



Oxford Cambridge and RSA

GCE

New Business

H431/01: Operating in a local business environment

A Level

Mark Scheme for June 2023

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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MARKING INSTRUCTIONS**PREPARATION FOR MARKING
RM ASSESSOR**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training; OCR Essential Guide to Marking.*
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Rubric Error Responses – Optional Questions

Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
 - there is nothing written in the answer space

Award Zero '0' if:


















- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.
9. *Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.*
10. For answers marked by levels of response: Not applicable in F501
 - a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - b. **To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. Annotations

Annotation	Meaning	Annotation	Meaning
	Blank page (this MUST be used rather than SEEN)		Knowledge
	Tick		Application of knowledge and understanding
	Cross		Analysis
	Highlighting tool		Developed Analysis
	Not answered question (candidate writes irrelevant material)		Evaluation
	Own Figure Rule		Effective evaluation
	Benefit of Doubt (replaces tick in short answer questions)		Unclear
	Repeat (material already rewarded)		Too vague/No use of context
	Noted but no credit given (use where no other annotation is appropriate)		

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read if the paper is printed out in black & white.

[Questions 1-15 should be annotated with ticks, crosses or NAQ. Question 18(a) should be annotated with ticks, crosses, BOD, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for this question. Ticks MUST NOT be used in Questions 16-17, 18(b) & 19-20.]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

12. Subject Specific Marking Instructions

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/ Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these marks.

The descriptions in each level of response question in this mark scheme describe a typical response at the top of that level.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Practice scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the practice scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

SECTION A

Question	Answer	Marks	AO	Rationale
1	C	1	1	A co-operative is owned and run by its members. Members of a co-operative are internal stakeholders. Shareholders own limited companies, not co-operatives. Competitors are the owners of rival businesses.
2	B	1	1	The assets of a company should be valued, where possible, in the same way year on year. This allows more accurate comparison from year to year, helping to ensure that the published accounts give a true and fair view of the business. The accruals convention relates to charging a transaction to the accounting period it covers. The prudence convention attempts to ensure the financial position of a firm is not reported more favourably than it ought. The going concern convention assumes that the business will continue trading.
3	D	1	2Q	Contribution to fixed costs = £250 per drum kit. The business needs to sell 72 drum kits to break even (i.e., £18,000/£250). It needs to sell a further 108 drum kits to make a profit of £27,000 (i.e., £27,000/£250). The total number of drum kits the business needs to sell to make a profit of £27,000 equals 180 (i.e., 72 + 108). Answers (b) and (c): the candidate does a partial calculation of the above. Answer (a): the candidate confuses profit with revenue thus calculating £27,000/£690 = 39.1 i.e., sell 40 drum kits to make a revenue of £27,000).
4	B	1	1	Because resources are scarce, every decision made has an opportunity cost i.e., the loss of an alternative foregone. What will be forfeited by making a particular decision should always be considered when making decisions.
5	A	1	1	McClelland's motivation theory states that human beings are motivated to various degrees according to their need for achievement, affiliation and power. Answer (b) are principles from Locke's goal setting theory. Answer (c) are elements from Adair's three circle theory. Answer (d) are three needs from Maslow's hierarchy.
6	D	1	2	Factors of production are land, labour, capital and enterprise. The capital of a hospital includes its buildings and all of its equipment, this includes its x-ray machines.
7	C	1	2	A barrier to change causes resistance and impedes change. A lack of finance is likely to be a barrier to this change because the opening of a second hair salon is likely to require significant financial resources. If the business needed to borrow money to fund the opening of its second salon, then a fall in interest rates would be favourable because it would make the cost of borrowing cheaper. Employee inertia or inflexibility is a common barrier to change, but a flexible workforce would be the opposite. Answer (d): the candidate erroneously confuses a trading bloc (i.e., a barrier to international trade) with, say, being banned from expanding due to market regulation.
8	D	1	1	The marketing mix for a service (often referred to as the 7Ps) includes the 4Ps of product, price, place and promotion and 3 additional Ps of people, process and physical evidence. Only answer (d) contains two of these seven Ps.
9	A	1	2Q	Retained profit equals profit before tax minus tax and dividends. Therefore, profit for the year = £251,000 - £45,000 - £96,000 = £110,000. Answer (b): the candidate only deducts tax (giving profit after tax) but without deducting

SECTION A

Question	Answer	Marks	AO	Rationale
				dividends as well. Answer (c): the candidate correctly deducts tax from PBT but erroneously adds the dividend payment. Answer (d): the candidate erroneously adds both tax and dividends to PBT.
10	B	1	1	TQM is a business-wide approach to quality and the efficient usage of resources. Introducing TQM is, therefore, a suitable objective for the operations management function. Effective operations management is likely to want to maximise added value (rather than minimise it) and encourage lean production (rather than reducing it). Improving liquidity is primarily an objective of the finance function.
11	A	1	2	Since the business is a partnership the partners have unlimited liability. In law, each of the sisters is jointly liable for the full £80 000 of debt.
12	D	1	1	Owners who are risk averse would constrain management behaviour, however, a positive attitude to risk is quite the reverse. Answers (a), (b) and (c) are all management constraints, i.e., an HR constraint, a market constraint and a strategic constraint, respectively.
13	B	1	1	Businesses in an oligopolistic market already have a large market share. The merging of two such businesses would significantly increase their market power. Answers (c) and (d) relate to much smaller firms joining together. They are less likely to dominate the market than those in answer (b). Answer (a) is incorrect because new entrants into a market would increase competition and, thus, reduce market dominance.
14	D	1	2	A business may need to alter its marketing strategy in response to changes in external factors. A closure of a major local employer is an economic change that is likely to lead to reduced custom for the café. The business may need to reduce prices in response to this. Answer (b) is a legal change that is likely to lead to increased demand for the café and higher costs, both of which will lead to higher prices, rather than lower prices. Answer (c) is a social change that is likely to lead to increased custom for the café. Answer (a) is likely to lead to an increase in the cost of coffee beans which the café may need to recover by charging customers higher prices.
15	C	1	2Q	The three-period total for 2018 is £108m (i.e., £34m + £38m + £36m). The three-period moving average for 2018 is £36m. The cyclical variation is calculated by deducting the moving average from actual sales i.e., £38m - £36m = +£2m. The cyclical variation is positive because 2018's sales were higher than the cyclical average. Answer (b) candidate does the calculation correctly but erroneously thinks the cyclical variation is negative. Answer (d), the candidate erroneously calculates a mean average of the five years of sales (i.e., £175m/5 = £35m) and then deducts it from £38m (£3m). Answer (a) the candidate calculates as answer (d) but then erroneously declares the variation as negative.

Section B

Question	Answer	Mark	Guidance
16	<p>Ben is planning to use quota sampling when doing some market research. (Line 11) Analyse one advantage to Ben of using quota sampling.</p> <p>Level 2 (4–6 marks) Candidate shows good knowledge and understanding and shows good analysis of an advantage to Ben of using quota sampling.</p> <p>Level 1 (1–3 marks) Candidate shows limited knowledge and understanding with limited or no analysis of using quota sampling.</p> <p>(NB – award one mark for a non–contextualised answer)</p> <p>0 marks – no response or no response worthy of credit.</p>	<p>6 (AO1 1) (AO2 2) (AO3 3)</p>	<p><i>NB: Make sure the answer is about quota sampling not “doing the market research”.</i></p> <p>Quota sampling splits the target population into 'sub groups'. It ensures representation of important groups within the population.</p> <p>This is done according to numbers in the actual population (so if 53% of the population who typically buy from a hardware shop are male and 47% female the sample of people questioned will also be in this proportion).</p> <p><u>Likely Advantages to Ben</u></p> <p>Saves time. He could do it in the shop. Using a quota sample will be faster/easier than (say) probability sampling methods. Ben has enough to do as it is (working a 10-hour day) and so will not be able to spend a huge amount of time on this.</p> <p>It (fairly) accurately represents the entire population and so should be useful to Ben in finding out what he needs to know about whether it is worth stocking more pet food and cards, so allow better decision making.</p> <p>Quota sampling is suitable for research where the accuracy of the research outcome is not essential. If 'it all goes wrong' (i.e. the sampling leads to results that are not in fact accurate and he buys pet food and cards at the opportunity cost of products that sell better) it is not going to 'break' BBB.</p>

Question	Answer	Mark	Guidance
			<p>It can be made more accurate/complicated if Ben wishes. A simple quota of, say, males and females could be set and then 'overlaid' with further participants selected based on, say, income or age. Ben can 'make things as simple/difficult as he wants' depending on factors such as time available to him, how exact he wants to be, how significant any changes in products stocked are likely to be in terms of sales/revenue/profit.</p> <p style="text-align: right;">ARA</p>
17*	<p>Ben has decided to recruit a full-time employee. (Line 25) Evaluate methods of recruitment that Ben could use.</p> <p>Level 3 (11–15) Candidate shows strong knowledge and understanding, analysis and evaluation of methods of recruiting a new employee.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (6–10) Candidate shows good knowledge and understanding, analysis and evaluation of methods of recruiting a new employee.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p>	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p><i>Do NOT credit references to the selection process</i></p> <p>Where to recruit – Externally/External Methods Which methods would be suitable for BBB and why? e.g. local paper, employment agency, or jobcentre - these last two should have knowledge of the local labour market and could help Ben with the design and wording of the job vacancy if necessary. An employment agency will charge a fee, whereas the job centre is free. One disadvantage of a job centre is that Ben will only be advertising to those who are unemployed. There may be others who are currently employed in a shop who would be suitable to work at BBB; they would have retail experience. What about the 'card in the window approach'?</p> <p>Where to recruit – Internally/Internal Methods There are currently 4 part-time employees who work 'about 20 hours a week'. Therefore, a total of 80 hours. So, allow references to Ben trying to 'recruit one of them to the full-time post of (about) 40 hours' This would have the virtue of simplicity and knowledge of the shop and Ben's methods but would mean recruiting another part-timer for the other 20 hours. Would this be satisfactory?</p>

Question	Answer	Mark	Guidance
	<p>Level 1 (1–5) Candidate shows limited knowledge and understanding of recruitment methods with limited or no analysis and evaluation.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>There is no mention of the intention to advertise the job on BBB’s website so that is another possibility - especially as (if he draws them up) a job description and person specification could be downloaded easily. (These two documents could be important in attracting and hence recruiting the right person.) “It takes a special sort of person to work here” (Line 28) and Ben seems to relish the way he operates; “OK it’s chaos, and maybe it shouldn’t work, but it does!”) Any new employee will have to fit in with this). If someone is interested in this sort of retailing job then Ben is losing out on potential applicants by not advertising in this way. Would he find it easy to do this? He could certainly use the website as a recruitment tool – assuming he can find the time to update it (See lines 36/37)</p> <p>Evaluation could arise in various ways. For example, prioritising the series of ‘steps’ Ben should take or justifying the method(s) most likely to attract the correct sort of employee for BBB. Also, how much time/money Ben wants to spend on the process – if he really wants not just ‘an employee’ but someone to run BBB in his absence perhaps investing (a lot of) time or/and money on the most appropriate method(s) would be beneficial rather than trying to go about it ‘quickly and cheaply’.</p> <p style="text-align: right;">ARA</p>

	Question	Answer	Mark	Guidance
18	(a)	<p>Heidi uses the straight line method of depreciation for all of BBB's fixed assets.</p> <p>Three years ago, Ben bought a key-cutting machine at a cost of £1100. He expects it to last for eight years and estimates it will have a residual value of £200. Calculate the current value of the key-cutting machine.</p> <p>5 marks for a correct answer (with or without workings) of £762.50</p> <p>4 marks for the correct total depreciation figure (£337.50)</p> <p>2 marks for recognising the depreciation figure per year (£112.50)</p> <p>1 mark for the depreciation formula (may be implied through use of figures 900/8 or 1100-200/8)</p>	<p>5</p> <p>(AO1 1) (AO2 3) (AO3 1)</p>	<p>Depreciation figure per year = (initial cost – residual value) / estimated life of asset. (1)</p> <p>Therefore £900/8 = £112.50 (1)</p> <p>It is three years old therefore 3 (1) x £112.50 = £337.50 (1) (OFR)</p> <p>£1,100 - £337.50 = <u>£762.50</u> (1) (OFR)</p>
18	(b)	<p>Analyse two possible effects on BBB of depreciating its fixed assets. (9)</p> <p>Level 2 (4–9 marks) Candidate shows good knowledge and understanding and shows good analysis of the effect of depreciation on BBB.</p> <p>Level 1 (1–3 marks)</p>	<p>9</p> <p>(AO1 2) (AO2 2) (AO3 5)</p>	<p><i>'Heidi does all the financial paperwork for BBB' (Line 5) so expect references to her, but also allow references to Ben's use of depreciation.</i></p> <p>Provision for depreciation is made so that a business' accounts reflect the fact that fixed assets can wear out and/or become obsolete and so do not hold the same value throughout their lifetime. Depreciation makes</p>

	Question	Answer	Mark	Guidance
		<p>Candidate shows limited knowledge and understanding with limited or no analysis of depreciation on BBB.</p> <p>(NB – award two marks for a non–contextualised answer)</p> <p>0 marks – no response or no response worthy of credit.</p> <p>Answers may make use of the depreciation answer and data from Q18(a) in their answer.</p>		<p>asset values and profit in a business’ accounts more realistic.</p> <p>Depreciation is an important way to reduce a business’ taxable income since it is treated as a cost. This increase in profit resulting from the depreciation could ‘provide’ funds for BBB to use - “Ben acknowledges that the shop could do with being redecorated and that the CCTV and tills could be updated.” (Line 20)</p> <p>Candidates could consider the effect on BBB’s financial position i.e.</p> <ul style="list-style-type: none"> - its statement of financial position (previously known as the balance sheet) - its income statement (previously known as the profit and loss account). - ‘how much money Ben could sell the asset for at the end of its life’. Stronger answers will explicitly recognise this. <p>Other possible effects on BBB:</p> <ul style="list-style-type: none"> • Easy for Heidi/Ben to see net book value (the term does NOT have to be used - accept ‘value of an asset’) at any time during the life of that asset. Useful if he wanted to sell it at the end of its life. Also, the assets of BBB as a whole; an important component of ‘seeing how much the business is worth’ on its statement of financial position.

	Question	Answer	Mark	Guidance
				<ul style="list-style-type: none"> • Heidi can create accurate financial <u>data/</u> projections for BBB - useful for presenting to lenders such as a bank if the business wants funds. • Ben might give Heidi the wrong data. Even if it is simple to understand and apply, the ‘wrong’ expectation of its life and residual value chosen (‘he <i>expects</i> it to last for eight years and <i>estimates</i> it will have a residual value of £200’) will mean the impact on BBB’s financial position and income statement will be mis-stated - either ‘up’ or ‘down’. • Impact on valuation of assets. This might be important if Ben wants to raise more funds (say from a bank) to buy more equipment etc. • Allow references to the opportunity cost of (Heidi) doing the calculations. It could be argued that ‘this is part of her job anyway’ and as it is a small business would not be too onerous/difficult but it is still a valid observation. <p style="text-align: right;">ARA</p>

Question	Answer	Mark	Guidance
19*	<p>Evaluate the impact on BBB of Ben’s approach to stock control.</p> <p>Level 3 (11–15) Candidate shows strong knowledge and understanding, analysis and evaluation on BBB of Ben’s approach to stock control.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (6–10) Candidate shows good knowledge and understanding, analysis and evaluation on BBB of Ben’s approach to stock control</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of stock control methods with limited or no analysis and evaluation of Ben’s approach.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p>	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Ideally, the level of stock a business holds will be enough to meet consumer demand while not tying up unnecessary capital. Stock control is not something that can be considered in isolation; it is inextricably linked to sales and profitability.</p> <p>Ben’s approach of considering the stock that is needed by “looking at what’s on the shelves and estimating consumer demand” is hardly scientific. Furthermore, “He admits this has sometimes led to mistakes” i.e., being out of stock or having stock he cannot (easily) sell.</p> <p>BBB overstocking Worsens storage space/opportunity cost issue (accept any likely product for a hardware shop) of stocking products that are not selling well. Opportunity cost of <i>not</i> stocking products that <i>do</i> sell well.</p> <p>The above also means that there might be a large opportunity cost of holding too much stock - that is never going to sell/can only be sold at a discount.</p> <p>BBB understocking If the right hardware products are not in stock customers might go elsewhere. Although Ben states, “There’s nothing like us anywhere near here” and if someone wants something that is not in stock, he can usually obtain it within a day or two (Line 46) there must remain the possibility that consumers will go elsewhere; probably online (Amazon etc) - friendly service/advice from Ben or not. Therefore, lost revenue/profit.</p>

Question	Answer	Mark	Guidance
	<p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>Reduced customer satisfaction – although this does not seem to be a problem given the comment in line?? “I don’t know why I didn’t come here first, you’ve got exactly what I want” (Lines 39-40)</p> <p>Loss of economies of scale - if Ben knew what was going to sell ‘in quantity’ he could buy more, lower unit costs, and improve profits.</p> <p><u>Other issues for consideration</u></p> <p>As the tills are not linked electronically to any stock control system it will be difficult to identify stock issues accurately. At the moment, Ben can never know exactly what he has got in stock (and BBB has a very wide range of products) and so will find it hard to estimate whether he can effectively meet consumer demand – revenue/profit issues.</p> <p>Opportunity cost of Ben’s time. Ben could devote time to other important BBB issues - or reduce his working time; a 10-hour day is mentioned - if there was an electronic system in place. However, what is the opportunity cost of that? How easy would it be to implement? Nevertheless, it could be argued that it would, over time, ‘pay for itself’.</p> <p>It will mean that the figure for ‘stock’ on BBB’s statement of financial position is never likely to be accurate - to what extent will this matter? (Potential lenders such as a bank may not be impressed). Surely Heidi as a professional accountant will not be ‘happy’ with this either.</p>

Question	Answer	Mark	Guidance
			<p>Stocking the right products should improve BBB's cashflow - although this is not mentioned as 'an issue'.</p> <p>Ben has extensive product knowledge and seems to be able to identify what stock to buy. The new employee who Ben wants to run BBB while he and Heidi are on holiday may not. It will not be easy for this person to 'get to grips' with the situation.</p> <p>Knowing what 'was in stock and how it sold' would lead to Ben being able to better predict sales/trends/the future - and could improve revenue/profit.</p> <p>Losing/foregoing money from the current method of stock control could limit BBB's ability to invest in other areas of the business. BBB "could do with some redecoration.... the CCTV and tills could be updated." This limits the possibility of future growth of BBB (although there is no suggestion that Ben wants to open another shop but it could limit, say, further purchase of key cutting machines) and could potentially impact on the security of the business; Ben and Heidi's livelihood.</p> <p style="text-align: right;">ARA</p>

Question	Answer	Mark	Guidance
20*	<p>Evaluate the importance to BBB of having a contingency plan.</p> <p>Level 3 (11–15) Candidate shows strong knowledge and understanding, analysis and evaluation of the importance to BBB of having a contingency plan.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (6–10) Candidate shows good knowledge and understanding, analysis and evaluation of the importance to BBB of having a contingency plan.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of contingency plans with limited or no analysis and evaluation of their importance to BBB.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p>	<p>15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>The question is not about “general problems BBB might face”. It is specifically concerned with <i>contingency</i> planning.</p> <p>A contingency plan is for ‘what ifs?’ and/or ‘worst case scenarios’ (see below). Ben should go about the planning in a formal manner considering the likelihood and impact of an event and then preparing for it. He needs to identify the key risks.</p> <p>There are two obvious routes into the question:</p> <p><i>A consideration of the likely benefits of BBB having a plan - in which case evaluation could arise from considering the relative importance of the benefit.</i> <i>OR/AND</i> <i>The worst-case/what if scenarios for BBB could be identified, their impact explained/analysed and the benefit of having the contingency plan on resolving them evaluated.</i></p> <p><u>Likely benefits of a contingency plan to BBB</u> Prevents uncertainty/panic – Can help to allay staff fears that if 'something bad' happens Ben/BBB is prepared. This can make them feel more secure and they will know what to do if an event occurs - thus speeding up BBB’s recovery.</p> <p>If Ben knows what to do in a particular contingency, he will appear 'in control' - something that is important if employees/other stakeholders are looking for guidance.</p> <p>BBB’s employees will know what is expected of them - and be better able to minimise 'damage' and speed recovery.</p>

Question	Answer	Mark	Guidance
	<p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>Potential lenders/suppliers have it demonstrated to them that Ben 'knows what he is doing' - and so he should be granted the funds/contract which hopefully will increase sales/growth/revenue/profit.</p> <p>Reduces losses - if a plan is in place hopefully BBB would be able to continue (if, say, several vital suppliers go into liquidation) rather than having reduced revenue/profit or even shutting down altogether. BBB is a single shop and does not have other outlets that it can fall back on to support it (and there is no mention of a 'cash cushion' if BBB runs into difficulty).</p> <p>Ben runs BBB as a sole trader - thus in law, Ben is BBB. He has personal unlimited liability for the business' debts and so should have a plan in place to minimise/prevent personal loss.</p> <p>Other benefits - in his 'internal investigation' Ben will need to look at all the likely events that may occur. Since this is effectively something of a SWOT analysis it could lead to highlighting areas of BBB's strengths/weakness/threats generally.</p> <p><u>'What if?' / Worst case scenarios for BBB</u></p> <p>BBB catching fire (or being affected by a fire in one of the adjoining shops in the parade) - losing stock and administrative records. Importance of adequate insurance for building and stock. BBB's 'paperwork' should be backed up somewhere else. Presumably Heidi does this now?</p> <p>A new government being elected and changing laws (e.g., on health and safety/employment/storage of gas cannisters) - which could increase BBB's costs and therefore profit.</p>

Question	Answer	Mark	Guidance
			<p>A vital wholesaler closing - so affecting Ben's ability to 'get hold of' products that customers want quickly (currently one of the things he is clearly proud of).</p> <p>Sickness of one of BBB's staff - Ben is 'the driving force' behind the business and the one who does most of the day to day running of BBB. What would happen if he was sick? Who would take over? Are there jobs that only Ben can do? Some provision for his absence is potentially being made via recruiting the new full-time employee. If one of the part-timers was off (long term) sick what would Ben do? Recruit temporarily at short notice? Ask the other one to work more hours? Do more himself? Ask Heidi to help?</p> <p>Another part-time employee leaves – as above.</p> <p>Utilities failing - e.g., power 'going down'. This would affect BBB's tills, CCTV, and lighting. The shops were built in the 1950s and this may be an issue (new regulations might impact BBB).</p> <p>A competitor appearing - Ben says 'There's nothing remotely like us anywhere near here' - but this could change, and the competitor might prove to be a more effective online retailers than the ones BBB competes with at present and who (currently) do not seem to be a problem. Perhaps people <i>will</i> switch to online purchasing.</p> <p>A supplier failing to deliver – in order that the customer is not let down what other suppliers could be utilised? Ben has built an excellent relationship with many wholesalers so this may not be much of an issue.</p> <p>A downturn in the economy –It could be argued that a recession would mean less spending on hardware items. Alternatively, people may turn to DIY and so buy more from BBB which grew stronger during the pandemic. As above, perhaps</p>

Question	Answer	Mark	Guidance
			<p>people <i>will</i> switch to online purchasing if incomes fall, and it can be bought cheaper.</p> <p><i><u>NB</u>: Ben is a sole trader and so accept references to the importance of a contingency plan to him since in law he is the same as his business.</i></p> <p style="text-align: right;">ARA</p>

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