



**General Certificate of Secondary Education
2012**

Applied Business

[G9372]

WEDNESDAY 30 MAY, MORNING

MARK SCHEME

Quality of candidate's responses

In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

Unanticipated responses

The mark schemes which accompany the specimen examination papers are not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers in operational examinations, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners would seek the guidance of the Supervising Examiner for the paper concerned.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Marking calculations

In marking answers involving calculations, examiners should apply the "own figure rule" so that candidates are not penalised more than once for a computational error.

Levels of Response Marking Grid

	AO1 [3]	AO2 [3]	AO3 [3]
Mark Band 1	1. Candidates demonstrate a basic knowledge and understanding. They give a basic description. There will be little organisation.	1. Candidates are able to apply limited knowledge and understanding. They give simple explanations. There will be few vocational links.	1. Candidate's responses suggest simple, broadly relevant ideas. They reach straightforward conclusions. Responses may not be clearly presented.
Mark Band 2	2. Candidates demonstrate a sound knowledge and understanding. They give a sound description. Answers will be organised.	2. Candidates apply knowledge and understanding to a range of situations. They give sound explanations, with some detail. There will be some vocational links and occasional detail.	2. Candidates comment in depth suggesting relevant ideas for development. They reach reasoned conclusions. Responses will usually be clearly presented. They will use a good range of specialist terms where appropriate.
Mark Band 3	3. Candidates demonstrate a detailed knowledge and understanding. They give a detailed description. Answers will be well organised.	3. Candidates apply relevant knowledge and understanding. They give full, detailed explanations, vocational links and the inter-relationship between factors.	3. Candidates comment fully, suggesting detailed relevant ideas. They reach reasoned conclusions. Responses will consistently be clearly presented in a logical form. They will use a wide range of specialist terms where appropriate.

- 1 (a)** A private limited company [1].
(1 × [1]) AO1 [1]
- (b)** He has limited liability [1]. The company has a separate legal entity i.e. it can be sued in its own name [1]. It is easier to obtain capital as shares can be sold to a larger number of people [1]. Marc may find it easier to borrow money [1]. He will be able to keep control of the company if he does not sell shares to other people [1].
Any suitable alternative responses
(1 × [1]) AO1 [1]
- (c)** There are a number of legal matters to be dealt with before the company is formed [1]. The shares cannot be sold/transferred without the consent of the other shareholders [1]. The accounts are less secret than those of a sole trader or a partnership [1]. Shares cannot be offered to the public [1].
Any suitable alternative responses
(1 × [1]) AO1 [1]
- (d)** Aims:
- to survive
 - to make a profit
 - to have a good image and
 - to expand
 - care for the environment.
- (2 × [1]) AO2 [2]
- (e)** Job production/batch production [1].
(1 × [1]) AO2 [1]
- (f)** Reasons for choice:
- to ensure the product meets the requirements of the customer [1]
 - the chocolates are hand-made and individually produced [1]
 - the chocolates must meet the exact requirements of the customer [1].
- Any suitable alternative responses
(2 × [1]) AO3 [2]
- (g)** Costs are very high [1]. Skilled labour required [1]. Labour intensive [1].
Any suitable alternative responses
(2 × [1]) AO2 [2]

(h) Reasons for not using manufacturing machinery in the production of the chocolates:

- using machinery would “take the artisan craftsmanship out of the chocolate making” [2]
- Demarquette produce a delicious and unique collection of luxury hand-made chocolates with the emphasis on quality, and quality might suffer with the use of machinery [2]
- less job satisfaction for workers [2]
- capital costs for the machinery would be high [2].

Any suitable alternative responses

(2 × [2]) AO3

[4]

14

- 2 (a) Just-in-time stock control [1].
(1 × [1]) AO2 [1]

(b) Evaluation

Just-in-time stock control reduces the need to hold quantities of raw materials and stocks of the finished chocolates.

The advantages of this for Marc are:

- the chocolates are freshly made using fresh ingredients
- the chocolates have a short shelf life as no preservatives are used
- reduces costs – no extra storing, insurance costs
- capital not tied up in idle stock
- the chocolates are sold daily – this helps cash flow.

The disadvantages are:

- Marc must work closely with suppliers to ensure frequent deliveries
- delay in delivery could mean loss of production and could cost Marc money
- there must be an efficient ordering system
- production process must be well organised.

Suitability

The chocolates have a short shelf life therefore it is not possible to hold large stocks.

No preservatives are used – fresh ingredients have a short shelf life.

Production process highly organised.

The focus is on making small quantities of each chocolate.

AO2 [2]

Any suitable alternative responses

([0])

Answer is not worthy of credit.

([1]-[2])

Candidate has demonstrated limited ability to evaluate just-in-time stock control and explain why it is appropriate for Marc's business.

Candidate demonstrates a limited level of accuracy in spelling, punctuation and grammar. The meaning of the text is clear some of the time. The candidate demonstrates a limited level of writing, form and style appropriate to the purpose of the question. The organisation of the work is limited.

([3]-[4])

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([5]-[6])

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AO2 [2], AO3 [4]

[6]

(c) Factors which may affect the price of the chocolate:

- quality (high quality chocolates and customers expect to pay more) [1]
- method of production – hand-made, more labour intensive – higher price [1]
- novelty element – Christmas/Valentine's Day – advertising costs [1].

(2 × [1]) AO1

[2]

(d) Pricing policy

Skimming [1].

(1 × [1]) AO2

[1]

Reason

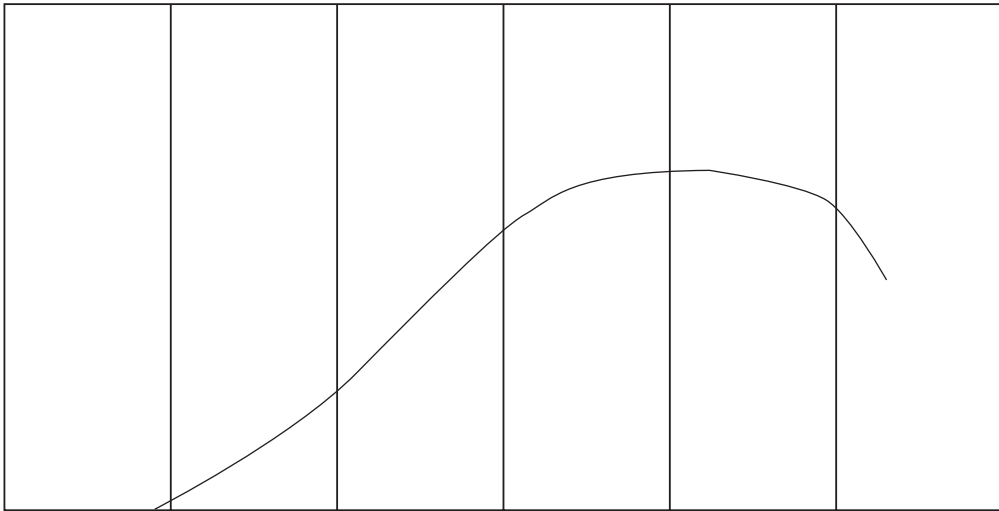
The chocolates are new and luxurious so a high price can be charged [2].

(1 × [2]) AO3

[2]

(e)

A typical product life cycle



Research	Introduction	Growth/ Development	Maturity	Saturation	Decline
[1]	[1]	[1]	[1]	[1]	[1]

(6 × [1]) AO1

[6]

18

3 (a) Bank Loan.**Advantage**

May be easily and quickly arranged [1].

(1 × [1]) AO1

[1]

Disadvantage

Loan has to be repaid [1]. Interest charged on the loan [1]. Security usually required [1].

(1 × [1]) AO1

[1]

- (b)** A business plan is a formal document that sets out the business aims/objectives [1] and other information about the business including sales and budget forecasts for all the main costs [1].

(1 × [2]) AO1

[2]

- (c)** The bank requires a business plan before they lend money to a business. It shows:

- that Marc has thought seriously about the business and has a plan drawn up for the next few years
- whether or not the idea is sound and if the business is likely to succeed
- if the objectives of the business are reasonable and
- whether there is a market for the chocolates.

If this information was not available to the bank, it would be difficult for them to assess the likelihood of the success of the business.

Information/data is provided to enable the bank to make a decision.

Bank will only lend the money if it feels that Marc will be able to repay the loan with interest.

Any suitable alternative responses

([0])

Answer is not worthy of credit.

([1]-[2])

Candidate has demonstrated limited ability to discuss why the bank would be reluctant to lend Marc the money if he was unable to produce a business plan.

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AO2 [4], AO3 [2]

[6]

(d) Information contained in a business plan:

- information about the business [1]
- management [1]
- the product – chocolates [1]
- production process [1]
- market [1]
- market research carried out and results [1]
- marketing plan [1]
- financial information [1]
- projected cash-flow forecast [1]
- projected trading profit and loss account [1] and
- projected balance sheet [1].

Any reasonable alternative responses

(3 × [1]) AO1

[3]

(e) Benefits to Marc of drawing up a business plan:

- it enables Marc to set the objectives of the business and decide the direction the business will take
- it enables him to identify problems and to develop strategies to overcome them
- if Marc did not have a business plan, the bank would not be prepared to lend him money
- it enables Marc to think carefully about every aspect of the business
- a business plan is a working document and Marc can use it to compare what is happening with targets set out in the plan. It can also be amended to address changing economic conditions.

Any suitable alternative responses

([0])

Answer is not worthy of credit.

([1]-[2])

Candidate has demonstrated limited ability to discuss the benefits to Marc of drawing up a business plan.

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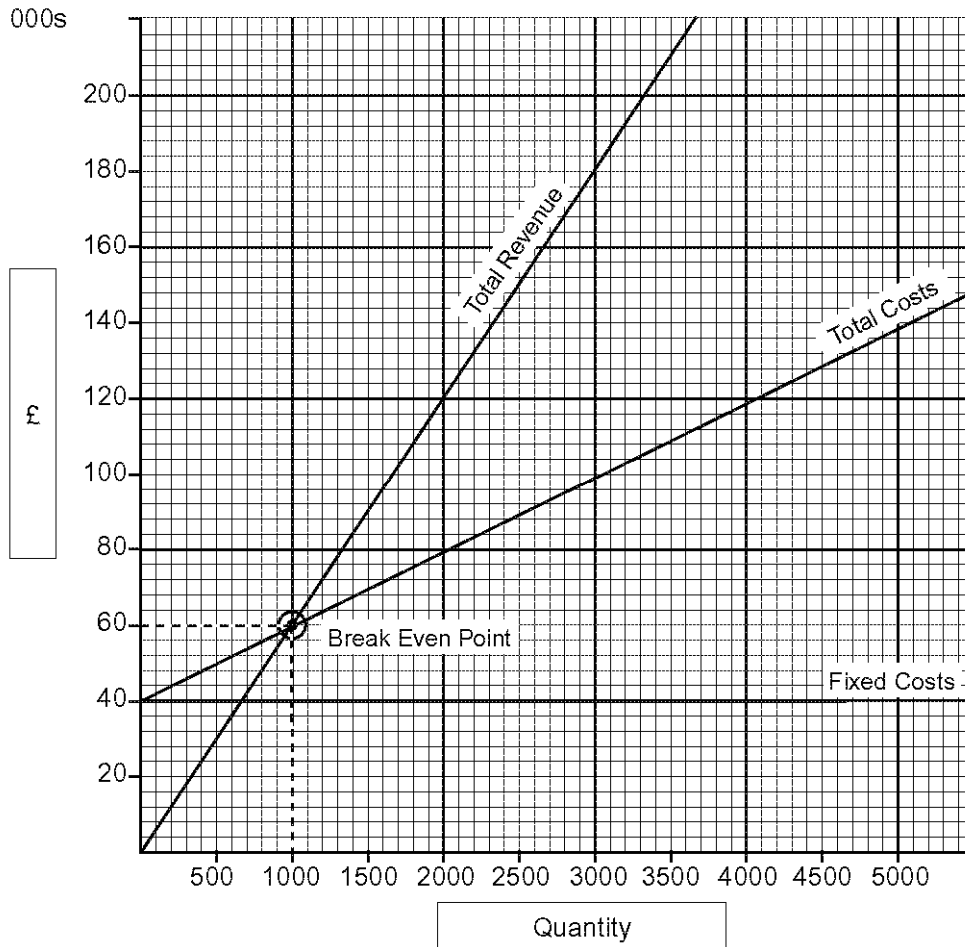
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AO2 [3], AO3 [3]

[6]

19

4 (a)



- £ [1]
 - Quantity/Units of Production lbs [1]
 - Fixed Costs [1]
 - Total Costs [1]
 - Total Revenue/Total Sales [1]
- (5 × [1]) (AO2) [5]

- (b) • 1,000 lbs
(1 × [1]) AO2 [1]

- (c) (3 000 x £60) = Total Revenue
(£180 000) [1]
- (3 000 x £20) + £40 000 = Total Costs
(£60 000 + £40 000)
£100 000 [1]
- Profit = total revenue – total costs
£180 000 – £100 000
£80 000 [1]
(3 × [1]) AO2 [3]

(d) Rent of premises [1]
Rates [1]
(1 × [1]) AO1 [1]

- (e) It is important for Marc to know his break-even point because:
- it shows him how many pounds of chocolate he needs to sell to cover his costs
 - it shows Marc the point when he will begin to make a profit
 - it can help him to identify problems, e.g. fixed costs/variable costs may be too high or the selling price may be too low/high. He will then be in a position to take corrective action, e.g. lower costs, increase/decrease selling price
 - “what if” scenarios can be examined and he can analyse the effects of changes in costs and revenues.

Any suitable alternative responses

([0])

Answer is not worthy of credit.

([1]-[2])

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AO2 [4], AO3 [2] [6]

16

5 (a) **Cash-flow Forecast for Demarquette – Fine Chocolates
January – March 2012**

	January £	February £	March £
Receipts			
Opening Balance	(2 000) [1]	(4 305)	12 890
Sales	10 000	25 000	20 000
Total Receipts	8 000 [1]	20 695 [1]	32 890 [1]
Payments			
Equipment	5 000		
Wages	2 000	2 000	2 000
Rates	1 500	1 500	1 500
Rent	3 000	3 000	3 000
Purchases	500	600	550
Advertising		400	300
Packaging	150	150	150
Electricity	60	60	60
Telephone	70	70	70
Sundry Expenses	25	25	25
Total Payments	12 305 [1]	7 805 [1]	7 655 [1]
Closing Balance	(4 305) [1]	12 890 [1]	25 235 [1]

AO2 [10]

(b) There is a negative balance of £4,305 [1]. Payments exceed receipts by £4,305 [1] and Marc will require an overdraft from the bank [1].
(2 × [1]) AO1 [1], AO2 [1] [2]

(c) Marc could:

- arrange overdraft [1]
- delay some planned expenditure [1]
- delay payments until some cash is received [1]
- to reduce variable costs [1].

(3 × [1]) AO3 [3]

(d) The purpose of a cash-flow forecast:

- it lets Marc know in advance of the likelihood that he will need cash and will need to arrange an overdraft [1]
- he may plan to buy equipment and he can make use of the cash-flow forecast to plan his spending for a time when the cash is available [1]
- helps planning for the future [1]
- it enables him to estimate when he is likely to have a shortage/surplus of cash [1]
- it lets him know how much is available for paying bills [1]
- it lets him know whether he is holding too much cash which could be used more effectively [1] and
- it allows him to manage his business more efficiently [1].

(3 × [1]) AO1

[3]

18

6 (a) Suggestion 1, 2.

Demarquette can grow internally by:

- looking for more outlets [1]
- moving to larger premises [1]
- hiring more staff [1]
- increasing production [1]
- introducing machinery to the production process [1].

(2 × [1]) AO1

[2]

(b) Recommendation – any one of the above [1].

AO2

[1]

Reason:

internal growth – Marc could expand the business using any of the suggestions in (a) above. He is offering a personal and very specialised service [1] and if he was to become too large there is a danger that the quality of his product would suffer [1]. The market for hand produced luxury chocolates is small [1] and so the business is likely to remain small. Marc likes to be in control and this would be reduced if the business became too large [1].

Any suitable alternative responses

AO3

[2]

(c) The advantages of growth for Demarquette – Fine Chocolates:

- lower costs
- benefits from economies of scale
- larger market share
- better known/improved image
- increased sales
- increased profits.

The disadvantages of growth:

- larger business therefore more difficult to control
- greater risk
- decline in quality – Demarquette chocolates are unique and freshly hand-made. If machinery is introduced the quality will suffer as it would be impossible to produce these creative, short shelf life chocolates.
- more capital required
- more staff required
- take the “artisan craftsmanship out of the chocolate making”.

Any suitable alternative responses

([0])

Answer is not worthy of credit.

([1]-[2])

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AO2 [4], AO3 [2]

[6]

(d) Demarquette is a profitable business:

- increasing sales, [1] “demand for the chocolates continues to rise” [1]
- increasing market share [1]
- more widely known [1]
- ability to fund the business out of cash flow [1].

Any suitable alternative responses

([2] × [2]) AO3

[4]

15

Total

100