

---

# GCSE

# **BUSINESS STUDIES**

413001 Setting up a Business

Mark scheme

---

4133

June 2014

---

Version 1.0 Final

---

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this Mark Scheme are available from [aqa.org.uk](http://aqa.org.uk)

1

**1 (a)** Explain **one** benefit of setting up the business as a partnership.

[2 marks]

**Possible answers could include the following:**

- more finance available
- easy to set up
- additional/different skills
- cover for sickness/holidays.

Level	Descriptor	Marks	Assessment Objective
2	Explains benefit to a business.	2	AO1
1	Candidate identifies possible benefit.	1	
0	No valid response.	0	

**L2 Response:** One benefit of a partnership is more money. The additional partner can provide their own funds to help the business get started. **(2 marks)**.

**1 (b)** Explain how market research could be used to see if there is sufficient demand in the nearby town.

[4 marks]

**Possible Answers include**

- Methods of market research e.g. primary, secondary,
- Questionnaires,
- Interviews,
- focus groups,
- competitor research.

Or overall responses relating research to establishing demand.

Level	Descriptor	Marks	Assessment Objective
3	Explains how method(s) could be used by Colin and Ciara to establish whether there is demand.	4–3	AO2
2	Describes use of possible research method(s) or describes relevant data that could be collected.	2	AO1
1	Identifies possible research method(s) or identifying relevant data that could be collected.	1	
0	No valid response.	0	

**NB.** Do not award L3 for answers that just describe the research method.

**L3 Response:** Colin and Ciara could use a questionnaire (L1) to possible customers. If they interviewed people (L2) in the nearby town they could find out whether they would use their painting business (L3).

<b>1</b>	<b>(c)</b>	<p><i>Explain <b>two</b> factors that will influence where Colin and Ciara locate their house painting business.</i></p>	<b>[6 marks]</b>
----------	------------	--	------------------

**Possible answers could include the following:**

- nearness to customers and their characteristics (well off)
- cost of base/location
- amount of competitors
- convenience to suppliers/own homes
- size of the potential market.

Allow other sensible suggestions.

Level	Descriptor	Marks	Assessment Objective
3	Explains how the factor will influence the location of Colin and Ciara’s business.	3	AO2
2	Either explains location factor or identifies relevant factor in context of Colin and Ciara’s business.	2	
1	Identifies possible location factors.	1	AO1
0	No valid response.	0	

**Apply twice.**

**L3 Response:** the partners should not choose the area with the bigger houses because that would mean they would need a van which would increase their costs. **(3 marks)**

**1 (d)** *Colin and Ciara have been given the use of a van by Colin’s parents but they will have to buy equipment before they start. The cost will be £1000 and they have only £500 in their savings. They will also need some finance to help their cash flow in the first few weeks of the business. Advise Colin and Ciara whether a loan or an overdraft would be more suitable. Give reasons for your advice.*

**[9 marks]**

**Possible areas for discussion include:**

**Overdraft:**

- more flexible
- likely to have a higher interest rate
- no guaranteed period
- not repaid as you go along.

**Loan:**

- fixed period
- repaid through regular payments
- likely to have lower interest rate
- guaranteed.

**Areas for Analysis/Evaluation**

- loan better to buy equipment as can pay back out of profits
- overdraft good for helping initial/uneven cash flow
- depends on their financial skills
- its only £500 so either is possible/manageable

Allow a response based on “both would be needed” with valid support.

Level	Descriptor	Marks	Assessment Objective
3	Analyses points for/against(s) in context.	4–3	AO3
2	Explains points for/against, eg advantages disadvantages in context.	2	AO2
1	States relevant point(s) in context.	1	AO1
0	No valid response.	0	

**Evaluation grid on next page.**

In addition and separately award marks for evaluation using the grid below

**Notes:** AO3 also assesses candidates' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Judgement is being made on the best method of finance.

<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>	<b>Assessment Objective</b>
E2	Offers judgement plus developed justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	

2

<b>2</b>	<b>(a)</b>	<i>Explain <b>one</b> way in which Riding 4 All's customers are protected by the law.</i>	<b>[2 marks]</b>
----------	------------	---	------------------

**Possible responses might include the following:**

- safe for customers/Health & Safety
- as described, fit for purpose etc.

Level	Descriptor	Marks	Assessment Objective
2	Describes how it protects customers at the Riding stable.	2	AO2
1	Identifies possible way that customers are protected by the law.	1	AO1
0	No valid response.	0	

<b>2</b>	<b>(b)</b>	<i>Describe <b>two</b> suitable methods of advertising for a new riding instructor.</i>	<b>[4 marks]</b>
----------	------------	---	------------------

**Possible responses might include the following:**

- specialist publications – eg horse related, would be accurately targeted
- local publications/notices – would be relatively cheap for a small business.
- online – would be cheap and would get wide coverage, could also identify as specialist
- word of mouth – eg via customers or existing employees.

Level	Descriptor	Marks	Assessment Objective
2	Explains suitability of methods for new employee at Riding 4 All.	2	AO2
1	Identifies possible advertising method.	1	AO1
0	No valid response.	0	

**Apply Twice**

**L2 Answer:** They should advertise using the local newspaper (L1) as it is the sort of job that only local people would be interested in (L2) and it is cheap which is all they can afford (L2).

**2 (c)** Explain what factors will help the owner decide how much the new instructor should be paid. **[6 marks]**

**Possible responses could include the following:**

- minimum wage
- levels of skill
- experience
- availability of suitable workers/competition wage rates
- demand for similar employees
- profitability of the new business
- other instructors pay.

Level	Descriptor	Marks	Assessment Objective
3	Explains factor(s) in the context of Riding 4 All.	6–5	AO2
2	Either explains factor or identifies factor in context.	4–3	
1	Identifies possible factors.	2–1	AO1
0	No valid response.	0	

**L3 Response:** The new instructors pay would depend on their experience and how much the owner can afford to pay (L1=2). As his business is improving he can afford to pay them a good wage (L3) and might be able to get someone with good skills like Rita who might need good pay (L3).

**2 (d)** *Riding 4 All* wants to attract new customers. Rita has suggested that the most important part of a successful marketing mix for *Riding 4 All* is price. Do you agree with Rita? Give reasons to support your answer. **[9 marks]**

**Responses could include the following:**

**Arguments for price:**

- price must be affordable if targeting less wealthy children
- can increase revenue if customers are loyal and price is increased
- easy for customers to compare.

**Arguments against price:**

- need to have promotion or potential new customers unaware of product
- product must continue to be good or customers will not return
- special offers are important to get new customers
- inner city children need to be able to access stables.



**Evaluation**

- weighs up arguments as to which is more important in the context
- if product is not good then will not return but n/a new customers?
- if no promotion then no new customers
- price has to be affordable – is there any competition (direct or indirect?)
- some mixture might be best because...

Level	Descriptor	Marks	Assessment Objective
3	Analyses possible marketing mix features in context.	4–3	AO3
2	Describes possible marketing mix features in context.	2	AO2
1	Identifies features of marketing mix.	1	AO1
0	No valid response.	0	

In addition and separately award marks for evaluation using the grid below

**Notes:** AO3 also assesses candidates' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Judgement is being made on whether price is the most important part of the marketing mix.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement plus developed justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	

3

**3 (a)** *Explain how Community News can measure whether it is successful.* **[4 marks]**

**Possible responses could include the following:**

- sales/circulation
- surplus income/profit/readers
- are the community valuing it/reputation
- does it meet the local need
- donations made to charities
- provides local employment.

Only allow market research if related to customer feedback.

Level	Descriptor	Marks	Assessment Objective
2	Explains how measure could show success of newspaper.	4–3	AO2
1	Identifies possible measure(s).	2–1	AO1
0	No valid response.	0	

**L2 Answer:** Whether the newspaper makes a surplus (L1) because would mean that it could donate the money to local charities (L2) and could afford to buy new technology (L2).

**3 (b)** *Explain how spending money on new printing technology might increase the efficiency of Community News.* **[5 marks]**

**Possible L2 responses could include the following:**

- currently poor quality might be improved
- may reduce costs as currently making a loss, eg reduce number of workers
- output may increase as new technology is faster, can work for longer hours, will not need breaks.

Level	Descriptor	Marks	Assessment Objective
2	Explain how efficiency might be increased in context of Community News.	5–3	AO2
1	Identifies/describes possible points.	2–1	AO1

0	No valid response.	0	
---	--------------------	---	--

**L2 Response:** The new technology might help the paper reduce costs so that it makes a profit (L2) and could also improve the quality which might increase sales (L2).

<b>3</b>	<b>(c)</b>	<i>Recommend whether or not the newspaper should increase the price to 60p. Give reasons for your recommendation.</i>	<b>[9 marks]</b>
----------	------------	---	------------------

**Possible might include the following:**

**Arguments for:**

- will get more money from newspaper sales (L2) but only if they stay the same or only drop a little/by less than 20%/remain 5000+ (L3)
- customers are loyal (L2) because it is a community venture they will pay the extra 10p because surplus goes to local charities (L3)
- If sales remain the same, then they will make an extra £600 (L2) and the profit will be £300 (L3).

**Arguments against:**

- newspaper sales will fall (L2) and if the fall is more than the increase (%) then revenue will decrease
- social enterprise means that all locals should be able to afford the paper (L2) and an increase in price if 20% is a lot (L3)
- if sales are less than 5000 then income goes down
- workers will lose jobs (L2) a social enterprise should be protecting local workers (L3).

**Analysis/Evaluation**

- already losing £300pw – have to do something
- new technology might solve the problem from the cost side
- will depend on the response of sales to the change, ie how loyal the really customers are.

Level	Descriptor	Marks	Assessment Objective
3	Analyses arguments for and/or against the increased price in context.	4–3	AO3
2	Describes argument for and/or against the increased price in context.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

**See next page for Evaluation**

In addition and separately award marks for evaluation using the grid below

**Notes:** AO3 also assesses candidates' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Judgement is being made on whether the newspaper should increase the price.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement plus developed justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	