



*Rewarding Learning*

**General Certificate of Secondary Education  
2016**

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## **Business Studies**

Unit 2

Business Development

**[GBS21]**

**FRIDAY 10 JUNE, AFTERNOON**

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**MARK  
SCHEME**

## General Marking Instructions

### Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

### The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

## UNIT 2 MARK SCHEME

- 1 (a)** One advantage of internal recruitment from the following:
- New appointee is familiar with the business/owners know the person
  - Creates promotion opportunities in the business
  - Is motivating for existing staff
  - Is less expensive than external recruitment
  - Is faster than external recruitment
  - Induction training would not be required [2]
- ([1] mark for identification, [1] mark for explanation)
- One disadvantage of internal recruitment from the following:
- Range of applicants is narrow
  - New skills and ideas are not brought into the firm
  - Choices have to be made between members of existing staff
  - Causes a further vacancy in the staffing [2]
- ([1] mark for identification, [1] mark for explanation)  
([2] + [2]) [4]
- (b)** One advantage for employers of a Letter of Application from the following:
- Shows the level of the applicant's written communication skills
  - Shows the applicant's presentation of work and level of preparation
  - Helps with short-listing [2]
- ([1] mark for identification, [1] mark for explanation)
- One disadvantage for employers of a Letter of Application from the following:
- Does not prove how good the applicant would be as a manager
  - May be written by another person
  - May contain false information
  - May not contain exact information required
  - It takes time to read all the letters
  - It does not show oral skills
  - information is not standardised as on a form [2]
- ([1] mark for identification, [1] mark for explanation)  
([2] + [2]) [4]
- (c)** Type of training:
- Off-The-Job Training/external [1]
- One benefit of Off-The-Job Training from the following:
- Training is provided by specialists
  - Manager may exchange ideas with other managers
  - Manager may work with new technology
  - Training is away from the pressures/distractions of the shop [2]
- ([1] mark for identification, [1] mark for expansion)
- One drawback of Off-The-Job Training from the following:
- Is more expensive than On-the-Job Training
  - May not be exactly suitable for a Sports Shop
  - Manager's work has to be covered by colleagues while he/she is training [2]
- ([1] mark for identification, [1] mark for expansion)  
([1] + [2] + [2]) [5]

**(d)** Most suitable method of Financial motivation:

- Commission/bonus [1]

Description of Commission:

- Is an extra financial reward which is paid to sales staff [1] and is calculated as a percentage of the sales which the salesperson makes.
- Bonus – an extra payment made for good work, e.g. meeting sales targets [2]

Most appropriate method of Non-Financial motivation:

- Fringe Benefits [1]

Description of Fringe Benefits:

- Are extra perks given to members of staff [1] For sales staff, the most likely fringe benefits would be luncheon vouchers, discount on goods or free uniforms. [2]

([1] + [2] × 2)

[6]

**(e)** Contract of Employment:

- Must be given to the new employee within eight weeks of the commencement of the job. [1]

Four details which should be included in a Contract from the following:

- Names of employer and employee
- Date of commencement of the job
- Title and description of the job
- Hours of work
- Rates and method of payment
- Details of any pension schemes, commission, bonuses or overtime payment
- Details of holiday entitlement
- Details of sickness, injury and maternity/paternity pay entitlements
- Length of notice required
- Details of grievance and disciplinary procedures
- Length of contract [4]

([1] mark for each identification)

([1] + [4])

[5]

**(f)** Description of Observation:

- Where a person in authority watches the staff in order to see how well they work. [2]

Two advantages of Observation from the following:

- Can take place over a longer period of time (than an interview)
- Test conditions are avoided
- Sales staff are comfortable in their own surroundings
- Employers get a true impression of the employees
- Work is not interrupted [2] × 2

([1] mark for each identification, [1] mark for each explanation)

([2] + 4)

[6]

**Level 1 ([1]–[2])**

Candidate demonstrates little knowledge and understanding of observation as a method of appraisal. Either a full description is given, or an incomplete description is given with an incomplete explanation of one advantage. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

**Level 2 ([3]–[4])**

Candidate demonstrates adequate knowledge and understanding of observation as a method of appraisal. A full description is given, with explanation of one to two advantages. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

**Level 3 ([5]–[6])**

Candidate demonstrates excellent knowledge and understanding of observation as a method of appraisal. A full description is given, with good explanation of two advantages. Candidate displays good accuracy in the use of spelling, punctuation and grammar.

**AVAILABLE  
MARKS**

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2 (a) Explanation of economies of scale:

- Economies of scale is the saving in average cost of production or unit costs, [1] which is achieved by increased levels of production. [2]

One example of how Economies of Scale could occur in A Sporting Chance:

- A Sporting Chance might buy in bulk at lower cost
- Costs such as advertising could be spread over the two shops
- May benefit from better interest rates on loans
- Administration costs may be shared between the shops
- May eliminate competitors
- Easier access to loans [2]

([1] mark for identification, [1] mark for explanation)

([2] + [2])

[4]

(b) Two other analysed benefits of growth from the following:

- Increased profit
- Increased sales
- Shop gains a better reputation
- Possibility of increased capital

([1] mark for each identification, [2] marks for each analysis)

([3] × 2)

[6]

(c) Two positive social/moral implications of growth from the following:

- The business will be able to provide more employment/increased wages
  - Consumers will have a greater variety of sports equipment and sportswear
  - Goods should be cheaper for consumers due to economies of scale
  - Could afford to do charity work/sponsorship
  - Will bring more money into the economy
- [2] × 2

One negative social/moral implication of growth:

- Smaller sports shops in the area may be forced to close
- Traffic congestion
- Service may be less personal [2]

([1] mark for each identification, [1] mark for each explanation)

([4] + [2])

[6]

**Level 1 ([1]–[2])**

Candidate demonstrates little knowledge and understanding of the positive and negative social/moral implications of growth. Either one to two implications are correctly identified, or one is correctly identified with little analysis. Limited accuracy in spelling, punctuation and grammar.

**Level 2 ([3]–[4])**

Candidate demonstrates adequate knowledge and understanding of the positive and negative social/moral implications of growth. Two implications are correctly identified, with adequate analysis of one or both implications. Satisfactory accuracy in spelling, punctuation and grammar.

**Level 3 ([5]–[6])**

Candidate demonstrates excellent knowledge and understanding of the positive and negative social/moral implications of growth. Three implications are correctly identified, with excellent analysis of all three implications. Good accuracy in spelling, punctuation and grammar.

(d) Two other explained reasons why A Sporting Chance should have a Business Plan:

- To ensure proper planning of the business
- To monitor performance
- To keep checks on spending
- To ensure that aims/targets are being met
- To show to investors or shareholders

([1] mark for each identification, [1] mark for each explanation)

([2] × 2)

[4]

(e) Definition of e-commerce:

- E-commerce is the on-line transaction of goods and services. [1]  
It also refers to the transfer of funds through digital communications. [1]

([2] × 1)

[2]

(f) Three analysed advantages of e-commerce for the business from the following:

- Provides opportunities for increased sales on a larger market
- Leads to increased profits
- Allows the business to become better known
- Trade may be conducted at any time – even when the shop is closed
- The business may source its products from a wider range of suppliers
- Payments for goods is made immediately
- Marketing costs are lower
- Fewer sales staff are required
- High street outlets are not needed

([1] mark for each identification, [1] mark for each analysis)

([3] × 2)

[6]

(g) Three analysed disadvantages of e-commerce for the business from the following:

- Competition is increased so have to reduce prices
- A Sporting Chance must invest in the necessary technology and maintain it
- Distribution costs are high for packaging and transport
- Insurance costs are increased
- The movement of heavy goods is expensive
- When trading abroad the business must be aware of cultural, language, legal and currency differences
- Paypal charges commission for its services
- Some potential customers cannot be reached
- Hackers/security issues

**Not** shop may not have enough stock

([1] mark for each identification, [1] mark for each analysis)

([3] × 2)

[6]

AVAILABLE  
MARKS

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3 (a) Cash Flow Forecast for the three months from June to August 2016:

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MARKS

RECEIPTS	JUNE	JULY	AUGUST
	£	£	£
Opening Balance	46 000	53 006	<b>44 562</b>
Sales	<b>28 670</b>	32 956	30 376
Total Receipts	74 670	<b>85 962</b>	74 938
<b>PAYMENTS</b>			
Rates	600	600	600
Advertising	750	1400	0
Insurance	200	200	200
Purchases	<b>16 234</b>	19 550	9375
Telephone	630	0	0
Cleaning	250	250	250
Wages	3000	3000	3000
Shop Fittings	0	16 400	0
Total Payments	21 664	41 400	<b>13 425</b>
Closing Balance	53 006	<b>44 562</b>	61 513

**Calculations:**

Total Sales for June – £28 670 [1]

Total Purchases for June – £16 234 [1]

Total Receipts for July – £85 962 [1]

Closing Balance for July/Opening Balance for August – £44 562 [1]

Total Payments for August – £13 425 [1] [5]

**(b) Comparison of balances:**

It is forecasted that the closing balance after three months' trading will have increased [1] by £15 513 (33.7%) [1]

**Comment:**

This would be an excellent result of trading, [1] especially since additional shop fittings were going to be bought during the period. [1]

([2] + [2]) [4]



- (c) Three analysed consequences of incorrect forecasting from the following:
- It may cause a shortage of working capital – wages or supplies may not be paid
  - It may cause capital to be unused
  - Some of the shop’s assets may have to be sold
  - Purchases may be made at the wrong time – payment may be difficult
  - Trading opportunities may be lost
  - Business may have to close in extreme cases
  - Banks may not lend money
  - Stock levels may be inaccurate
  - Targets may not be met
  - Business may need a loan/overdraft
- ([1] mark for each identification, [1] mark for each analysis)  
([2] × 3) [6]

**Level 1 ([1]–[2])**

Candidate demonstrates little knowledge and understanding of the consequences of incorrect forecasting. One consequence is identified and analysed or two consequences are identified with no analysis. Limited accuracy in spelling, punctuation and grammar.

**Level 2 ([3]–[4])**

Candidate demonstrates limited knowledge and understanding of the consequences of incorrect forecasting. Two to three consequences are identified with no analysis or one to two consequences are identified with little analysis. Satisfactory accuracy in spelling, punctuation and grammar.

**Level 3 ([5]–[6])**

Candidate demonstrates excellent knowledge and understanding of the consequences of incorrect forecasting. Three consequences are identified and fully analysed or two consequences are identified with some analysis. Good accuracy in spelling, punctuation and grammar.

(d)

RATE OF TURNOVER	SHOP	
290 times	Five-a-Day	[1]
1.5 times	Jewels	[1]
5 times	A Sporting Chance	[1]

[3]

- (e) Two ways in which A Sporting Chance might increase its Net Profit from the following:
- It could increase its sales
  - It could reduce its expenses
  - It could purchase from a more competitive supplier/increase gross profit
- ([1] mark for each identification)  
([1] × 2) [2]

(f) Calculation of Net Profit Percentage:

$$\text{Net Profit Percentage} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

$$\text{Net Profit Percentage} = \frac{36\,400}{120\,000} \times 100 \quad [1]$$

$$\text{Net Profit Percentage} = 30.3\% \quad [1]$$

(second mark is deducted if % sign is missing)

[1] × 2

(g) Two signs of success in A Sporting Chance from the following:

- A Sporting Chance is able to employ a sales manager
- A Sporting Chance is planning to expand and buy a second shop
- Their cash flow forecast is healthy. For three months the estimated profit is £15 513
- A Sporting Chance has upgraded its shop fittings
- The Rate of Turnover at 5 times is good for a sports shop
- The Net Profit percentage at 30.3% is very high
- The sales levels are good
- Able to meet all expenses

([1] mark for each identification, [1] mark for each analysis)

([2] × 2) [4]

**Total**

**AVAILABLE  
MARKS**

26

**90**