



GCE AS MARKING SCHEME

AUTUMN 2020

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

INTRODUCTION

This marking scheme was used by WJEC for the 2020 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 AS BUSINESS - COMPONENT 1

AUTUMN 2020 MARK SCHEME

| 1. (a) | Explain one benefit to business owners of having <i>limited liability</i>. | Total |
|--------|--|--------------|
| | <p>AO1: 1 mark</p> <p>Award 1 mark for understanding limited liability</p> <p>Indicative content:</p> <p>Owners are only liable to lose the amount of money invested in the business (1); Liability is limited and not unlimited (possible distinction) (1).</p> <p>AO3: 1 mark</p> <p>Award 1 mark for explanation of how this benefits owners.</p> <p>Indicative content:</p> <p>Owner's possessions cannot be used to pay debts of the business if it fails (1); Legal action can only be taken against the business and not owners/shareholders (1); The business and owner have separate identities – separate under the law.</p> | 2 |

| 1. (b) | Apart from survival, identify two aims of a start-up business. | Total |
|--------|---|--------------|
| | <p>AO1: 2 marks</p> <p>Award 1 mark for each relevant aim suggested</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Breaking-even • Raising awareness of the business in the UK • Establish business in a competitive market. • Brand image • To achieve a certain market share <p>Do not accept survival as this is in the stem and question;</p> | 2 |

| 1. (c) Consider the most appropriate sources of finance for Pascoe Ltd's expansion. [10] | | | |
|---|---|--|--|
| Band | AO2 | AO3 | AO4 |
| | 2 marks | 4 marks | 4 marks |
| 3 | | <p>4 marks</p> <p>An excellent analysis of the different sources of finance available to Pascoe Ltd.</p> <p>There is a clear reference to the data and context to support their arguments.</p> <p>Analysis shows a clear line of argument and includes an excellent understanding of the impact on the business.</p> <p>Key issues have been well developed and a clear link between success and the choice of finance is included.</p> | <p>4 marks</p> <p>An excellent evaluation of the different sources of finance available to Pascoe Ltd and its stakeholders.</p> <p>The evaluation is well balanced and detailed, with excellent development.</p> <p>Reference to the different circumstances/factors that may affect choice.</p> <p>Clear judgements are made with supporting statements to build on arguments.</p> <p>Includes a conclusion with supporting arguments.</p> |
| 2 | <p>2 marks</p> <p>Good application to Pascoe Ltd.</p> <p>Clear references to the context and appropriate sources of finance have been chosen.</p> <p>Key factors are applied in context of the data.</p> | <p>2-3 marks</p> <p>A good analysis of the different sources of finance available to Pascoe Ltd.</p> <p>The key issues have been developed with a clear line of argument.</p> <p>Clear reference to the impact on the business.</p> <p>A link between appropriateness of finance and the expansion has been included.</p> | <p>2-3 marks</p> <p>A good evaluation of the different sources of finance available to Pascoe Ltd.</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>Limited application to Pascoe Ltd.</p> <p>Only some reference to the context.</p> | <p>1 mark</p> <p>Limited analysis of the different sources of finance available to Pascoe Ltd and the impact they have on the business.</p> <p>Superficial comments with limited development.</p> | <p>1 mark</p> <p>A limited evaluation of the different sources of finance available to Pascoe Ltd.</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 application.</p> | <p>0 marks</p> <p>No analysis included.</p> | <p>0 marks</p> <p>No evaluation included.</p> |

Indicative content:

- **Owners are investing their own capital** into the business but this is not sufficient to cover the cost of the expansion. This may be lost if expansion is unsuccessful.
- The owners could purchase new equipment and premises using a **bank loan**, though the interest rate and repayment terms would have to be considered. Too many loans can leave a firm dangerously indebted and affect both cash flow and profits.
- The owners may consider taking out a **mortgage** on the premises they own to finance the expansion. This would give them a large amount of capital to invest in the expansion. However, this would also incur interest and would reduce the assets owned by the business.
- **Leasing** – this will avoid damages to cash flow caused by purchasing outright and releases capital. This tends, however, to be more expensive than purchasing equipment outright and can affect the asset levels of the business.
- **Sell unwanted assets** – ICT equipment and printing machinery. Only if not needed otherwise may need to replace for new which would be costly and affect profits.
- **Retained profit** – as market share has increased recently there may be profits that can be reinvested. This, however, may be needed in the UK.
- **Attract new investors** – This is a good method as no payments to pay out every month or interest. However, new investors will receive a share of profits and may want a say in how it is run. This could mean conflict between current owners and new investors.
- A **venture capitalist** – Someone who is just interested in investing and not in having a say in the running of the business. However, will still expect a reward for their investment in the form of profits.
- **Grants** - very difficult to get for businesses that are already established so this would be unlikely. Growing into a foreign market could acquire grants / specialist support from the local government
- An **overdraft** would be too costly and not sufficient to cover costs.
- Float on the **stock market** and become a plc. This may be difficult and costly. Pascoe Ltd may not be large enough to do this. May affect control.
- Success may depend on the rate of **interest and exchange rate**.
- Reference to the risks of **doubling the size** of the business.
- Reference to **expanding internationally** may cause problems – language barrier; costs; etc.

A combination of these may be appropriate. Sensible references to Pascoe Ltd should be accepted.

Any other valid point.

| | | |
|-------------------|---|--------------|
| 2. (a) (i) | State the formula for calculating total costs. | Total |
| | AO1: 1 mark Award 1 mark for correct formula: Formula for total costs: Total fixed costs + total variable costs (Variable cost per unit x output). | 1 |

| | | |
|--------------------|---|--------------|
| 2. (a) (ii) | Calculate Arjun's profit for the month of July. (Show your workings) | Total |
| | AO1: 1 mark Award 1 mark for correct formula: Profit = total revenue (sales x price) – total cost AO2: 3 marks Award 1 mark for calculating variable costs $(£85 + £50) \times 100 \text{ units} = \underline{\underline{£13\,500}}$ Award 1 mark for calculation of total costs: $TC = FC + TVC = £2\,500 + £13\,500 = \underline{\underline{£16\,000}}$ Award 1 mark for calculating profit: $TR = 100 \times £300 = \underline{\underline{£30\,000}}$ $\text{Profit} = TR - TC = £30\,000 - £16\,000 = \underline{\underline{£14\,000}}$ Own figure rule applies | 4 |

| | | | |
|---------------|--|---|---|
| 2. (b) | With reference to all the information provided, discuss the options available to Arjun to improve profit. [8] | | |
| Band | AO2 | AO3 | AO4 |
| | 4 marks | 2 marks | 2 marks |
| 3 | <p>4 marks</p> <p>Excellent application of data has been included.</p> <p>Key factors are applied in context of the data.</p> <p>All options considered and applied to Arjun's situation.</p> | | |
| 2 | <p>2-3 marks</p> <p>Good application of data has been included.</p> <p>Key factors are applied in context of the data.</p> <p>Most options considered and applied to Arjun's situation.</p> | <p>2 marks</p> <p>A good and clear analysis of the impact on Arjun's profits of the different options in the Table.</p> <p>The key issues have been developed with a clear line of argument.</p> | <p>2 marks</p> <p>Well-reasoned evaluation of the impact on Arjun's profits of the different options in the Table.</p> <p>Clear judgements are made on the proposal and arguments are supported.</p> <p>Recommendations may be included.</p> |
| 1 | <p>1 mark</p> <p>Limited application of data has been included.</p> <p>At least one option considered and applied to Arjun's situation.</p> | <p>1 mark</p> <p>Limited analysis of the impact on Arjun's profits of the different options in the Table.</p> <p>Superficial comments with limited development.</p> | <p>1 mark</p> <p>A limited evaluation of the impact on Arjun's profits of the different options in the Table.</p> <p>Judgements and arguments made on the proposal are unsupported.</p> |
| 0 | <p>0 marks</p> <p>No application.</p> | <p>0 marks</p> <p>No analysis included.</p> | <p>0 marks</p> <p>No evaluation included.</p> |

Indicative content:

- If Arjun adds fitting costs on top of his selling price then this will effectively mean an increase in his price.
- An increase in price may lead to a decrease in demand for his air conditioning units.
- Customers may find cheaper alternatives, as there will be an increase of 17%, which is quite substantial.
- Arjun may want to consider charging less for fitting the units as this could put customers off and they may find a cheaper supplier.
- Arjun could research the prices that other businesses charge so that he stays competitive.
- Although an increase in overall price may affect demand for his air conditioning units this will mean an increase in revenue. It might be wise to charge only a small amount to start in order to test the market.
- A higher price may increase revenue in the short term and, therefore, overall profits, but could lead to a decrease in sales in the long term.
- Arjun would cut costs and increase his profit margin if he moved to cheaper premises. This would reduce his costs by £500 per month.
- Moving premises may, however, increase other costs, such as, his transport costs.
- Customers may find it harder to find Arjun's new premises and he may lose valuable customers.
- The premises may be cheaper because of the lack of facilities available in the area, or lack of other businesses close by which may affect Arjun's business.
- He could purchase second-hand air conditioning units for the cheaper price of £75. This would reduce his variable costs and total costs and increase his profit.
- However, the air conditioning units he buys for £75 may not be the same quality and this may result in lower customer satisfaction. Arjun may lose customers.
- He could clean and recondition the units himself which would lower his costs per unit and improve profitability.
- However, this would be time consuming and Arjun may not have the skills or equipment to do as good a job as the original contractor.
- Award for any correct calculations included in the answer.
- Option A will result in £15,000 profit
- Option B will result in £17,000 profit
- Option C will result in £19,000 profit
- Option D will result in £16,000 profit

Any other valid points.

| 3. (a) | State, with the use of examples, the meaning of both primary and secondary market research. | Total |
|--------|--|----------|
| | <p>AO1: 4 marks</p> <p>Award 1 mark for a definition of primary market research Award 1 mark for a definition of secondary market research</p> <p>Award 1 mark for example of primary market research Award 1 mark for example of secondary market research</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Primary market research involves collecting primary data which did not exist before (1); Field research, which is collecting for a specific purpose (1); Information/data gathered first-hand (1); Tailor-made to a business' own product (1); Provides the exact questions a business may be interested in (1) • Examples include questionnaires (1); interviews (1); postal surveys (1); observation (1) and focus groups (1). • Secondary research is the collection of data that already exists (1); Desk research, gathered for different purposes (1); It can be collected internally or externally (1). • Examples include analysis of sales figures or annual reports (1); Internet websites (1); Government reports (1); Commercial publications (1) or retail audits (1). | 4 |

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|---------------|--|--|--|
| 3. (b) | Analyse the issues Charlie should consider when selecting the most appropriate method of market research. [6] | | |
| Band | AO1 | AO2 | AO3 |
| | 2 marks | 2 marks | 2 marks |
| 2 | <p>2 marks</p> <p>Demonstrates good knowledge and understanding of the issues to be considered when selecting market research methods.</p> <p>A number of key issues have been addressed.</p> | <p>2 marks</p> <p>Good application to Charlie's situation.</p> <p>Key factors are applied in context of the data.</p> | <p>2 marks</p> <p>A good analysis of the issues to be considered when selecting market research methods and the impact on business.</p> <p>The analysis includes some well-developed issues and others where the development is more limited.</p> <p>A number of issues are developed and analysed.</p> |
| 1 | <p>1 mark</p> <p>Demonstrates limited knowledge and understanding of the issues to be considered when selecting market research methods.</p> <p>Superficial understanding of key issues demonstrated.</p> | <p>1 mark</p> <p>Limited application to Charlie's situation.</p> <p>Only some reference to the context of the data.</p> | <p>1 mark</p> <p>A limited analysis of the issues to be considered when selecting market research methods and the impact on business.</p> <p>Superficial arguments with limited development.</p> <p>A limited number of issues are analysed.</p> |
| 0 | <p>0 marks</p> <p>No knowledge and understanding demonstrated.</p> | <p>0 marks</p> <p>No application attempted</p> | <p>0 marks</p> <p>No analysis attempted</p> |

Indicative content:

- **Costs** need to be considered. Larger businesses can afford to carry out extensive primary market research. Charlie's business will be small and not yet established. Charlie's budget is small.
- Charlie will be competing in a **highly competitive market** and, therefore, even if she did carry out market research this may not be enough to help her be successful.
- Smaller businesses might not be able to afford the **time** to carry out extensive primary market research as this can also be very time consuming. Charlie is opening shortly and may not have time to carry research out effectively.
- Because of Charlie's small budget she may have to rely more on secondary market research, which has already been collected and is much cheaper.
- Secondary market research is much **cheaper**. Charlie has only set **aside £500** – will this be sufficient to carry out the research needed?
- There are many other restaurants in the area, she could carry out secondary market research on these to help her business, without the cost.
- Secondary market research may **not be reliable or valid**. This may be out of date or irrelevant and may affect Charlie's research findings.
- Data must not be **biased**.
- Secondary market research may **not be specific** enough to meet Charlie's needs. It is **second hand data** that may not be fit for purpose. Charlie's restaurant may be different from the other restaurants in her hometown.
- Charlie is setting up in her hometown and must know the area very well. Does she really need to carry out market research?
- A Charlie may want lots of **quantitative** data, which is measurable. This takes time to gather and analyse.
- **Qualitative** data may be more suitable if more in depth opinions and feelings are needed to gauge customer needs and wants. Charlie has a limited amount of time in which to gather data.

Any other valid points.

| | | |
|-------------------|--|--------------|
| 3. (c) (i) | State what is meant by <i>market segmentation</i>. | Total |
| | <p>AO1: 1 mark</p> <p>Award 1 mark for definition of market segmentation:</p> <p>Indicative content:</p> <p>Breaking down a market into sub-groups, which share similar characteristics.</p> <p>Do not accept examples on their own: income, age etc.</p> | 1 |

| | | |
|--------------------|---|--------------|
| 3. (c) (ii) | Identify two possible market segments for Charlie. | Total |
| | <p>AO2: 2 marks</p> <p>Award 1 mark for each segment identified with development.</p> <p>Indicative content:</p> <p>Families Business customers Income Lifestyle Age Customers celebrating special occasions</p> | 2 |

| | | |
|---------------------|---|--------------|
| 3. (c) (iii) | Explain how market segmentation can help a business attract customers. | Total |
| | <p>AO3: 2 marks</p> <p>Award 1 mark for each valid explanation</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Greater knowledge about its customers will allow a business to vary its products to suit their needs better; • Segmentation allows a business to target groups of customers with particular products; • Customers may feel that their needs are being better targeted and this will develop customer loyalty to the business; • Segmentation might allow a business to market a wider range of differentiated products; • Prevents products being promoted to the wrong group of customers and, therefore, reduces waste of resources and costs; • Successful segmentation should allow a business to sell more products and increase profits. | 2 |

| | | |
|---------------|---|--------------|
| 4. (a) | Outline two features of <i>perfect competition</i>. | Total |
| | <p>AO1: 2 marks</p> <p>Award 1 mark for each characteristic outlined</p> <p>Indicative content:</p> <p>No low barriers to entry exist (1); The goods sold are homogenous (1); There are a large number of small businesses competing (1); No one business is large enough to influence the activities of others (1); There are no market leaders (1); Equal access to full market information and/or technology (1); They are price takers (1).</p> | 2 |

| | | | | |
|---------------|---|---|---|------------|
| 4. (b) | Evaluate the impact of entrepreneurs on the UK economy. | | | [6] |
| Band | AO1 | AO3 | AO4 | |
| | 2 marks | 2 marks | 2 marks | |
| 2 | <p>2 marks</p> <p>Candidate demonstrates a good knowledge and understanding of the importance of entrepreneurs to the UK economy.</p> <p>A number of issues have been addressed.</p> | <p>2 marks</p> <p>A good analysis of the importance of entrepreneurs to the UK economy.</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 importance of entrepreneurs to the UK economy.</p> <p>The evaluation is reasonably well balanced and with some development of 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> | |
| | <p>1 mark</p> <p>Limited knowledge and understanding of the importance of entrepreneurs to the UK economy</p> <p>Only one or two issues included.</p> | <p>1 mark</p> <p>A limited analysis of the importance of entrepreneurs to the UK economy.</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 importance of entrepreneurs to the UK economy.</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> | |
| | <p>0 marks</p> <p>No knowledge and understanding demonstrated.</p> | <p>0 marks</p> <p>No analysis attempted.</p> | <p>0 marks</p> <p>No evaluation attempted.</p> | |

Indicative content:

- Entrepreneurs start businesses and create jobs – businesses require a number of employees to help run and operate the business. These people pay tax and spend income on other products and services which goes into the economy;
- Entrepreneurs are critical to the UK economy - according to the department of BIS data, 99.2% of all UK businesses are defined as 'small';
- This 99.2% (BIS data) of businesses is responsible for 47% of all private sector employment in the UK and around 1/3 of all turnover created by private enterprise;
- Entrepreneurs create demand for products which in turn creates more jobs and other new businesses;
- Entrepreneurs pay tax to the government – SMEs are required to pay business and corporation tax. This goes to the government to pay for things such as hospitals, police and schools;
- Entrepreneurs buy products and services from other businesses in order to produce finished goods thus helping to generate wealth in the economy both local and national;
- Entrepreneurs are often inventive and often introduce new technology and innovation to the market – they come up with new technologies, create new products and provide new services for people in the UK and abroad;
- Entrepreneurs/SMEs stimulate the economy by instilling confidence in people – having a healthy economy makes people more confident to invest;
- Entrepreneurs/SMEs help to create competition which is good for the consumer and growth.

However:

- Often entrepreneurs have less recognition and find it harder to compete with larger businesses;
- It may be harder for entrepreneurs to raise finance because of the size and scale of the business.
- Entrepreneurs usually start with smaller budgets – do not have funds to compete with larger organisations to put into R&D, advanced technology, marketing and promotions, which may affect the entrepreneur's ability to offer high quality solutions to customers;
- Entrepreneurs have enterprises that are usually small scale and more likely to fail in times of recession and hardship;
- Many entrepreneurs/SMEs fail in the first or second year of trading.

Any other valid points.