



General Certificate of Secondary Education
2012

Business Studies

Assessment Unit 1

assessing

Business Start Up

[GBS11]

TUESDAY 22 MAY, AFTERNOON

MARK SCHEME

UNIT 1 (REVISED SPECIFICATION) MARKS SCHEME

- 1 (a) List two examples of businesses that operate as a franchise:
- Any two, e.g., KFC, McDonalds, Subway, etc.
- (2 × [1]) [2]
- (b) Two advantages for a franchisor from the following:
- it is a quick and relatively easy method of growth for the business
 - it may gain a better reputation and increase customer awareness
 - it makes more profit – royalty payments paid to franchisor
 - benefits from economies of scale
 - has the retail outlet managed for them.
- (2 × [2]) [4]
- (c) Three factors which might influence the location of the new flower shop from the following:
- competition – they will not want to open a new shop close to another florist
 - cost of the rent – if it is too expensive they may not be able to afford it
 - number of customers – they will want to open close to potential customers
 - car parking facilities – convenience for customers
 - availability of premises in new area
 - reduced transport costs – convenient to suppliers
 - personal choice.
- (3 × [2]) [6]
- (d) Any relevant points explained, e.g.:
- faster delivery service than competitors/free delivery
 - wider range of flowers
 - special wrapping and presentation of bouquets
 - training staff to relate better to customers
 - helpline available.
- (1 × [3]) [3]

(e) Identify **one** internal and **one** external source of finance which might be available to L&L Flowers and explain **one** advantage and **one** disadvantage of each source. [6]

Internal	Advantage	Disadvantage
Owners' own capital	No interest payments Remains private Does not have to be repaid	Smaller amounts available
Retained profits	No interest payments Remains private Does not have to be repaid	Business may not make sufficient profit
Sale of Fixed Assets	No interest payments Remains private Does not have to be repaid	Flower shop would not have many fixed assets Sale of assets may affect the running of the shop
Debt Collection	Cash is available quickly	Flower shop may not have many debtors
Sale of Stock	Immediate cash	Runs down shop stock
External	Advantage	Disadvantage
Bank loan/overdraft	Large amounts can be borrowed Structured repayments helps with cash flow Little paper work to complete	Interest is payable Loans/overdrafts may be difficult to get in present financial climate
Trade Credit	Flower shop can sell goods before payment is due to suppliers	Suppliers may not be able to grant credit terms Losing discounts by not paying early
Additional Partners	Provides additional capital that can be used to expand Provides the business with extra help and specialist skills No interest to be paid	Partners will lose some element of control Could lead to longer decision making process
Hire Purchase	Helps with the cash flow Immediate use of the asset Asset is owned eventually	Repayments are high Asset can be repossessed if repayments are not kept up
Mortgage	Provides assets immediately Assets finally are owned	Interest rates are high Is a long-term commitment
Leasing	Helps cash flow No capital outlay Asset is maintained/updated by leasing company	Overall cost is high
Government Grants	Does not have to be repaid	May have conditions attached Lengthy application process
Family/friends	No interest	Amounts may be small

2 (a) Any relevant stakeholders such as:

Stakeholder [1]	Interest
Owners/shareholders	Interested in the success of the airport so that a profit can be made
Employees	Interested in success so that they can keep their jobs
Trade unions	Interested in success to negotiate better pay and conditions for members
Directors/managers	Interested in success to improve their personal pay and conditions
Local residents Neighbours	Interested in airport to ensure it abides by rules of flight restrictions and that it is environmentally friendly
Customers	Interested in good quality service and efficiency such as baggage handling. Interested in flight prices

- airlines
- local business
- government

Identification of stakeholders 2 × [1]

Explanation of interest 2 × [2]

[2] + [4]

[6]

(b) Examples of conflict situations:

- aims of owners/shareholders might disagree with those of the directors over profit distribution
- aims of employees may be in conflict with those of the managers over pay and conditions
- aims of trade unions may be in conflict with those of the managers over pay and conditions
- aims of local residents may be in conflict with those of the managers over flight paths and frequencies or about noise and other environmental issues
- aims of customers will be to keep prices low which may be in conflict with those of the owners who wish to maximise profits.

(2 × [2])

[4]

10

3 (a) Complete Fig 1 to name the type of production:

Business	Type of production
Marks & Spencer	Tertiary [1]
Spring Valley Farm	Primary [1]
E Matthews Manufacturing Ltd.	Secondary [1]

[3]

(b) Most appropriate method of production for the following items:

Wedding dress	job production [1]
A bakery	batch production [1]
Coca Cola	flow production [1]

[3]

(c) Two factors that might affect the price of a designer wedding dress:

- quality of materials used in dress
- design detail/customer specifications
- competition
- demand
- time spent on making the dress
- reputation of the designers
- price the market will bear
- the need to make a profit.

(2 × [2])

[4]

(d) Two responsibilities of an employee in relation to Health and Safety legislation from the following:

- to report any accidents and any potential areas for accident
- to adhere to the guidelines
- to wear protective clothing provided
- to take part in fire drills
- to undergo training
- to co-operate in safety matters
- to use equipment carefully.

(2 × [2])

[4]

(e) Two responsibilities of an employer in relation to Health and Safety legislation from the following:

- to provide a safe working environment with clear signs and sufficient space
- to maintain all machinery in safe working order
- to appoint a health and safety officer who will coordinate between staff and management
- to provide health and safety training on all equipment such as machinery
- to provide the required protective clothing for working certain machines, etc.
- to carry out regular fire drills
- to carry out regular cleaning and waste removal
- to provide facilities for employees
- to carry out risk assessments
- to provide a health and safety policy.

(2 × [2])

[4]

(f) A diagram to represent one channel of distribution used by Coca Cola:

Manufacturer/producer



Wholesaler



Retailer



Customer/consumer

[3]

(g) One advantage and one disadvantage for Coca Cola of using a wholesaler:

Advantages:

- it covers a wide geographical area leading to more customers
- wider distribution leads to better corporate image
- reduces administration/paperwork
- wholesalers store large quantities thus saving space for Coca Cola.

Disadvantages:

- there would need to be good co-ordination to ensure stocks are kept at a good level
- increased costs involved as the channel of distribution is extended
- reduced profits as wholesaler gets a share of profit.

(2 × [2])

[4]

25

- 4 (a) Marketing is the process of determining what customers want and then developing a strategy to sell it to them. [2]

(b)

Situation	Method of advertising
A school is having an Open Night for primary 7 pupils	One of the following: Letter, flyer, newspaper, radio, website, local TV, banners
The local council wants the public to know when it is switching on the Christmas lights	One of the following: Radio, posters, local paper, website, local TV
Marks & Spencer are having a sale	One of the following: TV, radio, banners, website, carrier bags, email/text

[3]

- (c) Two methods of sales promotion that a retailer might use:

- Coupons and Loyalty Cards [1]
The use of a loyalty card encourages repeat purchases because customers can be sent vouchers to encourage buying [2]
 - Competitions [1]
This can encourage the customers to buy certain products if they have a chance of something of value in a competition [2]
 - Product Endorsements [1]
Helps to create brand awareness and if a high profile celebrity endorses it could lead to an increase in sales [2]
 - Free Offers – BOGOF, special offers, 20% extra, free samples/gifts, reduced price [1]
Any offer when the customer feels they are getting a bargain can lead to an increase in sales [2]
 - Point of sale display
 - Loss leaders
 - Savings stamps
 - After sales service.
- (2 × [3])

[6]

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of sales promotion. Candidate correctly identifies one example of sales promotion backed up with a weak description. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

Level 2 ([3]–[4])

Candidate demonstrates adequate knowledge and understanding of sales promotion. Candidate correctly identifies one example of sales promotion backed up with a good description. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

Level 3 ([5]–[6])

Candidate demonstrates good knowledge and understanding of sales promotion. Candidate correctly identifies two examples of sales promotion backed up with a detailed description. Candidate displays excellent accuracy in the use of spelling, punctuation and grammar.

(d) Impact competition might have on the elements of the marketing mix:

Element	Impact
Price	If there is a lot of competition the firm might have to think about reducing the price of the product to encourage sales
Place	High competition could lead to a business thinking of new ways to distribute, e.g. through vending machines, etc.
Product	High levels of competition will lead to extension strategies such as new product development or existing products being released in different colours
Promotion	High competition will mean extensive use of sales promotion such as BOGOF or increased advertising

[8]

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of the impact of competition on the marketing mix. Candidate correctly identifies one element of the marketing mix backed up with a weak description of impact. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

Level 2 ([3]–[6])

Candidate demonstrates adequate knowledge and understanding of the impact of competition on the marketing mix. Candidate correctly identifies two to three elements of the marketing mix backed up with good description of impact. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

Level 3 ([7]–[8])

Candidate demonstrates good knowledge and understanding of the impact of competition on the marketing mix. Candidate correctly identifies all the elements of the marketing mix backed up with detailed description of impact. Candidate displays excellent accuracy in the use of spelling, punctuation and grammar.

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Total

75