



GCE AS MARKING SCHEME

SUMMER 2016

**BUSINESS – NEW AS COMPONENT 1
B510U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2016 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.

AS BUSINESS - COMPONENT 1

SUMMER 2016 MARK SCHEME

		Total
Q1 (a)	<p>Outline two motives Dominic might have for wanting to become an entrepreneur.</p> <p>Award 1 mark for each correct motive identified. AO1: 2 marks</p> <p>Award 1 mark for each correct motive applied to the case study. AO2: 2 marks</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Dominic can earn a good income as an entrepreneur despite there being few job opportunities in the area. • Financial rewards can be greater than being paid by someone else. • Entrepreneurs can keep profits the business makes. Dominic is optimistic about making a good return on his investment. • Encouragement by government to support entrepreneurs to set up in business – financial incentives and advice may be available to Dominic. • By identifying a gap in the market Dominic can exploit opportunities to make money. • Independence and control over what they do day to day rather than having an employer giving instructions. • More personal satisfaction when working for oneself. Especially when Dominic is very passionate about what he does. • Building their own business can help individuals reach higher goals in life. • Can use skills they already have to good effect. Dominic has learnt his cake making skills from his grandmother and from the local college. • Credit any other valid point. 	4

Q1 (b)	Suggest two factors that Dominic may have taken into account when deciding where to locate his cake shop and explain the effects these will have on his business.			[6]
Band	AO1 2 marks	AO2 2 marks	AO3 2 marks	
2	2 marks	2 marks	2 marks	
	Demonstrates good knowledge and understanding of the key factors affecting location decisions. Learner clearly identifies two location factors.	Good application of the two factors affecting the location of Dominic's cake shop. The key factors are applied in context of the data and information is used in the development.	Good analysis of both factors identified that affecting location decisions. A clear explanation of how the two identified factors will impact on the business. A logical chain of reasoning is evident.	
1	1 mark	1 mark	1 mark	
	Demonstrates limited knowledge and understanding of the key factors affecting location decisions. Learner identifies one location factor.	Limited application of the factors affecting the location of Dominic's cake shop. The learner's response is mainly theoretical with limited reference to the data.	Limited analysis of the one factor identified affecting location decisions. A limited explanation of how identified factor will impact on the business. Some points undeveloped and lacks detail and depth.	
0	0 marks	0 marks	0 marks	
	No suitable location factors identified.	No application to Dominic's business.	No analysis attempted.	

Indicative content:

Factors to consider:

- Transport links and infrastructure allow for easy access to Dominic's cake shop (customers, staff and suppliers) this should ensure a steady flow of customers and allow suppliers to deliver goods.
- Cost of rent/price of property. Dominic has inherited a large sum of money so he could afford a well-located premises at a prime location, this would help the business become a strong brand in the local area.

- Town centre will already have many amenities/utilities and these will help Dominic to produce his cakes, run his shop and have access to the internet where he can advertise and place orders.
- Sufficient customers/closeness to market – Dominic’s shop will be situated in a busy town centre, therefore, passing trade and an already established customer base will mean a steady flow of income and profits.
- There is very little competition close by - only one local bakery. This will benefit Dominic and should ensure that he has a steady flow of regular and new customer which will affect profit levels.
- There may be available government grants and incentives for Dominic in the area– both local and central government assistance for setting up in area. Many grants are available to new/young entrepreneurs such as Dominic. This will help Dominic with reducing initial costs when setting up.
- Availability of labour with appropriate skills – labour supply from local population and college should provide good quality/quantity of staff needed to run Dominic’s business, this should ensure good quality products.
- Image and prestige – Dominic’s business will benefit from already being established in the local area. Dominic can build on his customer base and rely on his regular customers thus ensuring steady flow of profit/income.
- Credit any other valid points.

		Total
Q2 (a) (i)	<p>Explain the meaning of the term market segmentation.</p> <p>Award 2 marks for good understanding of market segmentation.</p> <p>Award 1 mark only for a limited understanding of market segmentation.</p> <p style="text-align: right;">AO1:2 marks</p> <p>Indicative content: A process of subdividing a market into identifiable segments or subgroups (1) having similar needs, wants or characteristics (1) and providing them with goods or services that meet their needs and wants (1).</p> <p>Accept use of correct examples to illustrate similar needs, wants or characteristics.</p>	2

Q2 (a) (ii)	Evaluate the importance of market segmentation to Serendipity Ltd. and its customers.		
Band	AO2 1 mark	AO3 2 marks	AO4 3 marks
3			<p>3 marks</p> <p>An excellent and well balanced evaluation of the importance of segmentation to Serendipity Ltd. and its customers.</p> <p>The evaluation is detailed and focuses on the key issues.</p> <p>There is a clear reference to the data and context to support their arguments.</p>
2		<p>2 marks</p> <p>Demonstrates a good understanding and clear analysis of how using segmentation benefits and impacts on both Serendipity Ltd. and its customers.</p> <p>The analysis is developed in context.</p> <p>Shows understanding why segmentation may help achieve success.</p>	<p>2 marks</p> <p>A good evaluation the importance of segmentation to Serendipity Ltd. and its customers.</p> <p>An attempt has been made to offer a balanced evaluation.</p> <p>The evaluation focuses on the key issues.</p> <p>Reference to the data and context to support their arguments.</p>
1	<p>1 mark</p> <p>Clear application to Serendipity Ltd.</p> <p>Reference is made to Serendipity Ltd.'s products and product lines.</p>	<p>1 mark</p> <p>Learner demonstrates little understanding and a limited analysis of how using market segmentation benefits and impacts on Serendipity Ltd. and/or its customers.</p> <p>The learner demonstrates a superficial understanding of why segmentation may help achieve success.</p>	<p>1 mark</p> <p>Limited evaluation of the importance of segmentation to Serendipity Ltd. and/or its customers.</p> <p>The answer lacks detail and limited reference to the data.</p> <p>Evaluation is one-sided.</p>
0	<p>0 marks</p> <p>No application or reference to the data.</p>	<p>0 marks</p> <p>There is no analysis of how using segmentation impacts on Serendipity Ltd. and its customers.</p>	<p>0 marks</p> <p>No evaluation of the strategy evident.</p>

Indicative content:**It is important because:**

- Target new types of customers, such as cyclists, sailors, skiers, women and children. Attracting new customers creates new demand and will create increased revenue.
- Allow the business to expand its product range, move into new markets that will help to grow the business.
- To sell products to consumers who have specific characteristics, such as consumers who only buy environmentally friendly products.
- Joy sells outdoor clothing to match customer lifestyles, which encourages repeat purchases as they receive products that match their expectations and needs in terms of quality and reliability.
- Will allow Serendipity to market more efficiently a wider range of differentiated products (women, children and sports) and increase market share and profits.
- Can charge higher prices as products are aimed at high-income market segment. Quality products fit high-income market segment and therefore customers feel they are getting value for money.
- Can target advertising at specific groups, therefore reducing costs and time.
- Customers benefit from specialist and quality products, which help businesses to develop brand loyalty.
- Customers have different needs, by segmenting the market they are more likely to have those needs catered for.
- Increases the access for consumers to more specialised goods that can be difficult to find.
- Any other valid point.

However:

- Targeting products at only high-income groups may not allow Joy to spread risk.
- Because Joy sells to high-income groups her business may be prone to bigger or more frequent changes in the economy and consumer spending.
- Costs incurred when selling different ranges and trying to meet needs of different segments of the market may increase and cut into profits.
- Increased costs may force prices up even higher and may put some customers off.
- The business may not have the specialist product knowledge required by customers for the more specialised products sold in segmented markets.
- A reduction in the choice of other products and product ranges due to limited space in the store.
- Some customer segments feel excluded, which could affect sales and revenue.
- Credit any other valid point.

Q2 (b)	Discuss whether or not Serendipity Ltd. should become a public limited company (PLC).			[8]
Band	AO2 2 marks	AO3 3 marks	AO4 3 marks	
3		3 marks Excellent analysis of the reasons why Serendipity Ltd should (or should not) become a PLC. Analysis shows a clear line of argument and includes an excellent understanding of the impact on Serendipity Ltd of operating as a PLC. The analysis is clearly focused on the context.	3 marks An excellent and well-balanced evaluation of the decision to become (or not become) a PLC. Relevant judgements are made with supporting statements to build on arguments. Includes an overall conclusion.	
2	2 marks Good application of the issues of becoming a public limited company to Serendipity Ltd Clear reference to Serendipity Ltd.	2 marks Good analysis of the reasons why a business should (or should not) become a PLC. Analysis shows understanding of the impact on businesses of operating as a PLC.	2 marks A good and balanced evaluation of the decision to become (or not become) a PLC. Valid judgements are made to support arguments with some development on both sides. Answer may contain a brief conclusion.	
1	1 mark Limited application of the issues of becoming a public limited company to Serendipity Ltd.	1 mark A limited analysis of the reasons why a business should (or should not) become a PLC. Demonstrates a superficial understanding of the impact of operating as a public limited company.	1 mark Limited evaluation of the decision to become (or not become) a PLC. Partial and unsupported judgements made. One-sided evaluation.	
0	0 marks No application to Serendipity Ltd.	0 marks No analysis demonstrated.	0 marks No evaluation of the decision to change the company's organisational structure.	

Indicative content:

The focus in the answers should be on the advantages and disadvantages of changing from a Ltd to a PLC.

Reasons in favour:

- Funds can be raised from the sale of shares on the Stock Exchange which Joy and the board of directors can use to expand the business and help with increased costs.
- Serendipity may gain greater presence in the market and increase brand recognition.
- Financial institutions, such as, banks are usually more willing to lend to public limited companies.
- Serendipity can benefit from economies of scale as the company grows and expands.
- The business may benefit from increased market share and growth.
- Joy can afford to bring out new ranges more quickly as she will have more capital.
- Credit any other valid point.

Reasons against:

- Setting up costs can be expensive, which the business will have to pay for.
- It is possible for the competition to become interested in Serendipity and try and take control as anyone can buy shares.
- As a public limited company Serendipity's will have to hold an AGM and produce annual reports which will take time and add to its costs. They have to be transparent in their actions throughout the year.
- Because there is greater divorce of ownership and control Joy and the board of directors may lose some control.
- Increased size may result in diseconomies of scale as the business becomes more inflexible.
- Greater size may lead to slower decision making and more conflict amongst its stakeholders.
- Credit any valid point.

Do not credit any comments on limited liability.

		Total																				
Q3 (a)	<p>Explain the meaning of the term niche market.</p> <p>Award 2 marks for good understanding of niche market.</p> <p>Award 1 mark only for a limited understanding of a niche market.</p> <p style="text-align: right;">AO1:2 marks</p> <p>Indicative content: A small segment of a market (1) that offers specialist products or services (1) to a unique group of customers (1). It is the opposite of mass marketing (1). Lack of competition (1).</p>	2																				
Q3 (b)	<p>Use the information above to calculate the:</p> <p>(i) Fixed Cost if output is 1000</p> <p>(ii) Variable Cost if output is 1000</p> <p>(iii) Total Cost if output is 0</p> <p>(iv) Total Revenue if output is 600</p> <p>Write your answers in the correct spaces in the table below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Output</td> <td>0</td> <td>600</td> <td>1000</td> </tr> <tr> <td>Fixed Cost</td> <td>£1000</td> <td>£1000</td> <td>£1000</td> </tr> <tr> <td>Variable Cost</td> <td>£0</td> <td>£1500</td> <td>£2500</td> </tr> <tr> <td>Total Cost</td> <td>£1000</td> <td>£2500</td> <td>£3500</td> </tr> <tr> <td>Total Revenue</td> <td>£0</td> <td>£3000</td> <td>£5000</td> </tr> </table> <p>Award 1 mark for each correct answer AO2:4 marks</p>	Output	0	600	1000	Fixed Cost	£1000	£1000	£1000	Variable Cost	£0	£1500	£2500	Total Cost	£1000	£2500	£3500	Total Revenue	£0	£3000	£5000	4
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		Total
<p>Q3 (c)</p>	<p>Construct and label a break-even chart on the graph paper provided.</p> <p>Award 1 mark for correct and labelled Total Revenue (accept Revenue) Award 1 mark for correct and labelled Total Cost Award 1 mark for correct and labelled Fixed Cost AO2: 3 marks</p> <p>If learner draws 3 correct lines but does not label the lines 1 mark only.</p> <div data-bbox="387 607 1179 1339" data-label="Figure"> </div>	<p>3</p>
<p>Q3 (d)</p>	<p>How many bars of soap would need to be sold to break-even?</p> <p>Award 1 mark for 400 bars of soap AO2 :1 mark</p> <p>OFR applies</p>	<p>1</p>

		Total
Q4 (a)	<p>Explain what is meant by the term oligopoly.</p> <p>Award 2 marks for good understanding of the term oligopoly. Award 1 mark only for a limited understanding of the term oligopoly. AO1: 2 marks</p> <p>Indicative content:</p> <p>The market condition that exists when a few firms dominate (large market share) (1), it is possible for a number of smaller firms to also operate in the market (1). The more dominant firms may exert power over price (price makers) and other market factors (1). There are barriers to entry (1).</p>	2
Q4 (b)	<p>Distinguish between primary and secondary market research using appropriate examples.</p> <p><u>Primary research</u></p> <p>Award 1 mark for correct definition Award 1 mark for a correct example AO1: 2 marks</p> <p>Indicative content:</p> <p>Primary research (field research) is the collection of data that does not already exist; primary information collected for a specific purpose; collected first hand and face to face (1).</p> <p>Examples - questionnaires, surveys, focus groups, telephone interviews, personal interviews etc. (1)</p> <p><u>Secondary research</u></p> <p>Award 1 mark for correct definition Award 1 mark for a correct example AO1: 2 marks</p> <p>Indicative content:</p> <p>Secondary research (desk research) collection of data that already exists; gathered for a different purpose; can be collected internally or externally (1).</p> <p>Examples - analysis of sales figures or annual reports; government reports, commercial publications or retail audits (1).</p>	4

Q4 (c)	Discuss the view that primary research is always likely to be of greater advantage to a business than secondary research. [8]	
Band	AO3 4 marks	AO4 4 marks
2	3-4 marks A good analysis of the advantage(s) and disadvantage(s) of both primary and secondary market research methods. Analysis shows a clear understanding of both methods and their impact on business success.	3-4 marks Detailed and well-balanced evaluation of both market research methods. Valid judgements made with qualifying statements. Learner is likely to offer an overall conclusion.
1	1-2 mark A limited analysis of the advantage(s) or disadvantage(s) of primary and secondary market research methods. Likely to focus on either primary or secondary research. Learners demonstrate a superficial understanding of how the use of these methods impacts on business success. A listed approach. Underdeveloped points are made.	1-2 mark Limited and uneven evaluation which may only focus on one-side of the argument for both/either market research methods. Judgements are superficial and only partially supported. The learner fails to come to a conclusion or does not really qualify their arguments.
0	0 marks Little or no analysis demonstrated.	0 marks No attempt at evaluation has been made.

Indicative content

Advantages of primary research to a business:

- Primary research is first hand and specific to the needs of the business. The data is more accurate/relevant to a business.
- Business asking for the research has complete control over the process and the targeted Issues are addressed.
- The business collecting the primary data is the owner of that information and need not share it with other companies and competitors. This gives an edge over competitors relying on secondary data.

- Secondary data can be out dated especially in a fast changing industry.
- Secondary information and data may not be accurate. The source of the data must always be checked.
- The company publishing the secondary data may not be reputable.

Advantages of secondary research to a business:

- Primary research depends on the responses of the consumer who may not respond in the same manner in the future and may be a waste of money and time.
- Primary research can be expensive and time consuming. Could small scale businesses afford it?
- A poorly constructed questionnaire/survey can lead to bias and errors.
- Primary research not always feasible.
- Secondary research can be quicker and less costly than primary research.
- Credit any other relevant points.

Possible conclusion

Both secondary and primary research have their advantages and disadvantages, and the best one will depend on what the business needs and the resources it has available to carry out the research. Choosing an incorrect sample for primary and secondary can lead to bias and make the data untrustworthy.