

GCSE

Specimen Papers with Mark Schemes

Edexcel GCSE in Business Studies (1503)

First examination 2003

December 2000

Edexcel
Success through qualifications

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Mark Schemes

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The GCSE awarding bodies have prepared new specifications to incorporate the range of features required by the new GCSE and subject criteria. The specimen assessment material accompanying the new specifications is provided to give centres a reasonable idea of the general shape and character of the new planned question papers in advance of the first operational examination.

Context – Velde Ltd (issued in the Autumn Term of the year of the examination)

Fredric Velde moved from Holland with his family in 1933 to live in the south of England. In 1936 he set up as a sole trader, making bread and selling it from a van. His business prospered until 1939 but then he needed to expand. He moved to a small factory and opened an on-site shop. In the mid-1950s, he purchased a fleet of bakery vans and employed a small team of drivers.

The council decided on the compulsory purchase of the factory and bakery shop in 1968 in order to redevelop the site. Fredric Velde had to decide whether to take the money offered by the council and change direction, or invest the money to expand the bakery business. He decided to stay in the bakery business.

The business became Velde Ltd, a private limited company, in 1970 and Fredric's daughter, Sonja, became the managing director. A new, larger factory was opened and an automated plant installed. A further decision was taken to franchise the bakery vans. The business began to diversify into large-scale production of a broad range of bakery and confectionery products, supplying a wide cross-section of customers and clients.

Since 1984, the company has had a contract for the distribution of Dutch cheese and biscuits throughout the year. This has assisted cash flow. The directors are now considering:

further expansion;
introducing new products;
selling abroad.

Bread and confectionery manufacturers are supported by trade associations such as The Association of Master Bakers.

Answer ALL the questions.

1 a) For each of the questions (i)-(v), write the letter A, B, C or D to show the correct answer. Use the boxes provided.

(i) Balance sheets prepared for Velde Ltd show assets and liabilities. Liabilities are:

A how the company communicates

B what the company owns

C what the company advertises

D what the company owes

Answer

(ii) Which one of these is a factor of production?

A inflation

B machinery

C profit

D demand

Answer

(iii) Consumers who buy bread are protected by the:

A Equal Opportunities Act

B Data Protection Act

C Equal Pay Act

D Food and Drugs Act

Answer

(iv) Before designing a new product, Velde Ltd will carry out:

A an advertising campaign

B quality control

C research and development

D training opportunities

Answer

(v) The point at which Velde Ltd would go into profit could be shown on a:

- A break-even chart
- B sales forecast
- C profit and loss account
- D business plan

Answer

(5)

(b) (i) What is off-the-job training?

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(1)

(ii) What is a bonus?

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(1)

(iii) Give an example of a fixed cost.

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(1)

(iv) Give an example of a variable cost.

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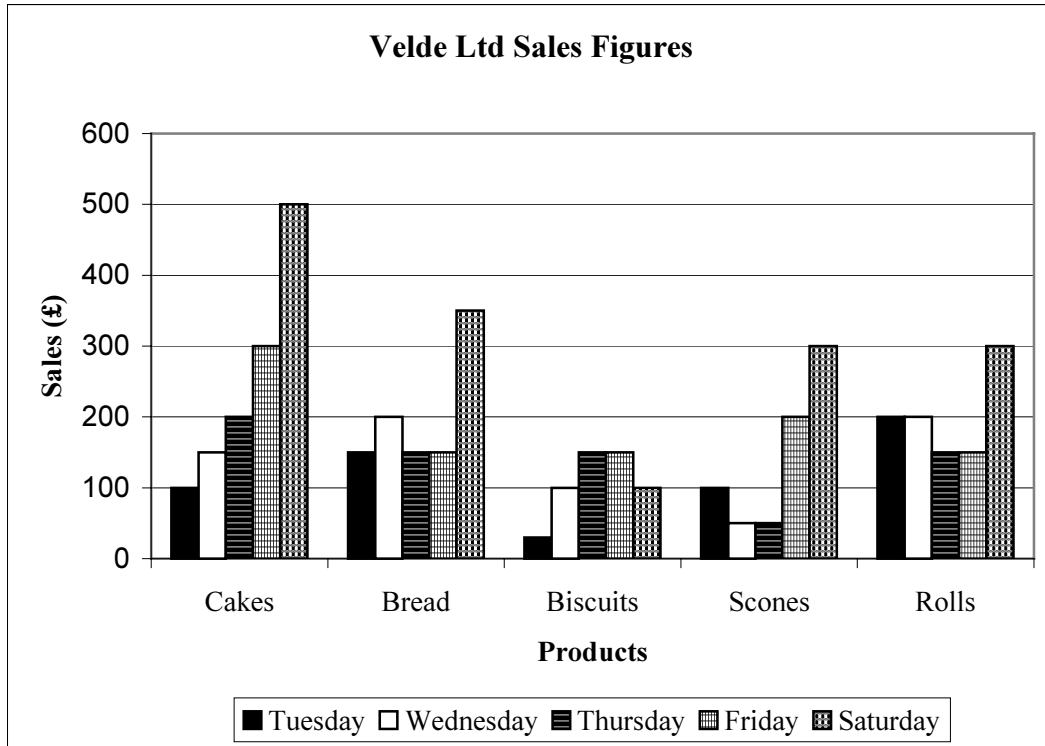
(1)

(v) What does it mean to reinvest profits?

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(1)

(c) Answer the questions, using the graph below.



(i) Which product had the lowest sales on Tuesday?

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(1)

(ii) On which day were most cakes sold?

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(1)

(iii) Calculate the total value of bread sales for the week.

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(1)

(iv) Explain what Velde Ltd could do about the low sale of scones on Wednesday and Thursday.

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(2)

(v) Velde Ltd are thinking about introducing a new product and would like to try it out with customers first. Which day(s) of the week would you recommend they did this on? Explain your answer.

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(3)

(vi) Evaluate for which product range - cakes, bread, biscuits, scones, rolls - you would recommend Velde Ltd brought out a new product for.

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(2)

Total marks 20

Job, batch and flow are the three main methods of production. Batch production is the best method for Velde Ltd.

(b) What is meant by ‘batch production’ and why is it the best method for Velde Ltd?

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(6)

The directors of Velde Ltd have a large advertising budget for their business.

(c) Discuss the importance of advertising to Velde Ltd.

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(4)

Total 20 marks

3 Velde Ltd is in the secondary sector of production.

(a) (i) State what is meant by the term 'secondary sector' as applied to Velde Ltd.

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(2)

(ii) Organise SIX of the employees below into the correct column of the table.

MINER **TOOL MAKER** **INSURANCE AGENT**
BANK MANAGER **MACHINIST** **FISHERMAN**
BRICKLAYER **FARMER** **DELIVERY DRIVER**

PRIMARY	TERTIARY

(3)

An automated bread-making machine was installed in the factory in 1970.

(b) Explain THREE effects on Velde Ltd of the introduction of the automated bread-making machine.

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(6)

Bread manufacturers such as Velde Ltd have their own trade association called The Association of Master Bakers.

(c) Analyse why being a member of The Association of Master Bakers is a good idea for Velde Ltd.

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(3)

Total 20 marks

4 Expansion has been an objective since Fredric Velde started business in 1936. Examples of this were the decisions to open the on-site shop; to develop new products; to employ more drivers; to open a new factory and install an automated plant; to franchise the bakery vans; and offering frozen hampers.

(a) Choose FOUR of the decisions listed above and explain how they have helped the business to expand.

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(4)

Each year a Profit & Loss Account and a Balance Sheet is prepared by an accountant for Velde Ltd.

(b) (i) Define the term ‘assets’.

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(1)

(ii) Give TWO reasons why an annual Balance Sheet is prepared.

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(2)

The accountant has drawn up the cash flow forecast for Velde Ltd for its next year of trading. Part of the forecast is shown below:

	Jan	Feb	March	April	May	June
Income (£ '000's)	1 000	1 250	1 750	1 750	1 500	1 000
Expenditure (£ '000's)	1 000	1 500	2 000	1 500	1 250	1 000

(c) Explain the problems this forecast is showing for Velde Ltd.

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(3)

John Newman was employed to sell bread for Velde Ltd. Two years ago, he took out a franchise with Velde Ltd. John's Trading, Profit and Loss Account for the last two years are shown below.

	1999		2000	
	£	£	£	£
Sales		50 000		55 000
Less: Payments to Velde Ltd for ice-cream products		<u>12 500</u>		<u>15 400</u>
		<u>37 500</u>		<u>39 600</u>
Other expenses:				
Van running costs		<u>7 500</u>		<u>6 600</u>
		<u>30 000</u>		<u>33 000</u>
50% commission to Velde Ltd	15 000		16 500	
Net profit	15 000		16 500	

(d) (i) Using the above information, and any calculations, evaluate John's success as a franchisee.

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(8)

(ii) Evaluate ONE of the limitations of the above information in helping John to judge the success of his business.

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(2)

Total 20 marks

5 Fredric Velde’s business continued to prosper and grow. In the 1950s Fredric Velde decided to remain a sole trader instead of forming a partnership with his family.

(a) To what extent was this a good business decision for Fredric Velde?

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(7)

When the new factory opened in 1970 the business became a private limited company.

(b) Explain why Fredric Velde made this change.

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(6)

One of the first business decisions made by the directors of Velde Ltd was to offer franchises to its van drivers.

(c) Evaluate the extent to which this was a benefit to Velde Ltd.

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(7)

Total 20 marks

END

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Since 1984, the company has had a contract for the distribution of Dutch cheese and biscuits throughout the year. This has assisted cash flow. The directors are now considering:

further expansion;
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Bread and confectionery manufacturers are supported by trade associations such as The Association of Master Bakers.

1. Expansion has been an objective since Fredric Velde started business in 1936. Examples of this were the decisions to open the on-site shop; to develop new products; to employ more drivers; to open a new factory and install an automated plant; to franchise the bakery vans; and to offer frozen hampers.

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(8)

(ii) Evaluate ONE of the limitations of the above information in helping John to judge the success of his business.

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(2)

Total 20 marks

2 Fredric Velde’s business continued to prosper and grow. In the 1950s Fredric Velde decided to remain a sole trader instead of forming a partnership with his family.

(a) To what extent was this a good business decision for Fredric Velde?

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(7)

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(6)

One of the first business decisions made by the directors of Velde Ltd was to offer franchises to its van drivers.

(c) Evaluate the extent to which this was a benefit to Velde Ltd.

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(7)

Total 20 marks

3 The Sales Director of Velde Ltd wants to promote and sell the company’s products abroad. The Directors are seeking advice from the UK Government to help them to export their products.

(a) (i) Give TWO reasons why the Sales Director will find it easier to export to another member of the European Union (EU), rather than to a country outside the EU.

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(2)

(ii) Describe TWO problems that the Sales Director must overcome when promoting and selling the company’s products overseas.

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(6)

(b) (i) State ONE reason why the UK Government would support the Sales Director's plan to export.

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(1)

(ii) Describe ONE OTHER way in which the UK Government would influence Velde Ltd.

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(5)

Velde Ltd's factory is in South-East England, near the Channel Tunnel. It is also close to the main ports which link the UK with France and Belgium. The Sales Director is deciding whether to use the Channel Tunnel **or** the ports for exporting.

(c) Analyse THREE factors which will influence the Sales Director's decision.

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(6)

Total 20 marks

The directors have chosen a site that is about 240 kilometres (150 miles) from the company's existing factory. The Production, Finance and Personnel (Human Resources) directors will be working at both the existing site and the new site.

(b) Describe the additional workload **each** director will have when the new factory is opened.

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(12)

Total 20 marks

The directors need a new sales force for the second factory. This sales force will specialise in selling to major UK supermarkets and freezer centres.

(b) Identify and evaluate suitable methods of:

- recruiting and selecting,
- training,
- motivating,

the new sales force.

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1503 Business Studies – Specimen Mark Scheme

General Instructions for marking

- 1 The paper is to be marked to GCSE standard, including Quality of Written Communication.
- 2 Questions requiring extended responses are to be marked in levels of response.
- 3 Marking of levels should be ‘top down’. Examiners should look for the highest level of response achieved by the candidate.
- 4 The level and the mark **must** be indicated in the right hand margin of the candidate’s answer to the extended questions.
- 5 In numerical responses, the ‘own figure rule’ **must** be applied. Candidates can only be penalised (that is not rewarded) once for an error.
- 6 Mark in red.
- 7 Sub-totals must be carried forward to the top of the next page and part question and question totals must be written in the boxes provided.
- 8 All Edexcel Foundation procedures must be followed because any script may be used in the awarding process or may be the subject of an enquiry or may be returned to the candidate.
- 9 The mark scheme indicates possible content that candidates might use in their answers, but it is neither exhaustive nor complete. Credit **must** be given to all valid points. If in doubt contact the Principal Examiner.
- 10 Marking **must** be positive. Negative marking is not allowed.

1503: Business Studies – Specimen Mark Scheme

Foundation Paper

QUALITY OF WRITTEN COMMUNICATION (QWC)

There are 5 marks available for Quality of Written Communication. This will be assessed where extended writing is required. This is highlighted in the relevant sections of the mark scheme below.

To meet the criteria the candidate must:

- present relevant information in a form that suits its purpose (use of appropriate business language)
- ensure text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
- use a suitable structure and style of writing (logical sequencing)

QUESTION 1

- (a) **For each of the questions write the letter A, B, C or D...**
(AO1 – Demonstrate = 5)
- | | | |
|-------|---|---|
| (i) | D | |
| (ii) | B | |
| (iii) | D | |
| (iv) | C | |
| (v) | A | 5 |
- (b) (i) **What is off-the-job training?**
(AO1 – Demonstrate = 1)
- | | | |
|--|----------------------------------|---|
| | training away from the workplace | 1 |
|--|----------------------------------|---|
- (ii) **What is a bonus?**
(AO1 – Demonstrate = 1)
- | | | |
|--|---|---|
| | extra payment over and above normal pay | 1 |
|--|---|---|
- (iii) **Give an example of a fixed cost.**
(AO1 – Demonstrate = 1)
- | | | |
|--|------------------------|---|
| | rent, rates, insurance | 1 |
|--|------------------------|---|
- (iv) **Give an example of a variable cost.**
(AO1 – Demonstrate = 1)
- | | | |
|--|----------------------|---|
| | raw materials, power | 1 |
|--|----------------------|---|
- (v) **What does it mean to reinvest profits?**
(AO1 – Demonstrate = 1)
- | | | |
|--|------------------------------|---|
| | money put back into business | 1 |
|--|------------------------------|---|

- (c) (i) **Which product had the lowest sales on Tuesday?**
(AO1 – Demonstrate = 1)
- biscuits 1
- (ii) **On which day were most cakes sold?**
(AO1 – Demonstrate = 1)
- Saturday 1
- (iii) **Calculate the total value of bread sales for the week.**
(AO2 – Apply = 1)
- £1 000 1
- (iv) **Explain what Velde Ltd could do about the low sale of scones on Wednesday and Thursday.**
(AO3 – Analyse = 2)
- Valid points could include:**
reduce prices
special offers
free samples
notice in window 2
- (v) **Which day(s) of the week would you recommend they did this on? Explain your answer.**
(AO3 – Analyse = 3)
- Valid points could include:**
Saturday - most customers, therefore better results
Tuesday - least busy, therefore more time to do it 3
- (vi) **Evaluate which product range you would recommend Velde Ltd brought out a new product for.**
(AO4 – Evaluate = 2)
- Valid points could include:**
cakes – these are most popular items so sales may increase further
biscuits – these are not very popular and so they may be able to increase sales 2
- (Opportunity for assessment of QWC)

Total 20 marks

QUESTION 2

- (a) (i) **State what is meant by the term ‘market’.**
(AO1 – Demonstrate = 2)
- buyers and sellers
exchange goods 2
- (ii) **Why, in market research, is using a telephone more reliable than using a written questionnaire?**
(AO3 – Analyse = 2)
- Valid points could include:**
instant reply
quicker overall feedback
clarify queries 2
- (Opportunity for assessment of QWC)
- (iii) **Explain TWO benefits to Frederic Velde of carrying out market research.**
(AO2 – Apply = 4, AO3 – Analyse = 2;)
- Valid points could include:**
product development – what to make, price to charge
planning advertising/distribution – methods, where to advertise, where to sell
knowledge of the market – who will buy, competitors
- Level 2**
candidate applies knowledge to analyse benefits 3-6
- Level 1**
candidate applies knowledge to the context 1-2
- (Opportunity for assessment of QWC)
- (b) **What is meant by ‘batch production’ and why is it the best method for Velde Ltd?**
(AO1 – Demonstrate = 1; AO2 – Apply = 2; AO4 – Evaluate = 3)
- Valid points could include:**
the same product made at the same time - best for businesses which make a variety of products
usually to a specific order - can switch to another batch
allows more than one product to be produced in a day - best method when not many made of each product
economies of scale
flexibility in production planning
- Level 3**
candidate makes relevant judgements applied to the context 4-6
- Level 2**
candidate applies knowledge to context 2-3
- Level 1**
candidate gives basic definition of batch production 1
- (Opportunity for assessment of QWC)

(c)

Discuss the importance of advertising to Velde Ltd.

(AO4 – Evaluate = 4)

Valid points could include:

encourage or maintain sales – by retaining existing customers, encouraging new customers

to increase sales – new products, new outlets could increase market share

provide information

maintain/promote company image – competitions, promotions,

sponsorship potential to increase sales

Level 3

candidate makes sound judgements, in context

4

Level 2

candidate makes relevant judgements

3

Level 1

candidate identifies relevant aspects of importance

1-2

(Opportunity for assessment of QWC)

Total 20 marks

QUESTION 3

- (a) (i) **State what is meant by the term ‘secondary sector’ as applied to Velde Ltd.**
(AO1 – Demonstrate = 1; AO2 – Apply = 1)
- manufactured/processed
from wheat/flour 2
- (ii) **Organise SIX of the people below into the correct sectors.**
(AO1 – Demonstrate = 3)
- 6 correct = 3
4-5 correct = 2
1-3 correct = 1 3
- (iii) **Explain how TWO of the employees from your lists would support Velde Ltd.**
(AO2 – Apply = 6)
- Valid points could include:**
(bank manager) – cheque/account facilities, loans/overdrafts, financial advice
(delivery driver) – type/methods of transport, products to right place,
storage/warehousing
(insurance agent) – business protection, financial loss, damage, personal protection,
employee, customers 6
- (Opportunity for assessment of QWC)
- (b) **Explain THREE effects on Velde Ltd of the introduction of the automated bread making machine.**
(AO2 – Apply = 3; AO3 – Analyse = 3)
- Valid points could include:**
increased efficiency – less waste
need for training employees – re-training, cost, time
reduction in workforce – redundancy, cost to Velde Ltd
capacity for wider range of products – increased production
- Level 2**
candidate makes relevant judgements 4-6
- Level 1**
candidate explains effects applied to context 1-3
- (Opportunity for assessment of QWC)

(c) **Analyse why being a member of the Master Bakers Association is a good idea for Velde Ltd.**

(AO3 – Analyse = 3)

Valid points could include:

acts on behalf of members – small companies protected, code of practice

pressure group – link to government, lobbying

joint interests – central advertising, promotes business image

3

(Opportunity for assessment of QWC)

Total 20 marks

QUESTION 4

- (a) **Choose FOUR of the decisions listed above and explain how they have helped the business to expand.**
(AO3 – Analyse = 4)
- Valid points could include:**
vans and drivers e.g. more deliveries
new factory and plant e.g. more production
franchises e.g. more outlets
new products e.g. more customers
frozen hampers e.g. more customers 4
- (Opportunity for assessment of QWC)
- (b) (i) **Define the term ‘assets’.**
(AO1 – Demonstrate = 1)
- Valid points could include:**
what the business owns 1
- (ii) **Give TWO reasons why an annual Balance Sheet is prepared.**
(AO1 – Demonstrate = 2)
- Valid point could include:**
for the information of shareholders and directors
as a legal requirement for government departments, IR/VAT 2
- (Opportunity for assessment of QWC)
- (c) **Explain the problems this cash flow forecast is showing for Velde Ltd.**
(AO3 – Analyse = 3)
- Valid points could include:**
no deficit/surplus in January
not enough income to cover expenditure for February/March
no overall surplus in the first 6 months of the year 3

- (d) (i) **Using the above information, and any calculations, evaluate John's success as a franchisee.**

(AO2 – Apply = 2; AO4 – Evaluate = 6)

Valid calculations could include:

sales increased by £5000
NP margin 30% (both years)
cost of ingredients up £2900
running costs down by £900
net profit increased by £1500

2

Valid points could include:

sales increased by 10% on previous year
NP margin is stable at 30%
cost of ingredients increased from 25% to 28% of sales
(ie margin on sales down by 3%)
running costs down from 15% to 12% of sales
net profit up 10% on previous year

Level 3

candidate makes relevant judgements using calculations

5-6

Level 2

candidate makes accurate judgements

3-4

Level 1

candidate makes limited judgements

1-2

(Opportunity for assessment of QWC)

- (ii) **Evaluate ONE of the limitations of the above information in helping John to judge the success of his business.**

(AO4 – Evaluate = 2)

Valid points could include:

only two years' figures
does not clarify the degree of risk
incomplete information (no balance sheet or cash flow information)
may not wish to judge success on financial information alone

2

(Opportunity for assessment of QWC)

Total 20 marks

QUESTION 5

- (a) **To what extent was this a good business decision for Fredric Velde?**
(AO2 – Apply =4; AO4 – Evaluate =3)

Valid points could include:

control – not answerable to anyone
independence – can make own decisions
profit retention – keep all profits
sharing load – cover illness/holidays
sharing expertise – financial
finance – additional sources of capital

all aspects of a sole trader brought together
benefits for a sole trader of a partnership clearly understood
candidate includes factors from the context, ie family members
a holistic answer which effectively evaluates sole trader and
partnership advantages/disadvantages

Level 3

candidate makes relevant judgements using a two-sided argument 5-7

Level 2

candidate applies sound knowledge within the context 3-4

Level 1

candidate applies basic knowledge 1-2

(Opportunity for assessment of QWC)

- (b) **Explain why Fredric Velde made this change.**
(AO1 – Demonstrate = 3; AO3 – Analyse = 3)

Valid points could include:

limited liability – to value of investment
finance – increased capital, risk spread
continuity – own legal identity, not dependent on one person
stays within the family – control over sale of shares

Level 2

candidate analyses relevant reasons 4-6

Level 1

candidate selects basic reasons 1-3

(Opportunity for assessment of QWC)

(c) **Evaluate the extent to which this was a benefit to Velde Ltd.**

(AO2 – Apply = 2, AO4 – Evaluate = 5)

Valid points could include:

regular income – franchise fees, commission, irrespective of seasonal demand

lower overheads – national insurance costs, possible more finance for R&D

employment issues – fewer full-time workers required, concentrate on core staff, all year employment for them

reduced responsibilities/risks – maintenance of vehicles, insurance, no longer own vehicles/

no responsibility for franchisees

Level 3

candidate makes relevant judgements

6-7

Level 2

candidate applies knowledge to make basic judgement

2-5

Level 1

candidate applies basic knowledge

1-2

(Opportunity for assessment of QWC)

Total 20 marks

1503 – Foundation Tier Assessment Grid

Task	AO1	AO2	AO3	AO4	
1 (a)	5				
1 (b)	5				
1 (c)	2	1	5	2	20
2 (a) (i)	2				
2 (a) (ii)			2		
2 (a) (iii)		4	2		
2 (b)	1	2		3	
2 (c)				4	20
3 (a) (i)	1	1			
3 (a) (ii)	3				
3 (a) (iii)		6			
3 (b)		3	3		
3 (c)			3		20
4 (a)			4		
4 (b) (i)	1				
4 (b) (ii)	2				
4 (c)			3		
4 (d) (i)		2		6	
4 (d) (ii)				2	20
5 (a)		4		3	
5 (b)	3		3		
5 (c)		2		5	20
Totals	25	25	25	25	100

Plus 5 marks for QWC

1503 – Foundation Tier Content Grid

Task	Content section				
	1	2	3	4	5
1	✓	✓	✓	✓	✓
2		✓		✓	✓
3	✓				✓
4	✓		✓		
5	✓				

Assessment of Quality of Written Communication

Candidates will be assessed for the quality of written communication according to the following criteria:

Level 3	4 - 5 marks	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.
Level 2	2-3 marks	Candidates write in sentences with a clear and structured style. They spell, punctuate and use the rules of grammar with considerable accuracy.
Level 1	1 mark	Candidates write in sentences with a limited structure. They spell, punctuate and use the rules of grammar with reasonable accuracy.

1503 Business Studies – Specimen Mark Scheme

General Instructions for marking

- 1 The paper is to be marked to GCSE standard, including Quality of Written Communication.
- 2 Questions requiring extended responses are to be marked in levels of response.
- 3 Marking of levels should be ‘top down’. Examiners should look for the highest level of response achieved by the candidate.
- 4 The level and the mark **must** be indicated in the right hand margin of the candidate’s answer to the extended questions.
- 5 In numerical responses, the ‘own figure rule’ **must** be applied. Candidates can only be penalised (that is not rewarded) once for an error.
- 6 Mark in red.
- 7 Sub-totals must be carried forward to the top of the next page and part question and question totals must be written in the boxes provided.
- 8 All Edexcel Foundation procedures must be followed because any script may be used in the awarding process or may be the subject of an enquiry or may be returned to the candidate.
- 9 The mark scheme indicates possible content that candidates might use in their answers, but it is neither exhaustive nor complete. Credit **must** be given to all valid points. If in doubt contact the Principal Examiner.
- 10 Marking **must** be positive. Negative marking is not allowed.

1503: Business Studies – Specimen Mark Scheme

Higher Paper

QUALITY OF WRITTEN COMMUNICATION

There are 5 marks available for Quality of Written Communication. This will be assessed where extended writing is required. This is highlighted in the relevant sections of the mark scheme below.

To meet the criteria, the candidate must:

- present relevant information in a form that suits its purpose (use of appropriate business language)
- ensure text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear
- use a suitable structure and style of writing (logical sequencing)

QUESTION 1

- (a) **Choose FOUR of the decision listed above and explain how they have helped the business to expand.**
(AO3 – Analyse = 4)

Valid points could include:

vans and drivers e.g. more deliveries
new factory and plant e.g. more production
franchises e.g. more outlets
new products e.g. more customers
frozen hampers e.g. more customers

4

(Opportunity for assessment of QWC)

- (b) (i) **Define the term ‘assets’.**
(AO1 – Demonstrate = 1)

Valid points could include:

what the business owns

1

- (ii) **Give TWO reasons why an annual Balance Sheet is prepared.**
(AO1 – Demonstrate = 2)

Valid point could include:

for the information of shareholders and directors
as a legal requirement for government departments, IR/VAT

2

(Opportunity for assessment of QWC)

- (c) **Explain the problems this cash flow forecast is showing for Velde Ltd**
(AO3 – Analyse = 3)
- Valid points could include:**
no deficit/surplus in January
not enough income to cover expenditure for February/March
no overall surplus in the first 6 months of the year 3
- (d) (i) **Using the above information, and any calculations, evaluate John’s success as a franchisee.**
(AO2 – Apply = 2; AO4 – Evaluate = 6)
- Valid calculations could include:**
sales increased by £5000
NP margin 30% (both years)
cost of ingredients up £2900
running costs down by £900
net profit increased by £1500 2
- Valid points could include:**
sales increased by 10% on previous year
NP margin is stable at 30%
cost of ingredients increased from 25% to 28% of sales
(ie margin on sales down by 3%)
running costs down from 15% to 12% of sales
net profit up 10% on previous year
- Level 3**
candidate makes relevant judgements using calculations 5-6
- Level 2**
candidate makes accurate judgements 3-4
- Level 1**
candidate makes limited judgements 1-2
- (Opportunity for assessment of QWC)
- (ii) **Evaluate ONE of the limitations of the above information in helping John to judge the success of his business.**
(AO4 – Evaluate = 2)
- Valid points could include:**
only two years’ figures
does not clarify the degree of risk
incomplete information (no balance sheet or cash flow information)
may not wish to judge success on financial information alone 2
- (Opportunity for assessment of QWC)

Total 20 marks

QUESTION 2

(a) **To what extent was this a good business decision for Fredric Velde?**

(AO2 – Apply = 4; AO4 – Evaluate = 3)

Valid points could include:

control – not answerable to anyone
independence – can make own decisions
profit retention – keep all profits
sharing load – cover illness/holidays
sharing expertise – financial
finance – additional sources of capital

all aspects of a sole trader brought together
benefits for a sole trader of a partnership clearly understood
candidate includes factors from the context, ie family members
a holistic answer which effectively evaluates sole trader and
partnership advantages/disadvantages

Level 3

candidate makes relevant judgements using a two-sided argument 5-7

Level 2

candidate applies sound knowledge within the context 3-4

Level 1

candidate applies basic knowledge 1-2

(Opportunity for assessment of QWC)

(b) **Explain why Fredric Velde made this change.**

(AO1 – Demonstrate = 3; AO3 – Analyse = 3)

Valid points could include:

limited liability – to value of investment
finance – increased capital, risk spread
continuity – own legal identity, not dependent on one person
stays within the family – control over sale of shares

Level 2

candidate analyses relevant reasons 4-6

Level 1

candidate selects basic reasons 1-3

(Opportunity for assessment of QWC)

(c) **Evaluate the extent to which this was a benefit to Velde Ltd.**

(AO2 – Apply = 2: AO4 – Evaluate = 5)

Valid points could include:

regular income– franchise fees, commission, irrespective of seasonal demand

lower overheads– national insurance costs, possible more finance for R&D

employment issues– fewer full-time workers required, concentrate on core staff, all year employment for them

reduced responsibilities/risks – maintenance of vehicles, insurance, no longer own vehicles/

no responsibility for franchisees

Level 3

candidate makes relevant judgements

6-7

Level 2

candidate applies knowledge to make basic judgement

2-5

Level 1

candidate applies basic knowledge

1-2

(Opportunity for assessment of QWC)

Total 20 marks

QUESTION 3

- (a) (i) **Give TWO reasons why the Sales Director will find it easier to export to another member of the EU, rather than a country outside the EU.**

(AO1 – Demonstrate = 2)

Valid points could include:

member of the single market
no trade barriers, easier export documentation

2

(Opportunity for assessment of QWC)

- (ii) **Describe TWO problems...when promoting and selling the company's products overseas.**

(AO2 – Apply = 6)

Valid points could include:

different language – affects packaging, product name and advertising
establishing outlets – means visits and negotiations
different currency – affect pricing policy, profits and packaging
new competition – influence pricing and marketing policy

Level 2

candidate applies knowledge and understanding to context

3-6

Level 1

candidate applies basic knowledge

1-2

(Opportunity for assessment of QWC)

- (b) (i) **State ONE reason why the UK government would support the Sales Director's plan to export.**

(AO1 – Demonstrate = 1)

Valid points could include:

employment
growth
regional policies
aid
increased revenue

1

(ii) **Describe ONE OTHER way in which the UK Government would influence Velde Ltd.**

(AO1 – Demonstrate = 3; AO2 – Apply = 2)

Valid points could include:

legislation - must obey existing laws such as Food & Drug, new laws may affect trading/employment etc

taxation - range of taxes such as VAT, changing tax levels

Level 2

candidate demonstrates and applies knowledge

4-5

Level 1

candidate demonstrates basic knowledge

1-3

(Opportunity for assessment of QWC)

(c) **Analyse THREE factors that will influence the Sales Director's decision.**

(AO3 – Analyse = 6)

Valid points could include:

cost – relative costs of methods examined

speed – limited life/special requirement (frozen) of product

distribution – whether Velde Ltd has own transport or hired

final location – whether Chunnel or ports more convenient

Level 2

candidate analyses factors

4-6

Level 1

candidate selects factors

1-3

(Opportunity for assessment of QWC)

Total 20 marks

QUESTION 4

- (a) (i) **List TWO OTHER factors that might influence the decision on locating the new factory.**

(AO1 – Demonstrate = 2)

Valid points could include:

employment/workforce – can the new factory be staffed

access to motorways – will distribution/logistics work

2

- (ii) **Evaluate the extent to which both factors might have influenced the decision on where to locate the new factory.**

(AO4 – Evaluate = 6)

Valid points could include:

employment/workforce – existing, sufficient numbers available, possess

relevant skills, pay levels comparable with existing area

access to motorways – improved logistics, quick access saves money, leads to end market,

speed important due to nature of product

Level 3

candidate makes relevant judgements based on analysis of selected factors

5-6

Level 2

candidate makes relevant judgements within context

3-4

Level 1

candidate makes basic judgement

1-2

(Opportunity for assessment of QWC)

(b) **Describe the additional workload each director will have when the new factory is opened.**

(AO1 – Demonstrate = 3; AO2 – Apply = 9)

Valid points could include:

Production Director

need for new machinery, decision on how to produce new lines, need to co-ordinate production runs, need to rationalise production between sites

Finance Director

need to finance new equipment, arranging borrowing, check effect on cash-flow, decision whether to buy or hire/rent

Personnel (Human Resources) Director

need to advertise for new staff, need to interview, need to negotiate any transfers/moves, need to set up new records

Level 3

candidate applies sound knowledge and understanding within the context **9-12**

Level 2

candidate applies knowledge to context **4-8**

Level 1

candidate demonstrates basic knowledge of functions **1-3**

(Opportunity for assessment of QWC)

Total 20 marks

QUESTION 5

- (a) **Outline a marketing strategy and analyse its appropriateness for the new range.**
(AO1 – Demonstrate = 2; AO3 – Analyse = 6)

Valid points could include:

(price) – low-price strategy, due to competition, supermarket purchasing power
(place) – distribution to supermarket depots policy, frequency will be dictated by chain, positioning in store outside Velde’s control
(promotion) – must promote the chain, determines choice of medium, can still advertise to final consumer
(product) – chain determines product features, market research still needed to assess demand/competition, liaise with chain re labelling and packaging

Level 3

candidate discusses all parts of the marketing mix 6-8

Level 2

candidate discusses some parts of the marketing mix 3-5

Level 1

candidate selects parts of the marketing mix 1-2

(Opportunity for assessment of QWC)

- (b) **Identify and evaluate methods of recruiting and selecting, training, motivating the new sales force.**
(AO1 – Demonstrate = 6; AO3 – Analyse = 3, AO4 – Evaluate = 3)

Valid points could include:

(recruit) – job description/spec; recruitment source, job centre, newspapers internal recruitment, interviews for selection, personality testing
(train) – induction offered, internal training using existing staff, external training, eg college course
(motivate) – financial through pay, commission/bonus, perks eg company car, non-financial

Level 3

candidate makes relevant judgements based on sound knowledge and understanding 7-12

Level 2

candidate demonstrates sound knowledge and understanding 4-6

Level 1

candidate demonstrates basic knowledge 1-3

(Opportunity for assessment of QWC)

Total 20 marks

1503 –Higher Tier Assessment Grid

Task	AO1	AO2	AO3	AO4	Total
1 (a)			4		
1 (b) (i)	1				
1 (b) (ii)	2				
1 (c)			3		
1 (d) (i)		2		6	
1 (d) (ii)				2	20
2 (a)		4		3	
2 (b)	3		3		
2 (c)		2		5	20
3 (a) (i)	2				
3 (a) (ii)		6			
3 (b) (i)	1				
3 (b) (ii)	3	2			
3 (c)			6		20
4 (a) (i)	2				
4 (a) (ii)				6	
4 (b)	3	9			20
5 (a)	2		6		
5 (b)	6		3	3	20
Totals	25	25	25	25	100

Plus 5 marks for QWC

1503 –Higher 2 Content Grid

Task	Content section				
	1	2	3	4	5
1	✓		✓		
2	✓				
3	✓			✓	✓
4	✓	✓			
5		✓			

Assessment of Quality of Written Communication

Candidates will be assessed for the quality of written communication according to the following criteria:

Level 3	4 - 5 marks	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.
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