



GCE AS MARKING SCHEME

SUMMER 2018

**AS (NEW)
BUSINESS – UNIT 1
BUSINESS OPPORTUNITIES
2510U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2018 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

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 BUSINESS

SUMMER 2018 MARK SCHEME

Unit 1: Business Opportunities

1 (a)	Identify and describe two key components of a business plan to someone wishing to start up a new business.	Total
	<p>AO1: 4 marks</p> <p>Award 1 mark for each key component identified. Award 1 mark for description of each component identified.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • The introduction – sometimes called the executive statement. It provides an overview of the business’s strategy and is evidence that the proposal is viable. It sets out how the business is going to be run. • The financial forecast – this is likely to contain a cash flow forecast, budgets, profit and loss forecast and a break-even chart to help ensure sound financial management. • Market research – this may include both primary and/or secondary research that is relevant to the market within which the business intends to operate. • The personnel statement – how many employees will be needed and what skills will be required in order for the business to run effectively. Management and leadership should be identified. 	4
1 (b)	Explain two reasons why Jemma advises young people wishing to set up as entrepreneurs to ‘put together a good business plan’.	Total
	<p>AO1: 2 marks</p> <p>Award 1 mark for each valid reason identified</p> <p>AO3: 2 marks</p> <p>Award 1 mark for explanation of each reason</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • To help a new business survive the difficulties that it is likely to encounter when operating in a competitive market. Evidence indicates that those businesses that begin with a good business plan have a greater chance of survival. • A good plan will provide focus on a wide range of important issues, some of which may not be considered if a plan had not been drawn up. Whilst the manufacturing element of the business may be very important, it is pointless if weak marketing fails to create sales. Entrepreneurs do not always have a range of business skills and a business plan helps them deal with those aspects of running a business that they may have not fully considered. • To convince potential lenders that the business is likely to be creditworthy. Bank managers are unlikely to be willing to support a loan application if they cannot see from the business plan that the enterprise has a good chance of success. • New enterprises can use the business plan to monitor their progress. Problems can be highlighted and costs controlled. Any issues that need resolving can be addressed. 	4

2 (a)	Calculate the percentage of workers employed in the UK Public Sector in June 2016. (Answers to two decimal places)	Total
	AO2: 2 marks Award 1 mark for Total Employed: $5\,332\,000 + 26\,435\,000 = 31\,767\,000$ Award 1 mark for $5\,332\,000/31\,767\,000 = 16.78\%$ OFR 20.17% (1 mark)	2

2 (b)	Discuss the view that there is no need for a public sector in the provision of goods and services in the UK.			[9]
Band	AO1	AO3	AO4	
	3 marks	3 marks	3 marks	
3	3 marks Excellent understanding of the public sector in the UK.	3 marks Excellent explanation of how goods and services are provided in the UK.	3 marks Excellent evaluation of the need for a public sector in relation to the provision of goods and services in the UK. An overall conclusion may be drawn.	
2	2 marks Good understanding of the public sector in the UK	2 marks Good explanation of how goods and services are provided in the UK.	2 marks Good evaluation of the need for a public sector in relation to the provision of goods and services in the UK.	
1	1 mark Limited understanding of the public sector in the UK	1 mark Limited explanation of how goods and services are provided in the UK.	1 mark Limited evaluation of the need for a public sector in relation to the provision of goods and services in the UK.	
0	0 marks No knowledge demonstrated.	0 marks No valid explanation	0 marks No valid evaluation.	

Indicative content:

- The public sector consists of organisations which are owned or controlled by central or local government.
- The aim is to provide public or merit goods/services.
- The provision and maintenance of the UK road network is undertaken by the Department of Transport – it aims to provide a reliable and safe transport system, whilst at the same time protecting the environment. Local authorities have responsibility for minor roads and the provision of such things as street lighting. Whilst much of the UK's transport is provided by the private sector it is hard to imagine how the roads would be provided in the same way. There are toll roads and bridges but to have such a system on a wide scale would prove impractical. Safety may also be sacrificed for profit.
- Education is provided by a range of public sector bodies who aim to ensure that all children receive a good education in a safe and healthy environment. There are private schools in the UK but school fees would be out of the reach of the majority of families. Some parents may choose not to send their children to school and this would have an impact on society.
- The National Health Service aims to provide a service free at the point of delivery. Some would argue that such services should be paid for by individuals taking out insurance policies. Even in the USA, where there is no national health service, there is state provision for those who cannot afford to pay for healthcare.
- Local authorities also provide numerous services with the aim of improving the lives of those who live within their areas. Policing, fire services and defence are typical examples. Such services cannot be provided by the private sector. Non-excludability means that such 'services' cannot be paid for other than by taxation.
- The BBC is a public corporation that aims to provide broadcasting services that are politically independent, informative and entertaining. If all broadcasting was privately run then independent reporting is likely to be compromised.

3 (a)	Explain two reasons why Harry may have wanted to change the legal status of the business to a private limited company. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	2 marks Two reasons for changing the status of the business to a private limited company are identified.	2 marks Good application to the situation facing Harry as a sole trader.	2 marks Good analysis of two reasons why Harry chose to change the legal status of the business.
1	1 mark One reason for changing the status of the business to a private limited company is identified.	1 mark Limited application to the situation facing Harry as a sole trader.	1 mark Limited analysis of one or two reasons why Harry chose to change the legal status of the business.
0	0 marks No reason identified	0 marks No valid application	0 marks No valid analysis

Indicative content:

- Changing the legal status to a limited company means that any potential shareholders in Springer Sports would have **limited liability**. As a sole trader Harry was personally liable for all the debts of the business. As a shareholder he would be in a **less risky** position and only liable for the amount of money he invested in the business. Financing the business by mortgaging his house was very risky.
- **More people would be willing to risk making an investment** into Springer Sports because they are only liable to lose the amount of money originally invested. This would not be the case if they were to join Harry as a partner. This proved a positive move for Harry as the new directors would also share the workload of the growing business.
- Changing the legal status offered **greater opportunities for growth**. Lenders tend to view companies more favourably than sole traders. Limited companies are regarded by many as a safer bet as they are required to comply with rules and regulations set out by the government. Therefore potential lenders are more likely to view Springer Sports as a business which is more likely to survive and prosper.

3 (b) (i)	With reference to Springer Sports Ltd what do you understand by the term <i>market segmentation</i>?	Total
	<p>AO1: 2 marks</p> <p>Award 1 mark each valid point</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Market segmentation consists of the breaking down of a market into sub-groups which share similar characteristics. <p>AO2: 2 marks</p> <p>Award 1 mark each valid application</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Springer Sports segments its market by gender and by age 	4
3 (b) (ii)	Analyse one benefit to a business of market segmentation.	[2]
	<p>AO3: 2 marks</p> <p>Award 1 mark for each valid analytical point</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Identifying market segments will increase a business's understanding of its consumers. (1) This will enable a business to vary its products to better suit the needs of its customers. (1) Customers may then develop greater loyalty to the business (1) • May prevent promoting products to the wrong people. (1) Targeting the wrong customers can be costly and wasting resources in this way will damage profitability. (1) 	

3 (c)	To what extent can the high cost of conducting market research be justified by Springer Sports Ltd. [10]		
Band	AO2	AO3	AO4
	3 marks	3 marks	4 marks
3	<p>3 marks</p> <p>Excellent application to the market situation facing Springer Sports Ltd.</p>	<p>3 marks</p> <p>Excellent analysis of the impact of carrying out market research on a business.</p>	<p>3-4 marks</p> <p>An excellent evaluation of whether the high cost of undertaking market research can be justified.</p> <p>Clear judgements are made.</p> <p>An overall judgement is offered.</p>
2	<p>2 marks</p> <p>Good application to the market situation facing Springer Sports Ltd.</p>	<p>2 marks</p> <p>Good analysis of the impact of carrying out market research on a business.</p>	<p>2 marks</p> <p>A good evaluation of whether the high cost of undertaking market research can be justified.</p>
1	<p>1 mark</p> <p>Limited application to the market situation facing Springer Sports Ltd.</p>	<p>1 mark</p> <p>Limited analysis of the impact of carrying out market research on a business.</p>	<p>1 mark</p> <p>A limited evaluation of whether the high cost of undertaking market research can be justified.</p>
0	<p>0 marks</p> <p>No valid application.</p>	<p>0 marks</p> <p>No valid analysis.</p>	<p>0 marks</p> <p>No valid evaluation.</p>

Indicative content:

- Reduces risk – resources are less likely to be wasted on the launch of products that research suggests will be unsuccessful.
- Helps in making more informed decisions. In new or dynamic markets up-to-date information is needed in order to keep ahead of the competition. Research undertaken in 2005 proved very beneficial to the business.
- Can help business managers with predicting trends and makes forecasting more reliable - enhances forward planning. New trends and changes in tastes can be monitored and adjustments to products or services made accordingly. Sales are falling and they need to try and find out the reason why this is happening.
- Consumers may feel that their views are being taken into account and therefore brand loyalty may be developed. This helps to improve public relations and brings a business closer to its customers. Business becomes more market orientated. The environment in which they are operating is very competitive – can they afford not to undertake research when their competitors may well be doing so? Springer Sports is relatively small when compared to some sports retailers, for example, Sports Direct.
- Accurate, well-designed market research can provide a competitive advantage. Identifying a gap in the market and satisfying customer needs and wants prior to your competitors can prove very profitable. Can give a business first mover advantage. Shareholders will see such success reflected in both the share price and dividends.

However:

- The use of market research is not without its problems. Even though some businesses invest heavily in market research, products still flop or do not reach the level of sales anticipated – even though the research data suggests otherwise.
- Not all market research is reliable because markets today are so dynamic. Springer Sports operate in a very dynamic market. Market conditions change so quickly that seemingly current marketing data may soon be misleading. Consumer behaviour is unpredictable, especially in a global marketplace, where patterns of consumption can vary considerably.
- Sampling discrepancy can occur, especially if the sample is not big enough.
- Bias can occur if the market research method is not carefully constructed. Asking leading questions can distort responses and the behaviour of interviewers can influence respondents.

Carrying out market research can be very expensive indeed. Decision makers have to weigh up the possible benefits against the considerable costs. The fact that so many organisations use market research extensively suggests that the benefits generally outweigh the drawbacks. Nonetheless, it is not fool proof and the quality of the research methods certainly influence the reliability of the data obtained.

4 (a)	What price does MMPGs charge for each paraglider?	Total
	AO1: 1 mark AO2: 1 mark Award 1 mark for Total Revenue divided by Output $\text{£}800\,000/400 = (1)$ $\text{£}2\,000$ per paraglider (1) Award 1 mark for OFR - accept total cost or fixed cost in place of total revenue in the calculation	2
4 (b)	If the business sells all that it manufactures at maximum output what profit will it make in 2018?	
	AO2: 1 mark Award 1 mark for $\text{£}100\,000$	1
4 (c) (i)	Give two examples of fixed costs that MMPGs has to pay.	
	AO2: 2 marks Award 1 mark for each valid point Indicative content: <ul style="list-style-type: none"> • Rent paid on the factory unit is a fixed cost • Marketing costs – advertising in trade magazines to maintain profile of the business. • Workers' salaries • Business rates 	2
4 (c) (ii)	Outline why the fixed cost line runs parallel to the horizontal axis (Figure 1)	
	AO1: 2 marks Award 1 mark each valid point Indicative content: <ul style="list-style-type: none"> • As fixed costs do not vary (1) with output (1) they will remain the same whatever the level of output that the business operates at. (1) Even at zero output they are $\text{£}100\,000$.(1) 	2
4 (d)	If MMPGs only produced 350 units in 2018 what would its margin of safety be?	
	AO2: 1 mark Award 1 mark for 150 units	1
4 (e)	The rent on MMPGs' factory is to rise by $\text{£}20\,000$ in the next financial year. If prices and all other costs remain the same, calculate the percentage (%) change in profit at maximum output.	
	AO2: 2 marks Award 1 mark for $-\text{£}20\,000 / \text{£}100\,000 \times 100$ Award 1 mark for identifying new profit of $\text{£}80\,000$ Award 1 mark for % change = minus 20%	2

4 (f)	Evaluate the usefulness of break-even analysis to a business such as MMPGs. [9]		
Band	AO1	AO3	AO4
	4 marks	2 marks	3 marks
3	3-4 marks Excellent knowledge of the key features of break-even analysis is demonstrated.		3 marks Excellent evaluation of the strengths and weaknesses of break-even analysis. An overall judgement is made.
2	2 marks Good knowledge of the key features of break-even analysis is demonstrated.	2 marks A good explanation of the usefulness of break-even.	2 marks A good evaluation of the strengths and weaknesses of break-even analysis.
1	1 mark Limited knowledge of the key features of break-even analysis is demonstrated.	1 mark A limited explanation of the usefulness of break-even.	1 mark A limited evaluation of the strengths and weaknesses of break-even analysis.
0	0 marks No knowledge is demonstrated.	0 marks No valid explanation.	0 marks No valid evaluation.

Indicative content:

Useful features:

- Easy visual means of analysing a firm's financial position at different levels of output.
- Profit and loss situation can be seen at a glance – good for non-financial specialists.
- Helpful for making decisions in 'what if' situations.
- Breakeven analysis, as part of a business plan, can be helpful in gaining finance.
- Can act as a motivator for a business if the break-even chart indicates that targets are not being reached.

Limitations:

- Often regarded as too simplistic as some assumptions are unrealistic.
- It assumes all output is sold at a certain price, which is often not the case.
- Assumes that conditions remain unchanged – wages, prices, technology can all change suddenly.
- Relies on the data being accurate and often under or over estimations are made.
- Assumes that total revenue and cost curves are always linear – this may not be the case.
- Fixed costs are often stepped – this makes BE analysis difficult.

Helpful tool that can be used alongside other analytical tools. It is a prediction which is not based on actual costs/revenue data.