



## **General Certificate of Secondary Education**

# **Business Studies 3133**

## **Full and Short course**

### *Specification B*

### **Paper 1 Higher Tier**

# **Mark Scheme**

*2008 examination - June series*

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**1****Total for this question: 4 marks**

Explain <b>two</b> possible disadvantages to Vanessa of being a sole trader. <span style="float: right;"><i>(4 marks)</i></span>
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Possible points include:

- no continuity;
- unlimited liability;
- no one to share with (hours, holidays).

Example from data:

- her limited skills and experience;
- she has to operate from her home;
- lack of finance from possible expansion.

**Level 1            Statement of Knowledge****Theoretical statement(s) with explanation. **(4 - 1 marks)****Two disadvantages described. *(4 marks)*One disadvantage described. *(3 marks)*Two disadvantages listed. *(2 marks)*One disadvantage 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 benefit(s) stated. (1 mark)

**NB Context and expansion linked to moving to business park.**

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

There are risks and rewards associated with running any business.

Compare the possible risks and rewards of *Candles-4-all* expanding and moving into the business park. Advise Vanessa whether or not she should take this course of action.

(12 marks)

Advantages of taking risks could include:

- gaining more profit;
- personal satisfaction;
- allowing future growth.

In context this will refer to:

- she is only making a small profit, (in spite of being home based);
- she has some experience of entrepreneurial decisions from mini enterprise;
- little to lose.

Disadvantages could include:

- could lose money;
- risks might be unnecessary;
- may damage what is already succeeding.

In context this will refer to:

- sole trader so unlimited liability;
- neither the skills nor experience to take risks through expansion.

#### **Level 4            Evaluation**

**The candidate has made a reasoned and supported judgement/advice based on preceding analysis both for and against the risks of the expansion.            (4 - 1 marks)**

Logical judgment/advice based on the comparison of risk(s) and reward(s).            (4 marks)

Logical judgment/advice based on some comparison of risk(s) and reward(s).            (3 marks)

Basic judgment/advice based on clear considerations of risk(s) and reward(s).            (2 marks)

Basic judgment/advice based on some considerations of risk(s) and reward(s).            (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.

Explain the suitability of desk research in helping Vanessa to make her decision. (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.

Suitability of desk research would include:

- necessary because can't do primary research throughout Europe;
- access to a wide range of information about markets in Europe.

Unsuitability of desk research would include:

- out of date;
- not specific (to her new idea);
- public information.

## **Level 2            Application of Knowledge and Understanding**

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

Good explanation as to why desk research would be suitable or unsuitable in context of expansion into Europe. (6 marks)

Limited explanation as to why desk research would be suitable or unsuitable in context of expansion into Europe. (5 marks)

## **Level 1            Statement of Knowledge**

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

Two features and/or examples of desk research explained. (4 marks)

Two features and/or examples of desk research identified. (3 marks)

One feature and/or example of desk research explained. (2 marks)

One feature and/or example of desk research identified. (1 mark)



**6**

**Total for this question: 12 marks**

Compare **two** possible advertising media that Vanessa could use to promote her new range of floating and scented candles for the UK market. Recommend which would be the more suitable, giving reasons for your recommendation. *(12 marks)*

Candidates could consider broadcast or published media in addition to the internet. Considerations could include cost, accuracy and wastage, links, eg to e-sales (internet).

**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 clear comparison of the two methods. *(2 marks)*

Simple reasoned judgement is made based on some comparison of the two methods. *(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 both methods. *(8 marks)*

Clear comparison of one method. *(7 marks)*

Simple comparison of both methods. *(6 marks)*

Simple comparison of one method. *(5 marks)*

**NB Comparisons can be within or between methods.**



**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 options. *(4 marks)*

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

Simple reasoned judgement is made based on clear comparison of the two options. *(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 form 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. (4 marks)

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

Otherwise build up as follows:

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

Stating the formula:

$$\frac{\text{Net profit}}{\text{Sales revenue}} \times 100 \text{ or as a } \%$$

(1 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:

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

Some correct simplification,

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

Stating the formula:

$$\frac{\text{Current Assets less Stock}}{\text{Liabilities}}$$

(1 mark)

- |                                                                                                                                                                   |                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| <p>(c) Comment on the figures shown in the accounts.<br/>Discuss whether or not Vanessa should be pleased with the results.<br/>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: 6 marks**

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

Explain **one** internal and **one** external source of finance that could be used to purchase the new equipment. *(6 marks)*

Methods that could be used would include:

Internal:

- retained profits;
- reducing stock/debtors.

(note: neither would be sufficient based on last year's accounts)

External:

- taking on a partner;
- bank loan.

## **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 and the amount needed to be raised.** **(6 - 5 marks)**

One internal and one external source clearly explained and related to the data. *(6 marks)*

One internal or one external source clearly explained and related to the data. *(5 marks)*

## **Level 1            Statement of Knowledge**

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

One internal and one external source clearly explained but not applied. *(4 marks)*

One internal or one external source clearly explained but not applied. *(3 marks)*

One internal and one external source identified. *(2 marks)*

One internal or one external source identified. *(1 mark)*

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

Vanessa is concerned that checking each batch of products herself is not the most efficient method of quality control if she decides to further expand *Candles-4-all*.

Recommend whether an approach based on Total Quality Management would improve the future competitiveness of *Candles-4-all*. Justify your answer. (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 workforce;
- 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 recommendation based on proceeding analysis as to how TQM might be better than Quality Control. (4-1 marks)**

Good judgement, exemplified with clear and explained supporting reasons relating TQM to competitiveness. (4 marks)

Simple judgement, exemplified with clear and explained supporting reasons relating TQM to competitiveness. (3 marks)

Good judgment with limited support not related to TQM. (2 marks)

Simple judgment with limited support not related to TQM. (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 TQM. (8 - 5 marks)**

Good two sided analysis of how TQM might improve future competitiveness of the business. (8 marks)

Good one sided analysis of how TQM might improve future competitiveness of the business. (7 marks)

Simple two sided analysis of how TQM might improve future competitiveness of the business. (6 marks)

Simple one sided analysis of how TQM could be used in context. (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)**

Good explanation of Quality Control or TQM related to helping future competitiveness. *(4 marks)*

Simple explanation of Quality Control or TQM related to helping future competitiveness. *(3 marks)*

**Level 1                    Statement of Knowledge**

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

Simple explanation of Quality Control and/or TQM. *(2 marks)*

Some understanding of Quality Control or TQM or competitiveness. *(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