

CONFERENCE VERSION – 06/06/2023

CONFIDENTIAL



GCE AS MARKING SCHEME

SUMMER 2023

**AS
BUSINESS – UNIT 1
2510U10-1**

Please check on the Appointees Management Portal for the date and venue of the examiners' conference: <http://appointees.wjec.co.uk>

Please ensure that you update your Conflicts of Interest page for the academic year 2022/2023 **before** you start marking.

BLANK PAGE

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE AS BUSINESS

UNIT 1 - BUSINESS OPPORTUNITIES

SUMMER 2023 MARK SCHEME

1. (a) State what is meant by the primary, secondary and tertiary sectors of the UK economy? [3]

AO1 - 3 marks

Award **1** mark for correct definition of each sector

Indicative content:

- **Primary sector** - this involves acquiring **raw materials**. This is sometimes known as **extractive production**.
- **Secondary sector** - this is the **manufacturing** and **assembly** process. It involves converting raw materials into components. It also involves assembling the product.
- **Tertiary sector** - this refers to the **commercial services** that support the production and distribution process. It involves providing a **service**.

No marks for examples only

(b) Explain two reasons why entrepreneurs are important to the success of the UK economy. [4]

AO1 - 2 marks

AO3 - 2 marks

Award **1** mark for each correct identification (max 2 marks)

Award **1** mark for each correct development (max 2 marks)

Indicative content:

- Entrepreneurs tend to be single minded, prepared to work hard, passionate/determined/ambitious, have ability to organise production, are prepared to take risks and are innovative - possible use of examples of entrepreneurs to illustrate points.
- Entrepreneurs are important because they are innovative, they can provide better ways of doing things and can also lead to new businesses, thus increasing profit for businesses and their stakeholders.
- Entrepreneurs have the vision and the willingness to take risks which drive business forward.
- Entrepreneurs help the economy by creating new jobs.
- Help to boost the economy by providing new products.
- Without entrepreneurs, our economy would not benefit from the boost they give from added business and ideas and wealth creation.
- Increasing exports - helps balance of payments.
- Government benefiting from taxation which can be used to invest in public and merit goods.

2. (a) Define what is meant by:	
(i) a seasonal market	[1]
(ii) a global market	[1]

AO1 - 2 marks

Award **1** mark for each correct definition

Indicative content:

A seasonal market is a market which has a critical sales period that can either make or break the business. Examples of markets which have large seasonable variations are ice cream, fireworks and diet plans (in January).

A global market is about selling goods or services to overseas markets. With global marketing, different marketing strategies are implemented, based on the region or country the business is marketing in e.g. different packaging, pricing and promotional strategies. Amazon selling to customers worldwide is an example of a global market.

(b) With reference to the data, describe the changes in the way people shop.	[4]
-------------------------------------------------------------------------------------	------------

AO2 - 4 marks

Award **1** mark for each valid statement

Indicative content:

- In 2014, growths into December reached 13.6% in contrast with the slower growth of 11.0% in November.
- In 2015, sales in UK grew faster in November than in December for the first time where November sales overtook December sales.
- In 2015, 2016 and 2017, spending evened out over the months and we no longer see the increases to growth into the December months.
- In 2018, as growths to December slowed to 9.8%, growths to November increased to 13.1%, showing a shift in spending to earlier in the year (Black Friday deals).
- December sales have been slowing down, as shoppers look to snap up a bargain earlier on in the build-up to Christmas.
- Online UK retail sales are continually increasing in relation to overall retail sales.
- In 2010 around 7% of retail sales were online, in 2020 it was 33%.
- Consumers are buying more online which implies that less is sold in retail stores
- 2020-2021 saw a spike in online shopping due to COVID-19 lockdowns between March 2020 and December 2021.

3. With reference to elasticity of demand, explain the difference between luxury, normal and inferior goods. [6]		
Band	AO1 3 marks	AO3 3 marks
3	<p>3 marks</p> <p>Excellent understanding of luxury, normal and inferior goods</p>	<p>3 marks</p> <p>Excellent analysis of the difference between luxury, normal and inferior goods</p> <p>Excellent analysis of the concept of income elasticity of demand is essential</p>
2	<p>2 marks</p> <p>Good understanding of at least two of the following - luxury, normal and inferior goods</p>	<p>2 marks</p> <p>Good analysis of the difference between luxury, normal and/or inferior goods</p> <p>Reference to income elasticity of demand is essential</p>
1	<p>1 mark</p> <p>Limited understanding of at least one of the following – luxury, normal or inferior goods</p> <p>Brief understanding demonstrated</p>	<p>1 mark</p> <p>Limited analysis of the difference between luxury, normal and/or inferior goods</p> <p>Superficial or generic discussion</p>
0	<p>0 marks</p> <p>No understanding of luxury, normal or inferior goods</p>	<p>0 marks</p> <p>No analysis of the difference between luxury, normal and/or inferior goods</p>

Indicative content:

- When real incomes of customers increase, the demand for **normal goods** responds as we might expect. As people become better off, they buy more of this type of product. The majority of items fall into this category - for example, cars, furniture, washing machines. They have positive income elasticity of demand.
- **Luxury goods** also fall into the category of normal goods but tend to be more sensitive to changes in real income. If income increases, demand for gym membership booms; if incomes fall, many people quickly cancel their gym memberships in an attempt to save money. They have positive income elasticity of demand.
- **Inferior goods** are those goods that have negative income elasticity of demand - demand rises when real incomes fall. Supermarket own-label products are a good example of inferior goods. During a recession, consumers may turn to such products in order to economise. However, as incomes rise, they do not buy more of the own-label products but may switch to buy higher priced branded products instead. They have negative income elasticity of demand.

4. (a) With reference to High & Mighty, outline what is meant by a niche market. [2]

AO1 - 1 mark
AO2 - 1 mark

Award **1** mark for correct definition of a niche market
Award **1** mark for applying to High & Mighty

Indicative content:

A niche market is where a business targets a smaller segment of a larger market, where customers have specific needs and wants.

High & Mighty sells long-length jeans and large-size shoes with a range of clothing for big and tall men in sizes up to 6XL, jeans and trousers in up to 38" leg and shoes and trainers in up to size 17.

(b) Describe how Next plc have used market segmentation to benefit its business and its customers. [6]

Band	AO1 4 marks	AO2 2 marks
2	3-4 marks Good understanding of the benefits of market segmentation to a business and to customers	2 marks Good application to Next plc
1	1-2 marks Limited understanding of the benefits of market segmentation to a business and/or customers	1 mark Limited application to Next plc
0	0 marks No understanding of the benefits of market segmentation	0 marks No application to Next plc

Indicative content:

- Segmentation involves breaking down of markets into sub-groups with similar characteristics.
- Next have successfully segmented the market on a demographic basis (gender).
- Segmentation helps Next to understand their customers better. They are able to satisfy the needs of men, women and children more effectively. They manufacture a range of women's sizes in regular, long, petite and plus sizes to respond to the needs of women
- Successful segmentation should result in increased sales and profits for Next allowing Next to achieve its objectives.
- Segmentation helps Next to target their particular segmented groups of men, women and children.
- This can help Next to prevent products being promoted to the wrong people - less waste of resources.
- Segmenting the market allows Next to build sustainable customer relationships in all phases of the customer life cycle.
- Customers may feel that their needs are being better targeted and develop loyalty to Next.
- Next is able to charge a premium price as customers develop loyalty to Next.

5. With reference to Ail Gyfle, explain the key features of a social enterprise. [8]			
Band	AO1 2 marks	AO2 4 marks	AO3 2 marks
2	2 marks Good knowledge of the key features of a social enterprise	3-4 marks Good application to Ail Gyfle	2 marks Good explanation of a social enterprise and the context in which it operates
1	1 mark Limited knowledge of the key features of a social enterprise	1-2 marks Limited application to Ail Gyfle	1 mark Limited explanation of a social enterprise and the context in which it operates
0	0 marks No knowledge demonstrated	0 marks No reference to Ail Gyfle	0 marks No explanation undertaken

Indicative content:

- A social enterprise is an organisation that applies business strategies in an attempt to bring about improvements in human and environmental well-being.
- They are businesses with clear social objectives. They trade to help solve social problems, improve the communities they operate in and improve the environment.
- Ail Gyfle produce home and garden furniture and craft from recycled pallets, old timber and other discarded household items. The products they sell are entirely re-cycled which has a positive impact upon the environment. Landfill sites are fast running out and Ail Gyfle saved over 7 tonnes of waste from going to landfill.
- Ail Gyfle believe in giving criminals a second chance. It supports offenders through providing opportunities to realise their potential in a family environment whilst learning teamwork, how to communicate and how to be mutually supportive. Learning to turn up, be punctual, behave appropriately and the value of work are key life skills. Society benefits as they are less likely to re-offend.
- Ail Gyfle provide on-the-job training in all aspects of running a social enterprise. With the support of Adult Learning Wales, Ail Gyfle provide courses including carpentry, hand tools, health and safety and recycling.
- These positive social impacts define Ail Gyfle as a social enterprise.

6. (a) Calculate the percentage change in the number of business start-ups between 2015 and 2020. [2]

AO2 - 2 marks

Award **1** mark for calculating the change between 2015 and 2020:

$$390\,000 - 383\,000 = 7\,000$$

Award **1** mark for correct answer:

$$\frac{7\,000}{383\,000} \times 100 = 1.8\% \text{ or } 1.83\%$$

Award **2** marks if just 1.8% or 1.83%

Award **1** mark if correct answer but no %

(b) Identify what the data shows about the number of businesses in the UK between 2015 and 2020. [3]

AO2 - 3 marks

Award **1** mark for each valid identification

Indicative content:

- The trend of increasing business failure rates has continued since 2016.
- There was a sharp fall in the rate of business start-ups between 2016 and 2017, then a slow increase.
- Despite this, the rate of business start-ups has continued to exceed the rate of failure.

(c) Evaluate the importance of a business plan.			[10]
Band	AO1 3 marks	AO3 3 marks	AO4 4 marks
3	<p>3 marks</p> <p>Excellent knowledge of business plans</p> <p>Thorough understanding of the content and purpose of a business plan</p>	<p>3 marks</p> <p>Excellent analysis of the importance of business plans</p> <p>The analysis is detailed and developed</p>	<p>4 marks</p> <p>An excellent well-reasoned and well-balanced evaluation of the importance of business plans</p> <p>Evaluation is likely to include judgements</p>
2	<p>2 marks</p> <p>Good knowledge of business plans</p> <p>Clear understanding of the content and purpose of a business plan but may have some omissions</p>	<p>2 marks</p> <p>Good analysis of the importance of business plans</p> <p>The analysis has some development</p>	<p>2-3 marks</p> <p>A good evaluation of the importance of business plans</p> <p>The evaluation is unbalanced</p>
1	<p>1 mark</p> <p>Limited knowledge of business plans</p> <p>Superficial or incomplete understanding of the content and purpose of a business plan</p>	<p>1 mark</p> <p>Limited analysis of the importance of business plans</p> <p>Superficial or generic discussion</p>	<p>1 mark</p> <p>Limited evaluation of the importance of business plans</p> <p>Evaluation is likely to be one-sided</p> <p>Supporting comments lack depth</p>
0	<p>0 marks</p> <p>No understanding of business plans</p>	<p>0 marks</p> <p>No analysis undertaken</p>	<p>0 marks</p> <p>No evaluation undertaken</p>

Indicative content:

- The business plan makes clear the objectives of the business and how the business intends to achieve these objectives.
- A business plan would outline how a business will attempt to reach their objectives – giving a clear indication of operation and direction.
- The plan will outline the marketing strategy, providing important information on the potential market and the strength of the competition. The market research needs to establish the needs of the customers and if it identifies weaknesses with the initial data, the business can adapt the product to more closely meet the needs of the customer.
- A plan may also help to convince potential lenders of a business' ability to pay back any funds that they might wish to borrow. Without a business plan, it is highly unlikely that capital could be attracted from people or institutions outside of the business.
- A plan may also highlight any possible problems that the business may face and allow the business to address them in advance.
- A comprehensive business plan will allow business owners to check progress against objectives, monitor cash flow and take action when objectives are not being achieved. Business owners can clearly see when things are going wrong.

- All of the above are likely to enhance the probability of the business being successful.
- However, it does not necessarily mean that the business cannot achieve success without a business plan – many do so without one.
- The service may prove so popular that the business attains good sales straight away and business grows entirely through recommendation.
- For a small, easily managed business, a formal plan may prove unnecessary in achieving success.
- However good a business plan may be, success can never be guaranteed with or without a business plan, as unanticipated external factors, such as a major economic downturn, may prove insurmountable.
- It is difficult to accurately predict sales revenue and costs which decreases the value of a business plan.
- An inaccurate business plan with unachievable objectives can give entrepreneurs false hope, leading to failed investments.
- However, business growth is unlikely without forward planning. Identifying and adapting to change is essential which means business plans need to be flexible and able to adapt to changing market conditions.

7. “The factors influencing location decisions are the same for all new businesses.” Discuss. [10]		
Band	AO3 4 marks	AO4 6 marks
3	<p>4 marks</p> <p>Excellent analysis of the factors that affect the choice of location of new businesses</p> <p>The analysis is fully balanced, detailed and developed in context</p>	<p>5-6 marks</p> <p>An excellent well-reasoned evaluation of the factors that affect the choice of location of new businesses</p> <p>Evaluation includes judgements</p>
2	<p>2-3 marks</p> <p>Good analysis of the factors that affect the choice of location of new businesses</p>	<p>3-4 marks</p> <p>A good evaluation of the factors that affect the choice of location of new businesses</p>
1	<p>1 mark</p> <p>Limited analysis of the factors that affect the choice of location of a new business</p> <p>Superficial or generic discussion</p>	<p>1-2 marks</p> <p>Limited evaluation of the factors that affect the choice of location of a new business</p> <p>Supporting comments lack depth</p>
0	<p>0 marks</p> <p>No analysis undertaken</p>	<p>0 marks</p> <p>No evaluation undertaken</p>

Indicative content:

- For most new businesses, the most important location factor is likely to be the cost. New businesses, especially sole traders, will have limited capital so they will need to keep their costs low. A new business may be unable to choose the ideal location as they may not be able to afford the location costs. New businesses will often consider locating elsewhere, accepting that they are not selecting the optimum location. A new business will need to consider the importance of location on its success. This will depend on its products and services and the market it will operate in.
- A new retail location should be driven by access to customers, but there will be a balance between customer footfall and rental costs. If a new retail store is looking to locate in a shopping centre, it should look carefully at the anchor tenant as it sets the tone and image of the shopping centre, so the business owners need to examine the demographics of customers and whether their product would match the customer profile. Image is therefore important to some new businesses such as a new cosmetics businesses as it gives prestige.
- Sometimes, being in close proximity to competitors, a new business can benefit from their marketing efforts. Large businesses spend a sizeable proportion of their advertising budget on driving consumer traffic to their location, a flow of customers that a competitor business can take advantage of. There are also competitor businesses that, by congregating in the same area, create more customer interest and higher individual sales. A good example of this situation would be antique emporiums and book shops, where a collection of shops attract customers from a wide catchment area.
- Regional markets also apply to B2B relationships. New manufacturers of components in many industries need to be located close to the users of their products. This has become increasingly true with the increased use of just-in-time systems.

- The type and quality of infrastructure also affects access to markets. Infrastructure used to mean roads, rail and shipping but it now includes electronic communication systems, training agencies and financial services. For a new e-commerce business, quality infrastructure would be crucial but it would have a very different meaning from that understood by a new road haulier business or a new heavy goods manufacturing business.
- New businesses, especially in high-tech industries, are attracted by existing infrastructure clusters as specialist businesses and universities can undertake research, provide education, training and information, from which all businesses can benefit. Economies of concentration occur when a number of businesses in the same, or related industries, locate close together and they are able to gain mutual advantages.
- Transport includes the cost of getting inputs into the business (e.g. raw materials for the production line or stocks for sale) and also the cost of getting products delivered to customers. Some businesses need to be close to its source of supply if the cost of transporting raw materials is high or difficult (e.g. food processing is often carried out close to the farms). For many new businesses the cost of distributing to customers is not a significant issue. Delivery firms might carry out the transportation (for which the customer pays). In many cases the customer comes to the business - e.g. in a hotel so transport costs is not an influential factor.
- The cost of labour, availability of relevant labour and the skills of labour can also influence the location of a business. Labour will be more important to new businesses who will need a large workforce as opposed to a new retail business
- The availability of government grants and government taxation policies give some new businesses incentives to move to a particular region. For a new manufacturing business, the availability of low cost and suitable land resources can be an important location factor. Governments often work hard to ensure that planning permission is available to allow large developments to proceed and they also offer incentives such as tax breaks and help with recruitment and training of workers.
- Impact of IT has allowed the development of footloose businesses.
- For other new businesses, location may be much less important. In fact, location is almost irrelevant for some businesses: service businesses that do all their work at their customers' locations (such as roofers and plumbers) and businesses that have little contact with the public (such as mail-order companies, internet-based businesses and wholesalers). If these types of companies can pass on rent savings to their customers and their profit margin, picking a low-cost spot in an out-of-the-way area might be an advantage.