

Cambridge Technicals Business

Unit 1: The business environment

Level 3 Cambridge Technical in Business
05834 - 05837 & 05878

Mark Scheme for January 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

RM3

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: RM assessor Online Training and the *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit.
3. Practice scripts discussed at the standardisation meeting will be made available on Kiteworks. After the standardisation meeting, please log in to RM3, mark, fully annotate and submit all 10 standardisation scripts.

YOU MUST HAVE WORKED THROUGH THE 5 PRACTICE SCRIPTS AND SATISFACTORILY MARKED 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 RM3 50% and 100% deadlines. If you experience problems, you must contact your Team Leader without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader using the RM3 messaging system, email, text or phone.
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 an alternative response has **not** been provided, examiners should give candidates the benefit of the doubt and **mark the crossed out response where legible**.

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).

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.

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 all pages have been marked, including additional pages and annotate '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 RM3 **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.**

9. *Assistant Examiners may send a brief report on the performance of candidates to their Team Leader (Supervisor) via email towards the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses.*

10. For answers marked by levels of response: See subject-specific marking instructions **item 1, below**.
11. For annotations: See subject-specific marking instructions **item 2, below**.





Subject-specific marking instructions

1. 12-mark Level of Response marked questions are to be marked over 4 levels:
Level 1 knowledge, Level 2 understanding, Level 3 analysis, Level 4 evaluation.

NB: L1 responses can be analysed to proceed directly to L3.

L3 analysis is always required before L4 can be accessed.

2. Annotations

Annotation	Meaning	Annotation	Meaning
	Tick – correct, mark awarded	L1	Level 1 (Knowledge)
	Cross – incorrect, mark not awarded	L2	Level 2 (Understanding)
	Meaning of response unclear	L3	Level 3 (Analysis)
NAQ	Not answered question	L4	Level 4 (Evaluation)
TV	Too vague	CONT	Response is contextual
BOD	Benefit of doubt	SEEN	Noted but no credit given
REP	Same point repeated	BP	Blank page
OFR	Own figure rule		Highlight

SECTION A			
Question	Answer	Marks	Guidance
1	Indicative content: D	1	For one mark.
2	Indicative content: C	1	For one mark.
3	Indicative content: B	1	For one mark.
4	Indicative content: B	1	For one mark.
5	Indicative content: B	1	For one mark.
6	Indicative content: D	1	For one mark.
7	Indicative content: D	1	For one mark.
8	Indicative content: D	1	For one mark.
9	Indicative content: D	1	For one mark.
10	Indicative content: B	1	For one mark.
11	Indicative content: D	1	For one mark.
12	Indicative content: C	1	For one mark.
13	Indicative content: D	1	For one mark.
14	Indicative content: C	1	For one mark.
15	Indicative content: B	1	For one mark.
16	Indicative content: B	1	For one mark.
17	Indicative content: B	1	For one mark.
18	Indicative content: C	1	For one mark.
19	Indicative content: D	1	For one mark.
20	Indicative content: D	1	For one mark.

SECTION B			
Question	Answer	Marks	Guidance
21	<p>Responses include:</p> <ul style="list-style-type: none"> • strength e.g. <u>good</u> customer service, <u>wide</u> customer base, <u>good</u> quality products, <u>good</u> location, <u>high</u> market share, <u>strong</u> brand, <u>good</u> reputation, <u>good</u> adverts, <u>good</u> market research, pays <u>high</u> wages, treats workers <u>well</u>, <u>high/low</u> prices, <u>competitive</u> prices, <u>low</u> carbon footprint, profitable, customer loyalty, innovation, USP, market leader, well known, largest, patented, dominates the market, etc. • weakness e.g. <u>poor</u> customer service, <u>lack</u> of advertising, <u>narrow</u> product range, owner <u>lacks</u> business experience, <u>poor</u> location, <u>poor</u> labour conditions, <u>weak</u> product development, <u>lack</u> of capital, <u>high/low</u> prices, <u>lack</u> of innovation, copyable, no online presence, not environmentally friendly, no car park, makes a loss, etc. 	2	<p>One mark for Strength. One mark for Weakness.</p> <p>Strengths and Weaknesses must be internal i.e. within the firm's control. Do not award external factors e.g. 'Competitors/rivals' (0).</p> <p>Most factors can have a positive or negative impact on the business e.g. 'customer service' TV. For such factors an explicit qualifier is required to award the mark e.g. strength 'good customer service' or weakness 'poor customer service'.</p> <p>For contradictory or repeat responses REP the second answer and award max 1 mark e.g. both answers about aspects of location.</p> <p>Accept high/low prices as strengths or weaknesses as they are market/business dependant. 'Prices' TV (0).</p> <p>Do not accept vague answers e.g. 'worldwide' or 'packaging'. More detail required e.g. 'export worldwide' or 'eco-friendly packaging'.</p> <p>Answers should relate to the business which the learner has researched.</p>

SECTION B			
Question	Answer	Marks	Guidance
22	<p>Responses include:</p> <ul style="list-style-type: none"> market research, identify target market, segment the market, research customer trends, find gaps in market, investigate demand, etc. promote/advertise, post on social media, update website, develop sales promotions, set discounts, do public relations, find celebrity endorsements, create sponsorship deals, design logo, design packaging, etc. setting prices/pricing strategies visual merchandising, set window displays sourcing new sales outlets creating a USP. <p>Exemplar responses:</p> <p>Name of business: Foodsales Ltd Activity of business: Supermarket</p> <p>Produce a discount voucher (1) for its range of soups (CONT +1).</p> <p>One task of a marketing assistant is to advertise (1) the business (NO CONT).</p>	4	<p>In each case, award: Two marks for a contextual task (CONT annotation required) or One mark for a non-contextual task.</p> <p>Test for CONTEXT = product/service/industry only. Award for any industry specific term so long as it does not duplicate a word in the name of the business</p> <p><u>Watch out for the use of the term 'marketing' or 'market' (when used as a verb) e.g. 'create a marketing campaign' or 'market the business' TV unless further details given.</u></p> <p>'Research trends'/'design campaign'/'create leaflet', etc. TV – no explicit link to the marketing function.</p> <p>'Advertise' (1), 'promote' (1), '<u>to market</u> the business' (0), 'create advertising/promotional campaign' (1), 'create <u>marketing</u> campaign' (0), create campaign (0).</p> <p>'Raise awareness' (0) TV – how?</p> <p>NB Must be marketing tasks, do <u>not</u> award sales activities e.g. keep track of sales.</p> <p>NB Two tasks from the same category are acceptable.</p> <p>Answers should relate to the business which the learner has researched.</p>

SECTION B			
Question	Answer	Marks	Guidance
23	<p>Indicative content:</p> <ul style="list-style-type: none"> • advantage e.g. interest free, delays payment (buy now <u>pay later</u>), aids cash flow. • disadvantage e.g. discounts available for early/cash payment will be lost, <u>interest</u> charged if <u>miss</u> payment <u>deadline</u>, <u>loss of future credit/dealings</u> with supplier for <u>late payment</u>. <p>Exemplar responses:</p> <p>Name of business: Christina's Crafts Activity of business: Craft shop</p> <p>Using trade credit allows the craft shop to delay payment (1) for its stock e.g. handmade gift cards (CONT +1).</p> <p>Trade credit may help avoid cash flow difficulties (1) when purchasing stock (NO CONT).</p> <p>The business will lose out on the chance to obtain a cash discount (1) when purchasing display shelving for its glass ornaments (CONT +1).</p> <p>If the craft shop fails to pay within the interest free period it is likely to be charged high rates of interest (1) for this extended credit (NO CONT).</p>	4	<p>In each case, award:</p> <p>Two marks for a contextual advantage (CONT annotation required) or One mark for a non-contextual advantage.</p> <p>Test for CONTEXT = product/service/industry only. Award for any industry specific term so long as it does not duplicate a word in the name of the business</p> <p>Do not award more general arguments relating to sources of finance, the question asks specifically about the advantages of using trade credit as the source of finance.</p> <p>Do not award answers which would apply to loans e.g. pay back in instalments or pay back monthly.</p> <p>NB Indicative content only. No marks for short term, debt finance, quick, easy, availability, etc.</p> <p>For 'pay later', accept 'obtain goods <u>before</u> pay for them', 'no need to pay <u>immediately</u>', 'no need to pay <u>upfront</u>', 'pay <u>after</u> a set period of time', 'buy now pay <u>when</u> ... (accept even if argument suggests waiting until goods are resold/profit made), etc.</p>

SECTION B			
Question	Answer	Marks	Guidance
24	<p>Responses include:</p> <ul style="list-style-type: none"> benefit e.g. positive publicity, better reputation, more customers, greater customer loyalty, increased customer retention, increased revenue, greater cash inflow, higher profits, more capital to spend on investment, can afford to expand, etc. drawback e.g. opportunity cost, time, workload, financial costs/expensive, increased cash outflows. <p>Exemplar responses: Name of business: Angelos Activity of business: Hair salon</p> <p>One benefit of meeting customer needs is that Angelos is likely to get positive reviews (1) on social media from customers who are pleased with their haircuts (CONT +1) leading to a better reputation (+1).</p> <p>One benefit of meeting customer needs is that Angelos is likely to have a better reputation (1) leading to greater customer retention (+1).</p> <p>One benefit of meeting customer needs is more clients (1) using the hair salon (CONT +1).</p> <p>One drawback of meeting customer needs is that Angelo may not have time to do other tasks such as order supplies (1) resulting in lower profits (+1) because customers wanting their hair shampooed (CONT +1) have to be turned away.</p>	6	<p>In each case, award: One mark for benefit/drawback to the business. PLUS One mark for analysis i.e. business-facing impact of stated benefit/drawback. AND/OR One mark for context.</p> <p>Test for CONTEXT = product/service/industry only. Award for any industry specific term so long as it does not duplicate a word in the name of the business</p> <p>NB The analytical point (business-facing impact) <u>must</u> stem from the stated benefit/drawback. E.g. Award analysis mark for 'can be expensive (1) leading to increased cash outflows (+1)'. But, do not award analysis mark for 'can be expensive (1) leading to lower revenue (0)'.</p> <p>NB The second part of the question asks for drawbacks of <u>meeting</u> customer needs. Please annotate NAQ to responses referring to drawbacks of NOT meeting customer needs.</p> <p>Do not award vague answers e.g. 'will look professional' TV.</p> <p>Answer should relate to the business which the learner has researched.</p>

SECTION B			
Question	Answer	Marks	Guidance
	<p>Meeting customer needs could be expensive (1), increasing business costs (+1).</p> <p>One drawback of meeting customer needs could be the time it takes to make the required changes (1) at the salon (CONT +1).</p>		
25	<p>Use levels of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • specific activity e.g. use paper bags/straws, make packaging smaller, use biodegradable packaging, use eco-friendly supplies, use solar panels, buy electric vehicles, buy local, turn off lights, re-use <u>materials</u>/re-purpose <u>materials</u>/recycle <u>materials</u>, etc. • link to particular aspects of sustainability e.g. reduce use of energy/fossil fuels, reduce plastic use, reduce carbon (Co²) emissions/greenhouse gases, reduce (environmental) footprint, reduce global warming, reduce climate change, reduce waste/landfill, reduce pollution, reduce transport miles, etc. <p>Exemplar responses: Name of business: Kashmir's Kitchen Activity of business: Cafe</p> <p>Kashmir's Kitchen replaced plastic straws with paper straws (CONT) to reduce the waste sent to landfill. (CONT.: L2) ACTIVITY PLUS LINK ∴ 4 marks</p>	4	<p>Levels of response</p> <p>Level 2 (3 - 4 marks) (CONT annotation required) Candidate gives a contextual description of how the business has responded to the ever-increasing importance of environmental sustainability.</p> <p>Level 1 (1 - 2 marks) Candidate gives a non-contextual description of how the business has responded to the ever-increasing importance of environmental sustainability.</p> <p>Award top of the appropriate level for a specific ACTIVITY plus LINK to a <u>particular aspect</u> of sustainability.</p> <p>Award bottom of the appropriate level for ACTIVITY(S) ONLY i.e. <u>with no</u> explicit link to a particular aspect of sustainability.</p> <p>Award 0 if no specific activity to increase sustainability is stated.</p> <p>'Be environmentally friendly/eco-friendly', 'not harming the environment' TV.</p> <p>'Reduce waste of X' TV for activity – how?, but awardable as link to sustainability.</p>

SECTION B				
Question		Answer	Marks	Guidance
		<p>Kashmir's Kitchen replaced plastic straws with paper straws (CONT) and put recycling bins outside its door. (CONT : L2) ACTIVITIES ONLY : 3 marks</p> <p>Kashmir's Kitchen put recycling bins outside its door <u>to reduce the waste sent to landfill</u>. (NO CONTEXT : L1) ACTIVITY PLUS LINK : 2 marks</p> <p>Kashmir's Kitchen put recycling bins outside its door and switched to a green energy provider. (NO CONTEXT : L1) ACTIVITIES ONLY : 1 mark</p>		<p>Do not award arguments about being ethical.</p> <p>Test for CONTEXT = product/service/industry only. Award for any industry specific term so long as it does not duplicate a word in the name of the business</p> <p>Answer should relate to the business which the learner has researched.</p>

SECTION C			
Question	Answer	Marks	Guidance
26	<p>Responses include:</p> <ul style="list-style-type: none"> stakeholder type: internal (1). organisation chart e.g. (near) bottom, (very) low/lowest, (directly) beneath <u>supervisor</u>, 4th/5th level, etc. (1). stop automation e.g. strike, work to rule, involve trade union, take industrial action, protest, go to the press, speak to the shareholders, point out the disadvantages (e.g. lose handmade reputation), etc. (1). business function: human resources/HR/personnel (1). 	4	<p>One mark for each correct identification to a maximum of four.</p> <p>Stakeholder type: contradictory response rule applies.</p> <p>Organisation chart: contradictory response rule applies e.g. 'bottom or middle' (0).</p> <p>'Below directors' TV (0), 'below managers' TV (0), 'lower' TV (0), 'employee section' TV (0), 'middle' (0), 1st/2nd/3rd level (0).</p> <p>Stop automation: 'work faster' (0), 'keep up with demand' (0), 'produce more suitcases' (0).</p> <p>Business function: contradictory response rule applies i.e. if two different business functions are mentioned then award 0, even if one of them is correct e.g. 'HR and finance' (0).</p>

SECTION C			
Question	Answer	Marks	Guidance
27	<p>Use level of response criteria. Disadvantages include:</p> <ul style="list-style-type: none"> • financial e.g. automation is expensive, capital outlay, maintenance costs, training costs, costs of operating 24-7, redundancy payments, may need source of finance, etc. • product-related e.g. no longer handmade/unique, loss of USP, perceived loss of quality, poorer reputation, reduced customer loyalty/retention, boycotts, bad reviews, fewer customers, lower sales, increased need for marketing, etc. • corporate image e.g. redundancies, no longer seen as a good employer, protests by local community, withdrawal of goodwill, bad publicity • employee-related e.g. change in job role, lower job satisfaction, lower morale, reduced motivation, higher absenteeism, higher rate of staff turnover, poorer industrial relations, industrial action, etc. • reliance on technology e.g. breakdowns, major stoppages in production, reduced productivity, production errors/quality issues, maintenance and service, etc. • financial impacts e.g. less sales revenue, lower cash inflows, higher cash outflows, higher costs, lower profits, etc. • negative impacts on workload and time e.g. time taken to retrain production operatives, additional workload to find sources of finance, etc. • opportunity cost. 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates likely disadvantages to First Class Luggage Ltd of automating its production process.</p> <p>Level 3 (7 - 9 marks) Candidate analyses likely disadvantage(s) to First Class Luggage Ltd of automating its production process.</p> <p>Level 2 (4 – 6 marks) Candidate explains likely disadvantage(s) of First Class Luggage Ltd automating its production process.</p> <p>Level 1 (1 – 3 marks) Candidate identifies likely disadvantage(s) of First Class Luggage Ltd automating its production process.</p> <p>L1 – identifies a disadvantage. E.g. Customers view the suitcases as of lower quality (L1). Award bottom of mark band for 1 disadvantage identified, middle of mark band for 2 disadvantages identified, and top of mark band for 3 or more disadvantages identified.</p> <p>L2 – explanation of <u>cause</u> of L1 disadvantage or explanation of <u>consequence</u> of L1 disadvantage that falls short of being analytical (e.g. suggests consequence (rather than impact) on the business or consequence/impact on stakeholders). E.g. Customers view the suitcases as of lower quality (L1) because they are no longer handmade (L2). Award bottom of mark band for 1 disadvantage developed, middle of mark band for 2 disadvantages developed, and top of mark band for 3 or more disadvantages developed.</p>

SECTION C			
Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p>The company may experience a loss of orders from stores (L1) because the suitcases may no longer be perceived as handmade (L2). This could significantly reduce revenue (L3).</p> <p>The reputation of First Class Luggage Ltd in and around Aberton is likely to be damaged (L1). This may lead to the three shareholders becoming stressed (L2) as well as negative publicity (L3).</p> <p>Another disadvantage of the automation is that levels of employee motivation may fall (L1). This may increase absenteeism (L3).</p> <p>The greatest disadvantage to First Class Luggage Ltd of automating the production process would be the loss of revenue because this would cause a significant reduction in its cash inflows (L4). The company is already having to use its bank overdraft (CONT) to ease cash flow difficulties so a reduction in cash inflow is likely to have a greater impact on the business than a lack of employee motivation which could be improved using non-monetary methods of motivation (L4).</p>		<p>L3 – analysis of the disadvantage i.e. a negative <u>impact</u> on the business of L1 point. E.g. Customers view the suitcases as of lower quality (L1) because they are no longer handmade (L2). This may lead to fewer sales (L3). Award bottom of mark band for 1 disadvantage analysed, middle of mark band for 2 disadvantages analysed, and top of mark band for 3 or more disadvantages analysed.</p> <p>NB Max <u>one</u> L3 per L1 point.</p> <p>NB ‘business fails’, ‘loss of business’ TV. ‘<u>Affects</u> reputation/motivation/cost, etc.’ TV – direction required.</p> <p>L4 – evaluation – a justification as to which disadvantage is the worst <u>for the business</u>. Award 10 marks for a <u>selection</u> of which disadvantage is the worst with non-contextual justification (no context). Award 11 marks for a <u>selection</u> of which disadvantage is the worst with contextual justification (with context). Award 12 marks for a <u>selection</u> of which disadvantage is the worst with contextual comparative justification i.e. why at least one of the other disadvantages is not as bad (with context).</p> <p>NB for 11/12 marks to be awarded the use of context must be within the evaluative argument.</p> <p>Contextual examples include: suitcases, luxury, high price, high-end, designer, superior-quality, hand-made, stitching, sewing, business travellers, leisure travellers, fashion-conscious, leather, aluminium, mortgage, bank loan, overdraft, holidays, flights, 65% redundancies, 35% keep their jobs, 25 to 49 years, Aberton, reputation for treating workers well, etc.</p>

SECTION C			
Question	Answer	Marks	Guidance
28	<p>Indicative content:</p> <ul style="list-style-type: none"> • variable cost <ul style="list-style-type: none"> ○ leather, aluminium, <u>raw</u> materials or wages. ○ varies <u>with level of output</u> (production/service provision/sales/number of suitcases made, etc.); costs that do not have to be paid if there is <u>no output</u>. • fixed cost <ul style="list-style-type: none"> ○ salaries, director's remuneration, insurance (premiums), <u>business</u> rates. ○ does not change <u>with level of output</u> (production/service provision/sales/number of suitcases made, etc.); has to be paid even if there is <u>no output</u>. <p>Exemplar response:</p> <p>Variable costs increase as output increases (1). An example is wages (1).</p> <p>Business rates (1) is an example of a fixed cost because they stay the same no matter how many suitcases are produced (1).</p>	4	<p>In each case award:</p> <p>One mark for a correct example from the scenario AND/OR</p> <p>One mark for explanation of meaning.</p> <p>Do not award 'variable costs change with <u>time</u>' as this reveals a misunderstanding of the term.</p> <p>Do not award 'fixed costs <u>do not change</u>' as this is too vague.</p> <p>Examples <u>must</u> be from the indicative content list.</p> <p>Do <u>not</u> award assumed costs e.g. 'sewing thread', 'mortgage payments', 'import costs', 'electricity bill', 'rent', etc. as these are not stated in the scenario.</p> <p>Accept multiple examples only if they are all in the correct category and at least one is from the scenario.</p>

SECTION C			
Question	Answer	Marks	Guidance
29	<p>Use level of response criteria.</p> <p>Advantages include:</p> <ul style="list-style-type: none"> • limited liability/only responsible to extent of investment/personal assets not at risk • incorporation/separate legal identity • owner not sued/business sued in own right • no restriction on number of owners (min or max) • business continuity if one of the shareholders dies • lower tax liability (historically corporation tax lower than income tax) • can sell shares (to family and friends) • banks more willing to lend to Ltd • easier to raise funds/wider choice • easier transition to plc. <p>Exemplar response:</p> <p>One advantage to S, K and Z is that if something goes wrong in the business they cannot be sued personally (L1) because the business has a separate legal entity (L2). This protection should minimise the three shareholders' levels of anxiety (L3).</p> <p>Also, banks are more willing to lend to incorporated businesses (L1). This means that the company may be able to obtain further loans for expansion in the future (L2), raising more profits to fund the owners' retirements (L3).</p>	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates advantage(s) to S, K and Z of operating First Class Luggage as a private limited company rather than as a partnership.</p> <p>Level 3 (7 - 9 marks) Candidate analyses advantage(s) to S, K and Z of operating First Class Luggage as a private limited company rather than as a partnership.</p> <p>Level 2 (4 – 6 marks) Candidate explains advantage(s) of operating First Class Luggage as a private limited company rather than as a partnership.</p> <p>Level 1 (1 – 3 marks) Candidate identifies advantage(s) of operating First Class Luggage as a private limited company rather than as a partnership.</p> <p>L1 – identifies an advantage. E.g. Limited liability (L1). Award bottom of mark band for 1 advantage identified, middle of mark band for 2 advantages identified, and top of mark band for 3 or more advantages identified.</p> <p>L2 – explanation of <u>cause</u> of L1 advantage or explanation of <u>consequence</u> of L1 advantage that falls short of being analytical (e.g. suggests consequence (rather than impact) on the owners or consequence/impact on the business or other stakeholders).</p>

SECTION C			
Question	Answer	Marks	Guidance
	<p>Another advantage to S, K and Z is that they have the benefit of limited liability (L1). This stops them from losing their houses or expensive cars (L3).</p> <p>Having limited liability is the most important advantage to S, K and Z because it protects their personal possessions from being seized (L4), for example their expensive cars (CONT). Being able to raise funds more easily in case of cash flow difficulties should be less important at the present moment because the company has successfully weathered the negative impacts on the holiday industry of international travel restrictions and, in any case, has an overdraft facility should it be needed (L4).</p>		<p>E.g. Limited liability (L1) so owners' possessions are not at risk (L2). Award bottom of mark band for 1 advantage developed, middle of mark band for 2 advantages developed, and top of mark band for 3 or more advantages developed.</p> <p>L3 – analysis of an advantage to <u>S, K and Z</u> of L1 point. E.g. Limited liability (L1) so owners' cannot lose their personal possessions (L3). Award bottom of mark band for 1 advantage analysed, middle of mark band for 2 advantages analysed, and top of mark band for 3 or more advantages analysed.</p> <p>NB Explicit benefit to the <u>owners</u> (rather than the business) required for L3.</p> <p>NB Max <u>one</u> L3 per L1 point.</p> <p>L4 – evaluation – a justification as to which advantage is most important to <u>S, K and Z</u>. Award 10 marks for a <u>selection</u> of which advantage is most important with non-contextual justification (no context). Award 11 marks for a <u>selection</u> of which advantage is most important with contextual justification (context). Award 12 marks for a <u>selection</u> of which advantage is most important with contextual comparative justification i.e. why at least one of the other advantages is less important (with context).</p> <p>NB for 11/12 marks to be awarded the use of context must be within the evaluative argument.</p>

SECTION C			
Question	Answer	Marks	Guidance
			<p>NB The question requires advantages of Ltd in comparison to a partnership. Do not award advantages of Ltd in comparison with plc.</p> <p>Do not award arguments related to decision-making, power, control, conflict, takeovers or profit distribution as these are not affected by the differing legal status of an Ltd or partnership.</p> <p>NB Limited liability – for L3 the concept of personal possessions being safe/protected/not lost is required. ‘At risk’ TV for L3 (award L2) At risk of what? E.g. ‘Limited liability’ L1, ‘only lose investment’ L2, ‘personal possessions not at risk’ L2, ‘personal possession may be seized’ L3, ‘personal assets protected/safe’ L3, ‘peace of mind about their personal assets’ L3, ‘personal financial security’ L3, ‘... unlike a partnership where personal assets can be taken’ L3.</p> <p>Contextual examples include: suitcases, own homes, car, insurance premiums, mortgage, loan, overdraft, automation, redundancies, etc.</p>
30	<p>Indicative content:</p> <ul style="list-style-type: none"> • Monthly output of small suitcases <ul style="list-style-type: none"> ○ Actual: $52,800/4 = \mathbf{13,200}$ ○ Objective: $5500 \times 2 = \mathbf{11,000}$ ○ Objective met. • Variable cost of producing a small suitcase <ul style="list-style-type: none"> ○ Actual: $\pounds 3.3\text{m}/52800 = \mathbf{\pounds 62.50}$ ○ Objective: $90 - (3 \times 9) = \mathbf{\pounds 63}$ ○ Objective met. 	6	<p>One mark for each correct identification to a maximum of six.</p> <p>No workings required. Award correct answers irrespective of workings.</p> <p>No units required.</p> <p>No OFR.</p>

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Question	Answer	Marks	Guidance
31	<p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> inflation taxation/taxes e.g. corporation tax, income tax, import duties/tariffs <u>high</u> unemployment/<u>low</u> levels of employment <u>high</u> interest rates, <u>volatile</u> interest rates <u>no</u> economic growth/<u>negative</u> economic growth, <u>low</u> GDP <u>weak</u> pound, <u>low</u> value of pound against other currencies (Euros), <u>adverse/ worsening</u> of Sterling exchange rate, <u>deteriorating</u> Sterling currency exchange, pound buys <u>less</u>, <u>depreciating</u> pound, <u>strengthening</u> of foreign currency, <u>volatile</u> exchange rates. <p>Exemplar response:</p> <p>One economic factor that is likely to have a negative impact on First Class Luggage Ltd is a weak pound (L1) because the company imports (L2) leather. This will lead to an increase in business costs (L3).</p> <p>Another economic factor would be a rise in unemployment levels (L1). Fewer people would be able to afford to go on holiday (L2) and, therefore, company revenue is likely to fall (L3).</p> <p>A third economic factor that is likely to have a negative impact on the company is corporation tax (L1). This will lead to a reduction in retained profits (L3).</p>	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates economic factors that are likely to have a negative impact on First Class Luggage Ltd.</p> <p>Level 3 (7 - 9 marks) Candidate analyses one or more economic factors that are likely to have a negative impact on First Class Luggage Ltd.</p> <p>Level 2 (4 – 6 marks) Candidate explains one or more economic factors that are likely to have a negative impact on First Class Luggage Ltd.</p> <p>Level 1 (1 – 3 marks) Candidate identifies one or more economic factors that are likely to have a negative impact on First Class Luggage Ltd.</p> <p>L1 – identifies an appropriate economic factor (must have a negative impact on the business). E.g. High interest rates (L1). Award bottom of mark band for 1 factor identified, middle of mark band for 2 factors identified, and top of mark band for 3 or more factors identified.</p> <p>L2 – explanation of <u>reason</u> L1 factor causes a negative effect or explanation of <u>consequence</u> of L1 factor that falls short of being analytical (e.g. suggests consequence (rather than impact) on the business or consequence/impact on stakeholders). E.g. High interest rates (L1) because the company has a mortgage and bank loan (L2). Award bottom of mark band for 1 factor developed, middle of mark band for 2 factors developed, and top of mark band for 3 or more factors developed.</p>

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	<p>The factor that is likely to harm the company the most is taxation. In addition to corporation tax reducing the amount of profit retained by First Class Luggage Ltd, it is also likely to have a negative impact on other companies, meaning that the amount of business travel (CONT) may be curtailed, significantly reducing the number of business travellers wishing to purchase the company's suitcases (L4). A rise in unemployment is likely to have a less significant impact on First Class Luggage Ltd because it operates in a luxury market and is less likely to be impacted by unemployment levels which predominantly harm lower paid workers (L4).</p>		<p>L3 – analysis of the suggested economic factor, must be business-facing i.e. negative <u>impact</u> on the business of L1 economic factor. E.g. High interest rates (L1) because the company has a mortgage and bank loan (L2). This would lead to greater cash outflows (L3). Award bottom of mark band for 1 factor analysed, middle of mark band for 2 factors analysed, and top of mark band for 3 or more factors analysed.</p> <p>NB Max <u>one</u> L3 per L1 point.</p> <p>L4 evaluation – a justification as to which factor would harm <u>the company</u> the most. Award 10 marks for a <u>selection</u> of which factor would harm the company the most with non-contextual justification (no context). Award 11 marks for a <u>selection</u> of which factor would harm the company the most with contextual justification (context). Award 12 marks for a <u>selection</u> of which factor would harm the company the most with contextual comparative justification i.e. why at least one of the other economic factors would be less harmful (with context).</p> <p>NB for 11/12 marks to be awarded the use of context must be within the evaluative argument.</p> <p>NB To access L4, at least two appropriate economic factors must have been identified and at least one analysed i.e. a minimum of 2 x L1 and 1 x L3.</p> <p>NB L1 Indicative content list only. Do not award L1 for 'low levels of disposable income', 'low quotas', 'Brexit', 'prices going up', 'recession', 'cost of living', 'living wage', etc. or vague terms such as 'worsening of the economy'.</p>

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					<p>NB Watch out for responses that use the term ‘inflation’ to mean an increase in the price of a particular item e.g. inflation in gas prices. Do not award, annotate as SEEN.</p> <p>Do <u>not</u> award ‘inflation means the business <u>must</u> increase its prices’.</p> <p>Do not award ‘<u>high/low/an increase/decrease</u> in exchange rates’ without further clarification as to the meaning.</p> <p>Do not award a strong pound/appreciating pound because First Class Luggage Ltd does not export.</p> <p>‘Import costs/charge’ TV.</p> <p>Contextual examples include: suitcases, luxury, high-end, business travel, leisure travellers, leather, aluminium, mortgage, bank loan, overdraft, holidays, flights, 25 to 49 years, Euros, Italy, Germany, etc.</p>

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