



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme

June 2003

GCSE

Business B

3133 (Full course): 3139 (Short course)

Paper 1F

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PAPER 1**Foundation Tier****3133/9/1F****Broad Principles:**

- Most questions have a levels mark scheme, some have up to four levels, some up to three and some up to two.
- In all levels mark schemes, examiners must start at the top level and use the level descriptor to see if the candidate response matches that descriptor. If the response does not match the descriptor, examiners should move down to the next level until the appropriate descriptor is matched by the candidate response.
- Once the correct level has been identified, examiners will also have to decide which mark to award within that level. This will be done by using the level descriptor, any further guidance and where applicable the exemplar responses. At its simplest, this will require the examiner to decide if the candidate is operating at the top, middle or bottom of a level that has three marks available to be awarded.
- Examiners should take great care, when using the range of marks for each level, to award the right number of marks for each response.
- For most questions a list of possible points is included in the mark scheme. This is not intended to be a comprehensive list. Nor is the wording deemed to be the only acceptable form for which marks may be awarded. Examiners will need to use their judgement as to whether a point made by the candidate is relevant to the question. Team leaders may be used for advice where examiners are unable to make such a decision.

1.

Total for question: (9 marks)

Explain the most likely reasons for Jo deciding to start her own business.

(9 marks)

Possible points include:

From the data:-

- She has the necessary skills
- She has the necessary experience
- She spotted a gap in the market
- She had spent 15 years working for someone else
- She knew from research there was a market for her ties
- She had the finance necessary - £15,000 savings, an agreed loan

Not from the data:

- She wanted to be her own boss and make all the decisions
- She thought she could earn a good profit
- The challenge of running your own business

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to address the situation of Jo. Data is correctly interpreted and analysed.
(9-7 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Jo's situation = (9 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Jo's situation = (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made suggesting why Jo chose to set up her business but they are not points or information taken from the case study.
(6-4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Jo's situation = (6 marks)

Some use and application of relevant business knowledge and understanding within the context of Jo's situation = (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Listed points may be given and are not in the context of Jo's business.
(3-1 marks)

Three separate undeveloped reasons are given without any link to Jo's situation = (3 marks)

One reason given with no link to Jo's situation = (1 mark)

Note: Mention of Jo's name is not sufficient to put an answer into context

2.

Total for question: (9 marks)

Describe the most useful market research Jo would have needed to carry out. (9 marks)

Possible types of market research information required include:

- Research into potential manufacturing competitors and their marketing techniques
- Research into potential outlets for Jo including the state of possible competitors
- Research into the range of ties already available in the market, their features, prices etc
- Research into the tastes of consumers and including suitable prices and consumer shopping habits

Sources of this data might include:

Primary Data

- Surveys using questionnaires with potential customers
- Interviews with potential customers
- Observations of suppliers of ties

Secondary data

- Trends in consumer clothing buying habits from past general surveys
- Use of annual company accounts and reports to glean plans etc from plcs
- Internet sources

NB *Candidates may be rewarded for responding in terms of either types of information and/or data sources.*

NB *The candidate may achieve maximum marks by describing just one type of MR.*

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to select market research which is useful for Jo's situation. The analysis is clearly related to ties. (9-7 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Jo's situation = (9 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Jo's situation = (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant suggestions of suitable market research for Jo are made. At this level there is not a clear linkage to ties. (6-4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Jo's situation = (6 marks)

Some use and application of relevant business knowledge and understanding within the context of Jo's situation = (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Listed forms of research and the resulting data may be given but are not in the context of Jo's business. (3-1 marks)

Three separate undeveloped forms of research are given without any link to Jo's situation = (3 marks)

One form given with no link to Jo's situation = (1 mark)

Note: Mention of Jo's name is not sufficient to put an answer into context

3.**Total for question: (8 marks)**

Using examples, explain the terms:

- a) *start-up costs;* (4 marks)
- b) *running costs.* (4 marks)

NB *In each part, there are (2) marks for a correct explanation of the term and (2) marks for correct application of examples. The examples need not be specific to Jo’s situation.*

NB *No marks may be given for simply stating examples without any explanation.*

NB *Some candidates may not start by giving an explanation of the term but instead apply examples in a similar way to that shown below. In this case the max is still (4) marks for each part.*

- a) A typical explanation might read as follows: “*Start up costs are paid out to set up the business in the first place. (1) They are paid out once only (1).*”

Application of examples might read as follows: “*Decorating the premises are start up costs (+1) because this will be done before the business starts up operating. (1) This is also the case for any equipment that has to be bought. (+1)*”

- b) A typical explanation might read as follows: “*Running costs are paid out once the business is actually operating. (1) Most running costs will have to be paid out on a regular basis. (1)*

Application of examples might read as follows: “*Wages are a good example of running costs (+1) as they have to be paid on a continual basis. (1) The costs of purchasing new sets of materials (+1) is another example because they will be needed as the original sets get used up. (1)*”

4.

Total for question: (6 marks)

*In Jo's business plan she has identified personal details, a breakdown of costs, a break-even analysis and market research data. Describe **three** other items Jo needed to include in her business plan.*

(6 marks)

Possible items might include:

- Marketing plans – pricing; promotional methods; likely outlets
- Financial data – financial requirements; estimated profit and loss account; cash flow forecast
- Objectives
- Expansion plans
- Production plans - methods of production, machinery needed, plan of workplace

NB *The chosen items might be either broad and/or narrow as shown in the list above. All three items could be related to one broad item.*

NB *Title page, name of business, contents page are not rewardable.*

NB *Mark at (1) per item with up to (+1) mark for a simple description of that item. Three items described will reach the max of (6) whereas three items not described will only reach a max of (3).*

NB *As this is a new business, Jo would not include a balance sheet.*

5.

Total for question: (8 marks)

Jo estimated her fixed costs for the first six months of operation to be £15 000. The variable costs per tie averaged £2, and Jo set a selling price to the agency of £5 per tie. Showing your working, calculate Jo’s break-even for her first six months in operation. (8 marks)

For the correct answer of 5000 ties award (8) marks

Otherwise build up as follows:

(1) (1) (1) (1)
 $£5 - £2 = £3$

(1) £15000 = 5000 (1)
 (1) -----
 (1) £3

NB *Still award marks if candidates include the £ sign with 5000*

NB *No idea = (0) marks*

NB *No marks for stating the formula*

NB *No own figure rule in the same question*

NB *If the candidate says profit or contribution per tie is £3 go straight in at (4) marks*

NB *A candidate may get a figure of 5000 somewhere in the answer but may not necessarily gain full marks if it is not clear that this is the final answer. Candidates may continue to calculate beyond this figure which may suggest that they have no idea and therefore gain (0) marks.*

Examples:

Candidate A

(1) (1) (1) (1)
 $£5 - £2 = £3$ (1) 3
 (0) ----- = 0.0002 (0)
 (1) 15000

Therefore (6) marks in total.

Candidate B

(1) (1) (1) (1)
 $£5 - £2 = £3$ (1) 15000
 (1) ----- = 3000 (0)
 (0) £5

Therefore (6) marks in total

Candidate C

$$\begin{array}{r} (1) \quad (1) \quad (1) \quad (0) \\ \pounds 5 \quad - \quad \pounds 2 \quad = \quad \pounds 4 \end{array}$$

$$\begin{array}{r} (1) \quad 15000 \\ (1) \quad \text{-----} \quad = \quad 3750 \quad (0) \\ (0) \quad \pounds 4 \end{array}$$

Therefore (5) marks in total

Candidate D

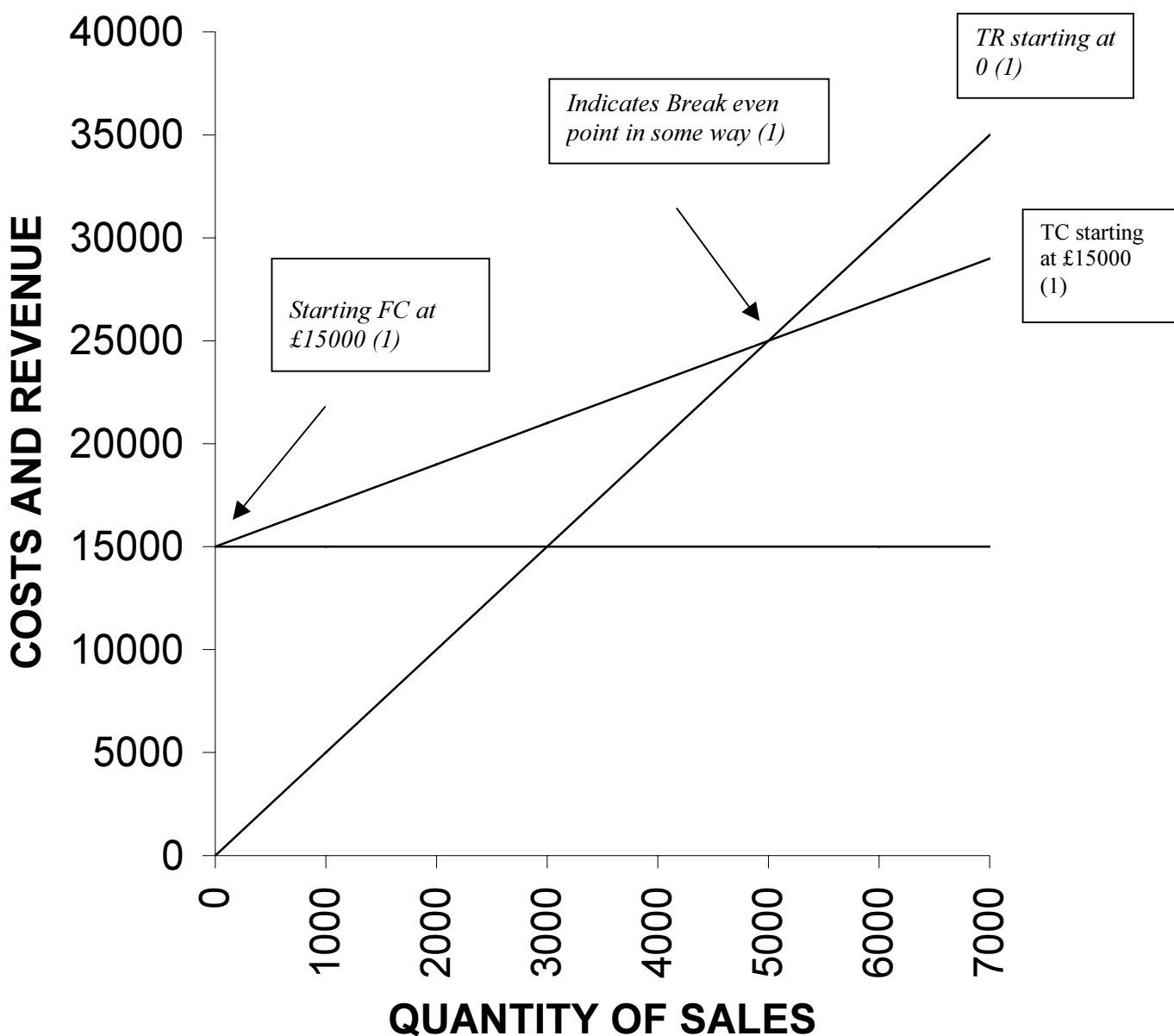
If the candidate jumps to the second part of the formula but uses the unit price instead of the contribution figure award (2) marks in total

$$\begin{array}{r} (1) \quad 15000 \\ (1) \quad \text{-----} \quad = \quad 3000 \quad (0) \\ (0) \quad \pounds 5 \end{array}$$

NB *If a break-even graph has been used follow the marking scheme shown on the graph on the next page.*

BREAK EVEN FOR JO CLARKE

Naming costs or Revenue (1)



Correct BE of 5000 (2)

Naming sales (1)

(8 marks)

6.

Total for question: (12 marks)

Compare the risks Jo was taking by setting up as a sole proprietor with the advantages. Explain whether you think Jo made the right decision. (12 marks)

Possible risks might include:

- Unlimited liability
- Lack of capital
- Limited market
- Too much pressure doing all the jobs
- Too much workload
- Difficulty to take time off

Possible advantages might include:

- Quick decision making
- All the profits go to Jo
- Small market will suit a small business
- Low overheads at least to start with
- Easy to set up
- No one to fall out with
- Job satisfaction/motivation

NB *Any conclusions do not have to be at the end of the candidate's answer.
Be prepared to reward reasoned judgements made within the body of the response.*

NB *The context for this question is Jo as a Sole Proprietor.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Judgements about the decision made must be based on and justified by a thorough comparison and weighing up of the risks and advantages to Jo from operating as a sole proprietor.

(12-9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the pros and cons for Jo = (12 marks)

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to Jo's situation = (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to show why Jo choosing to be a sole proprietor might cause her both advantages and risks. Data is correctly interpreted and the analysis includes a comparison but the candidate does not explain or justify whether Jo has made the right decision. (8-6 marks)

Clear, good analysis incorporating a comparison based on the selection of appropriate information from the case study and effective application of business concepts to Jo's situation = (8 marks)

Some comparison is included in an analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Jo's situation = (6 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. The relevant risks and advantages of Jo being a sole proprietor are made. Award (5) marks if both sides are described and (4) if only one side given. No comparison is made at this level. (5-4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Jo's situation = (5 marks)

Some use and application of relevant business knowledge and understanding within the context of Jo's situation = (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Listed unexplained risks and/or advantages of any sole proprietor are given. They are not expressed in the context of Jo's situation. (3-1 marks)

Three separate undeveloped points are given with no links to Jo's situation = (3 marks)

One point given with no link to Jo's situation = (1 mark)

7.

Total for question: (12 marks)

Jo broke the production process down into three specialised stages. Explain to what extent you think this would have helped Jo to be more efficient, than before. (12 marks)

Possible points include:

- Workers will be more specialised and therefore more skilled
- Workers only need to be trained in one set of tasks
- More skilled workers is likely to mean higher output and less mistakes
- Higher output is likely to lower costs
- Less time is wasted when one worker changes from one part of the process to the next
- Less equipment will be needed if workers specialise rather than all 3 doing each part of the process
- Quality of finished products might be higher

NB *Any conclusions do not have to be at the end of the candidate's answer.
Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Candidates should be making judgements as to how far efficiency improvements will have resulted from breaking the production process down into three specialised stages. It should be clear at this level that candidates are not just suggesting output is higher simply because Jo is employing 3 workers. If candidates suggest that efficiency might not have improved by a large amount this should be rewarded. Candidates may also suggest that other changes would be needed to raise efficiency. (12-9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the pros and cons for Jo of making such changes in order to improve efficiency = (12 marks)

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to Jo's intention to improve efficiency = (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. Data is correctly interpreted and analysed so that the candidate effectively applies business terms/concepts to show the benefits of specialisation and how this would help Jo to be more efficient; but there is no indication of how effective specialisation will be in raising efficiency. (8-6 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Jo's situation = (8 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Jo's situation = (6 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant benefits of specialisation are described but do not show the link to improvements in efficiency. (5-4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Jo's situation = (5 marks)

Some use and application of relevant business knowledge and understanding within the context of Jo's situation = (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple benefits of specialisation are listed without further description or application to Jo's situation. (3-1 marks)

Three separate undeveloped benefits are given but with no link to Jo's situation = (3 marks)

One benefit given with no link to Jo's situation = (1 mark)

Note: Mention of Jo's name is not sufficient to put an answer into context

8.

Total for question: (12 marks)

Jo is thinking of monitoring quality control by using the following methods:

- *checking the silk for defects;*
- *checking the finished ties;*
- *total quality management (TQM).*

*Discuss the advantages and disadvantages of **each** of these methods and explain which you think would be the most effective.* (12 marks)

Possible advantages and disadvantages for each are shown in the table below:

Quality measure	Advantages	Disadvantages
Checking the silk	<ul style="list-style-type: none"> • Prevents finding a fault half way through the process • Faulty rolls may be sent back to the supplier 	<ul style="list-style-type: none"> • Takes time and wage costs to unroll all the silk • Does not stop quality problems if used on own
Checking finished ties	<ul style="list-style-type: none"> • Makes sure ties are not sent out faulty • Helps to maintain reputation with customers 	<ul style="list-style-type: none"> • Too late to eliminate faults • Ties with faults will be a waste of money
TQM	<ul style="list-style-type: none"> • All workers are involved in trying to achieve quality • Quality tends to be built into the products and this is important for Jo's market 	<ul style="list-style-type: none"> • May be costly to train everybody in TQM • Is it really necessary in such a small workplace? • Will some faults be missed as some workers may not check thoroughly?

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Candidates should be making a justified decision as to which quality control method is likely to be the most effective for Jo based on a correct discussion of all three methods (12-9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the pros and cons of each method for Jo = (12 marks)

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to Jo's situation = (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. Data is correctly interpreted and analysed so that the candidate effectively applies business terms/concepts to discuss and compare the pros and cons of at least two methods for Jo's situation. Either no judgement has been made as to which method will be the most effective or the judgement is based on insufficient discussion or incorrect interpretation. (8-6 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Jo's situation = (8 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Jo's situation = (6 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. The basic pros and/or cons of at least two of the quality control methods in the question are simply described in the context of the case study. No comparison is made at this level. (5-4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Jo's situation = (5 marks)

Some use and application of relevant business knowledge and understanding within the context of Jo's situation = (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple pros and cons of quality control methods are listed without further description or application to Jo's situation. (3-1 marks)

Three separate undeveloped points are given without any link to Jo's situation = (3 marks)

One point given with no link to Jo's situation = (1 mark)

Note: Mention of Jo's name is not sufficient to put an answer into context

9.

Total for question: (12 marks)

Jo is considering trying to finance her planned expansion by:

- *taking out a bank loan;*
- *using retained profit;*
- *bringing in capital from someone else by forming either a partnership or a private limited company.*

Discuss the advantages and disadvantages of each method of finance for the planned expansion, and advise Jo on her best course of action. (12 marks)

Some of the possible advantages and disadvantages of each method are shown in the table below:

Method	Advantages	Disadvantages
Taking out a bank loan	<ul style="list-style-type: none"> • retain ownership • extra capital • repayments can be spread over long time 	<ul style="list-style-type: none"> • loan has to be repaid • interest may be a large cost • riskier
Using retained profit	<ul style="list-style-type: none"> • no interest • retain ownership • does not have to repaid 	<ul style="list-style-type: none"> • limited to size of profits made • not available as reward for owner
Changing ownership	<ul style="list-style-type: none"> • can bring in lot of extra capital • brings in new ideas and expertise • can allow sharing of workload • limited liability if company formed 	<ul style="list-style-type: none"> • ownership now shared • decisions may be slowed down • have to share profits • no guarantee that profits will rise

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

NB *When reading the level descriptors below, forming a partnership and setting up a private limited company may count as two methods*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the three methods using business studies knowledge and terminology correctly. Candidates should be making judgements as to which course of action is likely to be best for Jo. This decision needs to be based on a correct discussion of three methods given in the question with the candidate weighing up the pros and cons in order to reach a justified decision. (12-9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the pros and cons of each method for Jo = (12 marks)

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to Jo's situation = (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

The candidate effectively applies business terms/concepts to discuss and compare at least one advantage and one disadvantage of at least two of the methods given in the question. Either no judgement has been made as to the best course of action or the judgement is based on insufficient discussion or incorrect interpretation. (8-6 marks)

Clear, good analysis based on the selection of appropriate information and effective application of business concepts to Jo's situation = (8 marks)

Some analysis based on the selection of some appropriate information and including reasonably effective application of business concepts to Jo's situation = (6 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied. The basic pros and/or cons of at least two of the finance methods given in the question are simply described. No comparison is made at this level. (5-4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Jo's situation = (5 marks)

Some use and application of relevant business knowledge and understanding within the context of Jo's situation = (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple pros and cons of the finance methods are listed without further description and without application to Jo's situation. (3-1 marks)

Three separate undeveloped points are given with no links to Jo's situation = (3 marks)

One point given with no link to Jo's situation = (1 mark)

Note: Mention of Jo's name is not sufficient to put an answer into context

10.

Total for question: (12 marks)

Jo has heard that interest rates might go up over the next few months. Explain if you think Jo should be concerned about this. (12 marks)

Possible points include:

- rising interest rates will cause interest payments on any overdraft to rise
- this will push up Jo's costs and might lower profits
- the rising interest rates might affect her loan if she has not agreed a fixed rate
- this might make Jo's expansion less profitable and more risky
- higher interest rates for the public might affect their disposable income
- any fall in disposable income might cause demand to fall
- Jo might not be affected as much as other businesses

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Candidates should be making judgements as to what extent Jo might be affected and justifying these judgements. (12-9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the relative importance of interest rate changes for Jo's business. = (12 marks)

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to Jo's situation = (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. Data is correctly interpreted and analysed so that the candidate effectively applies business terms/concepts to discuss and compare the possible effects on Jo of the likely rise in interest rates. The discussion lacks justification of any judgements as to whether Jo should be concerned. (8-6 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Jo's situation = (8 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Jo's situation = (6 marks)

Marking Criteria for Quality of Written Communication

High performance	Candidates spell, punctuate and use the rules of grammar with almost faultless accuracy, deploying a range of grammatical constructions. They use a wide range of specialist terms adeptly and with precision.	5 - 4 marks
Intermediate performance	Candidates spell, punctuate and use the rules of grammar with considerable accuracy. They use a good range of specialist terms with facility.	3 - 2 marks
Threshold performance	Candidates spell, punctuate and use the rules of grammar with reasonable accuracy. They use a limited range of specialist terms appropriately.	1 mark
Below threshold performance	Candidates do not meet the threshold performance criteria	0 marks