



GCE AS MARKING SCHEME

SUMMER 2022

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

INTRODUCTION

This marking scheme was used by WJEC for the 2022 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

UNIT 1 - BUSINESS OPPORTUNITIES

SUMMER 2022 MARK SCHEME

1. (a) Refer to Joe Charman. Describe two characteristics of an entrepreneur. [4]

AO1 - 2 marks

AO2 - 2 marks

Award **1** mark for identification of each correct characteristic

Award **1** mark for a valid description of each characteristic that applies to Joe Charman

Indicative content:

- **Initiative:** Joe Charman was able to spot a gap in the market when he started his own business producing airport and flight simulation software which was used to train pilots on a computer before they fly to real airports.
- **Risk taker:** Joe Charman was a risk taker when, at the age of 16 years old, he invested his own capital of just £200 and his own time to try to create a profit.
- **Innovative:** Joe Charman was creative as he illustrated his ability to come up with an innovative concept with airport and flight simulation software which was used to train pilots on a computer before they fly to real airports.
- **Determined/Perseverance/Hard Working:** At the age of 16, Joe Charman was determined to set up Pilot Plus and he has persevered and worked hard since to ensure that the business develops its product portfolio.
- **Organisation:** Joe Charman has been an effective organiser. He manages and organises a team of three employees and has seven products in his portfolio. As Joe wants to develop his product portfolio, he must organise sources of finance to achieve this expansion.

Accept any other valid answer.

1 (b)	Evaluate two sources of finance which Joe Charman could use to expand Pilot Plus. [8]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	2 marks Knowledge of two sources of finance	2 marks Good application to Joe Charman	2 marks Good analysis of both sources of finance The analysis is fully balanced, detailed and developed in context	2 marks A good well-reasoned evaluation of both sources of finance Evaluation is likely to include judgements
1	1 mark Knowledge of one source of finance	1 mark Limited application to Joe Charman Superficial or generic discussion	1 mark Limited analysis of one source of finance Superficial or generic discussion	1 mark Limited evaluation of one source of finance Supporting comments lack depth
0	0 marks No relevant sources of finance identified	0 marks No application to Joe Charman	0 marks No analysis undertaken	0 marks No evaluation undertaken

Indicative content:

Retained profit is a cheap form of finance as there are no financial charges, such as interest rates. Joe Charman, however, would have to make a sacrifice as the profit is not available for personal expenditure. As this is a relatively new business, low profits may hinder the pace of growth.

Borrowing from Welsh Government via Business Wales - fast track loans are allocated to businesses. Rates of interest are competitive and benefit small firms by enabling them to take advantage of growth opportunities. Sound business advice could also be offered to support Joe Charman. However, the criteria for accessing these loans are strict and businesses have to convince Business Wales of their strong potential for growth.

Borrowing from banks - money does become immediately available if the loan is agreed. However, banks have been reluctant to support small businesses since the economic downturn in 2007. Interest rates tend to be high and availability is limited. Joe Charman would also have to present a detailed business plan. As he is a Business graduate, he would be able to complete this with ease. However, as Joe Charman is young, he is unlikely to have any assets which could be used as security against the loan, limiting the amount that he could borrow.

Grants from Welsh Government - the Welsh Growth Fund offers grants to businesses that they feel have potential for growth. Grants have the huge benefit of not having to be repaid and a considerable amount of expert support is offered along with these grants. However, they are not easily attained and again a very sound business plan has to be presented by Joe Charman to convince the growth fund that the business has potential. Sometimes the business may have to match the grant with its own funding.

Venture Capitalists/Business Angels may offer finance to small and medium size businesses and their expertise may also be helpful to Joe Charman in achieving growth. They will, however, require some form of equity and Joe Charman will have to sacrifice a degree of control which he may not want to do.

Finance can be attained from **friends and family**. There is no requirement to provide business plans or meet any conditions and it can be made available quickly. There may or may not be interest required. However, failure to repay the money may lead to family issues arising and the sums required to finance growth are unlikely to come from such a source.

Change of ownership - Joe could become a partnership or Ltd. Joe may benefit from expertise of additional partners or shareholders in addition to increased capital. However, Joe will face a loss of control if he changes the legal structure of the business.

Other forms that are acceptable include **leasing, hire purchase, mortgage** for building, **owners' capital, personal savings** and **sale of unwanted assets**.

Accept any other valid answer.

2. (a) Outline what is meant by a *competitive market*. [2]

AO1 - 2 marks

Award **1** mark for each valid point

Indicative content:

A competitive market is one where there are numerous producers that compete with one another [1] to provide goods and services consumers want and need [1]. A number of marketing strategies can be used to gain customers/market share e.g. competitive pricing [1]

2. (b)	Refer to the dairy industry. Explain the key features of a perfectly competitive market. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	2 marks Good knowledge of the key features of a perfectly competitive market	2 marks Good application to the dairy industry	2 marks Good explanation of a perfectly competitive market and the context in which it operates
1	1 mark Limited knowledge of some features of a perfectly competitive market	1 mark Limited application to the dairy industry	1 mark Limited explanation of a perfectly competitive market and the context in which it operates
0	0 marks No knowledge demonstrated	0 marks No reference to dairy industry	0 marks No explanation undertaken

Indicative content:

- There are a **large number of dairy farmers** and not one single producer can influence or dictate the market. Also, like producers, not one consumer can dictate the market either.
- They are **price takers**. One dairy farmer and one consumer cannot decide the price of goods or decide the quantity that will be produced. All the dairy farmer can do is produce the milk and accept whatever the current price is for the milk. They do not get to determine the price they want to sell the milk for.
- There are **no barriers to entry or exit** as dairy farmers are free to leave or enter the market at any time.
- The goods provided by dairy farmers are **homogenous**. There is no difference between the goods sold by one dairy farmer or any other. The goods are therefore generally quite similar and there is no way of telling the goods apart.

Accept any other valid answer.

3. (a) Calculate the monthly breakeven level of output of hoverboards for Buzz Ltd. (Show your workings)

[3]

AO1 - 1 mark
AO2 - 2 marks

Award **1** mark for knowledge of the formula

$$\text{Breakeven level of output} = \frac{\text{Fixed Costs}}{\text{Contribution}}$$

Award **1** mark for calculating contribution

$$\begin{aligned} \text{Contribution} &= \text{Selling Price} - \text{Variable Cost} \\ \text{Contribution} &= £130 - £50 = £80 \end{aligned}$$

Award **1** mark for calculating breakeven level of output

$$\text{Breakeven level of output} = \frac{£160\,000}{£80} = \mathbf{2\,000 \text{ hoverboards per month}}$$

OFR applies

NP If answer expressed as £2 000, award 2 marks

3. (b)	Refer to hoverboards. Describe reasons why consumers sometimes need protection.		[4]
Band	AO1	AO2	
	2 marks	2 marks	
2	2 marks Good knowledge of the reasons why consumers sometimes need protection	2 marks Good application to hoverboards	
1	1 mark Limited knowledge of the reasons why consumers sometimes need protection	1 mark Limited application to hoverboards	
0	0 marks No knowledge demonstrated	0 marks No reference to hoverboards	

Indicative content:

- Some businesses, such as the manufacturers of hoverboards, carry out **misleading** or **aggressive practices** that are unfair to consumers e.g. falsely stating that a product will only be available for a limited time. When sold, some hoverboards did not always **match their description**.
- Credit agreements can be **misleading** and **exploit** consumers. Businesses must be licensed to offer credit. Online buying can be misleading. Seven day cooling off periods are allowed so that consumers can cancel contracts.
- Not all goods and services are of **satisfactory quality** (fit to be sold) or **fit for purpose** for which they were bought. Some hoverboards were supplied with non-standard plugs causing them to overheat. This resulted in some hoverboards exploding and catching fire which is unsafe for consumers.
- When sold, some hoverboards did not always **match their description**.
- **Fake goods** are sold on streets in the UK. Damage can be caused to consumers by defective products like hoverboards and businesses must be liable for this damage.
- **Unfit food** is often sold and can cause illness or even death e.g. nut allergy. Goods can be sold at incorrect weights or measurements.
- **Globalisation** - Consumers may need protection from goods coming in from abroad which may have been produced to standards below those required by the UK government. Children's toys from the Far East have been a good example.
- **Increasing technology** means more and more complex products coming onto the market and consumers do not have the knowledge to assess the quality of the technology of everyday products such as hoverboards. When buying online, consumers need protection in areas such as payment related fraud, non-delivery of goods and unauthorized use of their details.
- Scientific advances mean new products are being developed on a regular basis. Proper testing needs to be carried out before these products can be sold to consumers.

Accept any other valid answer.

3. (c) Calculate the new monthly breakeven level of output. Comment on how the changes in costs will impact on Buzz Ltd.

[4]

AO2 - 4 marks

Award 1 mark for new break-even level of output

$$\text{Breakeven level of output} = \frac{\text{Fixed Costs}}{\text{Contribution}} = \frac{\underline{\pounds 180\,000}}{(\pounds 130 - \pounds 55)} = 2\,400 \text{ units}$$

Award 1 mark for each valid point (max of 3 marks)

Indicative content:

- Breakeven level of output will therefore increase from 2 000 to 2 400 units
- Buzz Ltd would have to sell 400 more hoverboards per month to break even
- Due to the popularity of hoverboards, this may not be too much of a problem for Buzz Ltd
- Buzz Ltd.'s margin of safety would decrease by 400 units which impacts the profit margin
- As this is a competitive market and hoverboards may be a fashion product, this decrease in the margin of safety may result in Buzz Ltd becoming less competitive
- Profit would decrease by £20 000 as fixed costs increase and by a further 10% as variable cost per unit increases by this amount

Accept any other valid answer.

OFR applied to comments on incorrect breakeven point

4. (a) Calculate the percentage change in the number of new business start-ups in the UK between 2013 and 2016. (Show your workings). [2]

AO2 - 2 marks

Award 1 mark for selecting data

$$\frac{657\,790 - 526\,447}{526\,447} \times 100$$

Award 1 mark for correct answer

$$\frac{131\,343}{526\,447} \times 100 = 24.95\% \text{ or } 24.949\% \text{ or } 25\% \text{ (increase)}$$

OFR - award 1 mark for calculating 19.97%

4. (b) Identify two sources of information and guidance available to entrepreneurs in Wales. Do not use banks [2]

AO1 - 2 marks

Award 1 mark for each valid source identified

Indicative content:

- Business Wales / Welsh Government
- Local Councils Careers Wales
- Big Ideas Wales
- The Prince's Trust
- Shell LiveWIRE.
- Prime Cymru
- Business in Focus
- Startups
- Cobweb Information for Business Be the Spark
- Business support websites
- Other entrepreneurs / businesses

Do not accept friends and family

4. (c) Use of examples. Describe the difference between primary and secondary methods of market research. [4]

AO1 - 4 marks

Award 1 mark for understanding of primary research

Award 1 mark for valid example of primary research

Award 1 mark for understanding of secondary research

Award 1 mark for valid example of secondary research

Primary research, or field research, gathers first-hand information. The data gathered is new and directly relevant to the needs of the business. [1] Methods include questionnaires, interviews, focus groups, consumer panels, experiments, observations and test marketing. [1]

Secondary research, or desk research, involves the use of previously collected information. The information used has not been gathered specifically for the business but instead adapted for its use. [1] Methods include official publications, industry magazines, Yellow Pages, internal information or online desk research. [1]

Accept any other valid answer.

4. (d) Outline the importance of avoiding bias when conducting market research.

[3]

AO1 - 3 marks

Award **1** mark for understanding bias (max 1 mark)

Award **1** mark for each valid point made on the importance of avoiding bias (max 3 marks)

Indicative content:

- Bias is something that may cause data within a sample to be weighted towards one side. Such statistical bias occurs when a sample has an overweighing towards one subgroup e.g. too many teenagers between the ages of 16-19 within a research sample.
- This means that the sample is not representative of the views of the target market as a whole and therefore the data may not be statistically valid. It is important therefore to gather data from a sample that reflects the whole population to avoid bias.
- If a researcher can recognise and limit both participant and researcher bias, the data produced is likely to be more accurate resulting in impartial data, hypotheses and conclusions.
- When conducting market research, the information is then given to others so that they can learn from it. If there is bias in the research, then those who make decisions from that research, will potentially only have a one-sided view which could result in incorrect decisions being made.

Accept any other valid answer.

4. (e)	Discuss the usefulness of sampling to a business and its customers.		[8]
Band	AO3	AO4	
	4 marks	4 marks	
3	<p style="text-align: center;">4 marks</p> <p>Excellent analysis of the impact of sampling on a business and its customers</p> <p>Excellent explanation of sampling</p> <p>The analysis is developed with lines of reasoning</p>	<p style="text-align: center;">4 marks</p> <p>An excellent well-reasoned evaluation of the impact of sampling on a business and its customers</p> <p>Evaluation includes supported judgements</p>	
2	<p style="text-align: center;">2-3 marks</p> <p>Good analysis of the impact of sampling on a business and/or customers</p> <p>Good explanation of sampling</p> <p>Some development and detail</p>	<p style="text-align: center;">2-3 marks</p> <p>A good evaluation of the impact of sampling on a business and/or customers</p> <p>Mostly supported judgements are made</p>	
1	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the impact of sampling on a business and/or customers</p> <p>Limited explanation of sampling methods</p> <p>Superficial or generic analysis</p>	<p style="text-align: center;">1 mark</p> <p>Limited evaluation of the impact of sampling on a business and/or customers</p> <p>Unsupported judgements</p>	
0	<p style="text-align: center;">0 marks</p> <p>No analysis undertaken</p>	<p style="text-align: center;">0 marks</p> <p>No evaluation undertaken</p>	

Indicative content:

- Sampling occurs when researchers take a sample of the population who are representative of the whole population.
- Random sampling is where every member of the population has an equal chance of being interviewed.
- Quota sampling is where the population is segmented into a number of groups which share specific characteristics.

Usefulness for a business:

- Researchers can benefit from utilising a sampling method as it can reduce cost. It is cheaper to collect data from a part of the whole population as it can be gathered at a greater speed. Sampling gives more time for data collection as it provides a practical, quicker and easier method of collecting information. However, careful sampling selection is difficult and experts may be required as a result.
- An effective research study requires a good rapport between the researcher and the respondents. When the population of the study is large, the problem of rapport arises. But manageable samples permit the researcher to establish adequate rapport with the respondents.
- The owners of a business are interested in how much profit the business makes. When a business uses sampling methods to avoid bias, statistically valid data is gathered because the sample should be representative of the whole population. It permits a high degree of accuracy which should therefore improve decision making. Improved decision making should result in increased sales and likelihood of profit. This then results in increased dividends for the shareholders which could increase share value.
- When conducting market research, the business and its managers may be under pressure to ensure that the information gathered from market research is utilised efficiently to make good business decisions. This could result in the implementation of product adaptations and developments to meet consumer needs. New working practices could lead to resentment from employees. If researchers are not employed by a business, managers may be responsible for the careful selection of the sample which can be difficult. Managers may feel that they lack the expertise to be able to do this which can result in a lack of self-esteem.
- The potential increase in profit if sampling is successful could result in higher wages for the employees. In addition, increased profit results in a business possibly expanding which provides employees with job security. However, as a result of sampling and market research, the managers may introduce strategies to improve current products or services. This could result in new working practices which could lead to resentment or it could result in other employees being motivated by the opportunity to be creative in order to respond to consumer needs. If researchers are not employed by a business, employees may be responsible for conducting the research. As random sampling requires the researcher to call three times before giving up on the address, attempting to achieve this randomness can result in employees requiring training. Employees may feel that they lack the expertise to be able to do this which can result in a lack of motivation. Also, this random sampling process can result in expensive fieldwork costs.
- If a business can conduct successful sampling, competitors may be unable to compete with the business as it has acquired information that is not available to the competition. This competitive advantage could result in competitors losing customers, decreasing their sales, profit and market share. Sampling and market research allows a business to build a rapport with the customers resulting in greater brand loyalty and competitors consequently losing market share.
- If a business samples successfully, profits can increase which could result in the business expanding. This would then mean that a business places more orders with their suppliers which increase their sales. As a business grows, it may be able to take advantage of purchasing economies of scale. If the supplier is reluctant to decrease the price of raw materials, the business may switch suppliers.

Usefulness for customers:

- Customers want the business to produce quality products at reasonable prices. Avoiding bias through sampling permits a high degree of accuracy which should therefore improve a business' decision making. This should result in products and services which meet the needs of the consumer. Customers should therefore remain loyal to the business.
- Utilising a sampling method can reduce the cost of market research as it is cheaper to collect data from a part of the whole population. This could mean that a business can charge lower prices to customers. This is beneficial to the customers and it may help attract new customers.
- Sampling also involves focusing a business more closely on its target market segment which means that the needs of the customers can be met fully which benefits the customers.
- However, market research is a cost for the business which can be passed on to the consumers in the form of higher prices which is not desirable for the customer.

Accept any other valid answer.

5.	Evaluate the factors that affect the choice of the legal structure of a business. [10]	
Band	AO3	AO4
	6 marks	4 marks
3	5-6 marks Excellent analysis of the factors that affect the choice of the legal structure of a business The analysis is fully detailed and developed with lines of reasoning The key factors are clearly analysed	4 marks An excellent well-reasoned evaluation of the factors that affect the choice of the legal structure of a business Evaluation includes supported judgements of the key factors
	3-4 marks Good analysis of the factors that affect the choice of the legal structure of a business The response tends to focus on the legal structure rather than the key factors	2-3 marks A good evaluation of the factors that affect the choice of the legal structure of a business Evaluation includes supported judgements of some of the key factors
1	1-2 marks Limited analysis of the factors that affect the choice of the legal structure of a business Superficial or generic analysis	1 mark Limited evaluation of the factors that affect the choice of the legal structure of a business Supporting comments lack depth Judgements are superficial
	0 marks No analysis undertaken	0 marks No evaluation undertaken

Indicative content:

- **Age:** Many businesses change their legal structure as they become older. Most businesses when they start out are relatively small and operate as sole traders. Over time, as needs change, a sole trader may take on a partner and form a partnership. Alternatively, a sole trader may invite new owners to participate in the business, issue shares and form a private limited company. Public limited companies are often formed from established private limited companies that have been trading for many years.
- **The need for finance:** A change in legal status may be forced on a business. Often, small businesses want to grow but do not have the funds. Additional finance can only be raised if the business changes status. Furthermore, many private limited companies 'go public' because they need to raise large amounts for expansion.
- **Size:** The size of a business operation is likely to affect its legal structure. A great number of small businesses are usually sole traders or partnerships. Public limited companies tend to be large organisations with thousands of employees and a turnover of millions or billions of pounds. It could be argued that a very large business could only be run if it were a limited company. For example, certain types of business activity, such as oil processing and chemical manufacturing, require large scale production methods and could not be managed effectively as sole traders or partnerships.
- **Limited liability:** Owners can protect their own personal financial position if the business is a limited company. Sole traders and partners have unlimited liability. They may, therefore, be placed in a position where they have to use their own money to meet business debts. Some partnerships dealing with customers' money, such as solicitors, have to have unlimited liability in order to retain the confidence of their clients.
- **Degree of control:** Owners may consider retaining control of their business to be important. This is why many owners choose to remain as sole traders. Once new partners or shareholders become a part of the business, the degree of control starts to diminish because it is shared with the new owners. It is possible to keep some control of a limited company by holding the majority of shares. However, even if one holds 51% of shares in a limited company, the wishes of the other 49% cannot be ignored.
- **The nature of the business:** The type of business activity may influence the choice of legal structure. For example, household services such as plumbing, decorating and gardening tend to be provided by sole traders. Professional services such as accountancy, legal advice and surveying are usually offered by partnerships. Relatively small manufacturing and family businesses tend to be private limited companies. Large manufacturers and producers of consumer durables, such as cookers, computers and cars are usually public limited companies. The reason that these activities choose a particular type of legal structure is because of the benefits they can gain as a result. However, there are many exceptions to these general examples.
- Other factors may include **continuity of existence, flexibility, ongoing administration, confidentiality, cost and complexity of formation and legal structure.**

Accept any other valid answer.