

# Mark Scheme (Results)

## Winter 2010

GCE

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

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## January 2010 Unit 1 Section A Mark Scheme

NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.

Maximum 2 marks for explaining why distracters are incorrect.

Question Number	Question	Marks
1. (a)	Which of the following is an example of a fixed cost?  Answer - Rent (A)	1
1. (b)	<ul style="list-style-type: none"> <li>- Fixed costs do not vary with output (1 mark); in the short term (1 mark), which is the case with rent (1 mark)</li> <li>- Wages of waiting staff, electricity bills and stock will all vary with output in a restaurant (1 mark) which will therefore affect hours worked, energy used and supplies of food used (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p>	1-3  (Total 4)
2. (a)	Which of the following is the average variable cost per meal for Aroma Italia at the break-even level of output?  Answer - £10 (A)	1
2. (b)	<p>Explain your answer (show all your workings)</p> <ul style="list-style-type: none"> <li>- Defines average variable cost or break-even OR Uses a correct formula, e.g. <math>FC/Output = contribution</math> OR <math>(total\ revenue - FC)/output = variable\ cost</math> OR <math>break\ even = FC/contribution</math> OR <math>selling\ price - contribution = average\ variable\ cost</math> (1 mark) (Knowledge must be shown for 1 mark)</li> <li>- Applies data, i.e. <math>120/60 = 2</math> (1 mark application), then <math>12-2/? = 10</math> (1 mark application)</li> <li>- Or <math>720-120=600/60=10</math> (2 marks)</li> </ul> <p><b>NB DO NOT accept <math>120/12=10</math> (not strictly applied)</b></p>	1-3 marks  (Total 4)
3. (a)	To be a stakeholder in a small business like Aroma Italia, it is necessary to  Answer - be affected by the business in some way (D)	1
3. (b)	<p>Explain your answer (show all your workings)</p> <ul style="list-style-type: none"> <li>- Stakeholders are people who have a vested interest in a businesses operations (1 mark)</li> <li>- they can be internal or external (1 mark)</li> <li>- for example employees or customers (1 mark),</li> <li>- so A, B and C are only limited examples of stakeholders whereas D includes all three (1 mark)</li> </ul>	1-3 marks  (Total 4)

4. (a)	The retail price of Apple iPods fell, on average, by 50% between 2007 and 2009. The <b>most likely</b> explanation for this was:  Answer - price of substitutes fell (C)	1
4. (b)	Explain why this answer is correct  <b>NB Any knowledge of demand and supply should gain 1 mark.</b> <ul style="list-style-type: none"> <li>- Demand is the amount that consumers are willing to buy at a given price</li> <li>- Retail price is the amount paid by the consumer (1 mark)</li> <li>- Knowledge of substitutes (1 mark)</li> <li>- Need to stay competitive (1 mark)</li> <li>- Development of the above (1 mark)</li> <li>- Explanation as to why any distracter is incorrect (1 mark), e.g. D - would increase costs, no reason to reduce price.</li> </ul> Any acceptable answer which shows selective knowledge/application and/or development  <b>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</b>  <b>Maximum 2 marks for explaining why distracters are incorrect.</b>	1-3  (Total 4)

5. (a)	Which of the following is <i>not</i> a market segment for the above businesses?  Answer - Homebase stores (C)	1
5. (b)	Explain why this answer is correct  <ul style="list-style-type: none"> <li>- Market segmentation is how you classify people within a market according to age, gender, lifestyle, etc (1 mark)</li> <li>- Market segments share same characteristics, e.g. same age bracket (1 mark)</li> <li>- DIY enthusiasts, landlords and electricians will probably get supplies from B&amp;Q/Jewson because of a regular need (1 mark)</li> <li>- but Homebase stores is a retailer/distribution channel/competitor of DIY products, not a type of buyer (1 mark)</li> </ul> Any acceptable answer which shows selective knowledge/application and/or development	1-3 marks  (Total 4)

6. (a)	Which of the following is <i>least likely</i> to be a factor which directly affects the supply of a product or service?  Answer - Fashion, Tastes and Preferences (B)	1
6. (b)	Explain why this answer is correct  <ul style="list-style-type: none"> <li>- Supply is the amount a producer provides at a given price (1)</li> </ul>	1-3 marks

	<ul style="list-style-type: none"> <li>- This is a demand factor (1 mark) because it relates to the consumer in the market (1 mark)</li> <li>- Changes in interest rates or wages affect costs of production (1 mark) which is a supply factor because they affect the business directly (1 mark)</li> <li>- Similarly the innovative design team is part of the production process (1 mark) which will therefore affect the supply of a firm (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and/or development</p>	(Total 4)
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7. (a)	<p>Which of the following is also an example of a source of secondary research for a new business?</p> <p>Answer - Market intelligence reports (B)</p>	1
7. (b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> <li>- Interviews, visits and customer surveys are primary research methods (1 mark) because the data is being collected first hand in these cases by the user (1 mark) who will have been able to find out specific information (1 mark)</li> <li>- Market intelligence reports have been compiled by a market research company before hand (1 mark) for publication for ease of use/save time by a third party (1 mark) and not specifically for a business (1 mark).</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and or development</p>	1-3 marks  (Total 4)

8. (a)	Yasmina's decision might best be described as a trade-off because Answer - she was forced to choose between two jobs (C)	1
8. (b)	<p>Explain your answer</p> <ul style="list-style-type: none"> <li>- A trade off is when one choice is sacrificed in terms of another (1 mark)</li> <li>- which in this case was self-employment for employment (1 mark)</li> <li>- because Yasmina would not be able to do both, because of the hours/commitment involved (1 mark)</li> <li>- although she now sells products this is part of trading not trade-off (1 mark)</li> </ul> <p>Any acceptable answer which shows selective knowledge/application and or development</p>	<p>1-3 marks</p> <p>(Total 4)</p>

January 2010 Unit 1 Section B Mark Scheme

Question Number	Question	
9.	<p>Mike Watson, the Community Manager at Morris Brown CLC, prepared the business plan.</p> <p>Briefly give two reasons to explain why Mike might have prepared a business plan .</p>	6 Marks
	<b>Answer</b>	<b>Mark</b>
	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 2</b></p> <p><b>Knowledge: up to 2 marks</b> are available for showing knowledge, e.g. by candidates defining a business plan as a document designed to provide information about a business proposal relating to such activities as marketing and HR, also in order to gain finance, monitor effectiveness, give direction, etc.</p> <p><b>Application: up to 2 marks</b> are available for relating the above to Leisure Library, e.g. describing the marketing plans for the LL such as advertising the service on A Sporting Chance's website.</p> <p><b>Analysis: up to 2 marks</b> are available for the consideration of causes for Mike to develop the business plan, e.g. to show potential lenders or financiers, in this case MBCLC Community Club (accept local council) why the business might succeed, OR in this case for example to check that the aims of the LL (e.g. to provide a broad-based activity portfolio) are being met.</p> <p>Two reasons needed in the context of LL for full marks (3+3 marks)</p>	<p>1-2</p> <p>1-2</p> <p>1-2</p>

Question Number	Question	
10.	Explain why the primary research findings provided in Evidence B might be considered as insufficient as a basis for the Morris Brown CLC developing a leisure library.	4 Marks
	Answer	Mark
	<p style="text-align: center;"><b>Knowledge 1, Application 1, Analysis 2</b></p> <p><b>Knowledge:</b> up to 1 mark is available for showing knowledge or an understanding of business terms and behaviour e.g. for defining or describing what is meant by primary research/understanding of sampling</p> <p><b>Application:</b> up to 1 mark are available for contextual answers, e.g. stating that only 100 pupils aged 11-18 were surveyed.</p> <p><b>Analysis:</b> up to 1 mark is available for expanding on the above by explaining the limitation of the data, e.g. that only 100 pupils were asked, which is probably a tenth of the size of a typical secondary school</p> <p><b>A further 1 mark</b> is available for identifying a <u>consequence</u> for the business, e.g. that is not likely to meet the needs of several thousand people, including people who are not school pupils (community users - care homes, nurseries, scout groups)</p> <p>OR candidates may focus on the actual data in Evidence B and suggest that not all sports are represented in the chart, or they might question how the data was collected, e.g. were respondents given free choice of sports or constrained to the 11 sports identified in which case the results may be skewed or biased in some way....<u>consequently</u> the business might waste money on equipment not wanted, e.g. kayaks!</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">2</p>



Question Number	Question		
11.	<p>In his attempts to persuade the Women’s Business Development Agency to provide a grant to help finance the Leisure Library, Mike Watson argued that the business would be run as a not-for-profit social enterprise.</p> <p>Examine the extent to which the motivational objectives of Mike Watson might differ from those of a typical private sector entrepreneur. (8 Marks)</p>		
Level	Mark	Descriptor	Possible Content
1	1-2	<b>Knowledge:</b> up to 2 marks are available for describing what is meant by motivational objectives for a private sector entrepreneur	e.g. a business which exists for social purposes, to improve welfare in society OR for describing what is meant by motivational objective
2	3-4	<b>Application:</b> up to 2 marks are available for contextualising the response by referring to the LL,	e.g. a more healthy society is likely to be the motivational objective for the LL manager.
3	5	<b>Analysis:</b> 1 mark is available for explaining why Mike’s motivation might be different to a ‘regular’ profit making enterprise,  <i>NB Answer does not have to be in context to gain 5 marks</i>	e.g. Mike might be driven by an altruistic stance because he sees the value of providing sports equipment to the local community (the ethical stance referred to in the Specification).
4	6-8	<b>Evaluation:</b> up to 3 marks are available for providing arguments for and against Mike having different motives to those of a typical entrepreneur,  <i>NB Evaluation MUST be in context to gain 6 marks plus</i>  A contextual conclusion should be provided to achieve the highest mark of 8 marks	e.g. he will still be motivated by the desire to succeed and gain recognition for his achievements. Even though profit might not be at the core of what Mike wishes to achieve, nonetheless he will need to ensure sufficient uptake of the services in order to provide revenues to cover costs which may include his wage/salary. Credit should be given for candidates who consider the varied motives of other entrepreneurs.  e.g. because the LL is essentially a public sector organisation funded to some extent by public money and staffed by public sector workers it is more likely that social welfare is a motivational factor for Mike (teachers are largely altruistic and not so interested in making lots of money!)
Question Number	Question		
12.	Mike Watson has clearly considered that the Leisure Library might		

	not have the potential for market growth in the Birmingham area alone (see Contingency Plan, Evidence A)		
	Evaluate the likely value to Mike Watson of using market mapping to help examine other markets in the neighbouring towns. (8 Marks)		
Level	Mark	Descriptor	Possible Content
1	1-2	<b>Knowledge:</b> up to 2 marks are available for a definition of market mapping	the process of identifying where your product or service fits into a market against competitors in terms of variable characteristics, such as price and quality
2	3-4	<b>Application:</b> up to 2 marks is available for candidates who clearly contextualise their responses	e.g. finding out what types of organisation will be expecting to use the LL for example, nurseries, schools, scout groups, youth clubs, etc.
3	5	<b>Analysis:</b> 1 mark is available for explaining the possible effects of Mike using market mapping,  <i>NB Answer does not have to be in context to gain 5 marks</i>	e.g. to ensure that the LL is used to meet the market needs in terms of providing a service that will be able to meet the needs of local organisations such as providing low cost rental of kayaks to scout groups who could not afford to buy the kayaks themselves, etc.
4	6-8	<b>Evaluation:</b> up to 3 marks are available for providing balance to the answer by perhaps mentioning the negative effects of market mapping,  <i>NB Evaluation MUST be in context to gain 6 marks plus</i>  A contextual conclusion should be provided to achieve the highest mark of 8 marks	e.g. it is a time-consuming and costly exercise which might use up valuable resources causing an opportunity cost, e.g. more kayaks or golf equipment could have been bought by the LL instead of paying for market research costs  e.g. because the LL is a social enterprise it is important that the maximum number of 'appropriate' users benefit so it is vital for the LL management like Mike to undertake market mapping research and analysis in order to maximise the LL use, though it is likely to prove costly as Mike and his team probably have little expert knowledge/skill to do market mapping - perhaps they could use the Birmingham Schools Partnership or Sporting Chance?

Question Number	Question
13.	Leisure businesses in the private sector, such as David Lloyd Leisure, are likely to be affected more by external economic influences.

	<p>Assess the likely implications for a private sector leisure business such as David Lloyd Leisure of changes in any <b>two</b> external economic influences. (12 Marks)</p> <p>NB The question does not read MACROeconomic external influences. Therefore we should give credit for MICRO economic influences, e.g. changes in costs, prices, demand, supply, competitors, etc.</p>		
Level	Mark <i>per influence</i>	Descriptor	Possible Content
1	1	<p><b>Knowledge:</b> up to 1 mark is available for simple responses such as defining what is meant by external influences or providing examples</p> <p>QWC: struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing</p>	e.g. local levels of unemployment, interest rates, taxes, etc.
2	2-3	<p><b>Application:</b> up to 2 marks are available for candidates who clearly contextualise their responses</p> <p>QWC: 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 be better in places</p>	e.g. if unemployment in an area higher than normal then membership of private health clubs is likely to be low...
3	4	<p><b>Analysis:</b> up to 1 mark is available for explaining the positive or negative effects of an external influence on a private health club</p> <p>QWC: candidate will use business terminology well/style of writing is appropriate to the question/good spg</p>	e.g. if interest rates are increasing then this would affect the cost of borrowing so consumers with mortgages or credit card balances would have less disposable income. As a result of higher credit payments consumers would then have less to spend on other items such as leisure so memberships to private might fall...
4	5-6	<p><b>Evaluation:</b> up to 2 marks are available for providing balance to the answer,</p> <p><i>QWC: candidate uses business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/ good to excellent spelling, punctuation and</i></p>	<p>a candidate may argue that if the Government provided tax relief on gym membership then the demand for gym memberships might increase as the effective price of membership would be lower for consumers...</p> <p>a private sector leisure business like David Lloyd might be less affected by external influences such as high levels of unemployment because they may offer off-peak low price</p>



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