



General Certificate of Secondary Education

Business Studies 3133

Full and Short course

Specification B

Paper 1 Foundation Tier

Mark Scheme

2008 examination - June series

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1

Total for this question: 4 marks

Explain **two** possible benefits to Vanessa of being a sole trader.

(4 marks)

Possible points include:

- keep all the profits;
- make own decisions/no arguments;
- more fulfilling.

Examples from data:

- wants to run her own business;
- she has the equipment;
- it will be operating from her home.

Level 1 Statement of Knowledge

Theoretical statement(s) with explanation.

(4 - 1 marks)

Two benefits explained.

(4 marks)

One benefit explained.

(3 marks)

Two benefits listed.

(2 marks)

One benefit listed.

(1 mark)

2

Total for this question: 4 marks

Explain **two** possible objectives that Vanessa might choose.

(4 marks)

Possible points include:

- make more profit/sales;
- find more suitable premises;
- improve/get better equipment;
- continue to survive;
- get more employees.

Level 1 Statement of Knowledge

Theoretical statement(s) with explanation.

(4 - 1 marks)

Two objectives explained.

(4 marks)

One objective explained.

(3 marks)

Two objectives listed.

(2 marks)

One objective listed.

(1 mark)

3**Total for this question: 6 marks**

Vanessa considered expanding and moving *Candles-4-all* into the local business park. She believed that the local community would welcome this expansion and the external benefits that it would bring.

Explain what is meant by 'external benefits'. Use the possible expansion of *Candles-4-all* in your answer. (6 marks)

External benefits:

- positive effects on other business;
- creation of jobs/income;
- improvements in standards of living;
- improvements in facilities and amenities;
- economic and social regeneration.

The reality is that such as a small scale business will have little external impact (such comments justified should be rewarded at Level 2). Level 2 answers will however, apply the principle to the scenario.

Examples related to the scenario could include:

- expansion means she is employing new workers;
- knock on effect on local businesses including suppliers.

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made explaining the term using examples from the data. (6 - 5 marks)

One benefit explained well and applied to the expansion *or* two benefits simply explained and applied to the expansion. (6 marks)

One benefit simply explained in context and applied to the expansion. (5 marks)

Level 1 Statement of Knowledge

Theoretical statement(s) only with no attempt to apply scenario. (4 - 1 marks)

External Benefits fully explained, two examples given but with no application. (4 marks)

External Benefits fully explained, one example given but with no application. (3 marks)

External Benefits fully explained but no example given. (2 marks)

External Benefits stated. (1 mark)

4

Total for this question: 6 marks

Vanessa was aware that there were risks involved in running her own business and moving to a new site.

Explain **one** possible risk to and **one** possible reward for Vanessa of moving her business to the business park. *(6 marks)*

Risk

Possible answers include:

- extra costs;
- inconvenient for staff/customers;
- potential competitors.

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made explaining the risk using examples from the data. *(3 - 2 marks)*

Risk described well and clearly explained as to how it applies to Vanessa's move to the new site. *(3 marks)*

Risk described and an attempt made to explain how it applies to Vanessa's move to the new site. *(2 marks)*

Level 1 Statement of Knowledge

Theoretical statement with no attempt to apply to scenario. *(1 mark)*

Risk identified. *(1 mark)*

Reward

Possible answers include:

- lower running costs;
- more efficient/productive;
- more convenient;
- separates home/work.

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made explaining the risk using examples from the data. *(3 - 2 marks)*

Reward described well and clearly explained as to how it applies to Vanessa's move to the new site. *(3 marks)*

Reward described and an attempt made to explain how it applies to Vanessa's move to the new site. *(2 marks)*

Level 1 Statement of Knowledge

Theoretical statement with no attempt to apply to scenario. *(1 mark)*

Reward identified. *(1 mark)*

5

Total for this question: 6 marks

Before making a decision on selling in Europe, Vanessa has decided to undertake some desk research.

Describe **two** suitable methods of desk research that she could use. *(6 marks)*

Methods that could be used would include:

- using the internet to find details about competitors, population, local area;
- using the library to find details about competitors, population, local area;
- general industry data, published information, trends, statistics.

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made explaining desk research methods that are clearly applied to the scenario. **(6 - 5 marks)**

Two examples of desk research clearly explained and applied to the data. *(6 marks)*

One example of desk research clearly explained and applied to the data. *(5 marks)*

Level 1 Statement of Knowledge

Theoretical statement(s) only with no attempt to apply to scenario. **(4 - 1 marks)**

Two methods of desk research clearly explained but not applied. *(4 marks)*

One method of desk research clearly explained but not applied. *(3 marks)*

Two methods of desk research identified.

OR

Two valid types of data identified. *(2 marks)*

One example of desk research identified.

OR

One valid type of data identified. *(1 mark)*

6**Total for this question: 12 marks**

In order to promote her floating and scented candles to the UK market, Vanessa is considering:

- setting up a web-site
- advertising in suitable newspapers or magazines.

Compare the **advantages** and **disadvantages** of each of these methods of promotion.

Recommend to Vanessa which method would be better for *Candles-4-all*. (12 marks)

Points could include:

Web-site:

- relatively cheap to set up and to run;
- could access a very wide range of customers;
- would allow e-sales;
- not all customers might search using the internet.

Newspaper advertising:

- national papers too expensive, local would restrict cover;
- would allow development of targeted 'local' areas;
- high percentage of readers.

Level 4 Evaluation

The candidate has made a reasoned and supported recommendation based on preceding analysis considering and comparing both advertising methods in the context given.

(4 - 1 marks)

Logical judgement is made based on clear evidence of weighing up the two methods. (4 marks)

Logical judgement is made based on some evidence of weighing up the two methods. (3 marks)

Simple reasoned judgement is made based on previous analysis of the two methods. (2 marks)

Simple reasoned judgement is made based on previous analysis. (1 mark)

Level 3 Selection/Organisation/Analysis/Interpretation

Candidate has used evidence from the data to support valid theoretical arguments for and/or against either or both of the methods. (8 - 5 marks)

Clear comparison of one advantage and one disadvantage for both methods. (8 marks)

Clear comparison of one advantage and one disadvantage for one method. (7 marks)

Simple comparison of one advantage and one disadvantage for both methods. (6 marks)

Simple comparison of one advantage and one disadvantage for one method. (5 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made explaining the methods using examples from the data. (4 - 3 marks)

Explanation of one advantage or disadvantage for both methods. (4 marks)

Explanation of one advantage or disadvantage for one method. (3 marks)

Level 1 Statement of Knowledge

Theoretical statement(s) only with no attempt to apply scenario. (2 - 1 marks)

Two advantages or disadvantages identified. (2 marks)

One advantage or disadvantage identified. (1 mark)

Marks should be awarded as evaluation + analysis/application/knowledge, eg 2 + 4.

7**Total for this question: 12 marks**

If Vanessa decides to launch her new range of floating and scented candles she will have to consider who her new customers are likely to be.

She could either aim her products at the market as a whole or she could choose to target certain market segments.

Compare the advantages and disadvantages of targeting different market segments and advise Vanessa whether or not she should target different market segments or the market as a whole. *(12 marks)*

- market segmentation is dividing up the market into different types or groups of customers;
- allows different group/groups of customers to be the targeted;
- new range of candles is more expensive so could use wealth or socio-economic groupings;
- may however miss potential customers by targeting candles at particular group(s);
- could she cope with the increased demand if the whole market was targeted and would she lose existing customers?

Level 4 Evaluation

The candidate has evaluated arguments for and against the use of segmentation in the context given and a reasoned recommendation/advice is provided. (4 - 1 marks)

Detailed and well supported recommendation/advice of both methods. *(4 marks)*

Logical judgement is made based on clear evidence of weighing up the advantages and disadvantages of the two methods. *(3 marks)*

Simple reasoned judgement is made based on clear comparison of the two methods. *(2 marks)*

Simple recommendation/advice based on preceding analysis. *(1 mark)*

Level 3 Selection/Organisation/Analysis/Interpretation

Candidate has used evidence from the data to support valid theoretical arguments for or against use of segmentation. (8 - 5 marks)

Well explained comparison with arguments for and against both options.

OR

Well explained comparison of two advantages and two disadvantages of segmentation. *(8 marks)*

Clear comparison of one advantage and one disadvantage for either option.

OR

Simple comparison of one advantage and one disadvantage of both options. *(7 marks)*

Simple comparison of one advantage and one disadvantage for either option. *(6 marks)*

Comparison for and against segmentation but lacks detail. *(5 marks)*

NB Comparison can be within or between the options.

Level 2 Application of Knowledge and Understanding

Business Studies knowledge is used and applied to the case study. Relevant points are made explaining segmentation using examples from the data. (4 - 3 marks)

Two advantages/disadvantages identified and explained. *(4 marks)*

One advantage/disadvantage identified and explained. *(3 marks)*

Level 1 Statement of Knowledge

Theoretical statement(s) only with no attempt to apply to scenario. (2 - 1 marks)

Two advantages/disadvantages identified. *(2 marks)*

One advantage or disadvantage identified. *(1 mark)*

Marks should be awarded as evaluation + analysis/application/knowledge, eg 2 + 4.

8

Total for this question: 16 marks

Calculate the following ratios for Vanessa's business. You should show all your working.

(a) Net Profit to Sales Ratio (4 marks)

For the correct answer 8% award full marks, allow correct ratios with simplification, eg 1:12.5; 96:1200. (4 marks)

With no % or expressed as £8, award based on correct working. (3 marks)

Otherwise buildup as follows:

$$\frac{\text{£9 600}}{\text{£120 000}} \begin{matrix} (1) \\ (1) \\ (1) \end{matrix} \times \frac{100}{1} \text{ or } \% \begin{matrix} (1) \\ (1) \end{matrix} \text{ or } 9\,600 \begin{matrix} (1) \\ (1) \end{matrix} : (1) \quad 120\,000 \begin{matrix} (1) \\ (1) \end{matrix}$$

Stating the formula:

$$\frac{\text{Net profit}}{\text{Sales revenue}} \times 100 \text{ or as a \%} \quad (1 \text{ mark})$$

(b) Acid Test Ratio (4 marks)

For the correct answer expressed as either 0.75 or 0.75:1. (4 marks)

Otherwise build up as follows:

$$\frac{15}{20} \begin{matrix} (1) \\ (1) \\ (1) \end{matrix} \text{ or } 15 : 20 \begin{matrix} (1) \\ (1) \\ (1) \end{matrix}$$

Some correct simplification,

eg $\frac{3}{4}$ can earn 4 marks

Stating the formula:

$$\frac{\text{Current Assets less Stock}}{\text{Liabilities}} \quad (1 \text{ mark})$$

- | | |
|---|-------------------------|
| <p>(c) Comment on the figures shown in the accounts.
Discuss whether or not Vanessa should be pleased with the results.
Give reasons for your answer.</p> | <p><i>(8 marks)</i></p> |
|---|-------------------------|

Vanessa is making a small net profit, but a reasonable percentage particularly if her wage is included in the expenses.

Liquidity is on the low side.

ROCE is 19.2% which is good but reflects that the capital employed is low.

Difficult to compare as no similar business figures are provided or any previous year's data.

Level 4 Evaluation

The candidate has made a reasoned and supported judgement based on data considering and comparing arguments both for and against in the context given.

(4 - 1 marks)

Clear judgement using two ratios. *(4 marks)*

Simple judgement using two ratios. *(3 marks)*

Simple judgement using one ratio. *(2 marks)*

Simple judgement using the data. *(1 mark)*

Level 3 Selection/Organisation/Analysis/Interpretation

Candidate has used evidence from the data to support and compare arguments for and/or against being pleased with the results.

(4 - 3 marks)

Analysis of data using ratio(s). *(4 marks)*

Analysis of data using the figures given. *(3 marks)*

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made explaining the methods using examples from the data.

(2 - 1 marks)

Two or more simple comments based on the data. *(2 marks)*

Simple comment based on the data. *(1 mark)*

Marks should be awarded as evaluation + analysis/application/knowledge, eg 2 + 4.

9**Total for this question: 12 marks**

In order to produce the floating and scented candles, Vanessa needs to buy additional equipment. This will cost £10 000.

She is considering two options for financing the purchase:

- a bank loan
- using the profits she has saved up over a number of years.

Discuss the advantages and disadvantages of each option and advise Vanessa which is the better method of financing the equipment that she needs. *(12 marks)*

Bank Loan

Advantages could include:

- quick;
- no loss of control;
- allows her to keep profits for herself, working capital or other uses;
- known cost and repayment terms.

Disadvantages could include:

- has to be paid;
- interest costs;
- default could lead to bankruptcy;
- collateral requirements.

Retained Profits

Advantages could include:

- own decision;
- no cost/interest;
- less risky.

Disadvantages could include:

- may not have enough (£9 600 net profit in most recent year);
- could need profit for other uses: drawings, contingency.

10**Total for this question: 12 marks**

As her method of quality control Vanessa currently checks each batch of products on completion.

Discuss whether this is the best method of maintaining her good reputation for quality.

(12 marks)

Points could include:

Quality control means:

- lots of rejects;
- costs involved in waste/rectifying;
- loss of pride/motivation;
- substandard work knowing that faults will be corrected.

TQM means:

- getting it right first time;
- empowering the work force;
- reducing waste;
- based on customer requirements;
- involves aspects such as suppliers, training, motivation;
- may involve continuous improvement and/or Quality circles.

Level 4 Evaluation

The candidate has made a reasoned and supported judgement based on proceeding analysis as to how other methods might be better than Quality Control. (4 - 1 marks)

Good judgement, exemplified with clear and explained supporting reasons. *(4 marks)*

Simple judgement, exemplified with clear and explained supporting reasons. *(3 marks)*

Good judgment with limited support. *(2 marks)*

Simple judgment with limited support. *(1 mark)*

Level 3 Selection/Organisation/Analysis/Interpretation

Candidate has used evidence from the data to support valid theoretical arguments for and/or against the use of Quality Control or alternatives. (8 - 5 marks)

Good analysis of how two or more methods will maintain the reputation of the business. *(8 marks)*

Simple analysis of how two or more methods could be used. *(7 marks)*

Clear analysis of how one method will maintain the reputation of the business. *(6 marks)*

Simple analysis of how one method would be used. *(5 marks)*

Level 2 Application of Knowledge and Understanding

Business Studies knowledge is used and applied to the case study. Relevant points are made explaining sources of finance that are clearly related to the scenario. (4 - 3 marks)

Two suitable methods explained. *(4 marks)*

One suitable method explained. *(3 marks)*

Level 1 Statement of Knowledge

Theoretical statement(s) only with no attempt to apply to scenario. (2 - 1 marks)

Identifies two methods of maintaining good reputation. *(2 marks)*

Identifies one method of maintaining good reputation. *(1 mark)*

Marks should be awarded as evaluation + analysis/application/knowledge, eg 2 + 4.

Quality of Written Communication

Information is clearly and logically presented. Candidates spell, punctuate and use the rules of grammar accurately, enabling the meaning to be clearly understood. A wide range of specialist terms is used appropriately. 4 marks

Candidates generally spell, punctuate and use the rules of grammar accurately although there may be some errors. They use a good range of specialist terms and explanations are clear and accurate. 3 marks

Candidates spell, punctuate and use the rules of grammar with reasonable accuracy. The text is generally legible and the meaning can be understood. They use a limited range of specialist terms. 2 marks

Candidates spell, punctuate and use some rules of grammar with reasonable accuracy. Candidates use simple expression of ideas using few or no specialist terms. 1 mark

Candidates have not reached the required standard. 0 marks