



GCSE

Business Studies

413001 Setting up a Business
Mark scheme

4130
June 2016

Version 1.0: Final Mark Scheme

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from aqa.org.uk.

Marking Guidance for 9 Mark Questions

In order to help clarify the marking of these questions for new and existing examiners please note the following points:

1. Changes to the marking grid

In each of the grids for the 9 mark questions you will find additional detail/clarification for the evaluation Level 2 (E2) descriptors as follows:

*“one **verly well** explained reason in context **or** two or more reasons with at least one **well explained** – 5 marks*

*one reason **well** explained in context **or** two valid reasons explained in context – 4 marks (default)*

one valid reason for the judgement explained in context – 3 marks”

2. Treatment of Quality of Written Communication (QWC).

This can be seen as a “nudge” mark and the level criteria are defined below.

E1: Ideas communicated in simple way/limited use of business terms. There are noticeable errors in accepted conventions of written communication.

E2: Ideas are communicated with structure/correct use of business terms. There are occasional errors in accepted conventions of written communication

If the QWC is considerably weaker than would be expected at the appropriate evaluation level then the mark should be reduced to 1(E1) **or** 3 or 4 (E2). Please note that the level of response should not be determined by QWC nor should it be seen as a “bonus” mark as the expected QWC level is embedded into the default mark.

3. Annotation

It is essential that the Levels are indicated in the body of the answer both for Knowledge / Application and Analysis (L1/L2/L3) and for evaluation (E1/E2). There are available as pre-set annotations and must be used. Failure to do so could, and has resulted in marks not being allowed to continue marking as it is unclear why they have allocated the marks that they have awarded.

4. Styles of response and where to find the judgement

Not all students make their judgement at the end of a 9 mark question. Often what might appear to be a brief judgement may only be a summary statement of an answer that has been evaluative throughout following the initial judgement. Having reached the end of marking a 9 mark question it is essential to go back to the beginning to make an accurate judgement on the evaluation mark. Equally some candidates may start with a supported judgement that they contradict in looking at alternative options. This is unlikely to reach beyond the bottom of the E2 mark range unless a further well developed evaluation is provided at the end of the answer. Students who have made clear efforts to support their judgements must be awarded E1 marks.

1 (a) Explain **one** possible reason why people like Monique set up in business.

[2 marks]

Possible answers could include:

- to provide an interesting job
- because the current job is boring
- to make a profit/potential profit
- to run one's own business
- to provide a service/meet a need.

Example Answer:

One possible reason would be because she is bored in her current job (1) and running her own business would be more interesting (1)

Do not award for identifying two separate points

1 (b) Explain **two** disadvantages to Monique of setting up as a sole trader

[4 marks]

Possible disadvantages include:

- unlimited liability: no legal distinction between private and business assets
- ability to raise capital is limited
- all the responsibility/decision making is yours
- it can be hard to take holidays/be ill
- no continuity if not able to carry on with the business.

Example answer

Monique would have unlimited liability (1) If the business went bankrupt all her personal assets would be at risk. (1).

Apply twice

1 (c) State and explain **two** benefits of targeting her ironing service at a market niche. **[6 marks]**

Possible benefits include:

- can charge a higher price
- easier for promotion
- retain customer loyalty
- less competition
- set customer base
- good profit

Context could include:

- Monique
- Service/ironing service

Level 3 Example Answer:

Monique will have less competition (L1). This means that she can charge a higher price (L2) because many of her customers will not have an alternative they will carry on using her service and paying the higher price (L3).

Apply grid below twice.

Level	Descriptor	Marks	Assessment Objective
3	Explains possible benefit of targeting at a market niche in the context of Monique's business.	3	AO2
2	Explains possible benefit	2	AO2
1	Identifies/describes feature of a market niche or possible benefit of targeting a market niche.	1	AO1
0	No valid response.	0	

Do **not** credit the same argument twice.

For L3 there must be a clear understanding of what it means to target at a niche market

1 (d) *Monique does not think she can afford to pay for both market research and pay to promote her business. Advise her what would be her best option if her future business is to be successful.*

[9 marks]

Possible areas for discussion:

Market Research:

- will check out idea
- will avoid wasted money
- quick way to gather results
- sample may be insufficient/biased
- takes time/expensive to be of use.

Promotion:

- need to make people aware
- can't just rely on
- allows special offers
- word of mouth is free
- no point if no market
- limited funds available

Level 3 Example Answer:

Monique should do market research as though it will take time and money otherwise she is only relying on her colleagues' word to see if there is demand for her service. (L2). She can't afford to get this wrong as she only has a small amount of money (L3). Although promotion would help her get new customers it might be more than she can afford until her business is up and running and until she has bought the equipment. (L3)

Can get L3 for discussing one point well

Level	Descriptor	Marks	Assessment Objective
3	Analyses benefit(s)/cost(s) in context.	4–3	AO3
2	Explains/describes points in context.	2	AO2
1	States relevant point.	1	AO1
0	No valid response.	0	

- Candidates should evaluate/recommend which option is most likely to make Monique successful.
- Marks for evaluation/judgement should be awarded using the grid below
- AO3 also assesses QWC
- Unsupported judgements or no judgement should only be awarded 1 mark maximum (for QWC)

Possible Evaluation in context:

- Monique would be better to do market research first because otherwise her promotion may be targeted at the wrong market. (E1). If she does the market research first and gets her business started successfully then she can use the profit to advertise her service more widely. (E2)
- Monique would be better to concentrate on promotion as her market research is unlikely to be accurate enough to be worth the costs (E1) and she can get started using the promotional techniques and then use the result of her sales as market research to form part of her future marketing strategy. (E2)

Notes: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

In addition, and separately, award marks for evaluation using the grid below.

Level	Descriptor	Marks	Assessment Objective
2	Offers recommendation with clear justification. Alternatively, the clear justification might consist of supporting why the method rejected is unsuitable. Ideas communicated with structure/correct use of business terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of Written Communication
1	Offers recommendation with limited support. Ideas communicated in simple way/limited use of business terms. There are noticeable errors in accepted conventions of written communication.	2–1	

2 (a) State **two** legal responsibilities that We-R-Mugs Ltd has to its employees.

[2 marks]

Possible responsibilities include:

- provide a safe working environment
- to pay at least the minimum wage
- not to discriminate/harass/bully in any aspect of the workplace
- must give you information re: risks and training to avoid risks (health and safety)
- to provide holiday at least to the minimum in law.

1 mark per correct answer.

2 (b) Calculate the additional **weekly** profit the business would make if it produced and sold 5000 novelty mugs every week.

[4 marks]

Method 1

Income: $5,000 \times £4 = £20,000$ **(1)**

Distribution $50 \times £50 = £2,500$ **(1)** Costs: Making $5,000 \times £2 = £10,000$ **(1)** **OR** $£12,500$ **(2)**

Profit: $£20,000 - £12,500 = £7,500$ **(4)** or $7,500$ **(3)** **OR**

Profit: $£20,000 - (£2,500 + £10,000) = £7,500$ **(4)** or $7,500$ **(3)**

Method 2

Income: $5,000 \times £4 = £20,000$ **(1)**

Contribution: $(£2 + £0.50)$ **(1)** $\times 5,000 = 12,500$ **(1)**

Profit: $£20,000 - £12,500 = £7,500$ **(4)** or $7,500$ **(3)**

Example of OFR

If a candidate uses the correct method and makes an error in calculation apply the OFR

Distribution Costs = $50 \times 50 = 250$ Therefore Profit $£10,000 - £250 = £9750$ **(3)**

Maximum 3 marks if no £ sign

2 (c) *Explain how We-R Mugs Ltd might use focus groups to see if there was a demand for the novelty mugs.*

[4 marks]

Possible points re: focus group:

- can discuss in more detail/ask questions
- results can be easy to understand
- the researcher can get information from non-verbal responses, such as facial expressions or body language
- information can be provided more quickly
- can be undertaken on line.

Level 2 example answer:

A focus group could be used to have a few potential customers discuss the proposed novelty mug idea. (L1) This would be easy to set up as they could use their existing customers. They could discuss with them possible pricing and quality options (L1) they would want in novelty mugs. (L2) so that they sell the mugs and a price that people will buy them at (L2).

Level	Descriptor	Marks	Assessment Objective
2	Explains how a focus group could be used to see if there is a demand for a novelty mug.	4–3	AO2
1	Identifies/explains what a focus group is OR the use of focus not in context	2–1	AO1
0	No valid response.	0	

No credit for stating what a focus group cannot do or why it might not be suitable.

2 (d) *If it goes ahead with the novelty mugs We-R-Mugs Ltd have decided to ignore the concerns of the sales team and use batch production. Discuss whether this decision will improve the profits of We-R-Mugs Ltd.*

[9 marks]

Possible areas for discussion:

Batch Production

Advantages

- cheaper
- can use specialisation/machines
- allows designs to be varied.

Disadvantages

- likely to generate surplus finished stock
- lose individual quality reputation
- less customised to customer.

Currently Job Production

Advantages

- can charge more
- produces exactly what the (existing) customer wants
- individual quality / hand made
- less stock.

Disadvantages

- expensive
- quality more inconsistent
- make less use of machinery
- workers must be more skilled

Level 3 Example answer:

If We-R-Mugs Ltd used batch production they would save money as costs are lower (L2). It will however cost them money to buy the new machine and they may lose their reputation for individual quality (L3).

Effects on sales team is a valid area for discussion

If We-R-Mugs ignored the concerns of the sales team, they will become demotivated because they do not feel valued(L2) and sales would drop and profits would fall(L3)

Level	Descriptor	Marks	Assessment Objective
3	Analyses the effects on profit of options in context.	4–3	AO3
2	Explains possible options in context.	2	AO2
1	States relevant point.	1	AO1
0	No valid response.	0	

Marks for evaluation/judgement should be awarded using the grid below

- AO3 also assesses QWC
- Unsupported judgements or no judgement should only be awarded 1 mark for QWC

Possible evaluation in context:

We-R-Mugs should use batch production because it will be very profitable making £7,500 per week extra profit (E1). Although the new machinery will cost money this will soon be paid for and there is no reason why using machines should not produce good quality mugs (E2).

Notes: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

In addition, and separately, award marks for evaluation using the grid below.

Level	Descriptor	Marks	Assessment Objective
2	Offers recommendation with clear justification. Alternatively, the clear justification might consist of supporting why the method rejected is unsuitable. Ideas communicated with structure/correct use of business terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of Written Communication
1	Offers recommendation with limited support. Ideas communicated in simple way/limited use of business terms. There are noticeable errors in accepted conventions of written communication.	2–1	

3 (a) Explain **one** fringe benefit that might motivate the employees of Dan's business.

[2 marks]

Possible answers may include:

- Mobile phones
- extra holiday
- personal use of work van and/or tools
- flexible hours
- longer lunch periods
- work clothing
- medical insurance.

If Dan allowed the employees to use the work van for their own use (1) they would appreciate this benefit which would make them work harder (1).

Do not allow monetary awards or general methods of motivation.

Do not allow inappropriate benefits such as a company car or paying for school fees.

3 (b) State and explain **two** ways that Dan's business would benefit from providing good customer service.

[4 marks]

Possible answers may include:

Benefits:

- increased sales – more likely to try out other products/services too
- customer loyalty – more likely to be a source of repeat business and to recommend the business to friends and family
- good brand/public image
- more effective/happy workforce

Features of Customer Service:

- clear information provided
- quality of service reliable
- work of a good standard

If Dan provides a good quality service when he does the building jobs then the customers are more likely to return (1) to have other work done by his business. (1) They may also tell other people how good the building work was and so Dan will have more customers which will increase his revenue. (1).

Apply twice.

3 (c) Explain how Dan could improve his cash flow position.

[5 marks]

Possible methods of improving the cash flow could include:

- getting final payments in earlier (currently paid sometime after the job finishes)
- requiring customers to pay an initial deposit or an interim payment
- delaying payments to suppliers
- paying workers monthly (not weekly as currently)
- small discount for early payment
- overdraft

Level 2 Example Answer:

Dan should get payments in earlier by insisting customers making payments at the same time the work is completed (L1) instead of sometime afterwards (L2). They should also pay their workers at the end of the month instead of at the end of each week as this will mean they can hold the cash in the business for a longer period. (L2)

Level	Descriptor	Marks	Assessment Objective
2	Explains possible method(s) in the context of Dan's business.	5–3	AO2
1	Identifies possible method(s) or one method described	2–1	AO1
0	No valid response.	0	

L1 can be two methods (1 mark each)

L2 can be two methods (2 or 3 marks each) OR one method explained well

3	(d)	Advise Dan on how he might best deal with the increased competition facing his business.	[9 marks]
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Possible areas for discussion:

- problem of competition is that they are cheaper than Dan
- they are also taking his full time employees
- he needs solutions that enable him to reduce prices without losing his quality reputation
- answers may develop strategies to increase income/reduce costs
- profits are already falling
- reduce other costs e.g. cheaper suppliers, cheaper workers (of similar quality)
- move to different location

Level 3 Example Answer:

Dan could buy cheaper raw materials**(1)**, this would reduce his costs and he could offer lower prices for the building jobs(L2). This will mean that he can reduce prices to become more competitive (L3) without affecting the quality reputation (L3).

Level	Descriptor	Marks	Assessment Objective
3	Analyses option(s) in the context of Dan’s business.	4–3	AO3
2	Explains possible option(s) in the context of Dan’s business.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

In addition, and separately, award marks for evaluation using the grid below.

Candidates may choose one option to analyse and evaluate or a number to compare. Both methods can gain full marks.

Possible evaluation in context:

I think the best option is that Dan should negotiate with his suppliers for trade credit **(E1)** this would allow Dan to complete his jobs and allow enough time for the customers to pay him **(E2)** and means he can pay his workers on time and also pay for the building materials at a later date. **(E2)**

Notes: AO3 also assesses students’ quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
2	<p>Offers judgement plus clear justification related to the increased competition. Alternatively, the clear justification might consist of supporting why the method rejected is unsuitable.</p> <p>Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.</p>	5–3	AO3 and Quality of Written Communication
1	<p>Offers judgement plus limited justification.</p> <p>Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.</p>	2–1	