	Mark	Descriptor	Example
1	1	Knowledge/understanding must be present	e.g. definition of retained profit
2	2-3	Application should be present, i.e. the answer must be contextualised	e.g. to expand shop premises - profits from the sale of furniture or this business is affected by exchange rate changes
3	4-5	Analysis must be present, i.e. in this case the candidate must identify and explain the consequences of using retained profit to finance growth. This should be in context for 5 marks	e.g. it will avoid the need to pay interest on a loan. e.g. Maria will not have to pay loan interest on the capital needed to expand her shop premises
4	6-7	Evaluation must be present and context may be vague or limited to one side of the argument, i.e. the candidate must present arguments for and against the use of retained profit to finance growth	e.g. interest payments are avoided on loans for shop expansion, but interest might also be lost if the retained profits had been deposited in a bank
	8	Evaluation must be present and <u>clearly contextualised in both sides of the argument,</u>	e.g. profits from the sale of the furnishings may have earned interest in a bank account which would help cash-flow; if these bank deposits are reduced by withdrawal to finance the shop's expansion, for example, the interest will be lost.

Question Number	Question		Marks
12	<p>Maria prices her products using a cost-plus approach, applying an average mark-up of 300%.</p> <p>Evaluate the possible consequences to Cebu Home of Maria using this approach to pricing her products</p>		8
Level	Mark	Descriptor	Example
1	1	Knowledge/understanding must be present	e.g. definition of mark-up, cost-plus, competitive pricing.
2	2-3	Application should be present, i.e. the answer must be contextualised	e.g. a vase selling at £200 actually cost Maria £50 (calculations not necessary)
3	4-5	<p>Analysis must be present, i.e. in this case the candidate must identify and explain the consequences of using cost-plus pricing</p> <p>This should be in context for 5 marks</p>	<p>e.g. to ensure that costs are covered to enable Maria to remain in business.</p> <p>e.g. if Maria prices her furniture at 3 times cost this may not be sensitive to rivals in the market.</p>
4	6-7	Evaluation must be present and context may be limited or vague, i.e. the candidate must present arguments for and against the use cost-plus pricing	e.g. it will not show a sensitivity to what competitors charge in which case Maria may be pricing her products out of the market
	8	Evaluation must be present and <u>clearly contextualised in both sides of the argument,</u>	e.g. if Maria does not charge prices similar to a competitor such as Habitat, then it might lose customers, particularly during periods of recession when price competitiveness may be more significant as people may be suffering a reduction in disposable incomes so unwilling to pay premium prices for home furnishings.

Question Number	Question		Marks
13	Exchange rates and interest rates are economic external influences. Assess their likely significance to Cebu Home.		12
Level	Mark Per Factor	Descriptor	Example
1	1	<p>Knowledge of a factor must be present for. Some relevant understanding of at least one term is apparent,</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 spg and/or weak style and structure of writing.</i></p>	e.g. the exchange rate is the price of one currency in terms of another, or interest rates are the price of money paid to lenders or by borrowers
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 spg / the legibility of the text could have been better in places.</i></p>	e.g. higher interest rates may cause a reduction in the demand for Cebu Home furnishings.
3	3	Analysis will be present.	e.g. exchange rates may affect cost of importing products, e.g. a fall in costs if the pound strengthens might lead to an increase in profit.
	4	<p>Analysis must be 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 spg.</i></p>	e.g. increases in interest rates could cause a reduction in disposable incomes, which will mean spending on luxuries such as home furnishings might fall, so Cebu Home's sales/stock turnover will fall.
4	5	Evaluation must be present, i.e. the candidate must attempt to present arguments for and against why a factor may benefit and harm Cebu Home.	e.g. Cebu Home imports its stock from the Philippines so the cost of stock is likely to be affected by fluctuations in the exchange rate because a strong £ will make furniture purchasing cheaper. However, quality may be more important than price, in which case the strong £ will not be significant.

	6	<p>Evaluation must be present and a conclusion provided, i.e. the candidate must present arguments for and against why a factor may benefit and harm Cebu Home and decide how significant the influence is.</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>e.g. if interest rates fall this may lead to an increase in consumer borrowing like mortgages which may increase the demand for Cebu Home furniture. However, the changes in interest rate may not actually affect her typical customers (thespians) because they will not need to borrow to buy the products, in which case demand for Cebu Home homeware may not decline if interest rates increase.</p>
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