

Business Studies Specification A

General Certificate of Secondary Education **GCSE 1951**

General Certificate of Secondary Education (Short Course) **GCSE 1051**

Mark Schemes for the Components

June 2006

1951/1051/MS/R/06

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General Certificate of Secondary Education Business Studies A (1951)

MARK SCHEMES FOR THE COMPONENTS

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Mark Scheme 1051/01
June 2006

1 (a) **Target: to show knowledge and understanding of how technology can be used to achieve objectives.**

(i) Suggested segments Older people/Families
 Youth groups abroad
 Camping / caravanning organisations

Any other reasonable suggestion

[1]

(ii) Ways in which website could be used:
e.g. website can be used to advertise (1) the holidays with pictures of centres and activities (1).

- Advertising
- Links to other sites/Searches/emails specific to context
- Payment
- Ordering
- Demand/access to specific market

Two ways stated 2 marks + 1 for each development

Devpt must have some link to website

[4]

(b) **Target: to show knowledge and understanding of business organisations and their pricing strategies.**

(i) $12 \times 110 = \text{£}1320$ 1 mark for process + 1 mark for answer

2 marks for correct answer

[2]

Deduct 1 mark for no £ sign

(ii) A – price discrimination

[1]

(iii) Tertiary sector is that part of business which provides services.

An example will gain a mark.

[1]

(c) **Target: to select and analyse research information.**

(i) Saturday [1]

(ii) Biscuits [1]

(iii) $600+500 = \text{£}1100$ [2]
(1) (1)

1 mark for calculation + 1 mark for total
2 marks for correct answer. 1 mark if £ is omitted.

(d) **Target: to show knowledge and understanding of different methods of production and makes a reasoned judgement about which is most suitable for sandwiches.**

(i) Batch production – batches of sandwiches
Similar product
Unskilled staff
Few individual requirements

Job production – too many products/need to be similar
Few individual requirements
No skilled staff

Example: The young people would want different sandwiches and so it is best to use batch production which produces sandwiches of one type and then changes to another (L2). Job production would mean making individual sandwiches which would not be practical in time and money (L3).

Level 3 (5-6 marks)

Good analysis of both types of production with good judgement as to which is the best method.

Level 2 (3-4 marks)

Good explanation and application of reasons for batch with little/no reference to job. Max: 4 marks with no reference to job.

Level 1 (1-2 marks)

Simple description with no application to sandwiches (1). Some understanding of terms of application (2).

[6]

(ii) Flow production is the production of identical goods (1) on a production line (1) / or an example (1).

[2]

TOTAL 21 MARKS

2 (a) **Target: to show knowledge and understanding of aspects of recruitment and selection and apply that knowledge to TAC plc in Europe.**

- (i) Advantages -
local knowledge /area/culture/people/closer to work
language
laws

Any **two** reasonable suggestions. 2x1

[2]

(ii)

FACTOR	(□)
Money	
Communication skills	<input type="checkbox"/>
Job description	
Uniform	
Good with children	<input type="checkbox"/>
Initiative	<input type="checkbox"/>

[3]

(b) **Target: to apply knowledge and understanding of methods of payment in terms of TAC plc.**

- (i) **B** – An amount of money paid monthly and based on an annual figure.

[1]

- (ii) Reasons for a salary
- Status
 - Responsibility
 - No fixed time
 - No overtime
 - Not practically based
 - Not seasonal

Reasons for wages

- Seasonal
- Fixed hours/ paid per hour/ overtime
- Part time
- Low status

Example: The manager of the centre is paid a salary because he/she will work all the year round (L2) and will be responsible for all parts of the holiday such as success and safety which may result in fewer accidents (top L2). However the staff may only work during the holiday season and will not be totally responsible for the holiday, therefore they will be paid a wage based on the number of hours worked (L3).

Level 3 (6-8 marks)

Using at least two reasons from each salary and wage candidate evaluates the reasons with judgements made as to why a salary is paid to the manager.
(No context Max: 6 marks)

Level 2 (3-5 marks)

Candidate explains why salaries and wages are different with application to TAC plc and the context.(No reference to wages Max: 3 marks)

Level 1 (1-2 marks)

Candidate only identifies one/two reasons with no development or reference to TAC plc.

[8+2]

Candidates will also be assessed for their Quality or Written Communication on this part of the question, according to the following requirements:

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.

(2)

Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.

(1)

Candidate fails to reach the threshold standard in all respects.

(0)

(c) Target: to show knowledge and understanding of the costs and benefits involved in TAC plc operating in Europe.

- (i)** Candidate must choose any two costs and give a reasonable suggestion as to how this would be problem for the business.

e.g. Marketing costs may be higher because of the different advertising methods used in the EU (1) and the different languages which may affect promotion or market research (2).

No marks for choice. 2x2 for explanation **[4]**

- (ii)** Candidate must choose any two benefits and give a reasonable suggestion as to how this would be an advantage for the business.

e.g. UK is part of Europe and provides a large market opportunity (1) which could result in increased sales (1).

No marks for choice. 2x2 for explanation. **[4]**

(d) Target: to show knowledge and understanding of payment methods for staff in Europe.

Advantage of paying euros – no exchange rate problems/commission
Can use local banks.

[1]

(e) Target: to show knowledge and understanding of motivation, analyse and evaluate the most suitable methods of motivating John Carter.

Possible answers:

Annual wage increases – a basic but essential requirement for John who would hope to earn more each year. Something to work towards.

Job security – John Carter will want to know that he is secure in his job so that promotion can come in the future.

Level 2 (3-6 marks)

Has identified one or more ways of motivating John Carter, has analysed them in relation to him and how they might motivate him. May have commented on methods not chosen. No identification of 'most likely' Max: 5 marks.

Level 1 (1-2 marks)

Has identified one or two methods of motivating John Carter and given superficial reasons for the choice made. Max: 2 marks for no selection.

N.B. Implication of motivation to stay is rewardable.
No reference to motivation Max: Level 1.

[6]

TOTAL 31 MARKS

3 (a) Target: to show knowledge and understanding of the features and objectives of business organisations with application to TAC plc.

(i) Any three of the following:

Owner/shareholder/manager/employee/customer/trade union/lender/community/government/supplier/competition(specific companies) but NOT other companies **[3]**

(ii) Limited liability – states that investors are limited to their liability for the debts of the business to value of their investment and no more. (2)

e.g. they don't have to pay all the debts (1)

1 mark + 1 for development **[2]**

(iii) The part ownership of a company. **[1]**

(iv) Any two objectives x 1 mark each + 1 mark for development x2

Profit - Sell more holidays
 Lower costs/controlling costs

Growth - Open more centres
 Increase market share

Survival - Avoid unnecessary expense
 Cut costs perhaps get rid of staff

Also accept : Quality/customer satisfaction/good reputation

These are suggestions. Accept any other relevant objective related to TAC plc e.g. candidate may just refer to increase in market share, or competitive prices, low costs, good safety record or a wide range of activities. All would be acceptable as an objective.

[4]

(b) Target: to apply and analyse knowledge and understanding and draw conclusions about TAC plc marketing in the European Union.

Language	Many different languages Advertising and all documents must be in different languages
Currency	Exchange rates UK not using Euro
Regulations	Maybe different in each country Health and Safety
Competition	Many more holiday companies in Europe.
Demand	Most want holidays abroad

Level 2 (3-6 marks)

Selects relevant reason/s and evaluates how much easier it is to use these in UK rather than abroad. Any comparison is Level 2.

Level 1 (1-2 marks)

Some identification of factors with limited application.

[6]

(c) Target: to show knowledge and understanding of market research methods in context.

Primary research – This is research collected first hand by the researchers and is specifically suited to the use of the collectors.

Example – questionnaires, interviews, observation, postal survey
1 mark for knowledge + 1 for example.

Secondary research – is research which has already been gathered by other people.

Example – accounting records, internet, customer feedback
1 mark for knowledge + 1 for example

[4]

- (d) **Target: to apply and analyse knowledge and understanding and draw conclusions about TAC plc marketing in context.**

Candidates answers must explain both how and why to achieve the highest level.

Suggested points:

Promotion -	Leaflets brochures Advertising specifically at targets Website
Product -	Variety of holidays Variety of activities Good reputation for safety

Example: When marketing adventure holidays to young people, promotion is very important because this is the way it is brought to their attention. The business should use the Internet and advertising in schools and youth organisations. This is more important than price for most young people who are more interested in the activity rather than what it costs.

Level 3 (5-6 marks)

Has presented a well-organised discussion showing how the mix can be used and why they are more important to TAC plc rather than place and price.

Level 2 (3-4 marks)

Has attempted to apply one/two elements and how they can be used to increase customers for TAC plc. Little reference to relative importance of elements. Max: 4 marks if no context.

Level 1 (1-2 marks)

States one or two reasons why promotion and/or product are useful to TAC plc.

[6]

TOTAL 26 MARKS

4 (a) Target: to show knowledge and understanding about different types of business organisations.

(i) ONE difference explained. 1 mark + 1 mark for development.

Shares – not for sole trader
 Any reasonable suggestion e.g. savings for sole trader not plc.
 Can be explained from the point of TAC plc or sole trader.

Example: TAC plc can use the sale of shares to raise money (1). Sole trader cannot sell shares and has to use loans or savings to finance the business (1). Cannot raise so much money. **[2]**

(ii) ONE difference explained. 1 mark + 1 mark for development.

Dividends for plc not sole trader.
 Corporation tax for plc not sole trader.

Example: TAC plc may have to pay dividends to its shareholders out of its profits. (1) A sole trader can keep all the profits and use them to expand the business. **[2]**

(b) Target: to show knowledge and understanding of the elements of the profit/loss account.

(i) Net Profit 0.3 [1]

(ii)

ITEM	TICK (□)
Rent	
Purchases	□
Opening stock	□
Electricity	

[2]

(iii) 1 mark for example + 1 mark for development.

Variable costs – Wages (1)
 Food
 Power

Variable cost is a cost which varies with output and sales. (1)

Any reasonable suggestions. **[2]**

(c) **Target: to show knowledge and understanding of the difference between long term and short finance, sources of finance and apply that knowledge to TAC plc.**

(i) Any one long term source of finance x 1 mark (see below).
NOT sell shares

(ii) Any two features or one feature well developed.

Loan -	fixed interest, set purpose, large amount
Debenture -	loan, fixed interest, large sum
Sale and leaseback	less commitment, can be replaced, no outlay of money
Retained profit	internal, no interest, no repayment, no security
Hire purchase	ownership when payment complete, suitable for long term assets.

[2]

(d) **Target: to show knowledge and understanding of specialised training and apply that knowledge to TAC plc.**

Any two reasons explained x2 marks such as:

To give the employees information, tasks, bikes, teaching/ mechanical training
To give employees more confidence when using the new bikes
To assess the ability of the employees in terms of new product
To give Health and Safety Training/First Aid/ Insurance
Any other relevant point.

OR One reason explained well 4 marks

[4]

- (e) **Target: to select and evaluate various factors relating to the marketing of the quad bike activity.**

Choices = 0 marks Accept any choice except 'maintenance service which wouldn't be used.'

Safety features – essential due to Health and Safety regulations. Risk of company being sued.

Colour – should be bright and attractive to attract customers.

Quality – should be reliable. Should justify the price.

Ease of use – simple to use for all age groups. Does not require extensive training.

Design – should be modern and fashionable.

Example: When advertising TAC plc should use the design and colour of the bikes to promote the activity (L1). These are the most important factors when advertising to young people because they can see the bikes and this will attract them to the holidays. (L2) It is more important than safety features which are more important to TAC plc. (L2)

Level 2 (3-6 marks)

Evaluates reason/s in terms of their importance to advertising in the context of the quad bike activity.

Level 1 (1-2 marks)

Selects two reasons with simple statements about their importance.

Requires some evaluative quality to achieve 5-6 marks.

No mention of advertising Max: 3 marks.

[6]

TOTAL 22 MARKS

Mark Scheme 1051/02
June 2006

1 (a) **Target: to show knowledge and understanding of how technology can be used to achieve objectives.**

- (i) Suggested segments: Older people
Youth groups abroad
Camping/caravanning organisations/families

Any other reasonable suggestion.

[1]

(ii) Ways in which website could be used:

e.g. website can be used to advertise (1) the holidays with pictures of centres and activities (1).

- Advertising
- Links to other sites/searches/emails specific to holidays
- Payment
- Ordering
- Demand/access to a bigger market

Two ways stated 2 marks + 1 each for development
Devpt must have some link to website.

[4]

(b) **Target: to show knowledge and understanding of different types of cost and pricing methods with application to TAC plc.**

(i) $175 \times 24 = \mathbf{\pounds 4200}$

1 mark for process + 1 mark for answer / 2 marks for correct answer.

[2]

Deduct 1 mark for no £ sign

(ii) Total Revenue = £4200
Total Variable cost = $40 \times 24 = \pounds 960$ (1)
Total Fixed cost = $10 \times 24 = \pounds 240$ (1)

Total cost = $960 + 240 = \pounds 1200$ (1)

Profit = $4200 - 1200 = \mathbf{\pounds 3000 (1) + 1 \text{ mark for process}}$

1 mark for each correct total. OFR will apply.

[5]

Deduct 1 mark for no £ sign

(iii) Pricing strategies:

Competitive pricing – looking at prices charged by the competition and pricing accordingly. This may also be referred to as **price penetration**, the charging of low prices to get a foothold in the market.

Price discrimination – charging different prices for different target segments, different times of the year or different numbers of people.

Price skimming may be mentioned in terms of the Special Skills holidays.

Accept cost plus/ mark up

Each method 1 mark

Good explanation = 2 marks each, some development + 1 mark each.

No name but good explanation 2 marks each.

Context needed for maximum marks.

[6]

- (c) **Target: to show knowledge and understanding and be able to offer reasoned judgements about research methods used by TAC plc.**

Reasons for using primary research methods:

- Targets the market specifically
- First hand/original information
- Can send questionnaires to each organisation
- Can interview local authorities, youth leaders and teachers
- Could use Internet for information collection

Reasons against secondary research

- Too general
- Old information
- May not be relevant to TAC plc
- Time consuming
- Difficult to be selective in terms of targets e.g. youth clubs

Example: Primary research, like questionnaires, will be useful to TAC plc because it provides first hand information which should be more accurate than secondary information which has already been collected. It is important that TAC plc finds out what young people abroad really like to do and therefore primary research should give a better idea.

Any other reasonable suggestion.

Level 3 (5-8 marks)

Has discussed in depth the arguments for primary and against secondary research and has made a clear judgement as to why it is a suitable method on which TAC plc should base its decision making.(No application to context Max: 5 marks)

Level 2 (3-4 marks)

Has discussed at least two arguments for primary research with some indication as to why it would be better than secondary research for TAC plc. Max: 3 marks if no mention of secondary.

Level 1 (1-2 marks)

Simple discussion of advantages/disadvantages with little/no application to TAC plc.

[8]

TOTAL 26 MARKS

2 (a) **Target: to show knowledge and understanding of recruitment and selection procedures with some application to the European Union.**

(i) Suggested problems:

Distance
Language
Culture
Expectations
Conditions of work
Exchange rates

Any reasonable suggestion.

[2]

(ii) Qualities:

e.g. communication skills/diplomatic/languages/organisational skills
patience
initiative
qualifications
driving skills
good with children
friendly/confident/leadership

Any other reasonable suggestion. E.g. fitness

Example: A person specification tries to identify qualities that are relevant to the job such as communication and initiative. These are important for a holiday centre supervisor who will have to communicate important instructions to young people and will have to deal with many different types of event during the course of the holiday e.g. emergencies, home sickness and accidents.

Level 3 (5-6 marks)

Select two relevant qualities and applies them to TAC plc with some examples and analysis about why they are important.

Level 2 (3-4 marks)

Chooses one/two qualities and apply to TAC plc in terms of their specific relevance to the centre supervisor.

Level 1 (1-2 marks)

Chooses one/two qualities with no application to TAC plc.

Up to 4 marks for one quality. **[6]**

(b) Target: to show knowledge and understanding of different methods of payment making judgements about why each is used.

(i) Advantage of paying in euros – no exchange rate problems.
Can use local banks.

[1]

(ii) Reasons for a salary

- Status
- Responsibility
- No fixed time
- No overtime
- Not practically based
- Not seasonal

Reasons for wages

- Seasonal
- Fixed hours/ paid per hour/ overtime
- Part time
- Low status

Example: The manager of the centre is paid a salary because he/she will work all the year round (L2) and will be responsible for all parts of the holiday such as success and safety which may result in fewer accidents (top L2). However the staff may only work during the holiday season and will not be totally responsible for the holiday, therefore they will be paid a wage based on the numbers of hours worked (L3).

Level 3 (6-8 marks)

Using at least two reasons from each salary and wage, candidate evaluates the reasons with judgements made as to why a salary is paid to the manager. (No context Max: 6 marks)

Level 2 (3-5 marks)

Candidate explains why salaries and wages are different with application to TAC plc and the context. (No reference to wages Max: 3 marks)

Level 1 (1-2 marks)

Candidate only identifies one/two reasons with no development or reference to TAC plc.

[8+2]

Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the following requirements:

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.

[2]

Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.

[1]

Candidates fail to reach the threshold standard in all respects.

[0]

- (c) **Target: to apply knowledge and understanding of motivation, analyse and evaluate the most suitable methods of motivating John Carter.**

Possible answers:

Annual wage increases – a basic but essential requirement for John who would hope to earn more each year. Something to work towards.

Job security – John Carter will want to know that he is secure in his job so that promotion can come in the future.

Level 2 (3-6 marks)

Has identified one or more ways of motivating John Carter, has analysed them in relation to him and how they might motivate him. May have commented on methods not chosen. (No indication of 'most likely' Max: 5 marks)

Level 1 (1-2 marks)

Has identified one or two methods of motivating John Carter and given superficial reasons for the choice made. (Max: 2 marks for making no selection)

N.B Implication of motivation to stay is rewardable.
No reference to motivation Max: level 1

[6]

TOTAL 25 MARKS

- 3 (a) **Target: to show knowledge and understanding about the objectives of TAC plc with specific reference to adding value.**

(i)

STAKEHOLDER	OBJECTIVE
<i>shareholder</i>	<i>High share price</i>
customer	Value/competitive prices/quality product
community	Jobs/revenue for businesses/environment, service
government	Profit/corporation tax/VAT/economic growth/jobs
lender	Repayment, reliability.

Any reasonable suggestion.

[4]

- (ii) A dividend is part of the profit of a company and paid to shareholders each year (half year).

1 + 1 for development

[2]

- (iii) Ways in which TAC plc can add value to their holidays:

- Safety Record
- Standard of accommodation and food
- Good brand image/quality
- Variety of activities

Candidates need to show that they understand the meaning of adding value i.e. creating a willingness in a customer to pay more for a holiday than the total cost of the inputs therefore making a profit. This could be through a good reputation for safety, high standards of accommodation and food. The ways in which they add value are mainly to attract young people, parents and leaders.

1 mark for each method + 1 mark for development

[4]

- (b) **Target: to show knowledge and understanding of different methods of production and make reasoned judgement about which is most suitable for sandwiches.**

Batch production – batches of sandwiches

Similar product

Unskilled staff

Few individual requirements

Job production – too many products/need to be similar

Few individual requirements

No skilled staff

Example: the young people would want different sandwiches and so it is best to use batch production which produces sandwiches of one type and then changes to another (L2). Job production would mean making individual sandwiches which would not be practical in time and money (L3).

Level 3 (5-6 marks)

Good analysis of both types of production with good judgement as to which is the best method.

Level 2 (3-4 marks)

Good explanation and application of reasons for batch with little/no reference to job. Max: 4 marks with no reference to job.

Level 1 (1-2 marks)

Simple description with no application to sandwiches (1). Some understanding of terms with application (2).

[6]

(c) Target: to apply and analyse knowledge and understanding and draw conclusions about TAC plc marketing in context.

Candidates answers must explain both how and why to achieve the highest level.

Suggested points:

- Promotion - Leaflets brochures
 - Advertising specifically at targets
 - Website
- Product - Variety of holidays
 - Variety of activities
 - Good reputation for safety

Example: When marketing adventure holidays to young people, promotion is very important because this is the way it is brought to their attention. The business should use the internet and advertising in schools and youth organisations. This is more important than price for most young people who are more interested in the activity rather than what it costs.

Level 3 (5-6 marks)

Has presented a well-organised discussion showing how the mix can be used and why they are more important to TAC plc rather than place and price.

Level 2 (3-4 marks)

Has attempted to apply one/two elements and how they can be used to increase customers for TAC plc. Little reference to relative importance of elements.

Level 1 (1-2 marks)

States one or two reasons why promotion and product are useful to TAC plc

[6]

TOTAL 22 MARKS

4 (a) **Target: to show knowledge and understanding about different types of business organisations.**

- (i) ONE difference explained. 1 mark + 1 mark for development.

Shares – not for sole trader.

Any reasonable suggestion e.g. savings for sole trader not plc.

Example: TAC plc can use the sale of shares to raise money (1). Sole trader cannot sell shares and has to use loans or savings to finance the business (1). Cannot raise so much money.

[2]

- (ii) ONE difference explained. 1 mark + 1 mark for development.

Dividends for plc not sole trader.

Corporation tax for plc not sole trader.

Example: TAC plc may have to pay dividends to its shareholders out of its profits (1). A sole trader can keep all the profits and use them to expand the business.

[2]

(b) **Target: to show knowledge and understanding of the elements of the profit/loss account and explain how it can aid financial decisions.**

- (i)

ITEM	TICK (✓)
Rent	
Purchases	✓
Opening Stock	✓
Electricity	

[2]

- (ii) Ways in which Profit/Loss account can be used to make decisions:
- By comparing sales with previous years to make decisions about marketing.
 - By comparing costs to see if there are any areas where costs could be reduced.
 - By looking at profit figures to see if there is any profit left for further investment.
 - To give an idea of the costs of food and whether other suppliers could be used.

1 mark for each way + 1 mark for development. X 2

Or one well developed.

[4]

(c) **Target: to show knowledge and understanding of elements of the Balance Sheet.**

Current Assets – those assets which change all the time and contribute to the working capital of the business e.g. stock, debtors, bank, cash.

1 mark + 1 for development OR 1 mark for example.

Current Liabilities – those liabilities which vary in the short term and reduce the working capital of the business e.g. creditors, tax, dividends.

1 mark + 1 for development OR 1 mark for example.

[4]

- (d) **Target: to show and apply knowledge and understanding of the difference between long term and short term finance and to make reasoned judgements about the choice in different circumstances.**

Best answers will show that candidates understand the difference between long and short term.

For example: it is inappropriate to use an overdraft to pay for the quad bikes as it is a short term form of finance which can be recalled at short notice. More appropriate would be a long term loan which can be taken over the life of the quad bikes and could be paid back at fixed rates of interest.

Level 4 (7-9 marks)

Has shown a clear understanding of the difference with reference to different sources of finance and how they can be used to purchase the quad bikes. Some comparison and judgements have been made.

Level 3 (5-6 marks)

Has discussed both methods which could be used with weak explanation of why they would be used in different circumstances.

Level 2 (3-4 marks)

Has commented on either/or both long and short term superficially with limited application to the purchase of the quad bikes.

Level 1 (1-2 marks)

Has attempted to explain the difference with no application to TAC plc.

[9]

- (e) **Target: to show knowledge and understanding of specialised training and apply that knowledge to TAC plc.**

Any two reasons explained x2 marks such as:

To give the employees information, tasks, bikes, teaching/mechanical training
 To give employees more confidence when using the new bikes
 To assess the ability of the employees in terms of new product
 To give Health and Safety Training/insurance /first aid
 Any other relevant point.

OR One reason explained well 4 marks

[4]

Total 27 MARKS

Mark Scheme 1051/03
June 2006

BUSINESS STUDIES SHORT COURSE

NB No marks for the assessment of knowledge are awarded for this question paper.

- 1 (a) To apply knowledge and understanding and to analyse that knowledge in relation to the classification of occupation and KA.**

Any two reasons x 1 mark each such as:

It provides a service
example such as selling houses, valuations, letting

Any other relevant point.
(Allow negative statements e.g. not building houses.)

[2]

- (b) To apply knowledge and understanding in relation to Becky being a sole trader.**

Any one advantage x 1 mark –

Becky is the sole decision maker
She is her own boss and can make decisions quickly
Her business was probably easy to set up
She gains all the profits of the business
she has flexibility in how she runs her business
Her operations/accounts are private

Any one disadvantage x 1 mark

Unlimited liability – she is liable for all the losses if the business fails.
No one to share the workload and responsibility – workload looks as if it is growing – new office
Difficult to take time off because of illness/holidays
May be difficult to raise finance e.g. for expansion
Lack of continuity but it should be easy to sell the business – already has an offer
Difficult to undertake all the tasks of a business successfully – Becky has to be a ‘jack of all trades’ and may find some aspect of running the business difficulty

Any other relevant point.
(Allow negative statements e.g. relating to the partners.)

[2]

- (c) To apply knowledge and understanding and to analyse knowledge of stakeholders in KA in relation to James Khan.**

Any two points x 1 mark and up to 2 max for a well-explained point -

James is a stakeholder because he is an associate of KA
He works closely with Becky King
He earns a living from KA and so interested in its success
He has been involved in setting up the new office at Tyegreen and so has some responsibility for its success or failure
If KA fails he will be out of work

Any other relevant point

[2]

(d) To apply knowledge and understanding and to analyse the impact of the increasing use of technology on aspects of KA's business.

(i) Any one method explained x 2 marks -

word process all documents – can save documents, make alterations,
use standard documents, preparing sales literature
use intranet to call up standard documents
keep a database of all clients so that particular kinds of clients can be
called up easily
store documents/letters using electronic filing
photograph properties for sale
computerise sales literature and make it more appealing.

Any other relevant point

[2]

(ii) Any one method explained x 2 marks –

Becky should make more use of the Internet – establish a website
to give general details of KA and the services it offers
Publish details of properties for sale on the Internet so that clients can view
potential properties in their own homes without visiting the offices
Use e-mail to contact clients – to report on progress of the sale of their
properties, to circulate property details to possible buyers to send out
details of properties to let.

Any other relevant point

[2]

(e) To analyse and evaluate methods of advertising in relation to KA.

Level 2 (3-6 marks)

Has referred to present methods of advertising in relation to KA and has shown, with reasons, which advertising should be used in future. (If only one method is considered = 4 max.)

Level 1 (1-2 marks)

Has commented on future advertising/present advertising.

Points to consider

The question suggests that Becky should use the Internet – establish a website (she probably has one already) to give general details about KA and its services. As more clients use the Internet, it is important that KA publishes details of properties for sale on the Internet so that possible clients may be able to see KA's full range of properties for sale and Internet view the properties. Publishing a property newspaper could be expensive but would be dedicated to KA. It could go to clients and also be taken by people passing by the offices. It could give comprehensive details of properties, lets, other services and be passed on to other people. It could also be kept for reference. It would have to be decided how often it would be published – has to be up-to-date and who would be responsible for organising its publication.

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.

[2]

Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.

[1]

Candidate fails to reach the threshold standard in all respect.

[0]

[TOTAL MARKS 18]

2 (a) To analyse and evaluate knowledge in relation to the recruitment of staff at KA.

Any of the seven candidates could form the shortlist. Some are probably more suitable than others.

No marks for choices. 2 marks per candidate for reasons.

Belinda Smith – has previous experience/available now/ lives nearby

Philip Lal – local/doing the same job in Colston/ wants to work in Tyegreen

Sam Tang – has some management training/keen to change career

Margaret Betts – extensive experience/working in the firm

Tom Olonga – extensive experience/ manager at present/ information on rival firm

Brian Fisher – experience of customer relations/local

Maria Pirola – might be very useful if KA expands to France and Spain, language skills/ experienced in selling foreign properties.

Any other relevant reasons.

[6]

NB Do not award marks for ageist, sexist, racist reasons.

(b) To apply knowledge and understanding, analyse and evaluate that knowledge in relation to concerns at the Cordford office of KA.

Any two difficulties x 1 mark each and any solutions with reasons x 2 marks each

James may have neglected this office recently. He should give more time to this office and try to understand its problems.

Jane Draper has been absent for some time because of stress so there has been no manager – find out how long she is going to be off work or if she is coming back, appoint a temporary manager/James becomes the temporary manager.

One negotiator has left so they are short-staffed – appoint another negotiator if needed, possibly from the short-listed candidates for Tyegreen.

Other staff, especially Paul Jenks, are difficult to work with – find out if this is true or just office gossip – verbal warning, training, move to another job.

Working conditions are poor – discuss with staff, carry out improvements if needed.

The office is underperforming – sales down, sales revenue down compared with other offices – are there any particular reasons, investigate, may improve if the other problems are sorted out.

Complaints from clients – probably too late to do anything about these clients, monitor client satisfaction with the service given.

Stress.

Any other relevant point.

[6]

[TOTAL MARKS 12]

- 3 (a) **To apply knowledge and understanding and to select information in relation to two house sales made by KA.**

$$£480\ 000 \times 0.015 (1) = £7200 (1) + £84\ 000 \times 0.03 (1) = £2520 (1)$$

Total commission = £9720 (1)

OFR applies

If the correct answer is given without working award full marks [5]

- (b) **To analyse and evaluate knowledge in relation to data relating to KA.**

(i) $34 + 40 + 30 (1) = 104 (1)$

OFR applies

If the correct answer is given without working award full marks [2]

(ii) Heathside [1]

(iii) $£60\ 000 + £100\ 000 + £80\ 000 (1) = £240\ 000 (1)$

OFR applies

If the correct answer is given without working award full marks [2]

- (iv) Any two items of data x 1 mark each + 1 mark each for how this data supports the statement made -

Revenue from residential property sales was £420 000 compared with £360 000 and £350 000 i.e. £60 000 better than Jan/Apr and £70 000 better than Sept/Dec

KA sold more residential properties – 184 compared with 168 and 142

Revenue from business property sales was £100 000 compared with £60 000 and £80 000 – substantial increase

Other revenue was £80 000 compared with £60 000 and £70 000

Any other relevant data [4]

[TOTAL MARKS 14]

4 (a) To analyse and evaluate the problems of independent estate agents such as KA.

For each part question, 1 mark for the decision and 2 marks for the reason -

- (i)** Variable supply of houses – should be able to improve this
By undertaking an advertising drive to try to obtain more houses to sell – leaflets to householders, advertised on Internet, try to obtain sole agency for any groups of houses being built in the area such as the new estates in Morley and Cordford.
- (ii)** Long working hours – possibly no solution as offices need to be open for potential clients. Use part-time people to show properties. Operate a rota for the weekend opening times.
- (iii)** High operating costs – difficult to solve. Use part-time staff. Look for cheaper locations but the grouping of estate agents is beneficial to both buyers and to the estate agents looking for business. Different kinds of advertising.

Any other relevant point

[6]

- (b) **To apply knowledge and understanding, analyse and evaluate the offer made by another firm of estate agents for KA.**

Level 3 (6-8 marks)

Has analysed the advantages and disadvantages of the offer and has given a reasoned opinion based on the analysis.

Level 2 (3-5 marks)

Has given some advantages and/or disadvantages of the offer and has given an opinion based on some reasons.

Level 1 (1-2 marks)

Has given advantages and/or disadvantages of the offer with/without an opinion.

Points to consider

Advantages of the offer which may form the basis of the opinion -

Large sum paid to Becky

Can try something new

Can pay off any debts she may have (we are not told she has debts)

KA may not be so successful in the future as competition is fierce

Disadvantages of the offer which may form the basis of the opinion -

Offer may not be what the business is worth

A condition of the offer may be that Becky may not be able to work in estate agency – what should she do next?

What will happen to the staff she employs – redundancy for some?

Does not fit in with her current business progress – new offices in Tyegreen

Probably not what she wants at this stage in her career.

[8]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way.

There are few errors in spelling, punctuation and grammar.

[2]

Straightforward ideas are expressed relatively clearly, legibly and appropriately.

There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.

[1]

Candidate fails to reach the threshold standard in all respect.

[0]

[TOTAL MARKS 16]

Mark Scheme 1051/04
June 2006

BUSINESS STUDIES SHORT COURSE

NB No marks for the assessment of knowledge are awarded for this question paper.

- 1 (a) To apply knowledge and understanding and to analyse that knowledge in relation to the classification of occupation and KA.**

Any two reasons x 1 mark each such as:

It provides a service
example such as selling houses, valuations, letting

Any other relevant point.
(Allow negative statements e.g. not building houses.)

[2]

- (b) To apply knowledge and understanding and to analyse and evaluate that knowledge in relation to KA being a sole trader.**

Level 3 (5-6 marks)

Has analysed the benefits and/or difficulties of Becky being a sole trader and has shown, with reasons, whether or not the benefits outweigh the difficulties.

Level 2 (3-4 marks)

Has identified some of the benefits and difficulties of Becky being a sole trader and may/may not have suggested whether or not the benefits outweigh the difficulties.

Level 1 (1-2 marks)

Has given some benefits and/or difficulties of Becky being a sole trader.

Points to consider

Benefits

Becky is the sole decision maker
She is her own boss and can make decisions quickly
Her business was probably easy to set up
She gains all the profit of the business
She has flexibility in how she runs her business
Her operations/accounts are private

Difficulties

Unlimited liability – she is liable for all the losses if the business fails
No one to share the workload and responsibility – workload looks as if it is growing – new office
Difficult to take time off because of illness/holidays
May be difficult to raise finance e.g. for expansion
Lack of continuity but it should be easy to sell the business – already has an offer
Difficult to undertake all the tasks of the business successfully – Becky has to be a ‘jack of all trades’ and may find some aspects of running the business difficult

Benefits outweighing the difficulties – she may like having sole responsibility, She set it up and may not want to share it with anyone, she has the benefit of associates e.g. James Khan who take some of the responsibility but they may want a share in the business ownership

As the business gets larger it will become increasingly difficult and a greater risk to remain as a sole trader. She will need to obtain extra finance and so should be thinking of taking partners or forming a private limited company, maintaining control by being the largest shareholder

Any other relevant point

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

(c) To apply knowledge and understanding, to analyse and evaluate knowledge of stakeholders in KA in relation to James Khan.

Any three points x 1 mark each –

James is a stakeholder because he is an associate of KA
 He works closely with Becky King
 He oversees the Heathside and Cordford offices
 He earns a living from KA and so interested in its success
 He has been involved in setting up the new office at Tyegreen and so has some responsibility for its success or failure
 If KA fails he will be out of work

Any other relevant point

[3]

(d) To apply knowledge and understanding, analyse and evaluate the impact of the increasing use of the Internet in KA's marketing strategy.

Any two explained points x 3 marks each or 3 points x 2 marks such as –

As well as using the more traditional methods of publicising the business e.g. window displays, property details, advertisements in local newspapers, Becky should make more use of the Internet.
 Establish a website to give general details of KA and the services it offers.
 As more clients use the Internet it is important that KA publishes details of properties for sale on the Internet so that possible clients may be able to see KA's full range of properties for sale without visiting the offices.
 With the use of a digital camera KA will be able to show properties in pictorial detail and many potential clients will view a number of properties on the Internet before deciding which to view physically.
 Clients may be using e-mail to contact the offices – to check the progress of the sale of their properties, to make offers. KA might use it to contact clients quickly, to circulate property details to possible buyers and so market the properties more quickly.
 If Becky does not make more use of the Internet, she will lose out to the competition who are likely to be making full use of the Internet.
 Should enable Becky to make more use of the marketing mix – wider use of promotions, pricing strategies, wider area of sale, greater variety of properties for sale.

Any other relevant point

[6]

[TOTAL MARKS 19]

2 (a) To analyse and evaluate knowledge in relation to the recruitment of staff at KA.

Any of the seven candidates could form the shortlist. Some are probably more suitable than others.

No marks for choice. 2 marks per candidate for reasons.

Belinda Smith – has previous experience/available now/ lives nearby

Philip Leal – local/doing the same job in Colston

Sam Tang – has some management training/keen to change career

Margaret Betts – extensive experience/working in the firm

Tom Olanga – extensive experience/ manager at present/ information on rival firm

Brian Fisher – experience of customer relations/local

Maria Pirota – might be very useful if KA expands to France and Spain, language skills/ experienced in selling foreign properties

Any other relevant reason

[6]

NB Do not award marks for ageist, sexist, racist reasons.

(b) To analyse and evaluate knowledge in relation to concerns at the Cordford office of KA.

Level 2 (3-4 marks)

Has analysed some of the problems at the Cordford office. Has shown, with reasons, the most effective way of dealing with them.

Level 1 (1-2 marks)

Has identified some of the problems at the Cordford office and has listed/suggested some ways of improving the situation.

Points to consider

James may have neglected this office recently. He should give more time to this office and try to understand its problems.

Jane Draper has been absent for sometime because of stress so there has been no manager – find out how long she is going to be off work or if she is coming back, appoint a temporary manager/James becomes the temporary manager.

One negotiator has left so they are short-staffed – appoint another negotiator if needed, possibly from the short-listed candidates for Tyegreen.

Other staff, especially Paul Jenks, are difficult to work with – find out if this is true or just office gossip – verbal warning, training, move to another job.

Working conditions are poor – find out if they are, discuss with staff, carry out improvements if needed.

The office is underperforming – sales down, sales revenue down compared with the other offices – are there any particular reasons, investigate, may improve if the other problems are sorted out.

Complaints from clients – probably too late to do any thing about these clients, monitor client satisfaction with the service given.

Any other relevant points

[4]

[TOTAL MARKS 10]

3 (a) To apply knowledge and understand and select information in relation to two house sales made by KA.

$$£480\,000 \times 0.015 (1) = £7200 (1) + £84\,000 \times 0.03 (1) = £2520 (1)$$

Total commission = £9720 (1)

OFR applies.

If the correct answer is given without working award full marks.

[5]

(b) To analyse and evaluate sources of finance in relation to house purchase from KA.

Choice = 0 marks as all are available to the property developer

Any reasons up to 3 marks max to substantiate the choice – (allow negative comment relating to sources of finance not chosen)

Mortgage –

Can be obtained for a long period of time
House can be used as security
Mortgage probably easily available to her
Repayment made over a number of years
Can be paid off before the agreed time
Fixed or variable interest rate mortgages available

Bank loan –

Can be obtained for a long period of time
House can be used as security
Repayment over a number of years
Could be paid off before the agreed time but there may be penalties
Fixed rate of interest

Retained profit –

No interest
Readily available
Does not have to be repaid
May be used in conjunction with another form of borrowing if insufficient
No security needed

Any other relevant point

[3]

(c) To select information in relation to revenue and property sales.

(i) Total revenue = £360 000 + £60 000 + £60 000 = £480 000 (1)

$$\frac{\pounds 360\,000}{480\,000} \times 100 = 75\% \text{ (1)}$$

OFR applies

If the correct answer is given without working award full marks

[2]

(ii) Total revenue for May-August =
£420 000 + £100 000 + £80 000 = £600 000 (1)

$$\pounds 600\,000 - \pounds 480\,000 = \pounds 120\,000 \text{ (1)}$$

$$\frac{\pounds 120\,000}{480\,000} \times 100 = 25\%$$

OFR applies

If the correct answer is given without working award full marks

[3]

[TOTAL MARKS 13]

- 4 (a) **To apply knowledge and understanding, analyse and evaluate that knowledge in relation to the problems of independent estate agents such as KA.**

Maximum of three problems to be considered. Any eight points x 1 mark which must show explained solution to at least two problems such as:

Points to consider

No sale, no fee – no solution

Variable commission rates – try to obtain sole agency for property but at a higher rate than 1%. Be careful about shared agency as may do a lot of work for no reward

Cash flow problems – monitor the cost carefully and try to spread expenditure over the difficult months of the year. Negotiate an overdraft to provide temporary finance for these months

Variable supply of houses – undertake an advertising drive to try to obtain more houses to sell – leaflets to householders, advertise on Internet try to obtain sole agency for any groups of houses being built in the area such as the new estates in Morley and Cordford

Difficult clients – try to speed up the time taken to sell houses, keep clients informed of progress, have regular meetings with clients, try to avoid the ‘tourist’ house viewers. Answer complaints immediately

Competition – try to give as good a service as possible, place emphasis on personal service, monitor the success of the competition, try to match or outdo their marketing. Open the office for more hours than the competition

Long working hours – possibly no solution as offices need to be open for potential clients. Use reliable part-time people to show properties. Operate a rota for the weekend opening times

High operating costs – difficult to solve. Use part-time staff. Look for cheaper locations but the grouping of estate agents is beneficial to both buyers and to the estate agents looking for business

Legislation – keep up-to-date and conform even if it adds to cost

Any other relevant point

[8]

- (b) **To apply knowledge and understanding, analyse and evaluate the offer made by another firm of estate agents for KA.**

Level 3 (6-8 marks)

Has analysed the advantages and disadvantages of the offer and has given a reasoned opinion based on the analysis.

(Good analysis but one-sided with reasoned opinion = 6 max.)

Level 2 (3-5 marks)

Has given some advantage and/or disadvantages of the offer and has given an opinion based on some reasons.

Level 1 (1-2 marks)

Has given advantages and/or disadvantages of the offer with/without an opinion.

Points to consider

Advantages of the offer which may form the basis of the opinion –

Large sum paid to Becky

Can try something new

Can pay off any debts she may have (we are not told she has debts)

KA may not be so successful in the future as competition is fierce

Disadvantages of the offer which may form the basis of the opinion –

Offer may not be what the business is worth

A condition of the offer may be that Becky may not be able to work in estate agency – what should she do next?

What will happen to the staff she employs – redundancy for some

Does not fit in with her current business progress – new office at Tyegreen,

Probably not what she wants at the stage in her career

[8]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

[TOTAL MARKS 18]

Mark Scheme 1951/01
June 2006

1 (a) Target: Ability to apply and to evaluate the factors affecting the location of industry.

(i) One mark for each of the advantages stated for Site B over Site C.

- It is cheaper to pay for the licence.
- There is no competition.
- There are 1250 potentially regular customers – more than the proportion likely at Site C.

No marks for stating closeness to Bowton etc.
Less business on Site B = 0 marks.

Max: 2 marks

(ii) One mark for each appropriate reason.

- Peter might get more customers because more a lot of people go shopping at the retail park (1) and there are 5000 visitors/potential customers (1) and there are 180 workers at the park (1) whilst at Site A he must rely on people stopping their cars (1) and many will not do so because it is not a long way between the towns (1).
- Peter might not get more customers because there is competition (1) from other fast food outlets in the retail park (1). Also many people driving along the A166 will find it easier to stop at site A (1) because it is more convenient to the road (1) and there is a picnic table which will be nice in summer (1). There are 3000 potential customers per hour at site A/lots of passing trade (1).

Max: 2 x 2 = 4 marks

(iii) Possible points

- In favour of Site A: It is cheaper, there are picnic tables, it will be a nicer place to stop because it is in farmland. More passing trade (1) because up to 3000 cars pass per hour. (1)
- In favour of Site B: There are more potential customers – passing traffic (1) and the workers on the industrial site 1250 in total (1), the workers are likely to be regular customers (1).

Level Two (3 – 5 marks)

Compares the advantages of each site.

Level One (1 – 2 marks)

Considers advantages or disadvantages of only one site to come to a conclusion.

Candidates will be awarded marks for the quality of their written communication according to the following criteria

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects	0

Max: 5 + 2 marks

(b) Target: Knowledge of the services provided by local councils.

One mark for each appropriate objective stated.

- Education/schools
- Police force
- Social services
- Housing
- Roads
- Street lights
- Recreation facilities/parks
- Refuse collection
- Recycling services
- Parking
- Bicycle facilities
- Pest control
- Environmental services
- Nursing homes
- Public Transport
- Care for the elderly
- Fire
- Leisure centres/swimming pools
- Toilets
- Tourist information

NB Health care needs to be specific

Max: 2 marks

(c) Target: Ability to apply knowledge of the objectives of a business in its first year.

One mark for each objective stated and one mark for explanation of why it is appropriate.

- Profit (1) - this will provide income for the owner/Peter (1) and money to use to expand in the future (1)
- Survival (1) - many small businesses do not survive more than a year (1) and need to establish a steady income (1) and regular customers (1).
- Break even (1) – in order to survive/continue trading in the future (1).
- Market share (1) - Peter may want to establish a certain market share/level of sales in the first year so that he becomes known (1).
- Good customer service (1) so that people come back (1).
- Good reputation (1) – so people come back/regular customers/it gets talked about. (1)
- Growth (1) – plus realistic explanation/illustration of growth in first year.

2x2 Max: 4 marks

(d) Target: Knowledge of the different sectors of the economy.

One mark for each appropriate example. Must be from the map.

- Primary - Farming (Farmland), agriculture, growing food
- Secondary - Industrial Units/ manufacturing/ making food (sandwiches)
- Tertiary - Shops (at the retail park), Peter's business/ retailing/ services

Max: 3 marks

(e) Target: Knowledge of the reasons for the changes in the relative importance of secondary and tertiary sectors in terms of employment.

One mark for each correctly placed tick.

Table 1 – Reasons for Changes in Employment in the Secondary and Tertiary Sectors.

Reasons why changes in employment have taken place.	This has caused a fall in employment in the secondary sector.	This has caused a rise in employment in the tertiary sector.
An increase in the population in the UK has led to an increased demand for services like banking and insurance.		√
Imports have increased because other countries like Taiwan and China are able to produce manufactured goods more cheaply than the UK.	√	
People in the UK have more money to spend on luxury services such as eating out and going to the cinema.		√
The development of new technology means that fewer people are now needed to make manufactured goods.	√	
People in the UK now have more time for leisure activities.		√

Max: 4 marks

Q1 Total = 26 marks

2 (a) (i) Target: Ability to apply numerical skills to a business context.

Two marks for the correct answer, one mark for an appropriate method where the answer given is incorrect.

- $£4 \times 25,000 (1) = £100,000 (2).$

Max: 2 marks

(ii) Target: Ability to apply knowledge of a Trading Account.

Two marks for the correct answer, one mark for an appropriate method where the answer given is incorrect. NB “ecf” rule to apply to total revenue value used.

- $£100,000 - £60,000 (1) = £40,000 (2).$

Max: 2 marks

(iii) Target: Ability to apply knowledge of how to increase sales revenue.

One mark for each appropriate suggestion, one mark for each point of explanation. NB Candidates can only get 2 marks for advertising or any other single method. Increase sales/ customers = 0 marks.

- Advertise (1) – by putting signs out on the road (1) or putting leaflets in the industrial units (1) this would raise awareness of his business (1). NB Media for advertising should be appropriate and specific e.g. local newspaper or specialist magazine).
- Reduce his prices (1) - to make his prices cheaper than his competitors (1) so that customers buy from him instead (1). Also cheaper prices might persuade some people to buy more things (1) or buy things they had not intended to buy (1).
- Give promotional offers (1) - such as buy one get one free (1)
- Provide a good service (1) like being friendly (1) extend opening hours (1) phone ordering (1) so people can collect a takeaway (1) which could be used by the industrial site workers (1).
- Increase the range of products (1) e.g. all day breakfasts (1)
- Packaging (1) – some description of the premises (e.g. sun shades, bright colour painting of trailer) or packaging used for the products e.g. provides pot mugs rather polystyrene cups.

Max: 3 x 2 = 6 marks

(b) Target: Ability to interpret business data presented in the form of a pie chart.

Two marks for the correct answer, one mark for an appropriate method where the answer given is incorrect.

- $£150,000/100 \times 20 (1) \text{ [or alternative method]} = £30,000 (2)$

Max: 2 marks

(c) (i) Target: Ability to apply numeracy skills to a business context.

Two marks for a correct answer, 1 mark for an appropriate method if the answer is incorrect.

- £6000 - £1000 (1) = £5000 (2) – Value of overdraft.

Max: 2 marks

(ii) Target: Ability to apply knowledge about the uses of overdrafts.

One mark for each appropriate point.

- An overdraft is when the bank allows a business to spend more than it has in its bank account. Businesses use these when they have cash flow problems (1) or to buy more stock (1). They help the business to keep running (1) by being able to make payments (1) before expected revenue is received (1). These are short term finance (1). Interest is charged (1), only by arrangement (1).

Max: 2 marks

(iii) Target: Knowledge of the term debtors.

One mark for each appropriate point.

- Debtors is the value of money owed to the business by customers (1). It is a debt that should be settled in the short term/3 months (1).

Max: 2 marks

(iv) Target: Ability to evaluate the liquidity of a business.

- Peter might be able to pay the creditors because he has £1200 in the bank (1) and he has £3600 worth of stock to sell (1) as well being owed £2000 by his debtors (1). Also he might be able to increase his overdraft to pay them off (1).
- He has £6800 in assets (1).

Max: 2 marks

Q2 Total = 20 marks

3 (a) Target: Ability to evaluate when it is appropriate to use different methods of finance.

One mark for the identification of the appropriate method, one mark for each point of explanation/justification.

Purchases of premises - Cost £120,000

- Mortgage (1) - this is a special type of loan specifically for buying property (1) and is paid off over a long period of time/long term finance (1) which is good because Peter has to borrow a lot of money/£120,000 (1). The premises can be used as collateral for the loan (1).

Stock - Cost £5,000

- Trade credit (1) - Peter gets the goods immediately/quickly (1) and does not have to pay for till later (1) 28 days/3 months/(appropriate period of time indicate(d)/ short term finance (1) and there is no interest (1) and this gives him a chance to sell them (1) and raise the money to pay for them (1). This allows him to keep the money in the bank (1) and earn interest/money on it (1).

Van - Price to purchase - £15,000

- Leasing (1) - this means that Peter rents the van/does not own the van (1). He does not need to find a lot of money initially (1) but gets the use of it (1). At the end of the period of lease he can upgrade to a newer van (1) which means he cuts down on maintenance (1). Sometimes the lease will include the maintenance of the van (1). The lease can be cancelled (1). Leasing eliminates depreciation (1).

Max: 3 x 4 = 12 marks

(b) (i) **Target: Knowledge of the terms unlimited and limited liability.**

One mark for each line that correctly links a statement with a box.

Table 4 – Statements Describing Limited and Unlimited Liability

Statements	
The owner is responsible for paying off all the debts of the business if it goes bankrupt.	<p>Unlimited Liability</p> <p>Limited Liability</p>
The owner does not have to sell off private possessions if the business goes bankrupt	
The owner may have to sell off private possessions if the business goes bankrupt	
The owner loses the value of any shares owned in the business if it fails.	

Max: 4 marks

(ii) **Target: Knowledge of when limited or unlimited liability applies.**

One mark for the correct answer.

- Peter will have unlimited liability.

Max: 1 mark

(c) Target: Ability to evaluate the benefits of being a sole trader or a partner.

One mark for each relevant point. Maximum of 6 marks if only one option is addressed.

One mark for each advantage and disadvantage of the options stated and explained. Reward also conditional statements and development points. Do not reward “mirror” arguments.

- Sole trader keeps all profit (1) so will have more money for himself (1), retains control (1) so does not have arguments with partner (1), is easy to set up (1) because he does not need to draw up a Deed of Partnership (1).
- Partnership has more capital (1) because a second person to contribute (1), so it has more chance of success (1) as it can be expanded (1); it has more ideas (1); they can share responsibilities/workload (1) because a second person owns the business as well (1) and this is important because the business will now be bigger (1) and Peter may not need to work as many hours (1); management may be better (1) because each person can be specialists/provide different skills (1); the business can be kept going when one partner is ill (1).
- Peter would be responsible legally for decisions made by Rosie (1). Also they would need to draw up a Deed of Partnership which would cost money (1)
- It depends. If Peter can raise enough capital himself (1) he would have been better staying as a sole trader because then he would have been able to keep all the profits (1) to himself and he would be able to make all the decisions (1).
- He could take on a sleeping partner (1) which would let him still make all decisions (1) but would provide financial backing (1).
- I would advise him to set up as a limited partnership (1) so that he gets the advantage of limited liability (1).

Max: 8 marks

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects	0

(d) Target: Ability to evaluate the benefits of a Deed of Partnership.

One mark for each point justifying why it is appropriate to draw up a Deed of Partnership or not.

- It will cost money (1) because they will need to use a solicitor (1).
- The Deed is a legally binding agreement (1) and will prevent arguments (1) about how the profit should be shared out (1), how debts will be settled if the business goes bankrupt (1) who is responsible for what (1), what will happen should one of the partners wish to withdraw from the business (1).

NB Credit only one example of disagreements.

Max: 4 marks

Q3 Total = 31 marks

4 (a) **Target: Knowledge of fixed and variable costs.**

One mark for each correctly placed tick.

Table 6 – Examples of Fixed and Variable Costs of Peter’s Pantry.

Cost	Fixed Cost	Variable Cost
The cost of bottled drinks to sell.		√
The cost of ingredients used in the sandwiches.		√
The cost of insurance for the premises.	√	
Interest on a bank loan.	√	

Max: 4 marks

(b) (i) **Target: Ability to apply knowledge of business terms and numerical skills to a break-even chart.**

One mark for each correct answer.

- A (Fixed cost) = £1000 (1).
- B (Total variable cost) = £2400 (1).
- C (Total revenue) = £4800 (1).

Max: 3 marks

(ii) **Target: Ability to evaluate data in a break-even chart.**

One mark for each appropriate point.

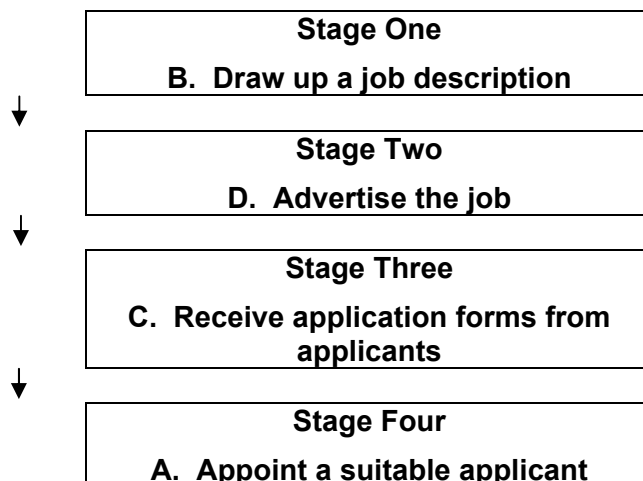
- Peter would not be pleased because he would make a loss (1) of £400 (1). He would not break-even (1) because he is producing 400 less than the break-even amount/he needs to sell 1000 to break even.

Max: 2 marks

(c) (i) **Target: Ability to use knowledge of recruitment and selection procedures and to make judgements about their appropriateness.**

One mark for each correctly placed phrase or letter.

Chart 2 - Sequence of Events for Recruiting and Selecting a Manager.



Max: 4 marks

- (ii) One mark for a point of description and one mark for a reason why he should/should not draw up the documents.

Job description

A job description will list all the jobs that the manager has to do (1). It will help him to decide the kind of person he needs to employ (1) which will help him to decide what information to put in an advertisement (1). It will also help him to draw up a person specification (1) which will help them to plan the process of selection (1).

Application Form

All the applicants answer the same questions on an application form (1) so it is easier to compare their answers (1). Also Peter can decide what questions he wants to ask them (1) so that he gets the information that he knows will help him to choose the right person for the job (1). such as what qualifications they have/hobbies etc (1).

Interview

This will give him the opportunity to see how well they are presented (1), what their communication skills are like (1) so that they will work well with both customers (1) and other workers (1). He can probe them to develop answers fully (1) so that he can find out fully what they think (1).

Test

A test is useful for seeing if the applicants have specific skills/what they can do (1). For example he may want to test if the applicants can use computers/how good their handwriting is (1) to do the jobs they have to do. This checks if people have made false claims on their application form (1).

NB: Vague responses = 0 marks, e.g. see what they are like, tell you more about the applicant.

Max: 4 x 3 = 12 marks

Q4 Total = 25 marks

5 (a) Target: Ability to evaluate the appropriateness of an advertisement.

One mark for each point of criticism and one mark for an explanation of why it is a problem.

- No address/give the address (1) – customers will not know where the shop is (1).
- No contact phone number/give the phone number (1) – customers will not be able to contact the shop to make orders (1).
- More details about the food sold (1) – so that customers know what is on sale and will be more likely to be tempted to buy things such as sandwiches/cakes (1).
- More details about prices (1) – so customers can compare prices with other business (1).
- What time the shop opens (1) – so customers know when they can go to the shop to buy things (1).
- More pictures (1) so that it looks more attractive to customers (1).
- It is good because it offers a free gift (1) and customers like something for nothing (1).
- Make it more colourful/use more pictures (1).
- The word “grub” does not create the right image (1).

NB 2 marks maximum for positive comment.

List = max 2 marks.

Max: 4 marks

(b) Target: Ability to evaluate the appropriateness of different advertising media.

(i) One mark for each appropriate medium suggested.

- Local newspaper
- Poster in shop window
- Leaflets/flyers - posted in local houses/businesses
- Local radio
- Road-side advert
- Board outside shop

Max: 2 marks

(ii) One mark for each appropriate point.

- I suggest that they use leaflets because this will be cheaper than using the local press/has very little cost (1). Also the leaflets will be read by people most likely to buy from the shop (1) because potential customers can be targeted (1) e.g. they can be delivered to local offices (1) whereas a newspaper will be read by a lot of people who are not likely to be customers (1).
- An advert in a local newspaper would be good because it will be read by people who live locally (1) and are likely to be customers of the shop (1). It may be expensive (1). It will not be time consuming (1). The advertising can be colourful (1)
- A poster in the shop window will help to draw the attention of passers-by (1) to the Pete’s Pantry. It will be cheap and easy (1) and they do not have a lot money to spend on advertising (1).
- Local radio reaches a large audience (1) which will be local (1). They will hear it as they drive (1) and a catchy tune can be used with it (1).

Max: 4 marks

(c) Target: Ability to evaluate alternative methods of distribution.

One mark for each point.

- Advantages of delivery service - may increase custom/lead to more customers/more sales(1) bigger market (1) because it may suit customers who do not want to leave work to buy their lunch (1), reduces congestion at lunch-time (1) and may reduce the number of shop assistants needed (1). There may be weekly orders (1) and bulk orders (1) from offices etc.
- Disadvantages of delivery service - may cost more (1) because of need to employ someone to deliver (1), possible need for a van (1). The higher costs can lead to lower profits (1). It may be difficult to cope/manage with the extra work (1).
They may have to charge more/put their prices up (1) to cover these costs. This may make it difficult to compete (1). Alternatively they may have to charge a delivery charge (1). They may not yet have the money for a van (1) because they have only just started up (1).

Max: 2 x 2 = 4 marks

(d) Target: Ability to apply knowledge of terms related to pricing strategies.

One mark for each correctly identified pricing strategy.

Write the name of the pricing strategy that Peter uses in the box next to the description of what he does.

What Peter and Rosie could do	Name of pricing strategy
Start to sell a range of hot pies. Charge a low price to get people to try them.	C. Penetration pricing
Charge a slightly lower price for cakes than a competitor sandwich bar on the same street.	D. Competitor pricing
Buy cold drinks at 50p, each add 40p and sell them for 90p.	B. Cost plus pricing
Charge 99p rather than £1 for egg sandwiches.	A. Psychological pricing

Max: 4 marks

Q5 Total = 18 marks

Mark Scheme 1951/02
June 2006

1 (a) Target: Ability to use data available to evaluate the best location for a business.

Level 2 (4-6 marks)

Develops an explanation of or qualifies the analysis.

Level 1 (1-3 marks)

Makes a basic analysis of a feature of each site.

Information	Basic analysis – Level 1 (Develops from the rubric)	Development/qualification – Level 2 (so what or why?)
Site A		
£400 licence fee	is cheaper than the other two sites	– it has lower fixed costs leaving him money to use on the business.
lay-by	Which cars can stop in it will be easily seen/accessed by passing motorists than other sites	So it is convenient for the customer And customers are likely to want to stop here (compared with the other sites)
picnic tables	which will make it a pleasant place to stop	will be good for people to sit and eat/convenient.
3000 cars	Means many customers.	but only a small proportion of the cars passing may stop there.
3000 cars	means many customers	even if only a small number stop at the site.
Site B		
1250 workers	has a lot of potential customers There are no competitors for these customers (L1)	they will need something each day so he will gain more income.
£1200	is dearer than Site A (L1)	So Peter will need have a higher break even point.
6 miles Mencaster/Bowton	is situated mid-way between the two towns	and people are more likely to want to stop at this point.
slip road (by main road)	makes access easy people may not notice it	and people can park away from the main road means people would drive past
Site C		
5000 shoppers daily	has many more potential customers	but has four competitors so may not have as many customers which will threaten his survival.
Fast food outlets	Mean competition	so may not have as many customers which will threaten his survival.
£1800	is more expensive than Sites A or B	
1 mile from Bowton	is near a large town is too near the town of Bowton (L1) -	and this may add to the number of customers compared to sites A and B. travellers would not want to stop there.
180 workers	Means regular customers (L1)	But this is only a small number and they may prefer the fast food outlets.

Max: 6 marks

(b) Target: Knowledge of the services provided by local councils.

One mark for each appropriate objective stated.

- Education/schools
- Police force
- Social services
- Housing
- Roads
- Street lights
- Recreation facilities/parks
- Refuse collection
- Recycling services
- Parking
- Bicycle facilities
- Pest control
- Environmental services
- Nursing homes
- Public Transport
- Care for the elderly
- Fire
- Leisure centres/swimming pools
- Toilets
- Tourist information

NB Health care needs to be specific

Max: 2 marks

(c) Target: Ability to apply knowledge of the objectives of a business in its first year.

One mark for each objective stated and one mark for explanation of why it is appropriate.

- Profit (1) - this will provide income for the owner/Peter (1) and money to use to expand in the future (1)
- Survival (1) - many small businesses do not survive more than a year (1) and need to establish a steady income (1) and regular customers (1).
- Break even (1) – in order to survive/continue trading in the future (1).
- Market share (1) - Peter may want to establish a certain market share/level of sales in the first year so that he becomes known (1).
- Good customer service (1) so that people come back (1).
- Good reputation (1) – so people come back/regular customers/it gets talked about. (1)
- Growth (1) – plus realistic explanation/illustration of growth in first year.

Max: 4 marks

(d) (i) Target: Knowledge of the different sectors of the economy.

One mark for each appropriate example. Must be from the map.

- Primary - Farming (Farmland)/ agriculture/ growing food.
- Secondary - Industrial Units/ manufacturing/ making food (sandwiches).
- Tertiary - Shops (at the retail park), Peter's business/ retailing/ services.

Max: 3 marks

(ii) **Target: Knowledge of the reasons for the changes in the relative importance of secondary and tertiary sectors in terms of employment.**

One mark for each point explaining **why** secondary employment has decreased and one mark for each point explaining **why** tertiary employment has increased.

- Decrease in secondary employment – this is de-industrialisation (1) caused by increased use of technology/machinery (1) reducing need for labour (1) to produce the same level of output (1), increase in productivity of workers (1) increased imports (1) from countries that can produce manufactures more cheaply (1) because they have a lot of cheap labour (1) cheaper rents (1).
- Increase in employment in tertiary sector – increases in consumer demand for services (1) because of greater affluence (1) means people have more to spend (1) on luxury services (1), people have more time for leisure (1), people have less time to cook/shop (1) so are prepared to pay for meals out/delivery of shopping (1).

Max: 2 x 3 or 2 + 4 = 6 marks

Q1 Total = 21 marks

2 (a) (i) Target: Ability to apply knowledge of Trading Account.

Six marks for the correct answer. One mark for each stage in an appropriate method. NB the candidate does not have to lay out an accurate trading account to get method marks. NB. ECF on revenue calculation.

NB The +£4000 and the - £2000 should explicit but may be implicit – still reward.

• Revenue	4 x 25000 (1)	£100,000 (1)
• Opening Stock	+£ 4,000	
• Purchases	+£58,000 (1)	
• Closing Stock	-£ 2,000 (1)	
• Cost of Goods Sold		<u>£ 60,000 (1)</u>
• Gross Profit		£ 40,000 (6)

Reward revenue calculation 4 x £25,000 (1)

Revenue =	£100,000 (1)	£100,000 (1)
Minus	£ 58,000 (1)	- £ 58,000 (1)
Minus	£ 4,000 (1)	-£ 4,000 (1)
Plus	£ 2,000 (1)	- £ 2,000
Equals	£ 40,000 (6)	£ 36,000

In the cost of goods sold calculation, the mark is for a method e.g. £4000 + £58,000 (1) or £4000 - £2000 (1) or £58,000 – £2,000 (if read as stock at end of year) (1).

NB If candidate does £100,000 - £64,000 (1) = £36,000. Correct method only.

Max: 6 marks

(ii) Target: Ability to apply knowledge of how to increase sales revenue.

One mark for each appropriate suggestion, one mark for each point of explanation. NB Candidates can only get 2 marks for advertising or any other single method. Increase sales/ customers = 0 marks.

- Advertise (1) – by putting signs out on the road (1) or putting leaflets in the industrial units (1) this would raise awareness of his business (1). NB Media for advertising should be appropriate and specific e.g. local newspaper or specialist magazine).
- Reduce his prices (1) - to make his prices cheaper than his competitors (1) so that customers buy from him instead (1). Also cheaper prices might persuade some people to buy more things (1) or buy things they had not intended to buy (1).
- Give promotional offers (1) - such as buy one get one free (1)
- Provide a good service (1) like being friendly (1) extend opening hours (1) phone ordering (1) so people can collect a takeaway (1) which could be used by the industrial site workers (1).
- Increase the range of products (1) e.g. all day breakfasts (1)
- Packaging (1) – some description of the premises (e.g. sun shades, bright colour painting of trailer) or packaging used for the products e.g. provides pot mugs rather polystyrene cups.

Max: 3 x 2 = 6 marks

(b) Target: Ability to interpret business data presented in the form of a pie chart.

Level 2 (3-4 marks)

Candidate recognises that the value of sales of cakes is larger in 2004 than in 2003.

- The value of sales has risen (L2) from £15,000 in 2003 to £20,000 in 2004/by £5,000 (L2).

Level 1 (1-2 marks)

Candidate discusses changes in the sales of cakes in percentage terms.

- The sales of cakes have decreased (L1) from 25% to 20% (L1) [allow by 5%].

Max: 4 marks

(c) Target: Ability to use ratio analysis to evaluate financial data.

Level 3 (8-10 marks)

Draws appropriate conclusions on the basis of ratio analysis.

- The performance is better because the ROCE has gone up indicating a higher return on the capital invested than the previous year.
- The return on capital employed is better than the return he would get by leaving the money he invested in the bank.
- The return on capital employed is better than a similar business which has been established for a longer period of time.
- The Net Profit margin has improved indicating that he has made his business more efficient. To do this he has increased his sales revenue proportionately more than the cost of goods sold and his business expenses. He might have done this by buying from a cheaper supplier or because he is spreading his expenses over a greater output - some of his expenses will be fixed costs.

NB: Level 3 statements do need to be backed by evidence from the calculations.

Level 2 (4-7 marks)

Candidate performs accurate calculation of ROCE and Net Profit ratios.

- ROCE in 2004 was 33% or 0.33.
- ROCE in 2005 was 50% or 0.5.
- Net Profit margin in 2004 was 20% or 0.2.
- Net Profit margin in 2005 was 25% or 0.25.
- Net profit margin was 0.05 higher ((2 L2 marks).

Level 1 (1-3 marks)

Candidate comments on changes in absolute figures without reference to ROCE.

- (Net) Profit has gone up (1) by £15,000. (1)
- The value of the capital employed has gone up (1) by £10,000.(1)
- Turnover has risen (1) by £40,000.(1)

Max: 10 marks

Q2 Total = 26 marks

3 (a) Target: Ability to evaluate when it is appropriate to use different methods of finance.

One mark for the identification of the appropriate method, one mark for each point of explanation/justification.

Purchases of premises - Cost £120,000

- Mortgage (1) - this is a special type of loan specifically for buying property (1) and is paid off over a long period of time/ long term finance (1) which is good because Peter has to borrow a lot of money/£120,000 (1). The premises can be used as collateral for the loan (1).

Stock - Cost £5,000

- Trade credit (1) - Peter gets the goods immediately/quickly (1) and does not have to pay for until later (1) 28 days/3 months/(appropriate period of time indicate(d)/ short term finance (1) and there is no interest (1) and this gives him a chance to sell them (1) and raise the money to pay for them (1). This allows him to keep the money in the bank (1) and earn interest/money on it(1).

Van - Price to purchase - £15,000

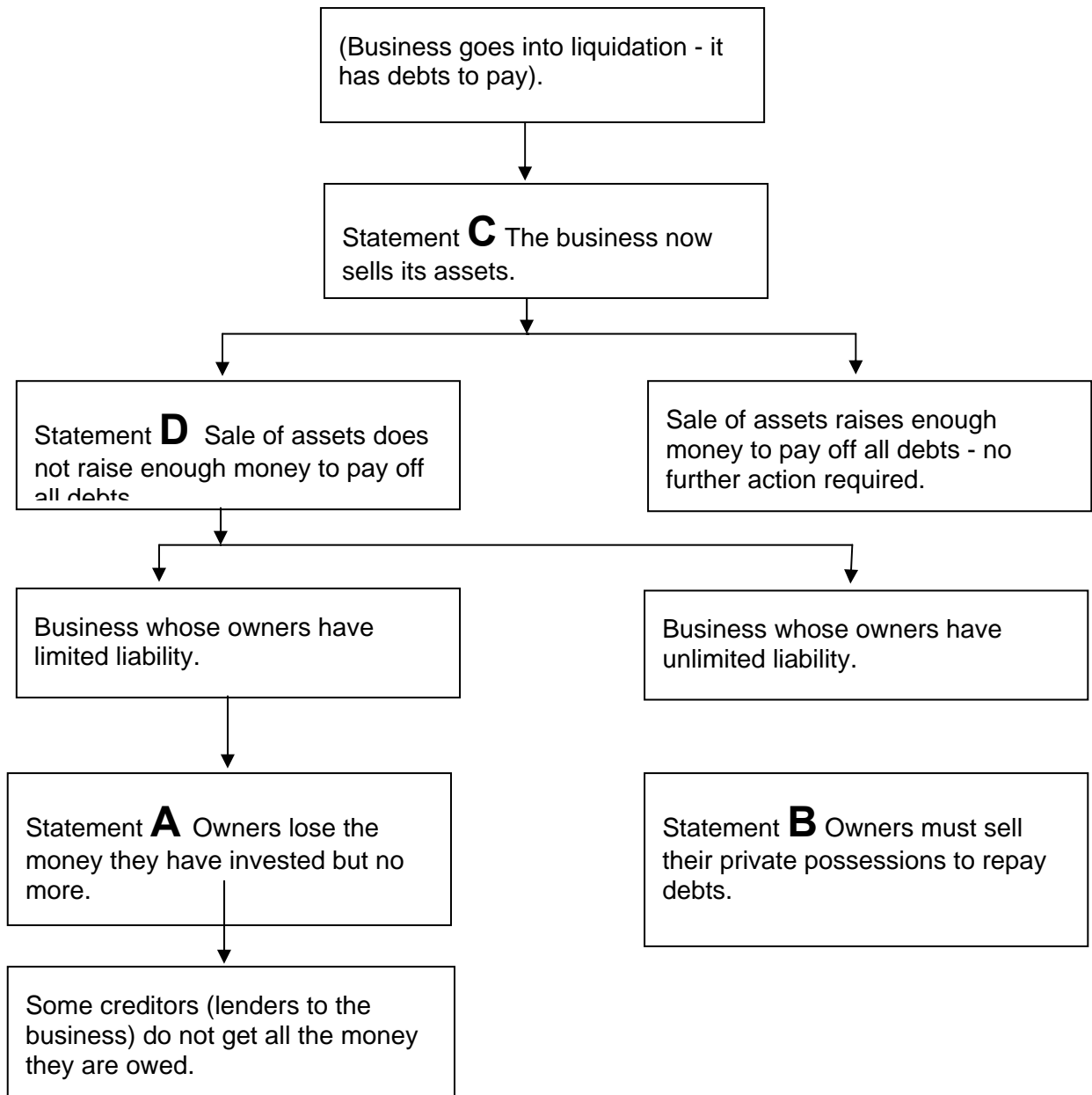
- Leasing (1) - this means that Peter rents the van/does not own the van (1). He does not need to find a lot of money initially (1) but gets the use of it (1). At the end of the period of lease he can upgrade to a newer van (1) which means he cuts down on maintenance (1). Sometimes the lease will include the maintenance of the van (1). The lease can be cancelled (1). Leasing eliminates depreciation (1).

Max: 3 x 4 = 12 marks

(b) (i) **Target: Knowledge of the terms unlimited and limited liability.**

One mark for each correct answer.

- A Owners lose the money they have invested but no more.
- B Owners must sell their private possessions to repay debts.
- C Sale of assets does not raise enough money to pay off all debts.
- D The business now sells its assets.



Max: 4 marks

(ii) **Target: Knowledge of when limited or unlimited liability applies.**

One mark for the correct answer.

- Peter will have unlimited liability.

Max: 1 mark

(c) (i) Target: Ability to evaluate the benefits of being a sole trader or a partner.

One mark for each relevant point. Maximum of 6 marks if only one option is addressed.

One mark for each advantage and disadvantage of the options stated and explained. Reward also conditional statements and development points. Do not reward “mirror” arguments.

- Sole trader keeps all profit (1) so will have more money for himself (1), retains control (1) so does not have arguments with partner (1), is easy to set up (1) because he does not need to draw up a Deed of Partnership (1).
- Partnership has more capital (1) because a second person to contribute (1), so it has more chance of success (1) as it can be expanded (1); it has more ideas (1); they can share responsibilities/workload (1) because a second person owns the business as well (1) and this is important because the business will now be bigger (1) and Peter may not need to work as many hours (1); management may be better (1) because each person can be specialist/provide different skills (1); the business can be kept going when one partner is ill (1).
- Peter would be responsible legally for decisions made by Rosie (1). Also they would need to draw up a Deed of Partnership which would cost money (1).
- It depends. If Peter can raise enough capital himself (1) he would have been better staying as a sole trader because then he would have been able to keep all the profits (1) to himself and he would be able to make all the decisions (1).
- He could take on a sleeping partner (1) which would let him still make all decisions (1) but would provide financial backing (1).
- I would advise him to set up as a limited partnership (1) so that he gets the advantage of limited liability (1).

Max: 8 marks

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects	0

(d) Target: Ability to evaluate the benefits of a Deed of Partnership.

One mark for each point justifying why it is appropriate to draw up a Deed of Partnership or not.

- It will cost money (1) because they will need to use a solicitor (1).
- The Deed is a legally binding agreement (1) and will prevent arguments (1) about how the profit should be shared out (1), how debts will be settled if the business goes bankrupt (1), who is responsible for what (1), what will happen should one of the partners wish to withdraw from the business (1).

NB: Credit only one example of disagreements.

Max: 4 marks

Q3 Total = 31 marks

4 (a) (i) **Target: Ability to apply knowledge of break-even and how it may be calculated.**

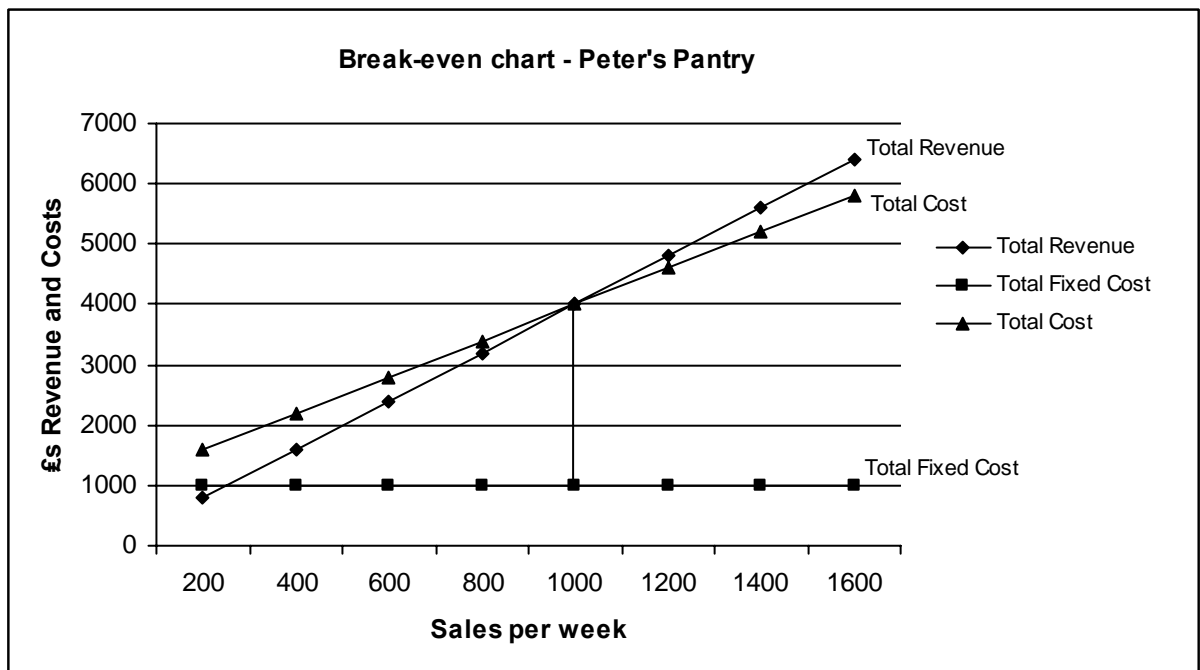
Six marks for the correct identification of the break-even output.
 If break-even point incorrectly identified, mark the calculation or the construction of the break-even chart.
 One mark for each stage in the calculation.
 One mark for each part of a correctly constructed break-even chart.

Correct answer – 1000 sales per week

Calculation method

- Contribution. Price – minus variable cost = £4 (1) - £3 (1) = £1 (1)
- Break-Even. Fixed cost/contribution = £1000 (1) £1 (1) = 1000 sales.
- NB Allow ecf on break-even part of calculation.

Break-even chart method



- One mark for each of the correct drawn lines – total fixed cost, total cost and total revenue.
- One mark for each correct label.
- NB Maximum of 5 marks if break even output not indicated e.g. line not dropped to horizontal axis from TR/TC intersection.

Max: 6 marks

(b) Target: Ability to evaluate the usefulness of break-even forecasts to businesses.

One mark for each appropriate point.

- Break-even forecasts are useful if they help business to decide how many they need to sell to break even/ how many they would need to sell to make a profit (1), the viability of the business/target number to produce.
- However they do have limitations – they are only predictions (1), changes may occur after the forecast has been made making them inaccurate (1), prices may have to fall (1) because of a new competition (1) or may rise (1) if competition reduced (1), variable costs may rise or fall (1) e.g. cost of buying food/wages (1). This means that other information will have to be used to help decision-making (1). NB Credit also the argument that fixed costs can change (1) e.g. if the rent changes through the year (1).

Max: 4 marks

(b) Target: Ability to evaluate appropriate methods of recruitment and selection.

One mark for each stage identified and one mark for each point of development.

Stage A – Deciding what is need and advertising this – mark with a letter A.

- Needs analysis (1) to make clear what the job is exactly (1) and what kind of person (1) Peter will need to employ – Write a job description (1) which details the tasks connected with the job (1) and who the person will be responsible to/ the pay/ the hours (1). Write a person specification (1) which details the qualifications/ skills and aptitudes (1) needed for the job. This will make sure that you get suitable applicants for the job (1).
- Advertise the job (1) – in a local newspaper/on local radio/at the local job centre (1) because this will be fairly cheap (1) and the job is likely to attract only people who live locally (1). [One mark for something appropriate to put on the advertisement e.g. skills/ communication details (1)]. He could advertise in a specialist magazine such as a Catering Magazine (1) because people with the relevant skills would read this. The advert will have to give appropriate information (1) about the position e.g. brief outline of tasks/details of salary/experience needed (1) and what interested people should do (1) e.g. phone/send for details/send for an application form/send letter of application/CV (1).

Stage B – Selecting from the applicants – Mark with a letter B

- Shortlist (1) i.e. reduce the number of applicants to a number appropriate for the selection procedures (1) which will save money and time (1) – read CVs/letters of application/application forms (1) and judge which ones best match the person specification (1).
- Select (1) from the shortlisted candidates – interview (1) the shortlisted applicants so that they can see if the person has the person skills such as communication/ presentational skills (1) required to manage/lead others/ or they write a precise question which would show if they could manage others (1) and the skills to deal with customers/ or they write a precise question which would show if they could deal with customer problems (1) and see if (s)he is well presented/ well dressed (1). Give a test/ trail/role play (1) e.g. computer skills (1) if (s)he needs to be able to use the computer for accounts (1) etc.

Max: 2 x 6 = 12 marks

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects	0

Max: 3 x 4 or 4 x 3 or 6 + 3 + 3 = 12 marks

Q4 Total = 24 marks

5 (a) Target: Ability to evaluate the appropriateness of different advertising media.

(i) One mark for each appropriate medium suggested.

- Local newspaper
- Poster in shop window
- Leaflets/flyers - posted in local houses/businesses
- Local radio
- Road side advert
- Board outside shop

Max: 2 marks

(ii) One mark for each appropriate point.

- I suggest that they use leaflets because this will be cheaper than using the local press/has very little cost (1). Also the leaflets will be read by people most likely to buy from the shop (1) because potential customers can be targeted (1) e.g. they can be delivered to local offices (1) whereas a newspaper will be read by a lot of people who are not likely to be customers (1).
- An advert in a local newspaper would be good because it will be read by people who live locally (1) and are likely to be customers of the shop (1). It may be expensive (1). It will not be time consuming (1). The advertising can be colourful (1)
- A poster in the shop window will help to draw the attention of passers-by (1) to the Pete's Pantry. It will be cheap and easy (1) and they do not have a lot money to spend on advertising (1).

Cap at two for a negative argument only that says why one media should not be used.

Needs at least two positive comments supporting the chosen media.

Max: 4 marks

(b) Target: Ability to evaluate alternative methods of distribution.

One mark for each point.

- Advantages of delivery service - may increase custom/lead to more customers/more sales/ bigger market (1) because it may suit customers who do not want to leave work to buy their lunch (1), reduces congestion at lunch-time (1) and may reduce the number of shop assistants needed (1). There may be weekly orders (1) and bulk orders (1) from offices etc.
- Disadvantages of delivery service - may cost more (1) because of need to employ someone to deliver/driver (1), possible need for a van/insurance/petrol (1). The higher costs can lead to lower profits (1). It may be difficult to cope/manage with the extra work (1). They may have to charge more/put their prices up (1) to cover these costs. This may make it difficult to compete (1). Alternatively they may have to charge a delivery charge (1). They may not yet have the money for a van (1) because they have only just started up (1).

Max: 2 x 2 = 4 marks

(c) Target: Ability to evaluate the effects of inflation on the business.

One mark for each appropriate point. Maximum of four marks for any single line of argument.

- 1 Wage costs line - Rising wages means that he will have to pay his workers more money (1) and this means he may have to raise his prices (1) so that he does not make a loss/to make a profit (1) and if he cannot raise prices his profits will fall (1).
- 2 Interest rate costs line - If he has a bank loan, the amount he must pay in interest will rise and this will raise costs (1) and this will also mean he has to raise prices (1).
- 3 Ingredient costs line - The fact that food prices are not rising means that the costs of his ingredients should not go up (1) as much as other goods (1) although there will still be some increase (1) because of the need to pay higher wages (1) to the people involved in the production of them.
- 4 Interest rates and demand line - The rise in interest rates may cause a reduction in the demand (1) for his sandwiches as people with loans (1) will have to pay larger amounts of interest (1) and they may decide they need to save money (1), perhaps by making their own lunch rather than buying it (1).
- 5 Interest rates and future investment - If Peter wanted to expand in the future (1), the higher interest rates might put him off (1) because it would cost him more to borrow the money to finance the expansion (1).
- 6 Wages and rising demand line - The rise in wages may mean a rise in demand (1) as people have more money to spend (1). They may consider buying a lunch rather than taking a packed lunch as a luxury (1) saving them the time and effort involved in making their own (1).
- 7 Food prices line – He may have problems raising his price to cover any extra wage/interest costs (1) because it will depend on what his competitors are doing (1).
- 8 Savings line – Interest rises so bigger return (1).

Max. 2 x 4, or 4 + 2 + 2 or 2 + 2 + 2 + 2 = 8 marks

Q5 Total = 18 marks

Mark Scheme 1951/03
June 2006

1 (a) **Target: To demonstrate knowledge of the importance of company names; to demonstrate knowledge of public limited companies.**

(i) Many possible answers.

- I think it is a good name because the word healthy implies a good food which helps the customers health thus helps improve the image of the business hence profit.
- It shows what they produce 'selling salmon'.

Allow two stated, e.g. healthy image, what they produce.

[2]

(ii)

	TICK TWO BOXES
A company which has the letters plc after its name.	✓
A company which has only one owner.	
A company which splits its profits between each partner.	
A company which has the letters Ltd after its name.	
A company whose shares are sold on the stock exchange.	✓

[2]

(iii) Many possible answers.

Level 2 (3-4 marks)	Judgement made for the fourth mark with logical reasoning. Reference to both factors which have been developed.
Level 1 (1-2 marks)	Application. Two statements not developed. This may be statements referring to both factors.

(No mark for choice)

Example of a Level 2 answer

A company with the most customers is likely to be the most successful as more customers implies high profit. Also, more customers imply big premises as you will have to make the many products which again indicates high success. You might own big premises but they may not be used as you are not successful.

[4]

(b) Target: To analyse given data and demonstrate knowledge of reasons for the decreasing primary sector.

Many possible reasons

- Changes in consumer demand in favour of foreign produce.
- The primary sector has fallen because, as wages tend to be lower, fewer young people want to work in this sector.
- The growth of technology has made fewer jobs available e.g. robotics in farming.
- As international trade has increased, UK supermarkets are able to import more produce thus less demand for UK primary companies such as Healthy Salmon plc.

Level 2 (3-4)	Evaluation. Reason why one factor has been more important than the other.
Level 1 (1-2)	Analysis and application. Identifying primary sector has fallen and an explained factor given.

Example of a Level 2 answer

Whilst the growth of technology has made fewer jobs available, e.g. robotics in farming, the overriding factor for the fall in primary sector employment is that there has been a change in consumer demand in favour of foreign produce. As international trade has increased, UK supermarkets are able to import more produce thus less demand for UK primary companies such as Healthy Salmon plc therefore less need for workers.

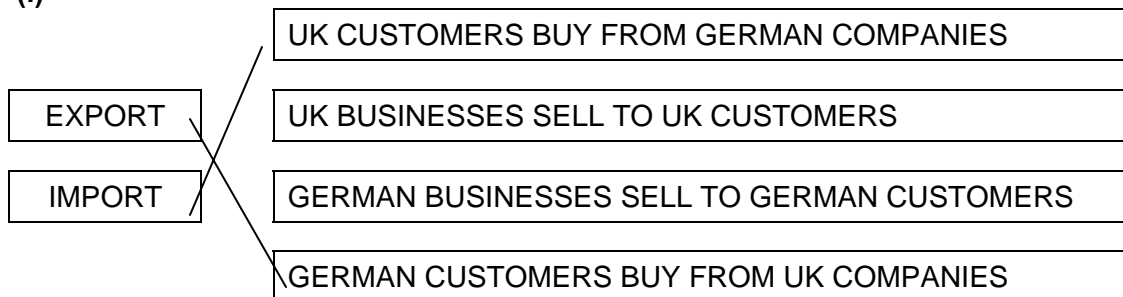
Example of a Level 1 answer

- The growth of technology has made fewer jobs available e.g., robotics in farming thus there has been a fall in primary sector employment.
- 'Primary sector employment has gone down because of cheaper products from abroad'.

[4]

(c) Target: To demonstrate knowledge of exports and apply its importance to business.

(i)



[2]

(ii) Many possible answers.

Extra sales (1)/ increase profits (1).

Get a foothold in a different market (1) and this may generate other German supermarkets to buy thus extra profits (1).

Free trade and opening up of European market (1).

Spreading risk (1).

Improve reputation (1).

Allow 'No sea in Germany therefore need fish supplies (1), which means

Healthy Salmon plc might sell more (1).

Allow demand side answers:

- 'Germans must like salmon', 'Healthy Salmon plc sells its salmon cheaper than home priced salmon', 'Germans know that salmon is healthy for them'.
- Able to sell at higher price in Germany because of higher income levels.
- Wider range of customers thus likely to lead to more profit.

[3]

(d) **Target: To demonstrate knowledge of euro: to apply knowledge of exchange rates and analyse given graph thus enabling appropriate judgement.**

(i) Many possible answers.

France, Germany, Holland, Spain, Belgium.....

[2]

(ii) 1.4

[1]

(iii) Many possible answers.

- Euro has increased thus cheaper to buy from Healthy Salmon plc therefore possible increase in sales (1). This means they will have more/more profit to invest (1) which will mean the business is more competitive (1).
- Higher Euro means Healthy Salmon plc will pay more for imported materials (1) which increases total costs (1) and thus leads to a decrease in profits (1).

Example of a Level 2 answer.

This is likely to result in higher demand (1) and profits (1). Although the price per unit of salmon is not big, if they import large quantities of salmon the German supermarkets will be better off thus likely to buy from Healthy Salmon plc which leads possibly to more funds for investment (1).

[3]

(e) **Target: To apply knowledge of company location thus enabling analysis of factors and making judgement.**

Many possible answers.

- Cost of land cheaper in Ireland thus potentially lower total costs although Government relocation grant available in Scotland. This may keep costs of relocating to Scotland overall cheaper. However, how big is the grant?
- Consumer spending higher in Ireland. This may generate more demand for salmon but is this relevant? But there is a higher minimum wage in Ireland thus possibly higher labour costs. However, only 25 pence difference. Will this be a major factor?

Award other factors such as referring to 'Ireland having the euro which saves on exchange costs when exporting' and 'scenery' and 'availability of golf courses, standard of living indicators... Also 'stay in Scotland due to stress of moving'.

Example of a Level 3 answer

The cost of land is cheaper in Ireland thus potentially lower total costs although I recognise there is a Government relocation grant available in Scotland. This may keep costs of relocating to Scotland overall cheaper but we do not know how big the grant is. Consumer spending is also higher in Ireland. This may generate more demand for salmon. The downside is that there is a higher minimum wage in Ireland thus possibly higher labour costs (although in my opinion a 25 pence difference per hour will not markedly affect profitability whereas cost of land / premises and high consumer spending woul(d). Therefore I think they should relocate to Ireland.

Level 3 (5-6)	Judgement based on comparative analysis of at least two factors. 'Country' judgement needed to reach 6 marks.
Level 2 (3-4)	Analysis.
Level 1 (1-2)	Application Basic statements related to Healthy Salmon plc.

NB: Max 2 marks for listing correctly advantages and disadvantages of chosen country.

Candidates will also be assessed for the quality of their written communication, according to the following criteria:		
<i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i>	2	
<i>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</i>	1	2
<i>Candidate fails to reach the threshold standard in all respects.</i>	0	

[6 + 2]

[TOTAL MARKS 31]

- 2 (a) **Target: To apply knowledge of social benefits of business behaviour; demonstrate knowledge of limited liability to stated company's shareholders.**

(i) Many possible answers.

- Businesses need workers (1) which gives workers wages and this money maybe spent in the area (1).
- More convenient than public transport (1).
- Helps them not break the law (1) when drinking (1).

[2]

(ii) Limited liability means that if the business goes into liquidation (1) due to debt, the company shareholders will not lose their possessions to pay the debt (1) - only their investment (1).

If candidate answers 'bankrupt/ bust/ fail', only award 1 mark if it is backed up.

[3]

- (b) **Target: To apply knowledge of sources of finance thus making appropriate judgement.**

Many possible answers including both methods.

Example of a Level 2 answer

Issuing shares to family and friends dilutes control and may make decision making harder as well as pressure on payment of dividends but you do not have to pay interest on loans or have monthly bank repayments. Therefore, as you do not have an outside firm wanting monthly repayments, I would say use 'issue shares to family and friends especially as you do not have to pay dividends'.

Level 2 (3-4)	Analysis and judgement logically backed.
Level 1 (1-2)	Application of only one source.

[4]

- (c) **Target: To apply knowledge of profitability by selecting a method to increase profitability.**

Many possible answers.
(no mark for choice)

Increasing prices brings in more money (1) for the business thus increasing profitability (1), although the higher prices might put some customers off thus overall they may lose out (1). Therefore I would choose 'increase advertising' as more people would be aware of (1) their taxis thus they make more profit (1).

To obtain 4 marks, candidate must make reference to both suggestions with logical reasoning and make reference to increasing profitability.

[4]

- (d) **Target: To demonstrate and apply knowledge of problems associated with rapid growth.**

Purchasing economies - because the business is bigger they will buy taxis and spare parts in bigger numbers(1) therefore they will be able to negotiate a better price which saves on costs (1).

Managerial economies - because the business is bigger they will have more money to pay the higher wages (1) needed to recruit specialists therefore the business is likely to be run in a more efficient way (1) which may lead to more profits (1).

2 x 2 and allow 3 x 1 if the student knows more of one economy than one than the other.

[4]

- (e) **Target: To analyse and apply knowledge of accounting information: evaluating statements upon the financial performance of a business.**

(i)

	2005
Net Profit to Sales	5%
Current Ratio	1:1

[2]

Net profit ratio should be in % whilst the current ratio should be in ratio format.

(ii)

EVENT	LIKELY CAUSE	NOT A LIKELY CAUSE
Kaye Taxis Ltd has rented more taxis to drivers.		✓
Increased number of other taxi companies.	✓	
Costs have increased.	✓	

[3]

- (iii) Many possible answers.

The increase in competition means customers can use other taxi companies thus Kaye Taxis Ltd will get less profit.

Increases in costs can be better managed but to an extent you do not have much control over them therefore net profit will go down.

To obtain 2 marks, candidate must make appropriate link to profit.

***NOTE** candidates might refer to net profit increasing - this is to be rewarded as the question is not specific e.g., renting more taxis will increase revenue thus more profit will gain one mark.*

[2]

- (f) **Target: To evaluate the possible effects of external factors on stated company.**

Many lines of argument

Increased road congestion - may mean fewer customers want taxis thus drivers may not make enough money therefore do not want Kaye's car thus drop in profits.

Bus prices down - may mean fewer customers want taxis thus drivers may not make enough money therefore do not want Kaye's car thus drop in profits.

More buses mean greater service therefore less demand for taxis.

Level 2 (3-5)	Judgement based on comparative analysis of both headlines. Analysis.
Level 1 (1-2)	Application. Basic statements related to Kayes Ltd.

Example of a Level 2 answer

Both headlines may have a negative impact on Kayes. Increased road congestion may mean fewer customers want taxis as taxis will take too long thus drivers may not make enough money therefore do not want Kaye's taxis thus causing a drop in Kaye's profits. To make matters worse, bus prices are down which means more consumers may use this mode of transport which may mean fewer customers want taxis, especially as there are more buses on the road.

Taxi drivers, therefore, may not make enough money so do not want Kaye's taxis thus drop in profits. Overall, I feel the first headline will have more of an impact because people do not like sitting in traffic jams and also a 10% saving on a bus ticket is not a lot of money.

[5]

[TOTAL MARKS 29]

Mark Scheme 1951/04
June 2006

1 (a) To demonstrate knowledge of public limited companies.

(i)

	TICK TWO BOXES
A company which has the letters plc after its name.	√
A company which has only one owner.	
A company which splits its profits between each partner.	
A company which has the letters Ltd after its name.	
A company whose shares are sold on the stock exchange.	√

[2]

(ii) Many possible answers

Within the Trading, P&L, both sales and size of profit are present (1).
Therefore the higher the profit the more likely you are successful.

No mark for reference to money.

[2]

(b) **Target: To analyse given data and demonstrate knowledge of reasons for the decreasing primary sector.**Many possible reasons

- Changes in consumer demand in favour of foreign produce.
- The primary sector has fallen because, as wages tend to be lower, fewer young people want to work in this sector.
- The growth of technology has made fewer jobs available e.g. robotics in farming.
- As international trade has increased, UK supermarkets are able to import more produce, thus less demand for UK primary companies such as Healthy Salmon plc.

Level 2 (3-4)	Evaluation Reason why one factor has most impact than the other factor.
Level 1 (1-2)	Analysis and application Identifying primary sector has fallen and an explained factor given.

Example of a Level 2 answer

Whilst the growth of technology has made fewer jobs available, e.g. robotics in farming, the overriding factor for the fall in primary sector employment is that there has been a change in consumer demand in favour of foreign produce. As international trade has increased, UK supermarkets are able to import more produce thus less demand for UK primary companies such as Healthy Salmon plc therefore less need for workers.

Example of a Level 1 answer

- The growth of technology has made fewer jobs available e.g. robotics in farming, thus there has been a fall in primary sector employment.
- 'Primary sector employment has gone down because of cheaper products from abroad'.

[4]

- (c) **Target: To demonstrate knowledge of exports: to apply knowledge of exchange rate and analyse given graph thus enabling appropriate judgement: to assess the advantages and disadvantages of joining euro to stated business.**

(i) Many possible answers

Extra sales (1) increase profits (1)
 Get a foothold in a different market (1) and this may generate other German supermarkets to buy (1) thus extra profits (1).
 Free trade and opening up of European market (1)
 Spreading risk (1).
 Improve reputation (1).

Allow 'No sea in Germany therefore need fish supplies (1), which means Healthy Salmon plc might sell more (1)'.

Allow 'demand side answers'.

- 'Germans must like salmon', 'Healthy Salmon plc sells its salmon cheaper than home priced salmon. 'Germans know that salmon is healthy for them'.
- Able to sell at higher price in Germany because of higher income levels.
- Wider range of customers thus likely to lead to more profit.

[3]

(ii) Many possible answers

Data shows

- Euro has got stronger. Fewer euros needed to buy £s.

Example of a Level 2 answer

Euro is stronger against £. Fewer euros needed to buy £s. The increase in the Euro is quite significant, therefore, it is cheaper for German supermarkets to buy salmon from Healthy Salmon plc. This is likely to result in higher demand and profits. Although the price per unit of salmon not high, if they import large quantities of salmon the German supermarkets will be better off thus likely to buy from Healthy Salmon plc. However, if Healthy Salmon plc imports raw materials, it will have to spend more money as the £ has fallen which may decrease profits.

Level 2 (4-5 marks)	Evaluation of data
Level 1 (1-3 marks)	Application and analysis of data

[5]

(iii) Many possible answersFor

- No exchange costs if importing machinery therefore these savings may be invested in improving the business. German customers will know exactly what the costs of the salmon will be, thus they may make orders for the long term which helps Healthy Salmon plc to plan and aid its price competitiveness.
- No exchange uncertainty thus able to 'plan ahead' and make more accurate investment decisions.
- Due to competition, better quality products produced – business becomes more efficient.

Against

- Face increased competition e.g. they 'may steal our customers'. This may cause a fall in their prices – less profit.
- The need to train workers costs money and time.
- Loss of control over interest rates.
- Not able to benefit by a falling £.

Level 4 (7-8 marks)	Judgement backed by appropriate reasoning – evidence of evaluation. Evaluating membership of the Euro on Healthy Salmon plc.
Level 3 (5-6 marks)	Analysis of advantages and disadvantages of the euro.
Level 2 (3-4 marks)	Application
Level 1 (1-2 marks)	Knowledge

Candidates will give a variety of answers. They may agree or disagree that Healthy Salmon plc will benefit from Euro membership.

Example of a Level 4 answer

'Although Healthy Salmon plc will initially have to pay increased costs such as changing marketing, advertising, packaging of its salmon...and training workers to be able to use and converse in the Euro. There are long term benefits of having the Euro i.e. no exchange costs if importing machinery, therefore these savings may be invested in improving the business. Germany customers will know exactly what the cost of the salmon will be, thus they may make orders for the long term which helps Healthy Salmon plc to plan and aid its price competitiveness. Also being able to plan their revenue, as well as costs, should mean companies such as Healthy Salmon plc would be better off if we joined the Euro.'

Example of a Level 1 answer

'I think Healthy Salmon plc will be worse off by joining the Euro because it will have to change marketing, advertising and packaging of its salmon.'

[8]

(d) **Target: To demonstrate knowledge of reasons for purchase of company shares: apply knowledge of company location thus enabling analysis of factors and making judgement.**

(i) Many possible answers

Individuals and businesses feel that Healthy Salmon plc will make higher profits in future years, likely to increase share price (1)/dividend (1) hence their investment (1).

Stated points, for e.g. dividends, increase share price, to take over business
1+1 or 1x2 marks

[2]

(ii) Many possible answers

- The cost of land is cheaper in Ireland thus potentially lower total costs, although Government relocation grant available in Scotland. This may keep costs of relocating to Scotland overall cheaper. However, how big is the grant?
- Consumer spending is higher in Ireland. This may generate more demand for salmon but is this relevant? But there is a higher minimum wage in Ireland thus possibly higher labour costs. However, only 25 pence difference. Will this be a major factor?

Award other factors such as referring to *'Ireland having the Euro which saves on exchange costs when exporting'* and *'scenery'* and *'availability of golf courses'*, *'standards of living indicators'*. Also *'stay in Scotland due to stress of moving'*.

Example of a Level 3 answer

The cost of land is cheaper in Ireland thus potentially lower total costs, although I recognise there is a Government relocation grant available in Scotland. This may keep costs of relocating to Scotland overall cheaper but we do not know how big the grant is. Consumer spending is also higher in Ireland. This may generate more demand for salmon. The downside is that there is a higher minimum wage in Ireland thus possibly higher labour costs (although in my opinion a 25 pence difference per hour will not markedly affect profitability whereas costs of land/premises and high consumer spending would.) Therefore I think they should locate to Ireland.

Level 3 (5-6)	Judgement based on comparative analysis of at least two factors. 'Country' judgement needed to reach 6 marks.
Level 2 (3-4)	Analysis
Level 1 (1-2)	Application Basic statements related to Healthy Salmon plc.

NB: Max 2 marks for listing correctly advantages and disadvantages of chosen country.

Candidates will also be assessed for the quality of their written communication, according to the following criteria;		2
<i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i>	2	
<i>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</i>	1	
<i>Candidate fails to reach the threshold standard in all respects.</i>	0	

[6+2]

[TOTAL MARKS 34]

- 2 (a) **Target: To demonstrate knowledge of limited liability to stated company's shareholders.**

Limited liability means that if the business goes into liquidation (1) due to debt, the company shareholders will not lose their possessions to pay the debt (1) - only their investment (1).

If candidate answers 'bankrupt/ bust/ fail', only award 1 mark if it is backed up.

[3]

- (b) **Target: To apply knowledge of sources of finance thus making appropriate judgement.**

Many possible answers including both methods

Example of a Level 2 answer

Issuing shares to family and friends dilutes control and may make decision making harder, as well as pressure on payment of dividends, but you do not have to pay interest on loans or have monthly bank repayments. Therefore, as you do not have an outside firm wanting monthly repayments, I would say use 'issue shares to family and friends, especially as you do not have to pay dividends'.

Level 2 (3-4 marks)	Analysis and judgement logically backed.
Level 1 (1-2 marks)	Application of only one source.

[4]

- (c) **Target: To demonstrate and apply knowledge of how businesses may increase profitability; and how profitable businesses may go out of business.**

- (i) Many possible answers

- Increase rent/prices
- Change suppliers
- Increase marketing/advertising

1 mark for statement, 1 mark for an explanation.

Example: 'spend more on advertising which increases awareness of the business which is likely to increase custom and hence profits'.

[2]

- (ii) Poor management of cashflow (1) – unable to pay short term liabilities (1) such as bank loan repayment because they have not been paid for work completed (1).

[2]

- (d) **Target: To demonstrate and apply knowledge of problems associated with rapid growth.**

Diseconomies of scale – including facilities to deal with maintenance of more cars, management of cash flow, management of people.

Example

Kaye Taxis Ltd may experience diseconomies (1) since business is growing, the amount cashflow increases (1) and the management may not have the necessary financial skills to manage the increase (1).

Allow references to 'communication issues' and 'them and us' issues relating to workforce.

[2]

(e) **Target: To analyse and apply knowledge of accounting information thus evaluating the current financial state of a company.**

Analysis of data

- Current ratio safe level is 2:1 thus Kaye Taxis Ltd has a potential problem, whereas George's Taxis Ltd are efficient as regards managing cash flow.
- Kaye Taxis Ltd has a higher net profit ratio which implies management of overheads is better.
- Kaye Taxis Ltd has a much higher borrowing from the bank which means its monthly outgoings on repayments is high and if interest rates rise, the repayments may put the survival of the business in jeopardy.

Allow 'Kaye Taxis Ltd may be borrowing from the bank but if making a lot of money the high borrowing doesn't matter'.

Example of a level 3 answer

Overall Georges Taxis Ltd would be happier. Its financial management tends to be better. Current ratio safe level is between 1.5:1 and 2:1 thus Kaye Taxis Ltd has a potential problem whereas Georges Taxis Ltd are efficient as regards managing cash flow. In addition, Kaye Taxis Ltd has a much higher borrowing from the bank which means its monthly outgoings on repayments is high and if interest rates rise (*see headline 2 in (f)*), repayments may put the survival of the business in jeopardy. The main negative for Georges Taxis Ltd is that Kaye Taxis Ltd has a higher net profit ratio which implies management of overheads is better. However, unless Kaye Taxis Ltd monitors its cash flow better, it may go into liquidation no matter how high the net profit to sales ratio'.

Level 3 (6-7 marks)	Evaluation Reference is made to all data shown in table 2.
Level 2 (4-5 marks)	Analysis of data
Level 1 (1-3 marks)	Knowledge and application Statements related to Kaye Taxis Ltd Basic statement e.g. 'net profit % is higher with Kaye Taxis Ltd thus they would be happier'

[7]

(f) **Target: To evaluate the possible effects of external factors on stated company.**

Many lines of argument

- Increased road congestion – may mean fewer customers want taxis thus drivers may not make enough money therefore do not want Kaye' car thus drop in profits.
- Rise in interest rate from 5% to 6% - may mean customers have more to repay on loans hence as taxis are a luxury, fewer customers want taxis thus drivers may not make enough money therefore do not want Kaye's car thus drop in profits.
- Bus prices down – may mean fewer customers want taxis thus drivers may not make enough money therefore do not want Kay's cars thus drop in profits.
- More buses mean greater service therefore less demand for taxis.

Level 3 (5-6 marks)	Judgement based on comparative analysis of all three headlines.
Level 2 (3-4 marks)	Analysis of data.
Level 1 (1-2 marks)	Application Basic statement related to Kaye Ltd

Example of a Level 3 answer

Overall I think that a 20% rise in interest rates (5-6%) will significantly affect the performance of Kaye Taxis Ltd. This will significantly reduce the demand for the use of taxis as they are seen as a luxury and it will also significantly negatively affect the business as they have borrowed a lot from the bank (see Table 2). An increase in bus services and cheaper fares will probably not have a great effect as buses are not really a close competitor of taxis and the 30% extra environmental cost will affect all taxi firms.'

[6]

[TOTAL MARKS 26]

Mark Scheme 1951/05
June 2006

1 (a) **Target: To evaluate verbal and non-verbal types of communication; apply knowledge of communication to reason why effective internal communication is important for business.**

(i) Many possible answers.

Verbal communication

Advantages:

- See the person who you are talking to i.e., more personable.
- Specifically talk directly to the person and thus ask if message understood by asking for feedback.
- Person can emphasise points by their tone of voice or their body language.
- Quicker resolution of problems.
- Group meetings.

Disadvantages:

- If the receiver does not like what they hear they may answer back and cause trouble.
- There is likely to be no permanent record of the message. This may be important if a worker is being disciplined.

Communication using technology

Advantages:

- Messages can be sent very quickly - no waste of time trying to find the person.
- Letters, documents, drawings can easily be forwarded whereas on the telephone they cannot.
- 24/7
- Can back-up message

Disadvantages:

- Need a computer to obtain email.
- Not sure person gets the message.

Level 2 (4 – 5 marks)	Reference to both communication channels with a judgement as to which one the candidate prefers.
Level 1 (1 – 3 marks)	Advantages of one type of communication. No reference to the drawbacks of the other channel of communication.

Example of a Level 2 answer

I think communication via technology is best because messages can be sent very quickly - no waste of time trying to find the person. In addition, letters, documents and drawings can easily be forwarded whereas on the telephone they cannot. Also, communicating in person may cause problems as, if the receiver does not like what they hear, they may answer back and cause trouble. Also, there is likely to be no permanent record of the message and this may be important if a worker is being disciplined.

[5]

(ii) Many possible answers.

- Orders relayed correctly and efficiently thus no wasted time or money so greater profitability.
- Smooth running of firm
- Breakdown in communication can lead to mistakes.

1 mark for stating

1 mark for explanation

1 mark for applying to the business, e.g. 'Tracey', 'equipment', 'store', 'shops'.

MAX 2 MARKS IF NO REFERENCE TO THE BUSINESS.

Example

'It is important that Tracey Greens Ltd has effective communication within the business because communication within the staff will make sure that jobs are done correctly, provide a friendly work environment and would mean that a higher quality of work will be done as bosses should communicate to workers what they expect.'

Example

'It is important that Tracey Greens Ltd have effective communication within the business because there will be different levels of management acting on different decisions. They all need to understand what they are to do fully otherwise Tracey Greens Ltd will have different actions carried out across their business.'

[3]

(b) Target: Apply knowledge of a manual stock control system and a computerised stock control system thus allowing an evaluation of data.

Many possible lines of argument

- Computerised system costly - the manual system does not incur extra cost.
- Computerised system is less costly in terms of time as stock is ordered automatically and so no need to wait for workers to carry out their stock check.
- Computerised system is less costly in terms of the number of workers needed thus should save in the long run.
- Problems if computer system breaks down – no back-up.
- Retraining costs
- Staff not liking change.

Level 3 (5 – 6 marks)	Evaluation Judgement given Comparison of all three factors
Level 2 (3 – 4 marks)	Analysis of information
Level 1 (1 – 2 marks)	Application

Example of a Level 3 answer

Although the computerised system has an additional cost, and the manual system does not incur extra cost, the computerised system is actually less costly in terms of times as stock is ordered automatically and there is no need to wait for workers to carry out their stock check. Also, computerised system is less costly in terms of wages as fewer workers are needed thus should save in the long run. Also, with the Computerised System the stock is ordered immediately so there should always be stock on the shelves therefore will not lose potential sales. Therefore, Tracey Greens Ltd should be more efficient with regards immediacy of stocks being ordered and sent from suppliers and therefore the department should invest in buying the computerised system.

Example of a Level 3 answer

‘Yes I think they should invest in a computerised stock control system as although it is expensive, it is far more efficient as it requires less staff so staff can be used in other sections of the company and the time is far quicker as there are automatic updates when stock is low. Therefore cheaper in the long run.’

[6]

(c) **Target: To select appropriate data; to demonstrate and apply knowledge of sales and sales value.**

(i) Electrical equipment. [1]

(ii) Tracey Greens Ltd may sell many food items but they are low in value (1) therefore QS X P, which equals sales value, is likely to be less than products which are high in value such as TV's....(1).

Example

The electrical equipment will be of more value per item than clothing or food.

[2]

(d) **Target: To apply knowledge of SWOT analysis to highlight the possible benefits to stated company.**

(i) Many possible answers.

Strength	high profits, sales, computerised stock control system, wide range of stock i.e. three departments..., reputation.
	Allow 'size' but not 'business expansion'.
Threats	competition, lack of finance, workforce, takeover from larger businesses.

Allow 'loss of business/profit, government action'....
Allow 'size'. Do not allow 'expanding business'.

[2]

(ii) Many possible answers.

It has to see how well it is performing compared to other department stores (1). This will help it to make decisions as it will be able to decide on future strategies (1) for the business that will enable it to remain competitive (1) / increase market share (1) / survive (1).

Award 1 mark for 'improve', 'carry out activities'.

1 mark for each element of sentence.

No mark for restating the boxes.

Example

SWOT analysis may benefit Tracey Greens Ltd because it will allow them to set objectives and targets. These objectives can be worked towards to increase business performance leading to more profit.

[2]

- (e) **Target: To apply understanding of what businesses may do when faced by increasing competition; candidate to analyse and make appropriate judgement, backed by reasoning, from choices given.**

Level 3 (5 – 6 marks)	Evaluation A reasoned proposal is made in light of the evidence evaluated. Candidate refers to each choice.
Level 2 (3 – 4 marks)	Analysis
Level 1 (1 – 2 marks)	Application Basic comments linked to stated company. NB No mark for choice if left unsupported

Candidates may go back to Fig. 4 – award at least Level 2.

Example of a Level 3 answer

Choice 3 is the better choice as Tracey Greens Ltd will be selling different types of products thus may appeal to a larger target audience which may mean more customers and more profits. Lower prices will most likely mean a decrease in profits unless cuts made in staff, which may lower service. However, if the demand for the products, which Tracey Greens Ltd sells, is price elastic then this choice may be a good idea as it will benefit by the increased custom i.e., TR will be higher. The main disadvantage of choice 2 is that it may mean more staff, or increased training costs which may harm profitability especially if there has been no major difference to the structure of the business i.e. no increased product range. Thus choice 2 unlikely to have a major impact.

Example of a Level 3 answer

As Tracey Greens Ltd feels that it is not competing well it can choose a number of ideas to benefit it. If the business is to decrease prices on all products then it will compete well with other department stores as its prices will be lower which will attract more customers, however, this will decrease the amount of profit taken in. If the business is to improve staff service then it will get a good reputation with customers and should help attract more, however, it may mean staff training which will cost money. If the business is to increase product range it may attract new customers and ones of a different type. However, the range may not be successful and new designers may cost a lot. I think the business should use choice 2 as it will not cost as much as the other ideas and this was proven to be a weakness in the SWOT analysis.

Example of a Level 2 answer

Decreasing prices may be a good choice as it makes the prices cheaper on products which adds more value for money but may cause the business's income to decrease. Improved service will mean customers can return to the store knowing they'll get a friendly service but will mean employees will need more motivation which could add to cost, e.g. increasing salary. Increasing product range is another good idea because it makes the product range larger meaning customers will have a broader choice but will add more to storage cost and stock control cost.

<i>Candidates will also be assessed for the quality of their written communication, according to the following criteria;</i>		
<i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i>	2	
<i>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</i>	1	
<i>Candidate fails to reach the threshold standard in all respects.</i>	0	2

[6 + 2]

- (f) **Target: To analyse data and make appropriate judgement, backed by reasoning, regarding possible introduction of a businesses own store card.**

Possible Reasons

- Security – use of pin number
- Use over internet
- Speed
- Advertising of interest rates
- Bulk of cheques

Consumers find it easier as cheques take up space (1) in their pockets/bags/also you can buy over the phone (1). Also, there are many credit cards on offer therefore consumers can get interest free credit (1) which means they can buy now (1) and pay later free of charge (1).

Allow 4x1, i.e. four statements.

[4]

[TOTAL 33 MARKS]

- 2 (a) **Target: To apply knowledge of company names; to apply knowledge of e-commerce and its usage as a promotional medium.**

Many possible answers.

Allow two stated, e.g. healthy image, what they produce.

- I think it is a good name because the word healthy implies a good food (1) which helps the customers health thus helps improve the image of the business (1) hence profit (1).
- Really Fresh Fish implies fresh fish (1) thus consumers confident when buying (1) thus higher profitability (1).
- It shows what they produce 'selling salmon' (1).

[2]

- (b) **Target: To apply knowledge of e-commerce and its usage as a promotional medium.**

Many possible answers.

Using the internet will mean many more people will see or hear about business, 24-7, and possibly be aware of their business. Thus, really Fresh Fish Ltd may gain customers thus enhance profitability.

Allow 'by putting adverts (1) on search engines or their own websites' (1)

Allow 'email'.

Allow two stated sentences 1+1 or 1x2.

Example

'It can advertise on-line, catching web-surfers' attention and could have cheaper deals on-line e.g. buy this many fish and you get this amount off the price.'

Example

'The company could promote itself by setting up a website to where information about their services and fish can be looked at.'

[2]

(c) **Target: To apply knowledge of company branding and its implications to stated business.**

(i) Many possible answers.

- high advertising - TV, newspaper...
- product endorsement
- good service/reliability of supplier
- reputation
- quality
- reasonable prices

Example

Using well known sports stars to endorse fish may help establish the link sport with health (1) with fish. This helps improve the image (1) of the business and creates a strong name for itself (1).

One mark for reference to business/ fish/ food.

Do not allow 'catchy name'.

Example

'Really Fresh Fish Ld may have developed this strong brand name from good customer relations and good service. If they are helpful and provide a good service to the customer then they will like the business. The customers spread the word and therefore the business brand name will have got better.'

[3]

(ii) Many possible answers.

Constantly in the public eye (1) thus likely to have higher sales (1).
High profit (1) thus money for reinvestment (1).
(1 x 2)

Development needed for second mark.

Reference to new/increased sales/ profit for second mark.

[2]

- (d) **Target: to apply understanding of the importance of market share; candidate to analyse and evaluate data, and highlight likely implications.**

Data

- Increasing market share from 2001 whilst forecast is a reduction of 33% (9% to 7%).

Level 2 (3 – 4 marks)	Judgement backed by appropriate reasoning. (For Level 2, candidate must explain the potential problem of the forecast, i.e. increased competition.)
Level 1 (1 – 2 marks)	Application and Analysing data. Linkage of data to stated business - this may be implicit/explicit.

NB: Candidates can go either way, although the more able will relate to the forecast figures.

Example of a Level 2 answer

The business should be concerned. At present it has increased its market share again which implies more sales / growth of the business. It also implies the management have been working well. However, from the data we can see that Really Fresh Fish Ltd's market share is forecast to reduce which implies possibly more competition about to enter which may mean less sales.

Example of a Level 2 answer

I wouldn't be too concerned about the data shown because from 2001 to 2005 it has risen each year and then goes back down to 7 but 2007 which shows this 7 is only a forecast a prediction which therefore may not be true. So for all you know it may stage on the increase for that year and years to come.

Example of a Level 1 answer

I think Really Fresh Fish Ltd is doing well as it has 9% of the market. This shows the business has continued to grow.

[4]

- (e) **Target: Demonstrate knowledge and understanding of supply and demand curves thus allowing evaluation; and applying knowledge of shifts in the demand curve to stated company.**

Event	<u>Likely</u> to cause a shift in the demand curve from D to D1	<u>Unlikely</u> to cause a shift in the demand curve from D to D1
An improvement in fish catching techniques.		✓
A decrease in competitors' prices of cod.	✓	
A successful advertising campaign by Really Fresh Fish Ltd.		✓

[3]

(f) **Target: To apply knowledge of sampling thus enabling analysis and evaluation of data to make appropriate judgement.**

(i) Choosing a sample of customers where each customer has an equal chance of being selected.

[1]

(ii) Many possible answers.

Level 3 (5 – 6 marks)	Evaluation. Logical reasoning. Each feature discussed. Both sampling methods mentioned whether implicit or explicit.
Level 2 (3 – 4 marks)	Analysis
Level 1 (1 – 2 marks)	Knowledge and application

Max 2 marks if candidate only copies with no development.

Example of a Level 3 answer

‘Whilst I realise random sampling is cheaper and quicker, anyone may be chosen therefore they may not get useful information. I do not feel random sampling is appropriate as many people do not like fish thus the random sample may actually not have fish eaters in it, because you are not selecting by criteria, thus results may not be reliable. Therefore I would use a Quota sampling method.

Example of a Level 3 answer

I think they should use quota compiling method. This is because although it is more expensive and slower, it will give them a more accurate reading. They will also be checking the market they want to not just randomly. However, random sampling may also entice people who wouldn’t usually eat fish to eat it. This would in turn help Really Fresh Fish Ltd sales’.

[6]

(g) Target: To apply knowledge of test marketing to stated company.

- (i) 'Where a company tests its product to see if consumers will like the product (1)'.

[1]

- (ii) Many possible answers
- Gain local opinion (1)
 - Link to profits or demand (1)
 - Not wasting money (1)

Example

Really Fresh Fish Ltd can test the coley fish (1) to see if consumers will like it (1) therefore, if results are encouraging, they can start selling the fish thus making more profits (1). If the results are not encouraging they save themselves money (1) as they do not waste money on supplying the coley type fish (1).

Example

Because then they can see if consumers will like it (1) and if there will be a big enough demand for the product (1). If they don't test the market and coley turns out not a very good seller then Really Fresh Fish Ltd has wasted time (1) and money (1).

[3]

[TOTAL MARKS 27]

Mark Scheme 1951/06
June 2006

- 1 (a) **Target: To apply knowledge of communication to reason why effective communication is important for a business.**

Many possible answers.

- Orders relayed correctly and efficiently thus no wasted time or money so greater profitability.
- Smooth running of firm
- Breakdown in communication can lead to mistakes.

1 mark for stating

1 mark for explanation

1 mark for applying to the business, e.g. 'Tracey', 'equipment', 'store', 'shops'.

MAX 2 MARKS IF NO REFERENCE TO THE BUSINESS.

Example

'It is important that Tracey Greens Ltd has effective communication within the business because communication within the staff will make sure that jobs are done correctly, provide a friendly work environment and would mean that a higher quality of work will be done as bosses should communicate to workers what they expect.'

Example

'It is important that Tracey Greens Ltd have effective communication within the business because there will be different levels of management acting on different decisions. They all need to understand what they are to do fully otherwise Tracey Greens Ltd will have different actions carried out across their business.'

[3]

(b) Target: Apply knowledge of computerised stock control systems to explain possible implications for stated business.

Many possible reasons

- Cost of training staff, implementation, maintaining.
- Possible problems if system breaks down.
- Computerised system costly as the manual system does not incur extra cost.
- Computerised system less costly in terms of time as stock ordered automatically and no need to wait for workers to carry out their stock check.
- Computerised system less costly in terms of workers needed thus should save in the long run.

Level 3 (5-6 marks)	Evaluation. Reference to a comparison of both systems.
Level 2 (3-4 marks)	Application and analysis. (Allow reference to stock for application.)
Level 1 (1-2 marks)	Knowledge

NB: Level 3 can be achieved with no direct reference to manual stock control method.

NB: Just because candidate has applied, i.e. 'Tracey', logical reasoning must be present to achieve Level 2.

Example of a Level 3 answer

Although the computerised system has an additional cost, and the manual system does not incur extra cost, the computerised system is actually less costly in terms of time as stock is ordered automatically and there is no need to wait for workers to carry out their stock check. Also, the computerised system is less costly in terms of wages as fewer workers needed thus should save in the long run. Also, with the computerised system the stock is ordered immediately so there should always be stock on the shelves therefore will not lose potential sales. Therefore, Tracey Greens Ltd should be more efficient with regards immediacy of stocks being ordered and sent from suppliers and therefore the department should invest in buying the computerised system.

Example of a Level 2 answer

I think Tracey Greens Ltd should use the computerised system as, although it costs a lot of money, they need fewer workers therefore they save on wages. Also, the stock is ordered immediately so there should always be stock on the shelves therefore will not lose potential sales.

[6]

(c) **Target: To apply knowledge of SWOT analysis to highlight the possible benefits to stated company.**

(i) Many possible answers.

Strength	high profits, sales, computerised stock control system, wide range of stock i.e. three departments..., reputation. Allow 'size' but not 'business expansion'.
Threats	competition, lack of finance, workforce, takeover from larger businesses.

Allow 'loss of business/profit, government action'....

Allow 'size'. Do not allow 'expanding business'.

[2]

(ii) Many possible answers.

It has to see how well it is performing compared to other department stores (1). This will help it to make decisions as it will be able to decide on future strategies (1) for the business that will enable it to remain competitive (1) / increase market share (1) / survive (1).

Award 1 mark for 'improve', 'carry out activities'.

1 mark for each element of sentence.

No mark for restating the boxes.

[2]

Example

SWOT analysis may benefit Tracey Greens Ltd because it will allow them to set objectives and targets. These objectives can be worked towards to increase business performance leading to more profit.

- (d) **Target: To apply understanding of what businesses may do when faced by increasing competition; candidate to analyse and make appropriate judgement, backed by reasoning, from choices given.**

Level 3 (5 – 6 marks)	Evaluation A reasoned proposal is made in light of the evidence evaluated. Candidate refers to each choice.
Level 2 (3 – 4 marks)	Analysis
Level 1 (1 – 2 marks)	Application Basic comments linked to stated company. NB No mark for choice if left unsupported

Candidates may go back to Fig. 4 – award at least Level 2.

Example of a Level 3 answer

Choice 3 is the better choice as Tracey Greens Ltd will be selling different types of products thus may appeal to a larger target audience which may mean more customers and more profits. Lower prices will most likely mean a decrease in profits unless cuts made in staff, which may lower service. However, if the demand for the products, which Tracey Greens Ltd sells, is price elastic then this choice may be a good idea as it will benefit by the increased custom i.e., TR will be higher. The main disadvantage of choice 2 is that it may mean more staff, or increased training costs which may harm profitability especially if there has been no major difference to the structure of the business i.e. no increased product range. Thus choice 2 unlikely to have a major impact.

Example of a Level 3 answer

As Tracey Greens Ltd feels that it is not competing well it can choose a number of ideas to benefit it. If the business is to decrease prices on all products then it will compete well with other department stores as its prices will be lower which will attract more customers, however, this will decrease the amount of profit taken in. If the business is to improve staff service then it will get a good reputation with customers and should help attract more, however, it may mean staff training which will cost money. If the business is to increase product range it may attract new customers and ones of a different type. However, the range may not be successful and new designers may cost a lot. I think the business should use choice 2 as it will not cost as much as the other ideas and this was proven to be a weakness in the SWOT analysis.

Example of a Level 2 answer

Decreasing prices may be a good choice as it makes the prices cheaper on products which adds more value for money but may cause the business's income to decrease. Improved service will mean customers can return to the store knowing they'll get a friendly service but will mean employees will need more motivation which could add to cost, e.g. increasing salary. Increasing product range is another good idea because it makes the product range larger meaning customers will have a broader choice but will add more to storage cost and stock control cost.

<i>Candidates will also be assessed for the quality of their written communication, according to the following criteria;</i>		
<i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i>	2	
<i>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</i>	1	
<i>Candidate fails to reach the threshold standard in all respects.</i>	0	2

[6 + 2]

- (e) **Target: To apply understanding of methods of payment; candidate to analyse data and make appropriate judgement, backed by reasoning, regarding possible marketing strategy.**

Data

- Highest groups 35-44, 45-54
- Lowest, but still 30%, 16-24
- Sharp increase in the use of credit cards and charge cards - £1bn to £2.25bn
- Sharp drop in the use of cheques

Marketing Strategy

Many possible answers

- Offers for specific groups
- Bonus points
- Inputting credit facilities
- Ensuring you have website to buy on-line
- Advertising aimed at specific groups

Level 3 (5-6 marks) - Evaluation

A reasoned proposal and judgement in relation to marketing strategy is made in light of the evidence evaluated.

Level 2 (3-4 marks) - Analysis

Analysis.

Level 1 (1-2 marks) - Application

Linkage to scenario.

N.B. No mark for choice if left unsupported.

NB: For Level 3, candidate can focus on at least one age group with a reasoned approach.

Example of a Level 3 answer

There has been a sharp increase in the use of credit cards and charge cards - £1bn to £2.25bn whilst there has been a sharp drop in the use of cheques. The main groups which have a credit card/charge card is the 35-44, 45-54 where the smallest group, but still 30%, 16-24. Therefore, they should certainly allow the use of both types of card in their department store and issue their own store/credit card. With the information gained they should send direct mail shots to previous customers regarding new products, discounts etc. With the charge cards they may give interest free months. Obviously, some promotional offers can be used to attract the 16-24 year olds to obtain a charge card especially as these are the major spenders of the future.

[6]

[TOTAL MARKS 27]

2 (a) **Target: To apply knowledge of the possible pressures on business to introduce e-commerce; to apply knowledge of e-commerce and its usage as a promotional medium.**

(i) Many possible answers.

- Competition
- Profitability
- Productivity
- Political
- Technical

Example

- If competitors' adverts are on the internet (1) this means more people will see and possibly be aware of their business (1). This may mean Really Fresh Fish Ltd are losing customers thus profitability (1).
- Productivity is likely to increase since orders processed more quickly (1) thus efficiency improved (1).
- Have product range on website (1) thus may lead to increase in sales which increases profitability (1).
- By going on the internet (1), no need to open new premises hence saving on costs hence increased profitability (1).

2 x 2

[4]

(ii) Many possible answers.

Using the internet will mean many more people will see or hear about business, 24-7, and possibly be aware of their business. Thus, really Fresh Fish Ltd may gain customers thus enhance profitability.

Allow 'by putting adverts (1) on search engines or their own websites' (1)

Allow 'email'.

Allow two stated sentences 1+1 or 1x2.

Example

'It can advertise on-line, catching web-surfers' attention and could have cheaper deals on-line e.g. buy this many fish and you get this amount off the price.'

Example

'The company could promote itself by setting up a website to where information about their services and fish can be looked at.'

[2]

(b) Target: To apply knowledge of company branding and its implications to stated business.

(i) Many possible answers.

- high advertising - TV, newspaper...
- product endorsement
- good service/reliability of supplier
- reputation
- quality
- reasonable prices

Example

Using well known sports stars to endorse fish may have helped establish the link sport with health (1) with fish. This helped improve the image (1) of the business and created a strong name for itself (1).

One mark for reference to business/ fish/ food if correct reasoning.

Do not allow 'catchy name'.

Example

'Really Fresh Fish Ld may have developed this strong brand name from good customer relations and good service (1). If they are helpful and provide a good service to the customer then they will like the business (1). The customers spread the word and therefore the business brand name will have got better (1).'

[3]

(ii) Many possible answers.

Constantly in the public eye (1) thus likely to have higher sales (1).

High profit (1) thus money for reinvestment (1).

(1 x 2)

Development needed for second mark.

Reference to new/increased sales/ profit for second mark.

[2]

- (c) **Target: Demonstrate knowledge and understanding of supply and demand curves thus allowing evaluation; and applying knowledge of shifts in the demand curve to stated company.**

(i)

Event	<u>Likely</u> to cause a shift in the demand curve from D to D1	<u>Unlikely</u> to cause a shift in the demand curve from D to D1
An improvement in fish catching techniques.		✓
A decrease in competitors' prices of cod.	✓	
A successful advertising campaign by Really Fresh Fish Ltd.		✓

[3]

- (ii) Many possible answers.
- need to reduce their prices which may lower revenue, profits
 - allow 'make workers redundant'
 - increase advertising

Example

Decide to lower prices (1) in order to compete (1).

Allow 'offering different kinds of fish (1)'.

1 + 1

[2]

- (d) **Target: To apply understanding of the importance of sales, market share, and UK household expenditure; candidate to analyse and evaluate data, and highlight likely implications.**

Data

- Increased sales % (high sales growth) whilst an actual sales reduction on the 2005 figure forecasted.
- Increasing market share from 2000 whilst forecast is a reduction on the 2005 figure forecasted.
- The market for fish is increasing with the forecast continuing the upward trend.

Appropriate action

- Increase advertising
- Offers
- Increase quality
- Improve customer service

Level 3 (6-8 marks)

Judgement backed by appropriate reasoning - evidence of evaluation. All data covered. Appropriate action based on data.

Level 2 (3-5 marks)

Analysing data

Level 1 (1-2 marks)

Application

Linkage to stated business - this maybe implicit/explicit

Example of Level 3 answer

From the data, we can see that sales % from Really Fresh Fish Ltd have increased by a high rate. This suggests good growth. However, this is forecasted to actually reduce which suggests that growth may be coming to a halt which implies management need to look at other types of fish/other markets entirely e.g. remedies connected to fish oils. This need to look elsewhere is also highlighted by the % market share which is forecast to reduce whilst the market for fish is forecast to continue to rise. Both these factors suggest either more competition entering or their product range is not wide enough for future demand.

Therefore, assuming the forecasts are correct the company will stop growing at its present rate and suffer a possible contraction which can mean reductions in income, employment.....

Example of Level 1 answer

'I think Really Fresh Fish Ltd is doing well as its sales % has grown over each of the time periods shown'.

[8]

(e) **Target: To apply understanding of sampling thus enabling analysis and evaluation of data to make appropriate judgement.**

(i) Many possible answers.

The main trouble with using a random sample is that many of the sample may not like fish thus your feedback is poor (1) and you may make a poor decision which will cost money (1). A quota sample is much more accurate (1). It involves carefully selecting the customers for example based on gender – women are more likely to do the shopping who are to be questioned Really Fresh Fish Ltd will get views which are relevant thus you are less likely to waste money (1).

Maximum 2 marks if candidate has not referred to a weakness of the choice they did not choose. NOTE: no mark for choice.

[4]

One mark for 'random' provides a wide range of views.

Example

Quota Sample

'Though this may not be fully representative it would be effective if carried out on the company's target audience and would conclude with more accurate research and evidence. Random sampling is less accurate as is randomly selected and may not even use people in the company's target audience, therefore sometimes bringing false evidence and conclusions.'

(ii) Many possible answers.

Many lines of argument

- Size of population - more people the more likely buyers will be present?
- Socio economic background – which, if any, are more likely to buy fish - possibly more wealthy as they are more likely to understand the health implications.
- Consumer spending - the higher consumer spending is, the more likely fish to be bought although some fish e.g. salmon has reduced in price so how relevant? But note the increasing price of cod.

Level 2 (4-5 marks)	Evaluation Judgement on comparison of each location and each factor must be commented upon.
Level 1 (1-3 marks)	Knowledge, application, analysis

Example of Level 2 answer

I would choose location B as people from backgrounds C1 and C2 are likely to be aware of the health benefits of fish but may not have the high disposable income to repeatedly buy expensive fish. Also there is a high number of people thus more people the more potential feedback. Conversely those in socio economic groups A and B, professionals etc., have the money to buy more expensive fish than coley thus is it worthwhile test marketing this group? Likewise, Location C population are possibly unlikely to eat a lot of fish as they are unaware of the health benefits of fish, and the population is 12.5% less than location B.

[5]

[TOTAL MARKS 33]

Mark Scheme 1951/07
June 2006

NB: No marks for the assessment of knowledge are awarded for the case study.

- 1 (a) To apply knowledge and understanding and to analyse that knowledge in relation to the classification of occupations and KK.**

Any three points x 1 mark each such as –

- It provides a service
- Example such as selling houses, valuations, letting (1 max)
- It cannot be primary because it does not extract raw materials
- It cannot be secondary because it does not make anything

Any other relevant objective.

[3]

- (b) To apply knowledge and understanding and to analyse that knowledge in relation to business objectives for KK.**

Any four points x 1 mark each or 2 well explained points or one point well developed up to 4 marks max

- Key objectives
- If they do not survive they will not have a business
- There is fierce competition from larger firms so survival could be difficult
- As it is a small business, survival would be very important objective as many small businesses do not survive
- Profit is important as it provides them with money on which to live
- It enables them to develop their business
- Gross Profit provides them with the money to pay costs e.g. wages
- Making a profit is the main reason for the partners running the business

Any other relevant point

NB To gain full marks, both objectives should be commented upon.

[4]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

- (c) **To apply knowledge and understanding and to analyse that knowledge in relation to the disadvantages of running KK as a partnership.**

Any one disadvantage explained –

- Unlimited liability – if the business fails, Becky and James would be liable for the debts of the business and their personal assets would be at risk
- Lack of capital for expansion – capital provided by Becky and John, may be difficult to borrow from the bank
- Heavy workload – difficulties if one of them is sick or wishes to take leave
- KK is not a separate legal entity so Becky and James could be sued if something went wrong e.g. a client sued them for an incorrect survey
- Have to share profits
- Problem of disagreements
- Problem of decision making

Any other relevant disadvantage explained **[2]**

- (d) **To apply knowledge and understanding, analyse and evaluate that knowledge in relation to needs of customers of KK.**

Any three points x 1 mark each or one point well explained up to 3 marks maximum –

- They help KK to compete against other estate agents
- They help KK to build up a reputation for good service so clients may recommend KK to other
- KK deals with buyers and sellers of properties. A property is a very expensive item for most people and so they want good service
- Buying and selling houses can be stressful for many people so they want to use a firm that is sympathetic to their needs
- KK offers a specialised service requiring a certain amount of knowledge and expertise
- Meeting individual needs

Any other relevant point **[3]**

- (e) **To apply knowledge and understanding and to analyse that knowledge in relation to the use of technology in KK.**

Any three explained points x 2 marks each or two points x 3 marks such as –

- To prepare details of properties , to send out standard letters quickly to clients
- To photograph properties, use the computer to provide clear images and to prepare copy for posting on the website – makes properties look more saleable
- To produce leaflets, brochures which are of printing quality to advertise properties to clients
- To maintain an efficient and up-to-date list of clients
- To maintain contact while visiting clients, so that clients' queries can be answered quickly
- To maintain contact between offices e.g. concerning sale of properties, to contact clients quickly and keep them up-to-date on sale progress
- To publish details of properties for sale so that possible clients may be able to see their full range of properties for sale without visiting offices
- To set up website

Any other relevant use

NB Candidates must imply that these uses of technology are to meet the competition to gain full marks – otherwise award 3 marks maximum for general comment on the use of technology by KK.

0 marks for identification of technology as a list is given in case study, such as mobile phones, digital cameras, databases, word processing, internet.

[6]

[TOTAL MARKS 20]

2 (a) To apply knowledge and understanding, analyse and evaluate that knowledge in relation to the stakeholders of KK.

Any three points x 1 mark each and up to three marks for a well developed point – one mark for effect/one mark for how it affects KK/one mark for the extent to which it affects KK.

(NB the third mark must relate to evaluation of the threat to KK of the stakeholder e.g. competitors might be a real threat as they are large, can take advantage of economies of scale and have the advantage of being well known.)

(i)

- Will probably be located everywhere KK is located.
- Will have the resources to cut costs e.g. advertising on a wide scale.
- Will be better known over a wide area.
- They often try to buy up independent estate agents.
- They may be able to provide additional services e.g. financial services.
- Have wide range of properties for sale.

Any other relevant point.

[3]

(ii)

- They are the purpose of the business – if there were no customers there would be no property bought and sold.
- They could be a threat if they receive poor service e.g. Cordford office and could take their business elsewhere.
- If they receive good service, they may recommend KK to other people and so the reputation of KK will grow.

Any other relevant point.

[3]

(b) To apply knowledge and understanding and analyse knowledge of Health and Safety legislation as it affects KK.

Any three points x 1 mark each or up to 3 marks for a well developed point such as –

- KK must safeguard the health and safety of their employees – will be checked by the local council
- KK will have to take out insurance to safeguard themselves against being sued e.g. public liability
- KK must make sure that property offered for rental has correct certificates to conform to health and safety regulations
- Becky and James will have to pay attention to the legislation or they will be in danger of being prosecuted/sued for negligence. A costly law suit would close the business
- Failure to conform would make them lose their reputation and lose them business to rival firms
- Conforming to legislation will add to their costs, mean extra work and use of time which could be spent on other tasks
- Spend time and money on training e.g. to use equipment

Any other relevant point

[3]

(c) **To analyse and evaluate the effect of announcements made in the national press on KK.**

For each part award 1 mark for choice and up to 2 marks each for explained reasons

- (i) Choice – A – Social Homebuy
 Reasons – may mean more houses being made available for sale
 may increase their business with a housing association
 have experience in their end of the market and so could have the opportunity to increase their business
 may go to housing association rather than KK (go elsewhere = 0)

Choice – C – English Partnerships
 Reasons – they may already be working on some of these projects so it could mean loss of business as KK is located there

Choice – D – Homebuy
 Reasons – may mean fewer business for KK from key workers in their area but could mean more bureaucracy for buyers to obtain the grant

Choice – E – Planning Approval
 Reasons – may mean fewer properties available for them to sell
 it could also mean less supply of this kind of house so driving up prices – more commission

(Choice B = 0 marks)

[3]

- (ii) Choice – A – Social Homebuy
 Reasons – properties would not go through open market but be subject to direct negotiation between housing association and buyer

Choice – B – Houses for Sale in London
 Reasons – their business is not located in London and South-East
 if the project were in their area they would be unlikely to make much money

Choice – C – Statement is conditional
 May/ some not a definite statement
 May use national housebuilder/national estate agent

(Choice – D - = 0 marks)

Choice – E – Planning Approval
 Reasons – may not be handling new house development on small plots. If they were selling this kind of house it would probably be only a small part of the business

Any other relevant point.

[3]

[TOTAL MARKS 15]

- 3 (a) To apply knowledge and understanding, analyse and evaluate the most suitable methods of advertising for KK.

Level 2 (3-6 marks)

Has analysed two of the methods of advertising listed and has shown, with reasons, why they are effective for KK. (If one method only is analysed = 4 marks max.)

Level 1 (1-2 marks)

Has made a superficial comment on one or two ways of advertising KK's properties.

Points to consider

- Becky and James could use a variety of approaches
- They should note what their competitors are doing, do the same and also look for new methods of advertising
- They will continue to use existing forms of advertising e.g. local newspaper advertisements, window displays, posters, leaflets on individual properties as relatively cheap but should consider far greater use of the Internet – advertising all their properties for sale and to let with full details on a website
- They should appreciate that customer needs are changing – many view properties on websites before physically viewing a selection
- The web covers a very wide area and, although many of their clients may be local, many clients live in other parts of the country or abroad
- As their business is growing they should consider the development of a free property newspaper dedicated to their business – it would be tailor-made for their business and they could advertise their other services
- People would be able to refer again and again to information about property
- Local radio, although aimed at the area, may also not be suitable as the advertisement would happen too quickly. Local radio might help them to make KK's name better known e.g. sponsoring a programme
- Window displays will attract passers-by who may then seek information

[6]

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

(b) To analyse and evaluate knowledge of recruitment in relation to KK.

Any of the seven candidates could form the shortlist. Some are probably more suitable than others.

No marks for choices. 2 marks per candidate for reasons.

Belinda Smith – has previous experience/available now/ lives nearby

Philip Lal – local/doing the same job in Colston/ wants to work in Tyegreen

Sam Tang – has some management training/keen to change career

Margaret Betts – extensive experience/working in the firm

Tom Olonga – extensive experience/ manager at present/ information on rival firm

Brian Fisher – experience of customer relations/local

Maria Pirola – might be very useful if KK expands to France and Spain, language skills
Experienced in selling foreign properties

Any other relevant reason

[6]

NB Do not award marks for ageist, sexist, racist reasons.

(c) To apply knowledge and understanding, analyse and evaluate that knowledge in relation to concerns at the Cordford office of KK.

(i) Actions = 0 marks as already given

Any 3 reasons x 1 mark each or one reason well explained x up to 3 marks for each of the two actions

B - Appoint a temporary manager if Jane Draper is going to be off work for some time.

Reasons – someone needs to manage the office/it looks as if the office has not performed well because there has been no manager for some time/staff do not seem to have been working well and need supervision.

C - Carry out an investigation to find out the reasons for the poor sales performance.

Reasons – need to identify the reasons for poor sales and then may be able to correct the problem/other problems may appear that need solving.

D - Talk to all members of staff to find out their concerns.

Make the staff feel appreciated at a particular difficult time/likely to find out in more detail what has been going wrong/may get their support for changes that need to be made.

A = 0 marks

[6]

- (ii) Any 2 reasons x 2 marks each which may apply generally or be specific to particular actions not chosen such as

Move Paul Jenks, the Administrator – may be the cause of the problem and so the problems might transfer to the new office. May not be the cause of problem so you have lost a key worker in the office. May be a personality clash. If he is moved to Tyegreen, Alan Maynard may be able to control him.

Carry out an investigation – James oversees this office and perhaps he has been too preoccupied with other matters/staff may resent an investigation/may not reveal the causes of the problems.

or general answer – the other two measures may not work
they may cause more problems
they may be short-term measures

Any other relevant point

[4]

[TOTAL MARKS 24]

4 (a) To analyse and evaluate the newspaper article in relation to KK.

Any three points x 1 mark each and up to three marks for a well-developed point. To gain full marks, the candidate must have given some judgement as to whether or not the article is an opportunity or a cause for concern for KK, e.g. yes/no/maybe because.

- Falling house prices may mean that more people may be able to afford to buy.
- Some people may be renting in the hope that house prices will fall so there will be opportunities for more sales for KK.
- If falling house prices are coupled with higher interest rates, people may not be able to afford to buy houses so KK's property sales may fall.
- Some people may also not offer their houses for sale hoping that the market will improve so KK will have fewer houses to sell.
- Candidates may also argue that they do not know – the analysts are uncertain, some of the housing market indicators point to only a slow decline so the effect on KK may be negligible.

Any other valid argument.

[3]

(b) To show knowledge and understanding and to select information in relation to two house sales made by KK.

$$£480\,000 \times 0.015(1) = £7200(1) + £84\,000 \times 0.03(1) = £2520(1)$$

$$\text{Total commission} = £9720(1)$$

OFR applies

If the correct answer is given without working award full marks.

[5]

(c) To select and analyse data related to the letting business of KK.

(i) 3 properties

[1]

(ii) $£30 + £27.50 = £57.50(1) \times 12(1) = £690(1)$

OR

$$£30 \times 12 = £360(1) + £27.50 \times 12 = £330(1)$$

$$£360 + £330 = £690(1)$$

OFR applies

If the correct answer is given without working award full marks

[3]

(d) (i) May – August (2005)

[1]

(ii) $17 + 23 + 18(1) = 58$ business properties

OFR applies

If the correct answer is given without working award full marks

[2]

(iii) Level 2 (3-4 marks)

Has given a clear conclusion based on reasoned evidence which should involve some use of numerical data.

Level 1 (1-2 marks)

Has commented on the revenue from residential property sales during 2005 without any clear conclusion.

Points to consider

- KK sold 494 residential properties in 2005
- More these properties were sold in May-August than the other two periods so more sales revenue was produced in May-August
- Most offices performed well except for the Cordford office
- Cordford contributed only £168 000 of the total from residential property i.e. 16%
- It performed quite well in the period Jan-April but in the period May-August it achieved less sales revenue from residential property (£10 000) whilst all other offices showed an increase
- In Sept-December there was £22 000 (37%) fall in revenue from residential property sales for this office compared with May-August

Any other relevant point

[4]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

[TOTAL MARKS 21]

5 (a) To analyse and evaluate the proposed expansion into France and Spain.

0 marks for opinion

A reasoned argument either for or against x 3 marks –

Developing interests in France and Spain would mean an expansion of their business and moving into an area of estate agency which increasing in important in the UK

It would mean that they are diversifying and offering a service to their existing clients and possibly attracting new clients

Could employ Maria Pirota in this office

This expansion may mean that they are overstretching themselves

They may have no expertise in this kind of property market

They have enough problems already e.g. Cordford office

They would be subject to many more rules and regulations relating to property in those two countries

They would need additional finance to do this

May mean that they have to change their business organisation

Difficulties with language

Difficulties over changes in currency/Euro

Any other relevant point

[3]

(b) To apply knowledge and understanding, analyse and evaluate the offer made by another firm of estate agents for KK.

(i) Any one advantage explained x 2 marks –

- Large sum paid to the two partners
- Can try something new
- Can pay off any debts they may have (we are not told they have debts)
- KK may not be so successful in the future as competition is fierce
- Predictions are for a decline in the housing market so why not quit while they are doing well

Any other relevant point

[2]

(ii) Any one disadvantage explained x 2 marks –

- May not be what the business is worth
- Partners may not be able to work in estate agency – what do they do next?
- What will happen to the staff they employ – redundancy for some
- Does not fit in with their current progress – new office at Tyegreen, possible expansion into the French and Spanish property markets
- Probably not what they want at this stage in their careers
- Do not have enough information about the offer
- They lose what they have achieved so far

Any other relevant point

[2]

(iii) Choice = 0 marks

Any three reasons which may be repeated from above x 1 mark each and up to three marks for a well explained reason –

Acceptance – would give them the chance to do something else
large sum of money

Refusal – do not have enough information to make a decision
not enough money offered
are doing well at the moment so why not carry on

Any other relevant reason

[3]

[TOTAL MARKS 10]

Mark Scheme 1951/08
June 2006

NB: No marks for the assessment of knowledge are awarded for this question paper.

- 1 (a) **To apply knowledge and understanding and to analyse that knowledge in relation to the classification of occupations and KK.**

Any three points x 1 mark each such as –

It provides a service

Example such as selling houses, valuations, letting (1 max)

It cannot be primary because it does not extract raw materials

It cannot be secondary because it does not make anything

Any other relevant objective.

[3]

- (b) **To apply knowledge and understanding and to analyse that knowledge in relation to the use of technology in KK.**

Any three explained points x 2 marks each or 2 points x 3 marks such as –

To prepare details of properties, to send out standard letters quickly to clients.

To photograph properties, use the computer to provide clear images and to prepare copy for posting on the website – makes properties look more saleable.

To produce leaflets, brochures which are of printing quality to advertise properties to clients.

To maintain an efficient and up-to-date list of clients.

To maintain contact while visiting clients, so that clients' queries can be answered quickly.

To maintain contact between offices e.g. concerning sale of properties, to contact clients quickly and keep them up-to-date on sale progress.

To publish details of properties for sale so that possible clients may be able to see their full range of properties for sale without visiting offices.

To set up website.

Any other relevant use.

[6]

NB Candidates must imply that these uses of technology are to meet the competition to gain full marks – otherwise award 3 marks maximum for general comment on the use of technology by KK.

0 marks for identification of technology as this is given in the case study, such as mobile phones, digital cameras, databases, word processing, internet.

(c) To apply knowledge and understanding, analyse and evaluate that knowledge in relation to the stakeholders of KK.

Any three points x 1 mark each and up to three marks for a well developed point – one mark for effect/one mark for how it affects KK/one mark for the extent to which it affects KK.

(NB the third mark must relate to evaluation of the threat to KK of the stakeholder e.g. competitors might be a real threat as they are large, can take advantage of economies of scale and have the advantage of being well-known.)

- (i)** Will probably be located everywhere KK is located.
 Will have the resources to cut costs e.g. advertising on a wide scale.
 Will be better known over a wide area.
 They often try to buy up independent estate agents.
 They may be able to provide additional services e.g. financial services.
 Have wide range of properties for sale.

Any other relevant point. **[3]**

- (ii)** They are the purpose of the business – if there were no customers there would be no property bought and sold.
 They could be a threat if they receive poor service e.g. Cordford office and could take their business elsewhere.
 If they receive good service, they may recommend KK to other people and so the reputation of KK will grow.

Any other relevant point. **[3]**

(d) To analyse and evaluate the effect of announcements made in the national press on KK.

For each part award 1 mark for choice and up to 2 marks for explained reasons.

- (i)** Choice A – Social Homebuy
 Reasons – may mean more houses being made available for sale
 may increase their business with a housing association
 have experience in this end of the market and so
 could have the opportunity to increase their business
 may go to housing association rather than KK (go elsewhere = 0)

Choice C – English Partnerships
 Reasons – they may already be working on some of these projects so it could mean loss of business as KK is located there.

Choice D – Homebuy
 Reasons – may mean more business for KK from key workers in their area but could mean more bureaucracy for buyers to obtain the grant

Choice E – Planning Approval
 Reasons – may mean fewer properties available for them to sell. It could also mean less supply of this kind of house so driving up prices – more commission

(Choice B = 0 marks)
 Allow negative impact.

[3]

- (ii) Choice A – Social Homebuy
Reasons – properties would not go through open market but be subject to direct negotiation between housing association and buyer.
- Choice B – Houses for Sale in London
Reasons – their business is not located in London and South-East. If the project were in their area they would be unlikely to make much money
- Choice C – Statement is conditional – may/some, not a definitive statement.
May use national housebuilder/national estate agent.
- Choice D = 0
- Choice E – Planning Approval
Reasons – may not be handling new house development on small plots. If they were selling this kind of house it would probably be only a small part of the business
may want to buy something else
KK not involved in obtaining planning permission
- Any other relevant point. [3]

[TOTAL MARKS 21]

- 2 (a) **To show knowledge and understanding, analyse and evaluate that knowledge in relation to developing interests in France and Spain, business organisation and finance in relation to KK.**

Level 3 (7-10 marks)

Has analysed the two forms of business organisation and other ways of financing the expansion in relation to the proposed expansion.

Has given a judgement as what course of action they should take with clear reasons. (Has analysed two of the options with a recommendation = 8 max.)

Level 2 (3-6 marks)

Has attempted to analyse one or more of the options in relation to KK and has made a reasoned judgement as to what course of action they should take

OR

Has attempted to analyse one or more of the options without a judgement (4 max).

Level 1 (1-2 marks)

Has described one or more of the listed options and may/may not have made an unsupported judgement.

Points to consider

They may need a new partner anyway – would bring additional capital to the business, would possibly enable them to expand to another town and would help with the workload and share the risk. A new partner might bring a particular expertise e.g. selling property in foreign markets. They might consider a sleeping partner to provide them with additional capital only.

A new partner would share in the profits and Becky and James would lose some control of the business. Decision making might take longer as the third partner would need to be consulted. They might have difficulty finding the right kind of partner with the right kind of experience.

Changing to a private limited company would give Becky and James the protection of limited liability. It would enable them to draw on additional capital e.g. from family members becoming shareholders. It might mean that they retained ultimate control with family members serving on the Board but taking no part in the running of KK. It would mean that continuity was assured.

If they decided not to expand into these EU countries, there may be no need for finance. There is no mention that finance was necessary to open the Tyegreen office. If they needed finance, they might look for a bank loan – being a private limited company might make that easier but they might have sufficient finance from additional shareholders or a new partner. They might look for alternative sources of finance but may be limited by their size of business. On the other hand they may already be overcommitted and be using parts of their business as security. May look at changing eventually to a public limited company as a means of finance.

[10]

Candidate will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly. legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

(b) To analyse and evaluate the newspaper article in relation to KK.

Any three points x 1 mark each and up to three marks for a well developed point. To gain full marks, the candidate must have given some judgement as to whether or not the article is an opportunity or a cause for concern for KK, e.g. yes/no/maybe because.

Falling house prices may mean that more people may able to afford to buy.

Some people may be renting in the hope that house prices will fall so there could be opportunities for more sales for KK.

If falling house prices are coupled with higher interest rates, people may not be able to afford to buy houses so KK's property sales may fall.

Some people may also not offer their houses for sale hoping that the market will improve so KK will have fewer houses to sell.

Candidates may also argue that they do not know – the analysts are uncertain, some of the housing market indicators point to only a slow decline so the effect on KK may be negligible.

Allow negative responses such as business is well established.

Any other valid argument.

[3]

(c) To analyse and evaluate the effects of increasing amounts of consumer protection legislation on KK.

Any point made up to four marks or any two explained points x 2 marks each on consumer legislation showing a judgement on the effects on KK such as –

Becky and James should be concerned because they have to make sure that all descriptions are as accurate as possible/disclaimers are inserted in their printed literature e.g. please note that any services, heating systems or appliances have not been tested and no warranty can be given as to their working order/all electrical and gas appliances are tested in rented property. These regulations mean extra work for KK, add to their costs and take up additional time. They may need extra insurance to guard against risk. If they do not pay attention to this legislation, they may start to lose their reputation for attention to detail, may lose business, may be sued by clients or prosecuted for failing to comply with the regulations.

On the other hand they may just accept that increased legislation is part of their everyday business. There has always been legislation and it is important that they take note of additional rules and change their working practise accordingly.

Any other relevant point.

[4]

NB There is no need for stating Acts of Parliament to gain full marks but any accurate comment on legislation should be rewarded. (Allow Data Protection Act)

(Health and Safety comment = 0)

[TOTAL MARKS 19]

- 3 (a) To apply knowledge and understanding of quality assurance and to analyse that knowledge in relation to KK.

Any one method explained x 3 marks each such as :

Set up some form of customer feedback e.g. questionnaires, interviews.

Set realistic targets for negotiators e.g. sales targets, commission targets.

Introduce some incentives to motivate staff but geared to quality of service e.g. employee of the month (bonuses paid to staff for higher sales = 0 marks).

Keep all staff involved – discussion groups to solve problems – and well informed about the need to offer personal service of a high standard.

Offer training in customer care especially to new employees and monitor the quality of that training and the effect on the individual employee.

Look for quality assurance award applicable to their business e.g. Investors in People.

Guarantee of good service given by KK – inspection of properties by experts to ensure they are saleable.

TQM.

Monitoring calls.

Any other relevant method.

[3]

- (b) **To apply knowledge and understanding, analyse and evaluate the most suitable advertising strategy for KK.**

Level 3 (5-6 marks)

Has analysed and evaluated an advertising strategy (one medium or multi-media) and has shown, with reasons, why it is the most suitable for KK.

Level 2 (3-4 marks)

Has attempted to analyse an advertising strategy and may/may not have indicated why it is the most suitable for KK.

Level 1 (1-2 marks)

Has listed way(s) of advertising KK or described other methods of marketing, e.g. promotion/ level of commission/ place/ kinds of houses/ national TV.

Points to consider

Becky and James should use a variety of approaches – having undertaken market research among people in the area to find out which marketing methods are most effective.

They should note what their competitors are doing, do the same and also look for new advertising strategies.

They should continue to use their existing forms of advertising e.g. local newspaper advertisements, window displays, property details but should consider far greater use of the internet – advertising all their properties for sale and to let with full details on a website.

They should appreciate that customer's needs are changing – many view properties on websites before physically viewing a selection.

As their business is growing they should consider the development of a free property newspaper dedicated to their business.

They might also consider joining with other independent estate agents to cover a wider area and share advertising costs.

NB Allow local TV.

[6]

Candidates will also be assessed for their quality or written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly. legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

(c) To analyse and evaluate knowledge or recruitment in relation to KK.

Any of the seven candidates could form the shortlist. Some are probably more suitable than others.

No marks for choices. 2 marks per candidate for reasons.

Belinda Smith – has previous experience/available now/ lives nearby

Philip Lal – local/doing the same job in Colston/ wants to work in Tyegreen

Sam Tang – has some management training/keen to change career

Margaret Betts – extensive experience/working in the firm

Tom Olonga – extensive experience/ manager at present/ information on rival firm

Brian Fisher – experience of customer relations/local

Maria Pirota – might be very useful if KK expands to France and Spain, language skills/ experienced in selling foreign properties.

Any other relevant reason.

NB Do not award marks for ageist, sexist, racist reasons.

[6]

[TOTAL MARKS 17]

- 4 (a) **To apply knowledge and understanding, analyse and evaluate that knowledge in relation to concerns at the Cordford office of KK.**

Level 3 (7-8 marks)

Has analysed ways of solving the problems of the Cordford Office and has shown, with reasons, which are likely to be most effective. (If strong analysis of one recommendation = 7 marks max.)

Level 2 (3-6 marks)

Has attempted analysis of the ways of solving the problems of the Cordford Office (and may/may not have indicated which are the most effective) OR has attempted to analyse one way of solving the problems of the Cordford Office (= 4 marks max).

Level 1 (1-2 marks)

Has stated some ways of solving the problems of the Cordford Office.

Points to consider

James oversees this office and perhaps he has been somewhat preoccupied with other matters.

Jane Draper has been absent for some time because of stress so there has been no manager.

One negotiator has left so they are short-staffed.

Other staff, especially Paul Jenks, are difficult to work with

Working conditions are poor.

The office is underperforming – sales down, sales revenue down compared with the other office.

Complaints from clients.

Possible solutions –

Make sure that James gives more time to this office or that he becomes the manager temporarily.

Find out how long Jane Draper will be absent or if she will be returning – appoint an acting manager.

Appoint a new negotiator – perhaps one from the short-list.

Call the Cordford staff together to discuss the problems at the office.

Interview Paul Jenks separately – may move him, may give warning, may be no problem with him, may be a personality clash.

Monitor the performance of this office very closely especially the service offered to customers.

Appraisal

Team building exercises

Refurbishment of the office

Training e.g. customer service

Customers – question them about their experience

[8]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly. legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

- (b) **To show knowledge and understanding and to select information in relation to two house sales made by KK.**

$$£480\,000 \times 0.015 (1) = £7200 (1) + £84\,000 \times 0.03 (1) = £2520 (1)$$

$$\text{Total commission} = £9720 (1)$$

OFR applies.

If the correct answer is given without working award full marks.

[5]

- (c) **To apply knowledge and understanding, analyse and evaluate the performance of KK in 2005.**

Level 3 (6-8 marks)

Has analysed, using numerate techniques, the overall performance of KK and may have made reference to individual offices. Has made a judgement as to whether or not Becky and James will be pleased with the performance of KK.

Level 2 (3-5 marks)

Has attempted to analyse, with/without numerate techniques, the performance of KK and may have made reference to the individual offices. May/may not have commented on whether or not Becky and James will be pleased with the performance of KK.

Level 1 (1-2 marks)

Has described some facts from RS 5 to indicate the performance of KK.

Points to consider

Total sales revenue has increased by 10%.

It was £1 400 000 in 2004 and is now £1 540 000.

May-August figures are better than the other two 4-monthly periods.

The trend as regards the sale of business properties is upwards – 41% increase between Jan -April and May-August.

Figures for residential properties in Sept-December were perhaps disappointing – a 26%/27% decrease in sales revenue.

Most offices performed well except for the Cordford office.

It performed quite well in the period Jan-April but in the period May-August total sales revenue was £76 000, £14 000 less than the previous period yet all the other offices increased their sales revenue. The Cordford office achieved the lowest number of property sales of all the offices in May-august and there was a marked fall in performance in Sept-December – 37% overall sales revenue, 37% fall in revenue from residential property sales, 50% fall in sales revenue from business properties and 25% fall in other revenue.

Revenue from the letting side of the business continued to increase – there are no exact figures but the Other Revenue figures for Heathside where the letting side of the business is located continues to increase.

Overall Becky and James should be pleased with the performance of the Business but attention needs to be given to the Cordford office and to the third period of next year.

[8]

[TOTAL MARKS 23]

5 To apply knowledge and understanding, analyse and evaluate the offer made by another firm of estate agents for KK.

Level 3 (7-10 marks)

Has analysed the advantages and disadvantages of the offer, has mentioned additional information they should ask for and has given a course of action based on the analysis. (If no additional information is mentioned = 8 marks max.)

Level 2 (3-6 marks)

Has attempted to analyse the advantages and/or disadvantages of the offer and may/may not have mentioned additional information to ask for and may/may not have shown a course of action.

Level 1 (1-2 marks)

Has given some advantages and/or disadvantages of the offer, and may/may not have shown a course of action.

Points to consider

Additional information –

Reason for making the offer

Conditions of the offer - what will happen to the two partners

What will happen to the offices/staff

When will KK be taken over

Why did they value the business at £1.5m – probably worth far more

What other estate agents have they acquired recently

Advantages of the offer –

Large sum paid to the two partners

Can try something new

Can pay off any debts they may have (we are not told they have debts)

KK may not be so successful in the future as competition is fierce

Predictions are for a decline in the housing market so why not quit while they are doing well

Disadvantages of the offer –

May not be what the business is worth

Partners may not be able to work in estate agency – what do they do next?

What will happen to the staff they employ? – redundancy for some?

Does not fit in with their current progress – new office at Tyegreen, possible expansion into the French and Spanish property markets

Probably not what they want at this stage in their careers – may not be near to retirement

[10]

[TOTAL MARKS 10]

General Certificate of Secondary Education

Business Studies A (1951)

June 2006 Assessment Series

Component Threshold Marks

Component	Max Mark	A	B	C	D	E	F	G
1	120			70	58	46	34	22
2	120	85	70	55	35			
3	60			34	28	23	18	13
4	60	36	29	22	15			
5	60			38	32	26	21	16
6	60	43	36	29	19			
7	90			53	46	39	32	25
8	90	58	51	44	36			
9	60	44	39	34	26	19	12	5

Specification Options

FA – Foundation Tier Business and Change with Coursework (Components 01, 03, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				134	110	87	64	41
Percentage in Grade					21.7	36.9	24.8	11.9	3.8
Cumulative Percentage in Grade					21.7	58.6	83.4	95.3	99.1

The total entry for the option was 2243.

FB – Foundation Tier Business Communication and Marketing with Coursework (Components 01, 05, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				138	114	90	67	44
Percentage in Grade					20.3	32.9	26.8	13.2	5.4
Cumulative Percentage in Grade					20.3	53.2	80.0	93.2	98.6

The total entry for the option was 1981.

FC – Foundation Tier Business and Change with Case Study (Components 01, 03, 07)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				136	115	94	73	52
Percentage in Grade					25.3	33.6	23.3	12.3	4.5
Cumulative Percentage in Grade					25.3	58.9	82.2	94.5	99.0

The total entry for the option was 926.

FD – Foundation Tier Business Communication and Marketing with Case Study (Components 01, 05, 07)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				141	119	97	76	55
Percentage in Grade					26.2	28.0	23.3	13.0	6.8
Cumulative Percentage in Grade					26.2	54.2	77.5	90.5	97.3

The total entry for the option was 833.

HA – Higher Tier Business and Change with Coursework (Components 02, 04, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	183	159	135	111	76	58		
Percentage in Grade		6.8	19.8	34.6	26.8	11.3	0.6		
Cumulative Percentage in Grade		6.8	26.6	61.2	88.0	99.3	99.9		

The total entry for the option was 3442.

HB – Higher Tier Business Communication and Marketing with Coursework (02, 06, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	189	165	141	118	80	61		
Percentage in Grade		4.6	17.3	31.0	27.8	17.6	1.4		
Cumulative Percentage in Grade		4.6	21.9	52.9	80.7	98.3	99.7		

The total entry for the option was 2111.

HC – Higher Tier Business and Change with Case Study (02, 04, 08)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	181	156	131	106	74	58		
Percentage in Grade		5.4	20.7	35.8	27.9	10.0	0.2		
Cumulative Percentage in Grade		5.4	26.1	61.9	89.8	99.8	100.0		

The total entry for the option was 1594.

HD – Higher Tier Business Communication and Marketing with Case Study (02, 06, 08)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	188	163	138	113	78	60		
Percentage in Grade		4.6	21.5	33.7	24.6	13.4	1.5		
Cumulative Percentage in Grade		4.6	26.1	59.8	84.4	97.8	99.3		

The total entry for the option was 1041.

Overall

	A*	A	B	C	D	E	F	G
Percentage in Grade	3.3	11.3	19.6	25.1	21.7	11.0	5.3	2.0
Cumulative Percentage in Grade	3.3	14.6	34.2	59.3	81.0	92.0	97.3	99.3

The total entry for the examination was 14,171.

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