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# **GCSE MARKING SCHEME**

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**SUMMER 2019**

**BUSINESS - COMPONENT 1  
C510U10-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2019 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.

**GCSE BUSINESS - COMPONENT 1**

**SUMMER 2019 MARK SCHEME**

Question		Marks
1	<p><b>Products can be durable or non-durable. Which two of the following are non-durable?</b></p> <p><i>AO1: 2 marks</i></p> <p>Award <b>1</b> mark for each correct answer</p> <p>Ice cream Hair spray</p>	2
2	<p><b>Identify which one of the following is a feature of fairtrade.</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p>To improve living standards for poor farmers in developing countries.</p>	1
3 (a)	<p><b>With direct reference to Coffee.Co, state two ways the business could act in an environmentally sustainable manner.</b></p> <p><i>AO2: 2 marks</i></p> <p>Award <b>1</b> mark for each environmentally sustainable way identified</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Use electric vehicles to transport its coffee</li> <li>• Use recycled coffee cups</li> <li>• Use renewable energy sources within the coffee shops, e.g. solar panels on the premises</li> <li>• Paper straws</li> <li>• Reusable cups</li> <li>• Give discount to customers who bring their own cups</li> <li>• Fairtrade suppliers for the coffee</li> </ul> <p>Credit any other valid environmentally sustainable way relating to Coffee.Co. Do not accept Fairtrade on its own</p>	2

Question		Marks
3 (b)	<p><b>Explain one advantage and one disadvantage that global companies such as Coffee.Co may experience when trading throughout the world.</b></p> <p><i>AO1: 2 marks</i> <i>AO3: 2 marks</i></p> <p>Award <b>1</b> mark for stating a suitable advantage of trading throughout the world</p> <p>Award <b>1</b> mark for a correct explanation of the advantage of trading throughout the world</p> <p><b>Indicative content:</b></p> <p>Advantages could include:</p> <ul style="list-style-type: none"> <li>• Bigger market - more potential customers in worldwide market</li> <li>• Economies of scale – buying large quantities allows businesses keeping down the unit cost</li> <li>• Wider range of customers – which allows businesses to spread risk/downturn in one segment can be compensated by sales in another area</li> <li>• Exchange rate fluctuations – could mean cheaper imports</li> </ul> <p>Award <b>1</b> mark for stating a suitable disadvantage of trading throughout the world</p> <p>Award <b>1</b> mark for a correct explanation of the disadvantage of trading throughout the world</p> <p><b>Indicative content:</b></p> <p>Disadvantages could include:</p> <ul style="list-style-type: none"> <li>• Higher transport costs - products may be sent over greater distance/longer time</li> <li>• Transport problems - such as availability of mode/weather - strikes at ports</li> <li>• Language problems - in trading - for handbooks - translation costs</li> <li>• Currency conversion – costs and exchange rate fluctuations</li> <li>• Costs - of different laws/customs – example</li> <li>• Lack of knowledge of foreign markets - demands/tastes</li> <li>• Problems of getting paid - more difficult to resolve over distance</li> <li>• Trade barriers - embargoes/quotas/tariffs</li> <li>• Political factors - wars/conflict etc.</li> <li>• Fierce competition – leading to pressure to sell at a cheaper price</li> </ul> <p>Credit any other valid response</p> <p>Do not award for counter arguments if the opposite argument has already been awarded.</p>	4

Question		Marks
4 (a)	<p><b>Identify two characteristics of being an entrepreneur.</b></p> <p><i>AO1: 2 marks</i></p> <p>Award <b>1</b> mark for each valid characteristic</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Innovative</li> <li>• Shows initiative</li> <li>• Organised</li> <li>• Hard working</li> <li>• Determined</li> <li>• Risk taker</li> </ul> <p>Credit any other valid characteristic.</p>	2
4 (b)	<p><b>Suggest one non-financial motive why someone would want to start their own business.</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for a valid motive</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Turn a hobby into a business</li> <li>• To have full control/to be own boss</li> <li>• Help the community</li> <li>• Fill a gap in the market</li> <li>• Make a difference in the world</li> </ul> <p>Credit any other valid non-financial motive.</p>	1

Question		Marks
4 (c)	<p><b>Explain two ways that businesses such as Huckleberry ensure that they produce high-quality goods.</b></p> <p><i>AO1: 2 marks</i> <i>AO3: 2 marks</i></p> <p>Award <b>1</b> mark for identifying a correct way that will ensure the production of high-quality goods (up to 2 marks)</p> <p>Award <b>1</b> mark for each valid explanation of the identified way (up to 2 marks)</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Quality assurance – this focuses on preventing errors</li> <li>• Quality control – this focuses on inspecting products and finding if errors have occurred</li> <li>• Training people – staff are trained to inspect their work rather than wait for it to be inspected</li> <li>• Purchasing the best raw materials – there are less likely to be defects if high quality materials are used</li> <li>• Employing the right people - recruiting/selecting the best experienced/qualified staff will help prevent errors</li> <li>• Having the best production processes – means less mistakes are made during the production process</li> <li>• The latest machinery – would result in less mistakes during the production process</li> </ul> <p>Credit any other valid response.</p>	4

Question		Marks
5 (a)	<p><b>With reference to the data in Figure 1, state the number of units of smart watches sold in 2015.</b></p> <p><i>AO2: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p>20 million or 20 000 000</p> <p>Do not accept 20.</p>	1
5 (b)	<p><b>In 2017 Apple sold 18 million smart watches. Calculate what percentage share of smart watch sales Apple had in 2017 (show your workings).</b></p> <p><i>AO2: 2 marks</i></p> <p>Award <b>1</b> mark for selection of correct data</p> <p>Award <b>1</b> mark for the correct answer identified</p> <p>Correct answer:</p> <p><math>18\,000\,000/75\,000\,000 \times 100 = 24\%</math></p> <p>Award <b>2</b> marks for 24 (%)</p> <p>Apply OFR for the correct calculation if incorrect data selected (must select 18)</p>	2
5 (c)	<p><b>Using the data in Figure 1 identify the stage of the product life cycle for smart watches between 2015 and 2018.</b></p> <p><i>AO2: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p>Growth</p>	1

Question		Marks
6 (a)	<p><b>Identify the application method that is asked for in the job advert.</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p>CV or curriculum vitae</p>	1
6 (b)	<p><b>What is a person specification?</b></p> <p><i>AO1:1 mark</i></p> <p>Award <b>1</b> mark for a valid answer</p> <p><b>Indicative content</b></p> <p>A person specification describes the skills/qualifications/knowledge/ experience needed by an individual to complete the job.</p>	1
6 (c)	<p><b>Explain how the advert has broken an employment law.</b></p> <p><i>AO1: 1 mark</i> <i>AO3: 2 mark</i></p> <p>Award <b>1</b> mark for identifying the correct way employment law has been broken</p> <p>Award up to <b>2</b> marks for a developed point of why employment law has been broken</p> <p><b>Indicative content</b></p> <p>They ask for a female member of staff in the advert Gender discrimination/discriminates against men</p>	3
6 (d)	<p><b>Identify the financial method of motivation being offered in the advert.</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p>Overtime</p>	1



Question		Marks
6 (e)	<p><b>Assess two suitable types of training the library manager may arrange to ensure staff can use the computer system.</b></p> <p><i>AO1: 2 marks</i>  <i>AO2: 2 marks</i>  <i>AO3: 2 marks</i></p> <p>Award <b>1</b> mark for each correct type of training identified (up to 2)</p> <p>Award 1 mark for each direct use of the context (up to 2)</p> <p>Award <b>1</b> mark for each correct explanation of how the training ensures staff can use the computer system (up to 2)</p> <p><b>Indicative content</b></p> <p>On the job training - the experienced librarians can mentor the new member of staff - they will be able to share their skills of the computer system such as finding the numbers of members of overdue books.</p> <p>Off the job training - computer based training where the training is delivered through a computer away from the desk but still in the library – this could allow them to learn how to use the library system without the pressure of dealing with customers.</p>	6

Question				Marks
6 (f)	<b>Evaluate the library manager's decision to recruit internally.</b>			8
	<b>Band</b>	AO1: 2 marks	AO2: 4 marks	AO3: 2 marks
	<b>3</b>	There are no Band 3 marks for this Assessment Objective  2 marks are awarded for Band 2	<b>4 marks</b> Excellent application of internal recruitment to the library  Excellent reference is made to the library and the scenario throughout the answer	There are no Band 3 marks for this Assessment Objective  2 marks are awarded for Band 2
	<b>2</b>	<b>2 marks</b> Good knowledge and understanding of internal recruitment  Some attempt to use specialist vocabulary	<b>2-3 marks</b> Good application of internal recruitment to the library  Good reference is made to the library and the scenario	<b>2 marks</b> Good analysis and evaluation of the advantages and disadvantages of internal recruitment  The analysis shows a clear understanding of both the advantages and disadvantages of using internal recruitment
	<b>1</b>	<b>1 mark</b> Limited knowledge and/or understanding of internal recruitment  Limited or no use of specialist vocabulary	<b>1 mark</b> Limited application of internal recruitment to the library  Some information from the data is used, but the response is mainly theoretical	<b>1 mark</b> Limited analysis and evaluation of the advantages and/or disadvantages of internal recruitment  The analysis is evaluation superficial
	<b>0</b>	<b>0 marks</b> No knowledge or understanding of internal recruitment	<b>0 marks</b> No reference made to the library	<b>0 marks</b> No analysis

Question		Marks
	<p><b>Indicative content</b></p> <p>Answers could include</p> <p>One of the advantages of recruiting internally for Hull City Council Library is they will save money on advertising the job, as council budgets are very tight, this could fit in well with the council's financial objectives.</p> <p>Another advantage of recruiting internally is that existing staff are likely to know the organisation better and will need less expensive training, it says in the advert that the applicant must be able to use the internal computer system, this will mean that the new member of staff can get to work quickly.</p> <p>Another advantage of recruiting internally for the library is that internal opportunities can motivate staff, the advert says that it is an exciting opportunity and no library experience is needed, these opportunities could make people feel valued in the council and encourage them to work hard to advance and work in different areas.</p> <p>A disadvantage of internal recruitment is you may not always find the best person for the job, they could be missing out on a very experienced librarian applying who does not work for the council. The advert states they don't need any library experience, this could mean a lot of time is spent training someone up on the library computer system.</p> <p>Another disadvantage of internally recruiting is it simply creates another vacancy within the organisation that has to be filled and with tight council budgets this could have a knock on affect and lead to lots of time/money wasting within the organisation.</p> <p>Another disadvantage of internally recruiting is no new ideas are brought to the library, an experienced librarian may know lots of new ways of improving efficiency and help the library financially.</p> <p>In conclusion, I think that the library would be better off externally recruiting, the knock on effect of creating more and more jobs as people shift around is surely a waste of resources, I am also concerned about the resentment that can be caused within an organisation as people 'fight' for jobs and the impact on morale.</p> <p>Credit any other valid answers and discussion.</p>	

Question		Marks
7 (a) (i)	<p><b>State the formula for calculating gross profit margin (GPM).</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for the correct formula</p> <p>GPM = <math>\frac{\text{gross profit}}{\text{sales revenue}} \times 100</math></p>	1
7 (a) (ii)	<p><b>Using the formula calculate the GPM for 2017.</b></p> <p><i>AO2: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p><math>\frac{560\,000}{1\,400\,000} \times 100</math></p> <p>= 40%</p> <p>Award <b>1</b> mark if the candidate simply writes 40(%)</p>	1
7 (b) (i)	<p><b>Explain how Fry's could be affected by the following external factors.</b></p> <p><b>A competing fish and chip shop opens in the local area.</b></p> <p><i>AO1: 1 mark</i> <i>AO2: 1 mark</i> <i>AO3: 1 mark</i></p> <p>Award <b>1</b> mark for valid understanding of how a competing business will affect the business</p> <p>Award <b>1</b> mark for application to Fry's</p> <p>Award <b>1</b> mark for valid explanation</p> <p><b>Indicative content</b></p> <p>Competition could mean they lose customers to the new shop - because they offer better prices for its fish and chips, with a wider range of food opening later in the evening - leading to a loss of custom for Fry's and they may start to see a fall in their sales.</p> <p>Credit any other valid response, accept counter-arguments.</p>	3

Question		Marks
7 (b) (ii)	<p><b>Explain how Fry’s could be affected by the following external factors.</b></p> <p><b>A fall in unemployment</b></p> <p><i>AO1: 1 mark</i>  <i>AO2: 1 mark</i>  <i>AO3: 1 mark</i></p> <p>Award <b>1</b> mark for valid understanding of how a fall in unemployment will affect the business</p> <p>Award <b>1</b> mark for application to Fry's</p> <p>Award <b>1</b> mark for valid explanation</p> <p><b>Indicative content</b></p> <p>If there is a fall in unemployment this means that people may have more disposable income to spend - and are more likely to spend on treats such as fish and chips - which could mean more people visiting the fish and chip shop and spending more money.</p> <p>If there is a fall in unemployment people may have more disposable income - and may be less likely to go to a fish and chip shop and more likely to visit a nice restaurant - meaning a fall in sales for the fish and chip shop.</p> <p>Lack of access to workers, workers may want higher wages which would increase costs for the business</p> <p>Credit any other valid response, accept counter-arguments.</p>	3
7 (c)	<p><b>Identify two pieces of information that should be included in a deed of partnership.</b></p> <p><i>AO1: 2 marks</i></p> <p>Award <b>1</b> mark for each valid piece of information identified</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• who provides the capital</li> <li>• control of the business</li> <li>• distribution of profits</li> <li>• settling disputes</li> <li>• deciding on the value of the business</li> <li>• dissolution of partnership</li> </ul> <p>Credit any other valid response.</p>	2

Question				Marks	
7 (d)	<b>Using qualitative and quantitative data on Fry's, advise the brothers on whether they should become a private limited company or remain as a partnership.</b>			10	
	<b>Band</b>	AO1: 2 marks	AO2: 4 marks		AO3: 4 marks
	3	Band 3 marks for this Assessment Objective  2 marks are awarded for Band 2	<b>4 marks</b> Excellent application of partnership and private limited companies to Fry's  There is clear, correct and direct reference to qualitative and quantitative data to Fry's throughout the answer		<b>4 marks</b> Excellent well-reasoned and balanced analysis and evaluation on whether Fry's should become a private limited company or remain a partnership  The advantages and disadvantages of becoming limited and of staying as a partnership are fully analysed  Clear advice with supporting statements
	2	<b>2 marks</b> Good knowledge and understanding of partnerships and private limited companies  Some attempt to use specialist vocabulary	<b>2-3 marks</b> Good application of partnership and private limited companies to Fry's  Relevant qualitative and/or quantitative data is used to develop the answer  There may be some omissions		<b>2-3 marks</b> Good analysis and evaluation on whether Fry's should become a private limited company or stay as a partnership  The analysis may be unbalanced and focus on either the advantages or disadvantages of one type of ownership  Appropriate advice is given
	1	<b>1 mark</b> Limited knowledge and/or understanding of partnerships and/or private limited companies  Limited or no use of specialist vocabulary	<b>1 mark</b> Limited application of partnership and private limited companies to Fry's  Some information in the data is included, but this is brief  The answer is mainly theoretical		<b>1 mark</b> Limited analysis and evaluation on whether Fry's should become a private limited company or stay as a partnership  Lacks detail and superficial comments are made with little development  Advice may be given but it is not soundly justified
	0	<b>0 marks</b> No relevant knowledge or understanding	<b>0 marks</b> No reference is made to Fry's business	<b>0 marks</b> No valid analysis or evaluation is given	

Question		Marks
	<p><b>Indicative content</b></p> <p>Answers could include</p> <p><u>Possible arguments for Fry’s changing to a private limited company</u></p> <p><b>Advantages</b></p> <p>Private Limited Companies have limited liability – this means that the shareholders’ personal possessions are safe – this could mean greater access to funding from investors so the brothers would be more likely to get the money to finance the new shop.</p> <p>Private Limited Companies will be able to raise more finance – as it is likely there will be more investors (shareholders) in the business – this money can be used to expand the business further and meet the Fry’s brothers objective of growth and open a new fish and chip shop.</p> <p>Private Limited Companies continue if the founders die – the company still exists, whoever owns the shares continues to own the business – this could mean more stability if one of the brothers died there would not be family feuds over who owns the business.</p> <p>Partnerships have unlimited liability – this means that the brothers are liable for the debts of the business – if they can’t pay any debts, not only can their restaurants be taken from them but also their expensive new homes.</p> <p><b>Disadvantages</b></p> <p>Various legal procedures need to be followed – they have to register with Companies House/there is lots of legalities to deal with - this could be very time consuming/expensive for the brothers when they are already very busy running the restaurants.</p> <p>Loss of control – any additional investors now have a say in the business – they may not have the same values as the brothers and may vote to make changes to things such as the menus.</p> <p>Partnerships do not have to publish their financial accounts – this means more privacy/less scrutiny for the brothers – the brothers may not like their customers knowing all the details of their business.</p> <p>Advice given is reversible.</p> <p>Credit any other valid response.</p>	

Question		Marks
8 (a)	<p><b>Identify two stages of the sales process.</b></p> <p><i>AO1: 2 marks</i></p> <p>Award <b>1</b> mark for identifying each stage</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>Preparing through good product knowledge</li> <li>Greeting the customer</li> <li>Identify sales opportunities</li> <li>Understanding needs and wants of customers</li> <li>Informing customers of the features and benefits of the product or service</li> <li>Closing the sale</li> <li>Following up and after sales</li> </ul>	2
8 (b) (i)	<p><b>Calculate the percentage fall in net profit from 2014 to 2018. (Show your workings).</b></p> <p><i>AO2: 2 marks</i></p> <p>Award <b>1</b> mark for identifying the correct formula/selecting the correct data</p> <p>Award <b>1</b> mark for the correct answer</p> <p><math>\% \text{ Decrease} = \text{Decrease} \div \text{Original Number} \times 100</math></p> <p><math>4.5 \div 5 \times 100</math></p> <p>90 (%)</p>	2
8 (b) (ii)	<p><b>Calculate the average net profit between 2014 and 2018. (Show your workings).</b></p> <p><i>AO2: 2 marks</i></p> <p>Award <b>1</b> mark for selection of all the correct data</p> <p>Award <b>1</b> mark for the correct answer</p> <p>Total sum of all the numbers/number of items in the set</p> <p><math>5 + 4 + 3 + 2.5 + 0.5 / 5</math></p> <p>£ 3 million or £3 000 000</p> <p>Award 1 mark for no £</p>	2



Question		Marks
8 (c)	<p><b>With direct reference to The Toy Box, describe three suitable methods of sales promotion that The Toy Box could use to attract customers.</b></p> <p>AO1: 3 marks AO2: 3 marks</p> <p>Award <b>1</b> mark for identifying each suitable method (max 3 marks) Award <b>1</b> mark for each valid application point (max 3 marks)</p> <p><b>Indicative content</b></p> <p>3 for 2 - to encourage multi-buys/increase sales of toys Discount – offering a certain amount of money off toys to encourage increase sales/more expensive purchases Better value – multipacks of figures to encourage repeat purchases/additional items Competitions – allowing children to enter competitions if they purchase Loyalty cards - encourages repeat visits to the toyshop through loyalty Product trials – such as in store toy demos to encourage sales Point of sale material – such as magazines to encourage further sales Product trials/samples – to let children play with the toys beforehand</p> <p>Credit any other valid response.</p>	6

Question				Marks
8 (d)	<b>Discuss the advantages and disadvantages to The Toy Box of selling online. [8]</b>			8
	<b>Band</b>	AO1: 2 marks	AO2: 4 marks	AO3: 2 marks
	<b>3</b>	There are no Band 3 marks for this Assessment Objective  2 marks are awarded for Band 2	<b>4 marks</b> Excellent application is made to The Toy Box  Excellent reference is made to the toy shop, key information is extracted from the text	There are no Band 3 marks for this Assessment Objective  2 marks are awarded for Band 2
	<b>2</b>	<b>2 marks</b> Good knowledge of selling online  Some attempt to use specialist vocabulary	<b>2- 3 marks</b> Good application is made to The Toy Box  Good reference made to the toy shop, information is used from the text	<b>2 marks</b> Good discussion of the advantages and disadvantages to selling online
	<b>1</b>	<b>1 mark</b> Limited knowledge of selling online  Points are identified rather than understood  Little attempt to use specialist vocabulary	<b>1 mark</b> Limited application is made to The Toy Box  Little reference is made to the information to the toy shop	<b>1 mark</b> Limited discussion of the advantages and/or disadvantages of selling online  Lacks detail and superficial comments are made.
		<b>0 marks</b> No relevant knowledge or understanding	<b>0 marks</b> No reference is made to The Toy Box	<b>0 marks</b> No valid discussion

Question		Marks
	<p><b>Indicative content</b></p> <p>One of the advantages of having an e-commerce website is it can allow the business to access customers across the globe meaning that the toy shop would not have been limited to just town centres which have become less popular but could have customers everywhere.</p> <p>Another advantage of having an e-commerce website is it allows customers to shop 24/7 meaning that they could sell out of the limits of town centre opening times and could have gained more sales this way as it will be more convenient for everyone.</p> <p>Also, it allows the businesses to track customer behaviours, as they can analyse what people search for and use this data to sell the right type of toy and made sure they were meeting the needs of the customers/stay competitive.</p> <p>However, distribution systems have to be very effective when selling online to be able to get the toys to the customers on time, this can be costly and a huge investment, are they likely to get this kind of investment with profits falling year on year?</p> <p>Another disadvantage of selling online for the toy shop is the cost of returns, if customers are not happy with the toys they will want to return them which can mean heavy costs to the business, are they able to sustain this kind of risk?</p> <p>Lastly, there is a lot of competition online with other toy companies, so it is difficult to stay competitive with constant pressure to offer low prices, as their reputation as a traditional toy store found in run down town centres meant they will find it difficult to relaunch themselves?</p> <p>I think that the toy shop should consider selling online, however, they may find it difficult to continue with their traditional toy-maker image, perhaps they should consider selling more mainstream toys online, so they are able to compete and move away from run-down town centres which often have a lack of visitors.</p>	

Question		Marks
9 (a)	<p><b>Select which of the following best defines average rate of return (ARR)</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p>A measurement of a business investment</p>	1
9 (b) (i)	<p><b>State the formula for calculating average rate of return (ARR).</b></p> <p><i>AO1: 1 mark</i></p> <p>Award <b>1</b> mark for the correct answer</p> <p><math display="block">\frac{\text{The average annual return (or average profit)} \times 100}{\text{The initial outlay (or initial investment)}}</math></p>	1
9 (b) (ii)	<p><b>Using the formula calculate the average rate of return for the printing machine. (Show your workings).</b></p> <p><i>AO2: 2 marks</i></p> <p>Award <b>1</b> mark for stage 1 Award <b>1</b> mark for stage 2</p> <p>Stage 1 – <math>\frac{\text{Total Profit}}{\text{number of years}} = \frac{700\,000}{5} = 140\,000</math></p> <p>Stage 2 - <math>\frac{\text{The average annual return} \times 100}{\text{The initial outlay}} = \frac{140\,000 \times 100}{500\,000}</math></p> <p>= 28%</p> <p>Apply OFR only in stage 2 if incorrect average annual return is calculated</p> <p>Award <b>2</b> marks if the candidate simply writes 28 (%)</p>	2

Question		Marks
9 (c)	<p><b>Describe two suitable methods of finance and explain why each method is suitable.</b></p> <p><i>AO1: 2 marks</i> <i>AO3: 4 marks</i></p> <p>Award <b>1</b> mark for <b>each</b> correct method (up to 2)</p> <p>For each method of finance:</p> <p>Award <b>1</b> mark for limited explanation</p> <p>Award <b>2</b> marks for developed explanation</p> <p><b>Indicative content:</b></p> <p>Internal sources of finance –</p> <p>Retained profits - as Prints.com is a PLC it can reinvest profit back into the business, this is a good idea as there is no interest/shareholders are happy to do this as it could lead to higher profit in the future.</p> <p>Selling assets – as Prints.com is a large business operating across the UK it may want to sell off assets that they no longer require/sell assets they require and lease back in order to raise cash to buy the machinery.</p> <p>External sources of finance –</p> <p>Bank loans – as this is a large amount of money it is likely that a business such as Prints.com will borrow the large amount of money over a fixed period and pay interest.</p> <p>Venture capitalists - as Prints.com is a PLC it is likely a professional investor could invest in the business in return for an equity stake.</p> <p>Share issue – as Prints.com is a PLC it is likely that the company will raise extra finance by selling new shares meaning they may be able to raise large amounts of money suitable for the investment.</p> <p>Leasing/HP – to spread the cost of buying machinery, Prints.com could borrow the machine and would not have to pay a large initial cost. If the machine was to break it could be fixed free of charge.</p>	6

9 (d)

Using qualitative and quantitative data on Prints.com PLC, assess the impact of investing in the new machine.

[10]

Your analysis should include reference to human resources and production.

Band	AO1: 4 marks	AO2: 4 marks	AO3: 2 marks
<b>3</b>	<b>4 marks</b> Excellent knowledge and understanding of the impact of investing in a new machine  Reference is made to human resources and production  Specialist vocabulary is used with accuracy	<b>4 marks</b> Excellent application of the data  There is clear, correct and direct reference to the quantitative and qualitative data on Prints.com business  Relevant data is used to develop and support the argument	There are no Band 3 marks for this Assessment Objective  2 marks are awarded for Band 2
<b>2</b>	<b>2-3 marks</b> Good knowledge and understanding of the impact of investing in a new machine  Reference is made to human resources and/or production  Some attempt to use specialist vocabulary	<b>2-3 marks</b> Good application of the data  Reference is made to the quantitative and qualitative data on Prints.com, but there may be some omissions and/or errors	<b>2 marks</b> A good assessment of the advantages and the disadvantages of the investment.  The assessment is balanced  Writing is well structured with accurate SPG
<b>1</b>	<b>1 mark</b> Limited knowledge and/or understanding of the impact of investing in a new machine  Reference is made to human resources or production  Limited or no use of specialist vocabulary	<b>1 mark</b> Limited application of the data  The answer is mostly generic with brief application to Prints.com  There is limited use of the quantitative or qualitative data	<b>1 mark</b> A limited assessment of the advantages or the disadvantages of the investment.  The assessment is unbalanced with superficial comments
<b>0</b>	<b>0 marks</b> No relevant knowledge or understanding	<b>0 marks</b> No application to Prints.com business	<b>0 marks</b> No valid assessment

### **Indicative content**

One of the main reasons that Prints.com should invest in the machine is that they are very often unable to compete with its competitors on price. This means that other companies can often offer the products more cheaply and profits have been affected. As Prints.com is a PLC, they have to ensure they are making a profit so that their shareholders are happy, if they are not, they are likely to sell their shares meaning the share price will fall and will have a knock-on effect with shareholders selling their shares.

If they invest in the machinery, it is likely that it will bring in £700 000 worth of cash flow over the next 5 years, although it is a huge investment in the machine of £500 000 however, it will result in a 28% average rate of return. This shows that the investment is likely to be worthwhile. It is likely that the shareholders will be happy for this investment to take place as it will mean the business will become more competitive and profits will start to rise.

Staff can become demotivated if they are concerned about losing their jobs. The business may not need as many staff, as the machines have replaced their role, this can lead to industrial action. the business will have to train staff how to use machinery which could result in slowing down production for a short time and will increase costs.

However, there is always a risk with all investments, the new machine may not be successful and produce low quality prints meaning customers will be unhappy with their products and leave bad reviews/go elsewhere. There is also a risk that their competitors may invest in an even better machine that can produce even cheaper prints meaning they will be in the same position and not make a return on the investment.

If they don't invest they will be likely to lose more and more customers as people are more likely to go with other companies unless Prints.com can compete. Because they sell online, it is difficult to gain customer loyalty as customers usually want the cheapest option.

They have to try and be competitive as it is likely that people are looking for the best quality at the cheapest price, there is little else to compete on apart for customer service and quick delivery, which they should aim for anyway. I think they must aim to grow and improve and investing in the machine is a good idea.