

**MARK SCHEME for the May/June 2011 question paper
for the guidance of teachers**

0454 ENTERPRISE

0454/01

Paper 1 (Case Study), maximum raw mark 100

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

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Marking guide			
1	(a) (i)	<p>What is meant by the term <i>enterprising</i>?</p> <p>Completing actions which involve making decisions (1) or taking risks (1).</p>	[1]
	(ii)	<p>Explain <u>one</u> way that <u>you</u> were enterprising when taking part in <u>your</u> enterprise project.</p> <p>2 marks for a full explanation of what the candidate did in their enterprise project. 1 mark for applying risk-taking or decision-making.</p>	[2]
	(b)	<p>With reference to <u>one</u> organisation or individual that you have studied, discuss the ways in which they could assist Mabel to solve the problems of starting up 'Mabel's Lunches'.</p> <p>Could include:</p> <ul style="list-style-type: none"> • Formal sources – government bodies, business agencies, financial institutions or charities • Business networks • Informal sources – friends, other business people etc. <p>Level 3 (4–5 marks) Candidate discusses how the organisation/individual can help Mabel's start up problems.</p> <p>Level 2 (2–3 marks) Candidate is able to apply knowledge and understanding to how the organisation/individual could assist Mabel. Must be a named individual/organisation to access L2.</p> <p>Level 1 (1 mark) Candidate shows knowledge of the support available to enterprises.</p> <p>Allow general references to an organisation, e.g. bank, or an individual from the case study, e.g. Vijay.</p>	[5]

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2	(a)	<p>Explain <u>one</u> way in which production in an enterprise might be affected by laws.</p> <p>Candidates are likely to suggest: health and safety legislation, food hygiene legislation, maximum working hours, quality standards, limits on production of certain product.</p> <p>2 marks for a full explanation of the effect of the law. 1 mark for identification of a law/impact.</p>	[2]
	(b)	<p>Use PESTEL analysis to discuss <u>two</u> risks that could affect <u>your</u> <u>enterprise project</u>.</p> <p>Linking risk to PESTEL. (Analysis × 2)</p> <p>Explanation of how the risk affected their enterprise. (Application × 2)</p> <p>Knowledge of PESTEL or identified risks for an enterprise – no application. (Knowledge × 2)</p>	[6] (2x3)

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3	(a)	<p>What is meant by the term <i>sole trader</i>?</p> <p>A business owned by one person (1) with unlimited liability (2).</p> <p>2 marks for a full description. 1 mark for a limited idea e.g. runs/operates alone.</p>	[2]
	(b) (i)	<p>What is meant by <i>negotiation</i>?</p> <p>Is the process (1) of :</p> <ul style="list-style-type: none"> • resolving disputes • agreeing courses of action • bargaining and reaching outcomes • satisfying the interests of those involved. <p>2 marks for a full description. 1 mark for a limited idea.</p>	[2]
	(ii)	<p>Identify and explain <u>two</u> factors which any entrepreneur would need to consider before negotiating with a supplier.</p> <p>Candidates might consider either the planning of negotiation or the process involved in such negotiations. Therefore they could include:</p> <ul style="list-style-type: none"> • what they are trying to achieve • the information needed to discuss • strengths and weaknesses of the position • counter arguments • consequences • how they will say things/negotiating style • preparation • the negotiating environment • testing understanding and summarising • reaching agreement. <p>2 marks for an explanation of the link to the process of negotiation. (max 2) 1 mark for each factor identified. (max 2)</p>	[4]

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(c)	<p>Identify and explain <u>two</u> skills, apart from negotiation skills, that Mabel would need to be a successful entrepreneur.</p> <p>Candidates could include:</p> <ul style="list-style-type: none">• leadership• self-confidence• motivation• innovation• team-building• determination to succeed• creativity• problem-solving• resourcefulness• taking initiative• taking calculated risks and responsibility• perseverance (hard-working) <p>Marks should be applied for each skill as follows: 1 mark for each skill identified. (2 × 1) 1 mark for application to Mabel's enterprise. (2 × 1) A further 1 mark for an analysis of how the skill would help Mabel to be successful. (2 × 1)</p>

Marking guide			
4	(a)	Explain the meaning of the following terms:	
	(i)	<p>variable cost</p> <p>A cost that changes with output. Allow answers which indicate change with production/sales.</p> <p>Example not acceptable as the question clearly requires a definition.</p>	[1]
	(ii)	<p>overheads</p> <p>Costs which cannot be directly related to a particular product. Allow indirect costs.</p>	[1]
	(iii)	<p>profit</p> <p>The surplus after total costs have been subtracted from sales revenue.</p>	[1]
	(b)	<p>Identify <u>two</u> more items which might be included in a budget.</p> <p>Case Study mentions: van, packaging and food items so these should not be allowed.</p> <p>Any two from: insurance fuel costs own wages other acceptable items.</p>	[2] (2x1)
(c)	<p>Explain <u>one</u> problem which could be avoided by preparing a budget for an enterprise.</p> <p>Candidates could include reference to:</p> <ul style="list-style-type: none"> • targets for business so clearer idea of what you want to do – helps to decide actions • able to measure if the business is performing as expected, so deal better with any problems • control of finance leading to fewer cash flow issues • aware of financial requirements therefore can arrange sufficient finance in advance. <p>3–4 marks Candidate shows understanding of how the effects of the identified problem will be reduced with budget planning.</p> <p>2 marks knowledge of how a budget will help a business.</p> <p>1 mark knowledge of a problem related to budgets.</p>	[4]	

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5	(a)	<p>Explain why cash flow is important to an enterprise.</p> <p>2–3 marks candidate shows understanding of why enterprises need sufficient cash available, or awareness of the problems negative cash flow can cause.</p> <p>1 mark candidate shows some knowledge of cash flow.</p>	[3]
	(b)	<p>Complete the cash flow budget below by calculating the amounts for <u>A</u> and <u>B</u>. The figures in brackets are negative.</p> <p>A = 165 B = 260 \$ sign not required.</p>	[2] (2x1)
	(c)	<p>With reference to <u>your enterprise project</u>, explain the methods you used to try to avoid a cash flow deficit.</p> <p>Answers depend upon the factors identified from the enterprise experience but issues include:</p> <ul style="list-style-type: none"> • keeping a record of expenditure/income • ensuring fast collection of outstanding debts • arranging credit periods with suppliers • arranging an overdraft or loan in advance • methods to increase sales revenue e.g. marketing. <p>Level 3 (5–6 marks) Candidate is able to discuss methods used with clear explanation of their effect. (max 5 marks if only one method discussed)</p> <p>Level 2 (3–4 marks) Candidate is able to explain how these methods were/were not used within their enterprise.</p> <p>Level 1 (1–2 marks) Candidate shows knowledge of the methods used to avoid cash flow problems.</p>	[6]

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6	(a)	<p>Evaluate how the setting of business objectives would affect how your enterprise project operated.</p> <p>Since the question relates to their own enterprise and potential objectives, candidates may identify: profit, growth, survival sales revenue, satisficing, environmental and ethical.</p> <p>Level 4 (9–10 marks) Candidate is able to offer very good analysis and evaluation of how objectives chosen affected the operation of the enterprise.</p> <p>Level 3 (6–8 marks) Candidate is able to offer some limited analysis and evaluation of how the objectives affected the enterprise. They will reach a conclusion but fail to address fully the impact on the enterprise.</p> <p>Level 2 (3–5 marks) Candidate is able to apply suitable objectives to their enterprise.</p> <p>Level 1 (1–2 marks) Candidate shows some knowledge of business objectives. No clear reference to their enterprise experience.</p>
	(b)	<p>Discuss how business planning would enable Mabel to ensure the successful start up and long term growth of her enterprise.</p> <p>Level 4 (10–15 marks)</p> <p>Candidate analyses and evaluates, making clear use of the case study and their own experience to reach a supported judgement. A maximum of 12 marks will be awarded to candidates who do not refer to both start up and growth.</p> <p>Level 3 (6–9 marks) Candidate is able to analyse one or more benefits of planning. Answers that do not refer to both start up and growth will achieve a max of 7.</p> <p>Level 2 (3–5 marks) Candidate is able to apply some benefits of planning to the start up/growth of Mabel's enterprise.</p> <p>Level 1 (1–2 marks) Candidate shows some knowledge of business planning.</p>

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7	(a)	<p>Evaluate the different methods of communication Mabel could have used to arrange credit with local suppliers.</p> <p>Suitable methods include:</p> <ul style="list-style-type: none">• letter• telephone• face to face• email• fax. <p>Accept other relevant methods.</p> <p>Level 4 (9–10 marks) A very good analysis and evaluation with very clear reference to suitability of methods.</p> <p>Level 3 (6–8 marks) Candidate is able to analyse methods of communication to judge suitability or not for the situation.</p> <p>Level 2 (3–5 marks) Candidate is able to apply the information in the case study to choose suitable methods of communication for this situation.</p> <p>Level 1 (1–2 marks) Candidate shows some knowledge of credit and/or methods of communication.</p>

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	(b)	<p>Discuss how Mabel could use marketing communication methods to attract more customers.</p> <p>This question focuses on Mabel's enterprise which is currently a small local enterprise. Candidates should therefore choose suitable methods for this type of enterprise.</p> <p>Level 4 (10–15 marks) Candidate clearly uses the case study to reach a supported judgement as to suitable marketing communications methods for this enterprise. A maximum of 12 marks will be awarded to candidates who do not make reference to other methods.</p> <p>Level 3 (6–9 marks) Candidate is able to analyse marketing communication methods with consideration of suitability for attraction of new customers. A maximum of 7 marks will be awarded for answers which analyse only one method.</p> <p>Level 2 (3–5 marks) Candidate is able to apply some appropriate methods for the enterprise in the case study to attract customers.</p> <p>Level 1 (1–2 marks) Candidate shows some knowledge of marketing communication methods.</p>	
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