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# **GCE AS MARKING SCHEME**

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**SUMMER 2018**

**AS  
BUSINESS - COMPONENT 1  
B510U10-1**

## **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.

<b>1 (a)</b>	<b>Apart from the bank, identify two sources of information or guidance available to a business start-up such as Sebastian's.</b>	<b>Total</b>
	Award <b>1</b> mark for each correct source <span style="float: right;">AO1: 2 marks</span>  <b>Indicative content:</b> www.gov.uk or Government Start Up Britain Website on entrepreneurs Already established businesses Prince's Trust Financial adviser or small business adviser or business angels Enterprise agencies for new business start-ups Enterprise Schemes Accountant Venture capitalist/potential investor An acquaintance/friend with business experience only	<b>2</b>

<b>1 (b)</b>	<b>Outline ways in which Sebastian demonstrates the typical characteristics of an entrepreneur. [4]</b>	
<b>Band</b>	<b>AO1</b>	<b>AO2</b>
	2 marks	2 marks
<b>2</b>	<b>2 marks</b> Demonstrates good understanding of the key characteristics of an entrepreneur.	<b>2 marks</b> Good application of the key characteristics of an entrepreneur. The key characteristics are applied in context of the data.  Clear reference to the text.
<b>1</b>	<b>1 mark</b> Demonstrates a limited knowledge or understanding of the key characteristics of an entrepreneur.	<b>1 mark</b> Limited application of the key characteristics of an entrepreneur.  Reasons given and the learner's response is mainly theoretical with limited reference to the data.
<b>0</b>	<b>0 marks</b> No knowledge of the characteristics of an entrepreneur.	<b>0 marks</b> No application to the data.

**Indicative content:**

- He has determination to succeed and to make a go of his business.
- He is passionate about pursuing his dream.
- He has turned his unique idea into a business.
- He is proactive and not afraid to seek advice and get support.
- He is very creative having decided to come up with his own innovative/custom-made designs.
- He has demonstrated that he is hard working and focused.
- He is a risk taker who has given up his full time job or willing to invest his own savings.
- He is an effective organiser. Already runs his own business.

No marks given for motives.

1 (c)	To what extent is a business plan critical to the success of a new business? [10]		
Band	AO1	AO3	AO4
	1 mark	3 marks	6 marks
3		<p><b>3 marks</b></p> <p>Excellent analysis of how a business plan impacts on a new business venture.</p> <p>The analysis is well-balanced and detailed, focusing on the key issues.</p> <p>The impacts of producing a business plan are clearly identified and discussed in detail.</p> <p>Other factors affecting success are identified and clearly discussed.</p> <p>Well-reasoned developments. The learner develops a clear logical chain of reasoning.</p>	<p><b>5-6 marks</b></p> <p>Excellent evaluation of why a business plan will enhance the chance of success.</p> <p>The evaluation is well-balanced and focuses on the key issues. Other key aspects for business success are also evaluated.</p> <p>A well-informed overall judgement is made with qualifying statements.</p> <p>Attaches weight and value to points in the evaluation.</p> <p>Learners are likely to offer an overall conclusion.</p>
2		<p><b>2 marks</b></p> <p>Good analysis of how a business plan impacts on a new business venture.</p> <p>The analysis is balanced and detailed.</p> <p>The impacts of producing a business plan are clearly identified.</p> <p>Other factors affecting success are identified and discussed. Well-reasoned developments.</p> <p>The learner develops a logical chain of reasoning.</p>	<p><b>3-4 marks</b></p> <p>Well-reasoned and good evaluation of why a business plan will enhance the chance of success.</p> <p>The evaluation is balanced and focuses on the key issues.</p> <p>Other key aspects for business success are evaluated.</p> <p>Judgements made with supporting comments.</p> <p>Attaches weight and value to points in the evaluation.</p> <p>A conclusion is not necessary.</p>
1	<p><b>1 mark</b></p> <p>Demonstrates knowledge and understanding of the main components of a business plan.</p>	<p><b>1 mark</b></p> <p>Limited analysis of how a business plan will impact on a new business venture.</p> <p>Undeveloped points are made. Other factors affecting success may be identified.</p> <p>Superficial discussion of the impact of a business plan on business success.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of why a business plan will enhance the chance of success.</p> <p>Other important issues are identified but not developed.</p> <p>The evaluation will be uneven and focus on one-side of the argument. Unsupported judgements are made.</p>
0	<p><b>0 marks</b></p> <p>No knowledge or understanding demonstrated.</p>	<p><b>0 marks</b></p> <p>No analysis of the impact of a business plan on a new business venture.</p>	<p><b>0 marks</b></p> <p>No evaluation on the importance of a business plan on a new venture.</p>

### **Indicative content:**

Credit features/components of a business plan (objectives, personnel, purchasing and production, market, etc.).

### **Why a business plan might be critical:**

- Drawing up a well-constructed plan forces entrepreneurs to look closely at all aspects of the business and not just the product/service.
- A business plan is essential when asking for a loan from a bank. A bank is unlikely to lend money if it is unsure of a business' likelihood of success.
- It needs some assurance that there will be no cash flow problems. A business plan will help convince lenders of this and this is crucial when obtaining start-up finance.
- A business plan can also act as a monitoring tool. Actual figures can be compared with predictions and this helps the business to develop strategies to overcome problems or to avoid them all together.
- A business plan gives entrepreneurs a clear idea of direction and operation. Strategy and objectives are key components of a business plan.
- Can help entrepreneurs to set out resources needed and personnel/skills required to make the business a success.
- Can highlight strengths, weaknesses, opportunities and threats.
- Though a business plan cannot guarantee success it can minimise the risk of failure.
- The business plan is the written aspect of planning and it's the planning that is critical

### **Why a business plan might not be critical:**

- Business plans can be poorly constructed. Some expertise and research is needed to ensure this is not misleading and that all aspects are covered properly.
- Sometimes figures can be too optimistic and not realistic enough – cost could be underestimated and sales overestimated.
- For small business a business plan may not be necessary, for example, a sole trader or where minimal finance is needed to set up.
- Unforeseen circumstance/variables could render the plan ineffective and useless. For example, exogenous shocks, a change in the law or government policy.
- Economic climate will affect the effectiveness of business plan. A downturn in economic activity or demand could render the plan meaningless.
- Costs of research in time and money – resources may be better spent elsewhere in the business.

Any other valid point

2 (a)	Explain two benefits to a business of using market research.	Total
	<p>Award 1 mark for each benefit identified AO1: 2 marks</p> <p>Award 1 mark for explanation of impact on business for each benefit. AO3: 2 marks</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• <b>Excellent way of gaining knowledge and detailed understanding of customers wants and needs.</b> - by understanding the needs of their markets, businesses can ensure that they give customers what they want and therefore make a profit.</li> <li>• <b>Reduces risk of failure</b> - without market research businesses could develop or sell products/services which prove to be unsuccessful. They are less likely to waste resources if the appropriate research is carried out beforehand.</li> <li>• <b>Business is able to keep up if market is changing</b> -by reviewing customer needs and wants through market research, businesses can make sure they keep up with the competition, the latest fashions and trends. This will lead to repeat purchases and maybe allow the business to enter new markets, thus ensuring a steady flow of income and profit.</li> <li>• <b>Able to keep up with competition and gain competitive advantage</b> - this may help to increase market share and allow the business to position itself as market leader.</li> <li>• <b>Business image</b> - carrying out market research can help consumers feel that their views are being considered. This is good for the image of the business and can lead to larger sales and, therefore, larger profits.</li> <li>• <b>Identify opportunities and trends</b> – by watching the market closely businesses are able to spot opportunities for growth and any new markets that open up.</li> <li>• <b>Helps check on the effectiveness of promotional campaigns</b> – this can save future costs and wasted resources, which may eat into profits.</li> <li>• <b>Market segmentation</b> – this can help businesses identify and target different groups of customers with particular characteristics. This may save time and money and may reduce wasted resources.</li> <li>• <b>Competitors</b> – market research allows a business to check on the competition and change strategies/adapt if necessary.</li> <li>• Any other valid point.</li> </ul>	<p><b>4</b></p>

<b>2 (b)</b>	<b>Suggest and explain two advantages and two disadvantages to Nigel and Samaira of setting up as a partnership.</b>			<b>[6]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	
	2 marks	2 marks	2 marks	
<b>2</b>	<b>2 marks</b> Demonstrates knowledge and understanding of 2 advantages and 2 disadvantages of setting up a partnership.	<b>2 marks</b> The advantages and disadvantages are fully applied to the data  Clear reference to the context.	<b>2 marks</b> A good analysis of the advantages and disadvantages of operating as a partnership.  Analysis shows a clear understanding of the impact of operating as a partnership on Nigel and Samaira.	
	<b>1</b>	<b>1 mark</b> Demonstrates knowledge of at least 1 advantage and at least 1 disadvantage of setting up a partnership.	<b>1 mark</b> Limited application to the advantages or disadvantages to Nigel and Samaira of setting up their partnership.  Only partial reference is made to data.	<b>1 mark</b> Limited analysis of the advantages or disadvantages of operating as a partnership.  Analysis shows superficial understanding of the impact of operating as a partnership on Nigel and Samaira.
<b>0</b>	<b>0 marks</b> Knowledge of either 1 advantage or 1 disadvantage or No knowledge and understanding demonstrated.	<b>0 marks</b> No application to Nigel and Samaira.	<b>0 marks</b> No analysis of the impact of setting up as a partnership to Nigel and Samaira.	

## **Indicative content:**

### **Advantages**

- With the introduction of Samaira as a partner more capital can be injected into the business which can help with the expansion.
- Partners may have different skills that they can bring to the business – Samaira is a golfing pro and her expertise can help improve and develop the business. Samaira can also benefit from Nigel's experience as an entrepreneur.
- Partners can bring new ideas and a fresh perspective to the business – Samaira suggests doing market research in order to assess the demand for golf equipment in the area.
- The extra workload from the expansion can be shared as Samaira will be running the second shop.
- As partners overall responsibility will be shared between Samaira and Nigel. The problems of holidays, illness and long working hours that Nigel may have experienced as a sole trader would be reduced considerably.
- Samaira and Nigel are friends which means they must know and trust each other, which should make their working relationship better.

### **Disadvantages**

- As partners Nigel and Samaira will unfortunately only have unlimited liability, whereas if they set up a private limited company they would have limited liability and not be liable for all debts incurred.
- As partners Nigel and Samaira will not have incorporated status and can be sued by customers.
- Disagreements may cause problems and ruin their friendship. Nigel is already used to making all the decisions on his own and may find sharing decision-making difficult.
- Any decisions made are binding on both partners even if a costly mistake is made by only one of them. Samaira may not have the business skills that have made Nigel's business a success.
- No continuity of the business if one partner dies, retires or becomes bankrupt.
- Have to share profits. Nigel, as a sole trader would keep all profits.

Any other valid point



3 (a)	Calculate Sophia's profit for the month of November.	Total
	<p>Award 1 mark for correct formula <span style="float: right;">AO1: 1 mark</span></p> <p>Profit = total revenue(sales x sales price) – total cost</p> <p>Award 1 mark for each correct calculation <span style="float: right;">AO2: 3 marks</span></p> <p>Calculation of sales revenue  <math>TR=100 \times £150 = \underline{£15\,000}</math></p> <p>Calculation of FC per month  <math>£14\,400/12 = \underline{£1\,200}</math></p> <p>Calculation of total costs  <math>TC = £1\,200 + (£50 \times 100) = \underline{£6\,200}</math></p> <p>Calculation of profit  <math>Profit = £15,000 - £6,200 = \underline{£8,800}</math></p> <p>Own figure rule applies for calculation of profit only.</p> <p>Reward if answer is correct but does not have a £ sign.</p>	<b>4</b>

3 (b)	Calculate Sophia's estimated <u>additional</u> profit for the month of December.	Total
	<p>Profit = total revenue increase – (fixed cost increase + variable cost increase)</p> <p>Award 1 mark correct calculation <span style="float: right;">AO2: 1 mark</span></p> <p>Calculation of sales revenue:  <math>TR \text{ increase} = 20/100 \times 100 = 20 + 100 = 120</math>  <math>TR = 120 \times £150 = \underline{£18\,000}</math></p> <p>Award 2 marks for correct calculations</p> <p>Calculation of increased total costs:  <math>FC \text{ increase} = £1\,200 + £500 = £1\,700</math>  <math>VC \text{ increase} = 10/100 \times £50 = £5 + £50 = £55 \times 120 = £6\,600</math></p> <p><math>TC \text{ increase} = £1\,700 + £6,600 = \underline{£8\,300}</math></p> <p>Award 1 mark for correct answer <span style="float: right;">AO2: 1 mark</span></p> <p>Calculation of additional profit:  <math>£18\,000 - £8\,300 = £9\,700 - £8\,800 = \underline{£900}</math></p> <p>Own figure rule applies for calculation of profit only</p> <p>Reward if answer is correct but does not have a £ sign.</p>	<b>4</b>

<b>4 (a)</b>	<b>Explain why consumers sometimes need protecting from business organisations.</b>		<b>[4]</b>
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	
	2 marks	2 marks	
<b>2</b>	<p style="text-align: center;"><b>2 marks</b></p> <p>Demonstrates good knowledge and understanding of key reasons why consumers need protection.</p>	<p style="text-align: center;"><b>2 marks</b></p> <p>A good analysis of the reasons why consumers sometimes need protection.</p> <p>Analysis shows a clear understanding of the impact of consumer protection on consumers.</p>	
<b>1</b>	<p style="text-align: center;"><b>1 mark</b></p> <p>Demonstrates a limited knowledge of the reasons why consumers need protection.</p>	<p style="text-align: center;"><b>1 mark</b></p> <p>A limited analysis of the reasons why consumers sometimes need protection.</p> <p>Analysis shows a superficial understanding of the impact of consumer protection on consumers</p>	
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No knowledge demonstrated.</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No analysis undertaken.</p>	

**Indicative content:**

- Many sellers come with globalisation. With globalisation many goods come into Britain from abroad from countries whose standards of safety may be lower than the EU/UK requirements (electronics and toys, for example).
- Because of the many changes in the market place customers now need more protection. Prior to the introduction of consumer legislation 'caveat emptor' applied – 'let the buyer beware' - which meant the unethical practices of some businesses went unchecked.
- Purchasing goods over the internet is still largely unregulated, therefore, consumers need protection from fraud, receiving fake goods and non-delivery of goods. Fake goods are sold on the streets all over the UK.
- Disposable incomes have generally increased and we now spend more money on consumer goods and services including luxury items.
- Scientific advances in goods such as pharmaceuticals and electronics mean that proper regulatory testing needs to be carried out on these before being sold to consumers.
- The increase in technology and the complexity of some goods means consumers are often ignorant of what they are buying (TVs, phones, etc.)
- Some goods are sold when they are not fit for purpose, unsafe or of poor quality. It is only fair that businesses should be liable for damage and replacement of defective goods.
- Some businesses may try to mislead consumers or carry out aggressive practices that are unfair – falsely stating that goods will only be available for a certain time at a discount (furniture and kitchen sales). Claiming goods are being sold at a discount when they are not. Some businesses have been accused of unfair and misleading sales tactics when selling insurance and extras or PPI.

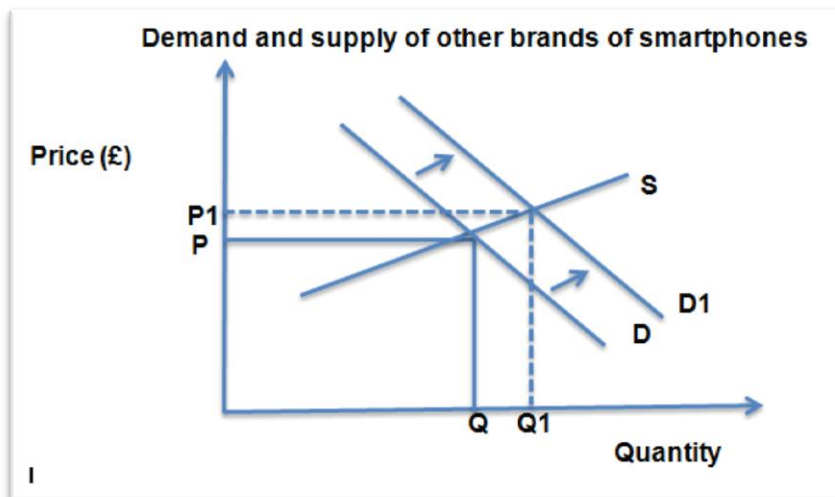
- False advertising is the use of misleading, false or unproven information to advertise products. One form of false advertising is to claim that a product contains vitamins or minerals that it in fact does not and that it has health benefits (Activia yoghurt).
- Weights and measurements of goods can be incorrect.
- Lack of food hygiene or food that is unfit for consumption – can cause death or illness.
- Credit agreements can mislead and exploit consumers – Wonga.
- Monopolies Commission – monopolies may sometimes charge higher prices and exploit customers,
- Price fixing from Cartels.
- Data Protection – illegal selling on of personal information.

Credit any other valid point.

Credit candidate if they mention relevant legislation (only credit once)

<b>4 (b)</b>	<b>Adapt and label the diagram above and explain what might happen to the price of other brands such as Apple as a result of the bad publicity for Samsung. [4]</b>		
<b>Band</b>	<b>AO1</b> 1 mark	<b>AO2</b> 1 mark	<b>AO3</b> 2 marks
<b>2</b>			<b>2 marks</b> Explains reason for the shift in the demand curve to the right and the impact on the new equilibrium price.  Clear explanation of the impact on price of other brands as a result of bad publicity.
<b>1</b>	<b>1 mark</b> The learner shows knowledge and understanding that the price will increase via diagram or explanation (even if not labelled).	<b>1 mark</b> Applies knowledge by moving demand curve to the right.  The new demand curve must be labelled correctly.	<b>1 mark</b> Limited explanation of reasons why demand curve shifts to the right.
<b>0</b>	<b>0 marks</b> No knowledge or understanding that the price will increase.	<b>0 marks</b> Incorrect change to the diagram or the demand curve is moved correctly but is not labelled or not labelled correctly.	<b>0 marks</b> No explanation of the impact on price of other brands as a result of bad publicity.

**Indicative content:**



- Able to identify how the changes will impact upon the demand curve of other phones.
- Moves the demand curve (shifts) to the right on the diagram.
- Changes as a result of bad publicity explained as reason for shift in demand curve of other phones.
- Price increase – new equilibrium price where D1 cuts original supply curve.

<b>4 (c)</b>	<b>Assess the view that brand image is the most significant factor in the demand for smartphones.</b>				<b>[8]</b>
	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	
<b>Band</b>	2 marks	2 marks	2 marks	2 marks	
<b>2</b>	<p><b>2 marks</b></p> <p>Demonstrates good understanding of the key factors that affect demand.</p> <p>Clear understanding of the reasons why demand in the market is affected by brand image and bad publicity.</p> <p>Clear understanding of the other factors that affect demand.</p>	<p><b>2 marks</b></p> <p>Good application of the key factors that affect the demand for smartphones.</p> <p>The key factors are applied in context of the data.</p> <p>Clear reference to the context.</p>	<p><b>2 marks</b></p> <p>Good analysis of the key factors that affect the demand for smartphones.</p> <p>The analysis is detailed and shows a clear understanding of the impact of these key factors on demand.</p>	<p><b>2 marks</b></p> <p>Well-reasoned and balanced evaluation that considers the significance of the key factors that affect demand for smartphones.</p> <p>Lines of evaluation are well developed and informed judgements are made.</p> <p>Attaches weight and value to points in the evaluation.</p> <p>May offer an overall judgement on the most significant factor.</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Demonstrates limited knowledge of the key factors that affect demand.</p> <p>Superficial understanding of how brand image and bad publicity affect demand.</p> <p>Other factors may be identified.</p>	<p><b>1 mark</b></p> <p>Limited application of the key factors that affect the demand for the business' products.</p> <p>The learner's response is mainly theoretical with limited reference to the data.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the key factors that affect the demand for smartphones.</p> <p>A superficial understanding of the key factors of demand.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the key factors that affect demand.</p> <p>The evaluation may be one sided and include general comments.</p> <p>Judgements are superficial and unsupported.</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No knowledge or understanding of what affects demand.</p>	<p><b>0 marks</b></p> <p>No application to the data.</p>	<p><b>0 marks</b></p> <p>No analysis included.</p>	<p><b>0 marks</b></p> <p>No evaluation of the factors that affect demand.</p>	

### Indicative content:

- Brand image is extremely important to organisations such as Samsung and consumers expect good quality and innovative products. Reliability and good after sales service are also important to customers.
- Rivals, like Apple, could use this bad publicity to their advantage and increase their market share.
- Companies such as Samsung and Apple are able to charge premium prices for goods because of the quality of their products and branding.
- It is vital that Samsung maintains its position as market leader and its brand image is, therefore, very important.
- It is important that Samsung keeps its customers happy and satisfied, as competition from countries, such as China, could prove very dangerous.
- Samsung's reputation is crucial to its overall success.
- Bad publicity surrounding the Galaxy Note 7 could seriously damage the demand for other phones in its product range, as trust in the company will have been lost. This may affect future products also.
- Income – it is likely that an increase in income will result in an increase in demand for Samsung phones and vice versa. People may upgrade their phones more often or less often. A business like Samsung will already have experience of the effect of an increase or decrease in income on their product range.
- Changes in taste and fashion will affect the demand for Samsung phones. The demand for smartphones has declined recently as spending has slowed down globally and the sector has become saturated. Apple watches are now becoming fashionable.
- Increasingly expensive price tags have also slowed down demand and growth.
- The strength of competition will have an effect on demand. Apple, Samsung's major competitor, is once again planning to include new features on its phones. Lesser well-known brands from China (Oppo and Xiaomi) may eventually prove to be a big threat. Pixel phone by Google.
- Price of substitutes will affect demand. One reason why Samsung continues to lead is because its product range suits customers with different budgets. There are rumours of a planned expansion of Apple's product line to attract those on lower incomes.
- New technological advances and changes may eventually change the face of the smartphone industry.
- Economic and political stability affects the demand and supply for luxury goods such as smartphones. Availability of credit impacts on this also.
- Government policy and consumer legislation may affect the availability and price of smartphones.
- Changes in demography – changes in structure of population can affect the demand for certain goods such as smartphones.

Credit any valid point.