

GCSE

Edexcel GCSE

Business Studies (1503)

Summer 2005

advancing learning, changing lives

Mark Scheme (Results)

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information please call our Customer Services on 0870 240 9800, or visit our website at www.edexcel.org.uk.

Summer 2005

Publications Code UG016338

All the material in this publication is copyright

© Edexcel Ltd 2005

Contents

| Mark Scheme | Page |
|----------------------|------|
| Paper 1F Mark Scheme | 3 |
| Paper 2H Mark Scheme | 11 |

Edexcel Ltd holds the copyright for this publication. Further copies of the Mark Schemes may be obtained from Edexcel Publications.

**1503 Business Studies
Foundation 1F - 2005**

- 1 (a) For each of the questions write the letter A, B, C or D
- (AO1 - Demonstrate = 5 marks)*
- (i) A
 - (ii) B
 - (iii) A
 - (iv) D
 - (v) B
- 5
- (b) (i) **What is a quality circle?**
(AO1 - Demonstrate = 1)
a group of employees that meets to identify quality problems, thinks of solutions and makes recommendations
- 1
- (ii) **What are debtors?**
(AO1 - Demonstrate = 1)
people who owe the business
- 1
- (iii) **What is a market segment?**
(AO1 - Demonstrate = 1)
part of a market which contains a group of buyers with similar characteristics
- 1
- (iv) **Give an example of primary production?**
(AO1 - Demonstrate = 1)
activities which mine, grow, collect raw materials
- 1
- (v) **What are exports?**
(AO1 Demonstrate = 1)
goods or services sold to a foreign buyer
- 1
- (c) (i) **In 2003 which month had the most complaints?**
(AO1 - Demonstrate = 1)
February
- 1
- (ii) **In 2004 which month had the least number of complaints?**
(AO1 - Demonstrate = 1)
April
- 1
- (iii) **Calculate the total number of complaints in 2004.**
(AO2 - Apply = 1)
28
- 1

- (d) (i) Explain ONE other problem which can occur because of poor communication.
(AO3 - Select/Analyse = 3)
Valid points could include:
can run out of raw materials because order was lost/misplaced
people miss meetings because message was not received 3
- (ii) Staff at Badge Identity Ltd are having training in communication.
(AO3 - Select/Analyse = 2, AO4 - Evaluate = 2)
Valid points could include:
so no mistakes made, misunderstandings occur, manages problems, deals
efficiently with customers, gives positive image, motivates employees 4

20

- 2 (a) (i) Give ONE example of primary (field research) secondary data (...).
(AO1 - Demonstrate = 2)
- Valid points could include:
(field) - observation, survey - questionnaire/interview, consumer panels
(desk) - sales figures, accounts, market research reports, government statistics, media, trade associations, internet 2
- (ii) Identify TWO pieces of information Patrick needs to know about customers and explain why Badge Identity Ltd needs this information.
(AO1 - Demonstrate = 1, AO2 - Apply = 2, AO4 - Evaluate = 3)
- Valid points could include:
what customers like and dislike - can include these features
price willing to pay - know what to charge
where they buy from - where to sell
type of customers who would buy - can target these customers 6
- (iii) Suggest TWO reasons why Patrick uses graphs and charts for his presentation.
(AO2 - Apply = 4, AO4 - Evaluate = 2)
- Valid points could include:
makes complicated data easier to understand - no misunderstandings
important points can be made clear - no confusion
comparisons are easier - can grasp important points 6
- (b) Explain TWO reasons why Badge Identity Ltd advertises its products.
(AO3 - Select/Analyse = 4, AO4 - Evaluate = 2)
- Valid points could include:
increase sales by drawing attention to products
emphasise differences/qualities - persuade customers to buy
win back customers who may have gone elsewhere - more custom
introduce new products - inform 6

20

- 3 (a) (i) **What is meant by batch production?**
(AO1 - Demonstrate = 2)
- Valid points could include:**
same product made at same time - one batch finished before moving on to next 2
- (ii) **Explain why batch production is the best method for Badge Identity Ltd.**
(AO2 - Apply = 2, AO4 - Evaluate = 2)
- Valid points could include:**
can be used for special orders - can switch easily
same machine can be used but can change settings/reset
can make same design in different colours/sizes/logos 4
- (b) (i) **Explain how just-in-time production works.**
(AO1 - Demonstrate = 2)
- Valid points could include:**
system where stock levels kept to a minimum - get parts/raw materials to where they need to just before needed 2
- (ii) **Explain ONE advantage and ONE disadvantage of just-in-time production.**
(AO2 - Apply = 4, AO3 - Select/Analyse = 2)
- Valid points could include:**
(advantages) - no massive stocks - no need for lots of warehousing therefore no money tied up in storage costs
(disadvantages) - stock must be delivered on time must have reliable supplier - otherwise production will stop/be delayed
If only one max 4 6
- (c) **Why is it important for Badge Identity Ltd to have objectives?**
(AO3 - Select/Analyse = 4, AO4 - Evaluate = 2)
- Valid points could include:**
something to aim for/knowledge where going therefore can be motivational
can be measured therefore judge success
working towards same goal otherwise do own thing against company policy
can review/compare to previous therefore change plans/reassess - good management 6
- Everyone in the company will know the objectives and will know what it is they are aiming for, for example increasing sales revenue. After a period of trading sales figures can be compared with previous figures and if action needs to be taken because sales are not on target then everyone knows what is to be done. If sales are on target this can be motivational to employees making them work even better and determined to maintain sales. Objectives can be used to judge the success or otherwise of the company which is good management practice which should make the company more efficient and successful.*

20

- 4 (a) (i) **Apart from showing span of control organisation chart.**
(AO1 - Demonstrate = 3)
- Valid points could include:**
 shows routes of communication, shows who has power/responsibility
 shows roles/titles/names of individuals, shows who is accountable to whom and responsible for whom, shows how many levels 3
- (ii) **Explain ONE advantage and ONE disadvantage to Badge Identity Ltd of having a narrow span of control.**
(AO2 - Apply = 3, AO3 - Select/Analyse = 3)
- Valid points could include:**
 keep close control if too many difficult to monitor
 communication good - no problems of lost/misunderstood messages
 good co-ordination leading to improved efficiency
 Efficiency - harder to co ordinate
 If only one max 4 6
- (b) (i) **Explain TWO responsibilities she has at Badge Identity Ltd.**
(AO2 - Apply = 3, AO3 - Select/Analyse = 3)
- Valid points could include:**
 ordering raw materials/stock for jobs - no delays because materials to hand
 assigning jobs/controlling production - orders on time
 ensuring all machines work efficiently - no breakdowns
 ensuring quality of all products - no complaints
 ensure health and safety of employees - no accidents
 If only one max 4 6
- (ii) **Why is it important for each department to know what the other departments are doing?**
(AO3 - Select/Analyse = 1, AO4 - Evaluate = 4)
- Valid points could include:**
 everyone knows what everyone is doing so no duplication or repetition - ensures efficiency - avoids conflict - avoids mistakes therefore no unhappy customers - avoids money wasted in lost orders/customers - employees happy/motivated therefore content in job. 5
- 20

- 5 (a) Describe TWO factors the bank manager would have considered before granting the loan.
(AO1 - Demonstrate = 2, AO2 - Apply = 2)
- Valid points could include:
is the business secure - can it make repayments/pay interest - need to be confident of repayment - need to see business plan - are or will the funds be there - may need some form of collateral in case of non-payment 4
- (b) (i) On the above chart, label the breakeven point.
(AO1 - Demonstrate = 1)
Correct - (where total costs and revenue lines cross) 1
- (ii) How many garments does Badge Identity Ltd need to sell in order to breakeven?
(AO2 - Apply = 1)
3000 (allow 3000-3200) 1
- (iii) What is the revenue at breakeven?
(AO2 - Apply = 1)
£48,000 (must include £ sign) 1
- (iv) What would be the profit or loss if 2000 garments are sold? State whether it is a profit or a loss.
(AO2 - Apply =2)
£7000 loss (with or without £ sign) (1)
Loss (1) 2
- (v) Explain the effects that employing two more machinists would have on Badge Identity Ltd's breakeven point.
(AO3 - Select/Analyse =3)
- Valid points could include:
costs would increase leading to an increased breakeven - having to make and sell more to breakeven 3
- (c) (i) Using the above ratio evaluate the liquidity of Badge Identity Ltd.
(AO4 - Evaluate = 4)
- Valid points could include:
has more current assets than current liabilities therefore can pay its debts when they become due - 2:1 considered about right - safe - not too much 'idle' cash 4
- (ii) If the current ratio was 0.8:1 assess the implications this would have for Badge Identity Ltd.
(AO4 - Evaluate = 4)
- Valid points could include:
more current liabilities than current assets - cannot meet immediate debts - can get into difficulties - can be forced into liquidation - need to do something about working capital situation 4

1503 - Foundation Tier Assessment Grid

| | AO1 | AO2 | AO3 | AO4 | Total |
|-------------------|-----------|-----------|-----------|-----------|------------|
| Question 1 | | | | | |
| (a) (i) - (v) | 5 | | | | |
| (b) (i) - (v) | 5 | | | | |
| (c) (i) - (iii) | 2 | 1 | | | |
| (d) (i) | | | 3 | | |
| (d) (ii) | | | 2 | 2 | 20 |
| | | | | | |
| Question 2 | | | | | |
| (a) (i) | 2 | | | | |
| (a) (ii) | 1 | 2 | | 3 | |
| (a) (iii) | | 4 | | 2 | |
| (b) (i) | | | 4 | 2 | 20 |
| | | | | | |
| Question 3 | | | | | |
| (a) (i) | 2 | | | | |
| (a) (ii) | | 2 | | 2 | |
| (b) (i) | 2 | | | | |
| (b) (ii) | | 4 | 2 | | |
| (c) | | | 4 | 2 | 20 |
| | | | | | |
| Question 4 | | | | | |
| (a) (i) | 3 | | | | |
| (a) (ii) | | 3 | 3 | | |
| (b) (i) | | 3 | 3 | | |
| (b) (ii) | | | 1 | 4 | 20 |
| | | | | | |
| Question 5 | | | | | |
| (a) | 2 | 2 | | | |
| (b) (i) | 1 | | | | |
| (b) (ii)-(iv) | | 4 | | | |
| (b) (v) | | | 3 | | |
| (c) (i)-(ii) | | | | 8 | 20 |
| Totals | 25 | 25 | 25 | 25 | 100 |

1503 - Foundation Tier Specification Content Grid

| Task | Content section | | | | |
|------|-----------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |

Quality of Written Communication = 5 Marks

QUALITY OF WRITTEN COMMUNICATION (QWC)

There are 5 marks available for quality of written communication. This will be assessed **throughout the question paper** where extended writing is required using the following criteria:

Level 3 Candidates write in sentences which are clear, structured and coherent. They spell, punctuate and use the rules of grammar with few errors using a range of specialist terms appropriately and with precision.

4-5 marks

Level 2 Candidates write in sentences with a clear and structured style. They spell, punctuate and use the rules of grammar with considerable accuracy.

2-3 marks

Level 1 Candidates write in sentences with a limited structure. They spell, punctuate and use the rules of grammar with reasonable accuracy.

1 mark

1503 Business Studies
Higher 2H - 2005

- 1 (a) (i) Apart from showing span of control organisation chart.
(AO1 - Demonstrate = 3)
- Valid points could include:
shows routes of communication, shows who has power/responsibility
shows roles/titles/names of individuals, shows who is accountable to whom and responsible for whom, shows how many levels 3
- (ii) Explain ONE advantage and ONE disadvantage to Badge Identity Ltd of having a narrow span of control.
(AO2 - Apply = 3, AO3 - Select/Analyse = 3)
- Valid points could include:
keep close control if too many difficult to monitor
communication good - no problems of lost/misunderstood messages
good co-ordination leading to improved efficiency
Efficiency - harder to co ordinate
If only one max 4 6
- (b) (i) Explain TWO responsibilities she has at Badge Identity Ltd.
(AO2 - Apply = 3, AO3 - Select/Analyse = 3)
- Valid points could include:
ordering raw materials/stock for jobs - no delays because materials to hand
assigning jobs/controlling production - orders on time
ensuring all machines work efficiently - no breakdowns
ensuring quality of all products - no complaints
ensure health and safety of employees - no accidents 6
If only one max 4
- (ii) Explain why it is important that the work of all departments is co-ordinated.
(AO3 - Select/Analyse = 1, AO4 - Evaluate = 4)
- Valid points could include:
everyone knows what everyone is doing so no duplication or repetition - ensures efficiency - avoids conflict - avoids mistakes therefore no unhappy customers - avoids money wasted in lost orders/customers - employees happy/motivated therefore content in job 4
1

20

- 2 (a) Describe TWO factors the bank manager would have considered before granting the loan.
(AO1 - Demonstrate = 2, AO2 - Apply = 2)
- Valid points could include:
is the business secure - can it make repayments/pay interest - need to be confident of repayment - need to see business plan - are or will the funds be there - may need some form of collateral in case of non-payment 4
- (b) (i) On the above chart, label the breakeven point.
(AO1 - Demonstrate = 1)
Correct - (where total costs and revenue lines cross) 1
- (ii) How many garments does Badge Identity Ltd need to sell in order to breakeven?
(AO2 - Apply = 1)
3000 (allow 3000-3200) 1
- (iii) What is the revenue at break even?
(AO2 - Apply = 1)
£48,000 (must include £ sign) 1
- (iv) What would be the profit or loss if 2000 garments are sold? State whether it is a profit or a loss
(AO2 - Apply = 2)
£7000 (with or without £ sign) (1)
Loss (1) 2
- (v) Explain the effects that employing two more break even point.
(AO3 - Select/Analyse = 3)
- Valid points could include:
costs would increase leading to an increased breakeven - having to make and sell more to breakeven 3
- (c) (i) Using the above ratio evaluate the liquidity of Badge Identity Ltd.
(AO4 - Evaluate = 4)
- Valid points could include:
has more current assets than current liabilities therefore can pay its debts when they become due - 2:1 considered about right - safe - not too much 'idle' cash 4
- (ii) If the current ratio was 0.8:1 assess the implications this would have for Badge Identity Ltd.
(AO4 - Evaluate = 4)
- Valid points could include:
more current liabilities than current assets - cannot meet immediate debts - can get into difficulties - can be forced into liquidation - need to do something about working capital situation 4
- 20

- 3 (a) (i) List THREE differences between a private limited company and a public limited company.
(AO1 - Demonstrate = 3)
- Valid points could include:
private limited company - shareholders keep control, only invited shareholders
public limited company - public can buy shares, traded on SE, minimum capital £50,000, access to large amounts of capital 3
- (ii) Explain how limited liability protects the shareholders of Badge Identity Ltd.
(AO1 - Demonstrate = 2, AO2 - Apply = 2)
- Valid points could include:
only required to pay debts of the business up to the limit of the amount invested - does not threaten personal possessions 4
- (iii) Why is this protecting of shareholders important for Badge Identity Ltd?
(AO4 - Evaluate = 2)
- Valid points could include:
lessens risk for shareholders so encourages investment 2
- (b) Discuss how Badge Identity Ltd might achieve TWO of the above objectives.
(AO3 - Select/Analyse = 6)
- Valid points could include:
(expansion) - acquire other premises - in another town/area - more employees - extend product range - different markets
(increased turnover) - extend product range - increase advertising - employ more sales reps
(improved profits) - reduce cost of sales - increase sales - increase prices - reduce overheads/expenses - promote product
If only one max 4 6
- (c) Explain ONE other way the local council can help businesses like Badge Identity Ltd and why they do this.
(AO1 - Demonstrate = 3, AO4 - Evaluate = 2)
- Valid points could include:
advice - local issues/opportunities, availability of sites/employees, grants/loans - how to apply, what available
to keep businesses in area, support local economy, support local employment, encourage other businesses 5
- 20

- 4 (a) (i) Explain why profits are low.
(AO1 - Demonstrate = 2, AO2 - Apply = 2)
- Valid points could include:
 recover costs of developing/launching product
 recover costs of marketing
 introductory price
 low market share competition 4
- (ii) Suggest why profits should rise during the growth stage of the showerproof jackets.
(AO1 - Demonstrate = 2, AO2 - Apply = 2, AO4 - Evaluate = 3)
- Valid points could include:
 sales will increase as demand grows, consumers become more aware due to continued marketing, initial costs will be covered therefore revenue should increase as should profits 7
- (b) What are the advantages and disadvantages to Badge Identity Ltd of using mail order to sell their products?
(AO1 - Demonstrate = 2, AO2 - Apply = 4, AO3 - Select/Analyse = 3)
- Valid points could include:
 (advantages) - no expensive retail outlets, no middlemen, no sales people, less staff, national coverage
 (disadvantages) - cost of producing catalogue, costs of distribution, need efficient systems, costs of postage/packing, buyer cannot see or handle goods, returns 9
- If one only max of 7
- Badge Identity Ltd will not need to have retail outlets, they will only need a distribution outlet. This means they will not need as many sales people as sales will be done either by phone, e-mail or order form. They will still need processing and distribution staff but the fact that the distribution premises need not be in expensive town centre areas should see a saving in costs there. However there is the cost of printing the catalogue which will have to be done each year to encompass any changes in product range and prices. In addition customers may not like the idea of not being able to see the products beforehand and therefore have the inconvenience of having to return the goods. This can also be a disadvantage for Badge Identity Ltd as they will have to deal with sales returns.* 20

- 5 (a) Analyse the advantages and disadvantages for Badge Identity Ltd of using batch production.

(AO1 - Demonstrate = 3, AO2 - Apply = 3, AO4 - Evaluate = 2)

Valid points could include:

same products made at same time - one batch finished before moving on to next (advantages) - more made - lower costs, materials bought in larger quantities - economies of scale, can produce different specification products - efficient use of machinery, having a number of machines suits batch production therefore can respond to customers' needs

(disadvantages) - less flexible than job - more difficult to respond to customers' individual needs but easier than flow/mass, costs of storing batches - increased costs, re-set between batches - downtime - delay - loss of output, production schedules affected - could result in unhappy customers - lost orders/revenue

Batch production is an efficient use of both staff and machinery. Customer orders can be processed quickly as machines will not usually be involved in long runs and can be changed relatively quickly. However there is the disadvantage of having to change and re-set machines which takes time and whilst this takes place production is lost. Nevertheless the flexibility of being able to change batches gives the business flexibility with customers and their changing needs. Production schedules have to be carefully worked out so that orders are completed on time. Badge Identity Ltd has a reputation for quality products on time so the Production Director needs to ensure schedules are followed so no delays or stoppages occur otherwise this will result in unhappy customers and maybe lost orders and lost revenue.

If only one max 6

8

- (b) Analyse the ways Badge Identity Ltd can improve and maintain the quality of its products.

(AO1 - Demonstrate = 2, AO3 - Select/Analyse = 6, AO4 - Evaluate = 4)

Valid points could include:

improve finished products - remove faulty goods, prevent mistakes - self checking - training - zero defects, TQM - get it right first time

all employees responsible for quality - part of job, (quality circles even though not in spec), workers meet - review - recommend - improve

fewer returns/refunds - keeps costs down - meet customer expectations

therefore no adverse customer reaction, maintain reputation for quality - keep existing customers - attract new customers

12

By making all employees responsible for checking their own work Badge Identity Ltd could improve quality control. Staff need regular training but giving them this responsibility can be motivational and should help maintain high quality levels. Maintaining high quality standards should ensure none or not many products are returned which could damage relations with customers and could increase costs. Badge Identity Ltd have a good reputation and they want to maintain that otherwise they will not be able to attract new customers.

20

1503 - Higher Tier Assessment Grid

| | AO1 | AO2 | AO3 | AO4 | Total |
|-------------------|-----------|-----------|-----------|-----------|------------|
| Question 1 | | | | | |
| (a) (i) | 3 | | | | |
| (a) (ii) | | 3 | 3 | | |
| (b) (i) | | 3 | 3 | | |
| (b) (ii) | | | 1 | 4 | 20 |
| Question 2 | | | | | |
| (a) | 2 | 2 | | | |
| (b) (i) | 1 | | | | |
| (b) (ii) | | 1 | | | |
| (b) (iii) | | 1 | | | |
| (b) (iv) | | 2 | | | |
| (b) (v) | | | 3 | | |
| (c) (i) | | | | 4 | |
| (c) (ii) | | | | 4 | 20 |
| Question 3 | | | | | |
| (a) (i) | 3 | | | | |
| (a) (ii) | 2 | 2 | | | |
| (a) (iii) | | | | 2 | |
| (b) | | | 6 | | |
| (c) | 3 | | | 2 | 20 |
| Question 4 | | | | | |
| (a) (i) | 2 | 2 | | | |
| (a) (ii) | 2 | 2 | | 3 | |
| (b) | 2 | 4 | 3 | | 20 |
| Question 5 | | | | | |
| (a) | 3 | 3 | | 2 | |
| (b) | 2 | | 6 | 4 | 20 |
| Totals | 25 | 25 | 25 | 25 | 100 |

1503 - Higher Tier Specification Content Grid

| Task | Content section | | | | |
|------|-----------------|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |

Quality of Written Communication = 5 Marks

QUALITY OF WRITTEN COMMUNICATION (QWC)

There are 5 marks available for quality of written communication. This will be assessed **throughout the question paper** where extended writing is required using the following criteria:

Level 3 Candidates write in sentences which are clear, structured and coherent. They spell, punctuate and use the rules of grammar with few errors using a range of specialist terms appropriately and with precision.

4-5 marks

Level 2 Candidates write in sentences with a clear and structured style. They spell, punctuate and use the rules of grammar with considerable accuracy.

2-3 marks

Level 1 Candidates write in sentences with a limited structure. They spell, punctuate and use the rules of grammar with reasonable accuracy.

1 mark

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467
Fax 01623 450481

Email publications@linneydirect.com

Order Code UG 016338 Summer 2005

For more information on Edexcel qualifications, please visit www.edexcel.org.uk/qualifications
Alternatively, you can contact Customer Services at www.edexcel.org.uk/ask or on 0870 240 9800

Edexcel Limited. Registered in England and Wales no.4496750
Registered Office: One90 High Holborn, London, WC1V 7BH

