



Rewarding Learning

**General Certificate of Secondary Education
2016**

Business Studies

Unit 1

Business Start Up

[GBS11]

WEDNESDAY 25 MAY, MORNING

**MARK
SCHEME**

General Marking Instructions

Introduction

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

The Purpose of Mark Schemes

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

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

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

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

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

UNIT 1 MARK SCHEME

1 Define the following terms:

(a) Unlimited liability	The debts of the business can extend to personal possessions. House, car etc can be used to pay debts [2]
(b) Competitor based pricing	A pricing policy that considers the prices which competitors are charging for the same goods [2]
(c) plc	Public limited company owned by shareholders and controlled by a board of directors. Can trade on the Stock Exchange. Requires a large amount of capital. Members of the public can buy shares. [2]
(d) Public sector	The sector in the economy that is controlled by the government for the benefit of the people. Financed by the Government through the Treasury and rates. Aim is to provide a service. [2]

[8]

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2 (a) Reason why a mission statement is helpful:

- it provides the business with a sense of direction
- it can be used to set objectives and targets
- it informs customers what the business is about/investors
- it can act as a motivator to staff
- it can be used as a bench mark to measure business success [2]

(b) Two advantages for Peter and Jane of franchising:

- 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 shop managed for them/shares the workload.
- (2 × [2]) [4]

(c) Any suitable method of advertising:

Newspaper [1]	Will attract wide range of potential candidates [2]
Website/internet [1]	Use their own website to advertise – might attract someone with specific interest in pottery [2]
Shop window/ notice board [1]	Cheap method that might encourage a loyal customer to take on the franchise [2]
Magazine [1]	Specialist magazine might attract someone with design qualifications [2]

([1] + [2]) [3]

(d) Two reasons why Bob would be interested in becoming a franchisee:

- Reduced risk
- Increased sales with a recognised and established business/profit
- Benefits of help and support, e.g. advertising and promotions/training
- Easier to borrow money from the bank

(2 × [2]) [4]

(e) Any suitable source:

- His own capital [1]
This will have the advantage of no interest payment but Bob runs the risk of losing his own money if the business is not successful [4]
- Bank loan/overdraft [1]
As Bob is setting up as a franchisee it will be easier to get a loan from the bank but he will have to repay the loan with interest [4]
- Family and friends [1]
This is a cheaper option as he would not have to repay interest but he may not be able to raise the full money this way [4]
- Negotiate to take on a partner [1]
This will provide him with additional capital but Peter and Jane may be reluctant to add anyone else to the franchise [4]

([1] + [1] × [4]) [5]

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(f) **Two** characteristics of an entrepreneur that Bob would require to run the franchise:

- ability to work independently [1]
 - risk taker
seizes opportunities for business success [2]
 - creativity [1]
has the ability to design and create unique pottery to maximise sales [2]
 - self belief/intelligent [1]
they have no doubts in their decision making skills and ability to succeed and know they will be successful [2]
 - hard work/energy/drive [1]
they are determined to put in the extra hours and work over and above what is required [2]
 - commitment/motivation to succeed [1]
connected with hard work and determination to succeed [2]
 - adaptability/open minded [1]
recognising that things change and being responsive [2]
 - good communication skills/organised [1]
he will need to work closely with Peter and Jane and will need to be able to understand instructions and give feed-back [2]
 - ability to motivate staff [1]
 - good leadership [1]
- (2 × [3]) [6]

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of entrepreneurial characteristics. Little explanation is included. Limited accuracy in spelling, punctuation and grammar.

Level 2 ([3]–[4])

Candidate demonstrates adequate knowledge and understanding of entrepreneurial characteristics. Adequate explanation is included. Satisfactory accuracy in spelling, punctuation and grammar.

Level 3 ([5]–[6])

Candidate demonstrates excellent knowledge and understanding of entrepreneurial characteristics. Excellent explanation is included. Good accuracy in spelling, punctuation and grammar.

3 (a) Having structures and procedures in place to constantly provide high standards of product and service. [2]

(b) **Two** reasons why a business might want to gain a quality standard:

- A quality standard will improve the reputation of the business and gain more customers
- Some customers will only work with businesses that have recognised quality standards
- It might give the business a competitive advantage over their competitors
- It might improve the motivation of staff
- Helps to maintain customer loyalty

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- Helps to reduce the cost of waste and faulty goods.
 - can charge a higher price and therefore gain more profit
- (2 × [2]) [4]

(c) Two responsibilities of the employer relating to Health and Safety:

- 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 staff and management
 - to provide health and safety training on all equipment such as machinery/first aid
 - 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/officer.
- (2 × [2]) [4]

(d) Impact of legislation in relation to products:

- food handlers must be given hygiene training appropriate to the job to ensure they have the necessary skills and knowledge
 - quality – business must ensure the product is of satisfactory quality
 - products must be safe for consumers to use and comply with regulations
 - product must be fit for the purpose for which it was sold
 - As described – business must ensure the product meets the description on the label/correct weights and measures
 - country of origin
 - copyright.
- (2 × [3]) or (3 × [2]) [6]

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of the impact of legislation on products. Little analysis is included. Limited accuracy in spelling, punctuation and grammar.

Level 2 ([3]–[4])

Candidate demonstrates adequate knowledge and understanding of the impact of legislation on products. Adequate analysis is included. Satisfactory accuracy in spelling, punctuation and grammar.

Level 3 ([5]–[6])

Candidate demonstrates excellent knowledge and understanding of the impact of legislation on products. Excellent analysis is included. Good accuracy in spelling, punctuation and grammar.

4 (a) As the price falls the demand for the product or service will increase. [2]

(b) **Two factors** that will affect the price of a product or service.

- Quality – high quality material leads to increased prices
- Costs of production – costs need to be covered to make a profit/time spent/where
- Competition – rival firms will make you set your price competitively
- Price which the market will bear – must be set at a price the customers are willing to pay
- Season of the year – prices can rise at certain times of the year
- Stock – if you have extra stock you might reduce the price to encourage sales.
- demand

(2 × [2]) [4]

(c) Most appropriate method of promotion:

A leading brand is launching a new shampoo	Television, billboard, internet, BOGOF, discount/samples, celebrities
Cookstown is having a summer festival	Flyers, posters, radio, council website/billboards, tv, pr, sponsorship
A local pet shop has started dog grooming	Newspaper, shop window, website, flyers, radio, business cards

[3]

(d) **Two** indicators of the level of competition faced by a business.

- sales/market share – a firm that has a large market share may face less competition
- number of firms – an industry that has large number of firms means it is highly competitive
- ease of set up – an industry that has a lot of competing firms makes it more difficult for others to set up/new competitors
- moving between brands – an industry that has a lot of competing brands allowing customers to move between the brands means it is highly competitive/amount of similar products available
- lower price to try to eliminate competition
- increase advertising to compete.

(2 × [2]) [4]

- (e)
- It is more expensive to attract a new customer as the business would have to encourage sales perhaps through advertising and this is expensive.
 - Good customer care costs less and will encourage loyal customers for repeat business.
 - To identify new customers, market research will be necessary. This is costly.
 - To attract new customers, products may have to be developed/improved. This costs money.

(1 × [4] or 2 × [2]) [4]

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(f) Impact of competition on any two elements of the marketing mix.

Element [1]	Impact [4]
price	If there is a lot of competition the firm might have to reduce the price of the product to encourage sales. Alternatively if the product is unique they could still price it higher than the competition
place	High competition could lead to a business thinking of new ways to distribute, e.g. through vending machines, etc. or they might just want to increase their distribution network to include more businesses to stock their product They could also use the internet to increase sales and widen distribution
product	High levels of competition will lead to extension strategies such as new product development or existing products being released in different colours. It means the business might have to invest heavily on research and development
promotion	High competition will mean extensive use of sales promotion such as BOGOF, 20% extra or increased advertising. This will cost the company a lot of money but should lead to increased sales and market share

$([1] + [4]) \times 2$

$([1] + [2 \times 2] \text{ or } [1 \times 4]) \times 2$

[10]

Total

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75