



GCE AS MARKING SCHEME

SUMMER 2019

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

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.

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.

EDUQAS AS BUSINESS - COMPONENT 1

SUMMER 2019 MARK SCHEME

1 (a)	What is meant by <i>qualitative market research data</i>?	Total
	<p>AO1: 2 marks</p> <p>Award 1 mark for correct meaning of qualitative market research and 1 mark for development.</p> <p>Indicative content:</p> <p>Qualitative research seeks to gather opinions and views (1). Involves the collection of data about attitudes, beliefs and intentions (1). Involves the use of focus groups; participant observation and face-to-face interviews (1). Information is often open to a high degree of interpretation (1). Data is in the form of words, pictures and objects (1). Open questions are used to elicit data (1). Not numerical information (1). Accept examples of open questions.</p>	2

1 (b)	Outline how Simon can use the data in the graph to help start his business. [4]	
Band	AO1	AO2
	2 marks	2 marks
2	<p align="center">2 marks</p> <p>Demonstrates good knowledge and understanding of quantitative market research data and how this can be used to make business decisions.</p> <p>Good development of points.</p>	<p align="center">2 marks</p> <p>Good application to Simon and his business.</p> <p>Clear reference to the text and how Simon can use this data to help make business decisions.</p>
1	<p align="center">1 mark</p> <p>Demonstrates a limited knowledge and understanding of quantitative market research data and how this can be used to make business decisions.</p> <p>Development is weak and comments are superficial.</p>	<p align="center">1 mark</p> <p>Limited application to Simon and his business.</p> <p>Only some reference to the text has been made.</p>
0	<p align="center">0 marks</p> <p>No knowledge and understanding shown.</p>	<p align="center">0 marks</p> <p>No application to Simon and his business.</p>

Indicative content:

- Quantitative research data can be measured and gathered using pre-set closed questions. This type of research is usually carried out by means of questionnaires and surveys.
- Credit accurate use of key quantitative data from graph – highest/lowest.
- He has surveyed local households, schools, restaurants and bakeries to see if they were interested in his service. This will allow him to focus on key segments and see where potential profits can be made.
- Has Simon used a large enough sample size in his area to provide statistical valid and reliable data?
- The data is very positive as most customer groups are in favour of Simon's business idea. This is encouraging for Simon as most groups, apart from supermarkets, are interested in Simon's service.
- Simon may want to avoid wasting resources on promoting his service to supermarkets, or maybe do something more to get these interested in his service.
- As there is a great demand for his product, Simon may use this data to come up with the right price for his service.
- Simon could use this data to identify the best means of promoting his business, for example, mail shots for households or contacting hotels directly.
- The data helps Simon identify his market segment. This will mean that time and resources will not be wasted by targeting the wrong customer groups.
- Simon could offer schools discounts to try and increase interest in his service.

Credit any other valid point.

1 (c)	With reference to Simon’s business idea, explain how business opportunities occur. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Demonstrates good knowledge and understanding of how business opportunities occur when a market need exists.</p>	<p>2 marks</p> <p>Good application of how Simon identifies and takes advantage of business opportunities.</p> <p>Clear reference to the context and Simon’s situation.</p>	<p>2 marks</p> <p>A good analysis of how business opportunities occur when a market need exists and the impact this has on business success.</p>
1	<p>1 mark</p> <p>Demonstrates limited knowledge and understanding of how business opportunities occur when a market need exists.</p>	<p>1 mark</p> <p>Limited application of how Simon identifies and takes advantage of business opportunities.</p> <p>Only some reference to the context and Simon’s situation.</p>	<p>1 mark</p> <p>Limited analysis of how business opportunities occur when a market need exists and the impact this has on business success.</p>
0	<p>0 marks</p> <p>Demonstrates no knowledge and understanding.</p>	<p>0 marks</p> <p>No application.</p>	<p>0 marks</p> <p>No analysis included.</p>

Indicative content:

- The role of an entrepreneur is to identify business opportunities and to bring together resources to meet the needs of potential customers. Simon has identified a market need as shown in figure 1.
- Simon has identified a service that people could not access in his local area. As a potentially successful entrepreneur he has found a product/service that was not already available and hopes to fill a gap in the market.
- Simon is using his own savings to invest in the enterprise and is taking a risk if business is not successful.
- Simon not only wants to provide a service to domestic customers but also is hoping to target other businesses, such as local schools, restaurants and bakeries.
- Out of Simon's frustration in not being able to find a business to clean his oven at home, a business opportunity arose because a market need existed. Simon wants to provide customers with a service they need and become a successful entrepreneur.
- Simon could take advantage of the new ways of being able to access customers through the use of a business website and social media. This will hopefully increase his customer base and be a source of steady revenue and profits.
- Though Simon did not invent anything new, he provided a service that had not been previously available in his local area, to both domestic customers and businesses. He met a *market need*.
- Simon has used market research to find out if there is need for a new service in his area and maybe beyond.
- Simon can take advantage of new developing market not yet saturated.

Credit any other valid point.

2 (a)	Consider the most important factors that Evelyn needs to take into account when deciding the location of her new hair and beauty salon. [8]			
Band	AO1	AO2	AO3	AO4
	2 mark	2 mark	2 marks	2 marks
2	<p>2 marks</p> <p>Demonstrates good knowledge and understanding of the key factors affecting location decisions.</p> <p>A number of key factors have been identified.</p>	<p>2 marks</p> <p>A good application of the key factors that Evelyn needs to take into account when deciding on a suitable location for their business.</p> <p>Key factors are applied in context of the data.</p> <p>Application is detailed.</p>	<p>2 marks</p> <p>A good analysis demonstrating a clear understanding of the key factors of location.</p> <p>The key issues have been well developed with a clear line of argument.</p> <p>Clear reference to the impact on business success and the choice of location.</p>	<p>2 marks</p> <p>A good evaluation of the key factors affecting location decisions.</p> <p>The evaluation is detailed and focuses on the key issues.</p> <p>Clear judgements are made and arguments are well developed.</p> <p>The answer may contain a brief conclusion.</p>
1	<p>1 mark</p> <p>Demonstrates limited knowledge and understanding of the key factors affecting location decisions.</p> <p>Only 1 or 2 key factors identified.</p>	<p>1 mark</p> <p>A limited application of the key factors that Evelyn needs to take into account when deciding on a suitable location for their business.</p> <p>The response is mainly theoretical with limited reference to the data.</p>	<p>1 mark</p> <p>A limited analysis demonstrating some understanding of the key factors of location.</p> <p>Superficial comments with limited development.</p>	<p>1 mark</p> <p>A limited evaluation of the key factors affecting location decisions.</p> <p>Candidate shows awareness of only some of the key issues.</p> <p>Judgements are superficial and arguments are unsupported.</p>
0	<p>0 marks</p> <p>No knowledge or understanding demonstrated.</p>	<p>0 marks</p> <p>No application to the data.</p>	<p>0 marks</p> <p>No analysis of the factors of location.</p>	<p>0 marks</p> <p>No evaluation included.</p>

Indicative content:

- The major factor influencing location is the type of business: is it in primary, production, manufacturing, retailing or distribution? Is it service or information related? A beauty salon is part of the tertiary sector/service sector.
- Service industries need to be near their customers. Proximity to customers/footfall is essential to business success. As a mobile hairstylist Evelyn travelled to her customers. It is now important that the business is located in an area where customers can access the business easily.
- Some services can be in secondary locations and still be very profitable e.g. hairdressing/beauty salons.
- The cost of renting or purchasing suitable premises is vital to success. In order for the business to remain profitable the cost of rent or interest and mortgage repayments must be realistic and not excessive. It is vital that Evelyn keeps her costs under control so as to ensure survival.
- Whilst premises in a city centre location might be desirable for a hair and beauty salon, business rates need to be taken into consideration. In prime locations rates can be extremely high and may become a financial burden to a new business. Business rates need to be affordable.
- All amenities should be available: utilities; internet access; online banking and good communication links with both suppliers and customers is important. A business website is a way of advertising Evelyn's business to increase number of customers and is especially useful for a business when trying to establish itself in a new position and increase awareness.
- Transport links and infrastructure – good access to roads around premises is important to ensure both customer access and the supply of materials. It is also important that parking facilities are available to customers wanting to visit the hair and beauty salon.
- Being situated where other businesses are located will increase footfall and customer awareness of services provided by the business. This helps to increase income and profitability. However, Evelyn needs to take into account competition in the area.
- Competition – Evelyn should avoid areas where there are other hair and beauty salons as this may affect revenue. Setting up close to well-established businesses providing the same service may make it harder to attract customers.
- The possibility of planning permission and available space if expansion needed in future is essential. Evelyn may want to expand the business even further. She is considering offering other services on the premises, such as tanning, nail art and waxing.
- It may be possible for Evelyn to get some kind of grant or incentive for locating in a certain area. Local or central government often help new businesses to set up in certain areas.
- Availability and cost of labour in the area chosen is important. Evelyn may need relatively unskilled labour for the more menial jobs and appropriately skilled labour, such as hairstylists and beauticians. It may be beneficial to locate close to a college where they train hairstylists and beauticians.
- Evelyn may want to set up in a prestigious area to establish the business as a high-end hair and beauty salon.
- If candidate refers to the availability of suppliers, this must be in context. For example, suppliers do not need to be close by.

Candidates would be expected to consider a range of factors that influence location and draw a conclusion for top marks.

Credit any other valid point.

2 (b)	Evaluate the view that businesses should operate as a <i>private limited company</i> rather than a <i>sole trader</i>.			[8]
Band	AO1	AO3	AO4	
	2 marks	2 marks	4 marks	
3			<p>4 marks</p> <p>Excellent and well-balanced evaluation that considers both types of business structure.</p> <p>Excellent lines of argument and judgements are support by valid points.</p> <p>Includes an overall conclusion.</p>	
2	<p>2 marks</p> <p>Good knowledge and understanding of the advantages and disadvantages of both types of business structure.</p> <p>Clear understanding demonstrated.</p>	<p>2 marks</p> <p>Good analysis of the advantages and disadvantages of both types of business structure.</p> <p>Analysis shows a clear understanding of the impact on a business when operating as a sole trader and a private limited company.</p> <p>Clear lines of argument.</p>	<p>2-3 marks</p> <p>Well-reasoned and balanced evaluation that considers both types of business structure.</p> <p>Lines of evaluation are well developed and informed judgements are made.</p> <p>Attaches weight and value to the points made.</p> <p>May offer an overall judgement or conclusion.</p>	
1	<p>1 mark</p> <p>Limited knowledge and understanding of the advantage/s and/or disadvantage/s of operating as a sole trader and/or a private limited company.</p> <p>Superficial understanding demonstrated.</p>	<p>1 mark</p> <p>Limited analysis of the advantage/s and disadvantage/s of both types of business structure.</p> <p>Analysis shows a limited understanding of the impact on a business when operating as a sole trader and/or a private limited company.</p> <p>Superficial arguments with limited development.</p>	<p>1 mark</p> <p>Limited evaluation of both/or one type of business structure.</p> <p>Issues are not developed and the evaluation is uneven and focuses on one-side of the argument.</p> <p>Superficial and unsupported judgements are made.</p>	
0	<p>0 marks</p> <p>No knowledge and understanding demonstrated.</p>	<p>0 marks</p> <p>No analysis included.</p>	<p>0 marks</p> <p>No evaluation.</p>	

Indicative content:

Benefits of sole trader

- The owner has full control of the business.
- Quick decision making process as sole owner.
- Sole trader does not have to share profits or rewards with anyone else.
- Business affairs are private – do not have to show accounts to anyone.
- No paper work and easier to set up.

Drawbacks

- Unlimited liability – business and owner seen as one and the same.
- Personal possessions can be used to pay business debts.
- More responsibility as this is not shared.
- No one to cover workload when ill or unable to work.
- Limited capital and resources.
- Limited skill set.

Benefits of operating as a private limited company

- More capital can be invested if more people are involved.
- More resources available as more people involved.
- Varied skill set brought to the business.
- Shared work load and responsibility.
- Limited liability.
- More ideas and perspectives.
- More access to capital.

Drawbacks

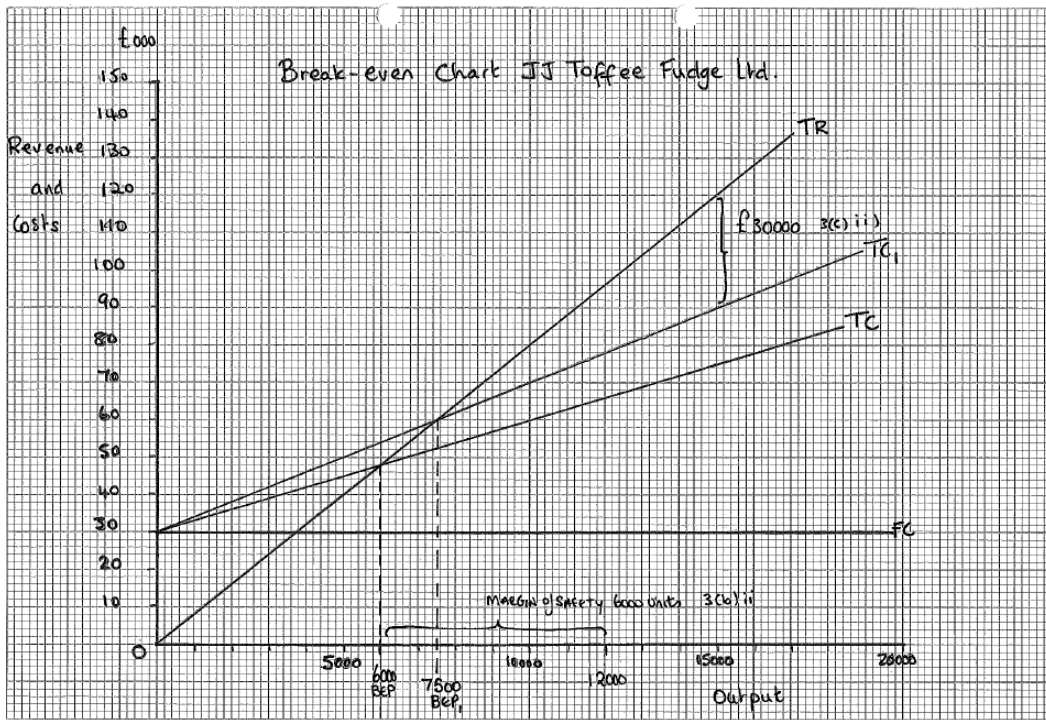
- Profits have to be shared amongst directors.
- Decision making will be slower as need to consult with others.
- Having to disclose accounts.
- More expensive to set up than a sole trader.
- More time consuming and complex to set up than a sole trader.

Candidate includes a brief conclusion as to which is best for top marks. Depends on owner's objectives – do they want to retain control or do they want to grow?

Only credit valid points once, e.g. limited liability.

Credit any other valid point.

Q3			Total
3 (a)	(i)	What is the break-even point? [1] 6 000 units. Do not accept £	AO2
	(ii)	What is the current value of fixed costs? [1] £30 000	AO2
	(iii)	What is the unit price per 1 box of toffee fudge [1] £120 000/15 000= £8	AO2
3 (b)	(i)	What is meant by the margin of safety? [1]	
		Award 1 mark for correct definition	AO1
		The margin of safety is the difference between output level and break-even output	
	(ii)	Calculate the margin of safety based on the advice of her business advisor. [2]	AO2
		20% x 15 000 = 3 000 units	
		15 000 – 3 000 = 12 000 units	
		12 000 – 6 000 = 6 000 units new margin of safety if 12 000 sold.	
3 (c)	(i)	Using the chart on page 6, plot and label the new total costs line if variable costs rise to £4 per unit. [2]	
		Award 1 mark for correct line	AO2
		Award 1 mark for correct labelling (accept new TC or TC2)	



	<p>(ii) Using the new total costs line, state what Josephine's profit will be if 15 000 units are sold. [1] AO2</p> <p>£4 x 15 000 = £60 000 £120 000 - £90 000 = £30 000</p> <p>(iii) What is the effect of the change in total costs on the break-even point? [1]</p> <p>Award 1 mark for valid effect identified AO2</p> <p>As TC rise to TC 1 the number of units needed to break-even and cover costs increases from 6000 units to 7500 units (accept 7 400 to 7 600 units). Accept rises by 1400-1600 units. Do not accept reference to increased profits or revenue must be units of output.</p>	
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3 (d)	Evaluate the usefulness of <i>break-even analysis</i> to businesses. [6]	
Band	AO3	AO4
	3 marks	3 marks
3	<p>3 marks</p> <p>An excellent analysis of the usefulness of break-even analysis and its impact on business.</p> <p>The analysis focuses on both sides of the argument in detail.</p> <p>Key issues have been well developed with a clear line of argument.</p>	<p>3 marks</p> <p>An excellent evaluation of the usefulness of break-even analysis.</p> <p>The evaluation is well balanced and detailed, with development on both sides of the argument.</p> <p>The evaluation focuses on the key issues.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation may be offered with an overall conclusion.</p>
2	<p>2 marks</p> <p>A good analysis of the usefulness of break-even analysis and its impact on business.</p> <p>The analysis is uneven, with some well-developed issues and others where the development is more limited.</p> <p>A number of issues are developed and analysed.</p>	<p>2 marks</p> <p>A good evaluation of the usefulness of break-even analysis.</p> <p>The evaluation is reasonably well balanced and with some development on both sides of the argument.</p> <p>The evaluation focuses on some of the key issues.</p> <p>Judgements are made with some attempts to support their evaluation.</p> <p>The answer may contain a brief conclusion.</p>
1	<p>1 mark</p> <p>A limited analysis of the usefulness of break-even analysis and its impact on business.</p> <p>The analysis will focus on one side of the argument.</p> <p>A limited number of issues are analysed.</p>	<p>1 mark</p> <p>Limited evaluation of the usefulness of break-even analysis.</p> <p>The evaluation is uneven and focuses on one side of the argument.</p> <p>A limited number of issues are included in the answer.</p> <p>Unsupported judgements are made.</p>
0	<p>0 marks</p> <p>No analysis attempted.</p>	<p>0 marks</p> <p>No evaluation attempted.</p>

Indicative content:

Benefits

- **Easy visual means** of analysing a firm's financial position at different levels of output.
- Cheap to construct and can be carried out quickly.
- Profit and loss situation can be seen **at a glance** – good for non-financial specialists. Gives a valuable rule-of-thumb guide to potential profitability.
- Helpful for making decisions in '**what if**' situations. Can cope with changing circumstances in relation to revenues and costs.
- Break-even analysis, as part of a **business plan**, can be helpful in gaining finance.
- Can identify and allows one to assess the margin of safety
- Aids planning and makes target setting easier.

Limitations

- Often regarded as **too simplistic** as some assumptions are unrealistic.
- It **assumes all output is sold** 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.
- **Allocating fixed costs** in a multi-product firm can be problematic – thus making break-even analysis output inaccurate.
- **Fixed costs are often stepped** – this makes break-even analysis difficult.
- **Break-even chart** only shows one product. Assumes firms only sell one product, which is not always true.

Credit any other valid point.

Q4	With reference to the concept of <i>income elasticity of demand</i>, explain the nature of <i>inferior, normal and luxury goods</i>.		[6]
Band	AO1	AO3	
	4 marks	2 marks	
3	<p>4 marks</p> <p>Candidate demonstrates excellent knowledge and understanding of YED, luxury, normal and inferior goods.</p> <p>All definitions are clear and precise.</p> <p>Clear and accurate mention of the YED of the different goods.</p>		
2	<p>2-3 marks</p> <p>Candidate demonstrates good knowledge and understanding of YED, luxury, normal and inferior goods.</p> <p>Some of the definitions are clear and precise.</p>	<p>2 marks</p> <p>A good analysis of how YED impacts upon the demand for luxury and/or normal and/or inferior goods when income changes.</p> <p>At least 2 types of goods must be included for 2 marks.</p> <p>Some reference to the link between YED, different types of good, revenue and profits.</p> <p>Some development of key issues.</p>	
1	<p>1 mark</p> <p>Demonstrates limited knowledge and understanding of YED, luxury, and/or normal and/or inferior goods.</p> <p>Definitions are partially correct with superficial understanding.</p>	<p>1 mark</p> <p>A limited analysis of how YED impacts upon the demand for luxury and/or normal and/or inferior goods when income changes.</p> <p>Superficial arguments with little development.</p>	
0	<p>0 marks</p> <p>No knowledge and understanding demonstrated.</p>	<p>0 marks</p> <p>No analysis of YED included.</p>	

Indicative content:

- Income elasticity is the responsiveness of demand to changes in income.
- **Luxury goods** are more sensitive to a change in incomes than normal goods and a change in income causes a more than proportional change in quantity demanded. This is where YED is elastic and positive.
- When incomes of customers increase, the demand for **normal goods** increases. The majority of everyday items fall into this category, for example, cars, furniture and washing machines. For normal goods YED is inelastic as a change in income causes a less than proportional change in the quantity demanded.
- **Inferior goods** are those goods that have negative income elasticity. During a recession people may turn to these products in order to economise. Demand for these goods will rise as incomes fall, for example, own-label products, bread and rice etc. Bread is consumed in lower amounts as incomes rise as more expensive foods take its place. Sausages are sometimes regarded as inferior because, as incomes rise, customers may buy steak instead. The demand for bus transport decreases as incomes rise as customers will take a train or car instead.
- Entrepreneurs need to know how sensitive the demand for their goods or services is to a change in income because this will affect revenue and profits and, ultimately, the overall success of the business.
- Generally, real incomes increase over time (allowing for impact of inflation), which leads to increased standard of living and wealth. This leads to an increase in the general demand for goods and services. This increase in wealth can benefit some businesses but not all. Business owners need to be aware of these fluctuations of income and wealth.
- In order to compete effectively with other businesses an understanding of YED is important.
- Aldi and some of the more up market supermarkets have recently had to deal with changes in revenue and profit caused by changes in economic activity.

Credit any other valid point.