

## AS MARK SCHEME COMP 1 DEC 2015

1 (a)	Why might James Roupell be regarded as an entrepreneur? [4]	
Band	AO1 1a	AO2 1a
	2 marks	2 marks
2	<p><b>2 marks</b></p> <p>Demonstrates good knowledge of the key characteristics of an entrepreneur.</p>	<p><b>2 marks</b></p> <p>Good application of the key characteristics of an entrepreneur.</p> <p>The key factors are applied in context of the data.</p> <p>Clear reference to the text.</p>
	<p><b>1 mark</b></p> <p>Demonstrates a limited knowledge of the key characteristics of an entrepreneur.</p>	<p><b>1 mark</b></p> <p>Limited application of the key characteristics of an entrepreneur.</p> <p>The learner response is mainly theoretical with limited reference to the data.</p>
0	<p><b>0 marks</b></p> <p>No knowledge of the characteristics of an entrepreneur.</p>	<p><b>0 marks</b></p> <p>No application to the data.</p>

**Indicative content:**

- Innovative product designer - Children's backpack idea
- Independent thinker - rejected Dragon's offer
- Determined to succeed on his own/made innovative idea into a reality - idea became reality in 6 months
- Decisive - not wanting to lose too much equity to the Dragons

Q.		Total
1 (b)	<p><b>With reference to the Dragon's offer of £50 000 in exchange for a 40 per cent stake in the business, calculate their estimated value of the 'Bobo Buddies' business.</b></p> <p>Award 1 mark for correct formula AO1 1 mark 1a</p> <p>Award 1 mark for correct calculation AO2 1 mark 1a</p> <p><b>Or</b></p> <p>Award 2 marks for correct answer</p> <p><math display="block">\frac{£50,000}{40} \times 100 = £125,000</math></p>	2

<b>1 (c)</b>	<b>Suggest two other sources of finance that James might use to raise the money and explain the possible benefits and drawbacks of each chosen source of finance.</b> <span style="float: right;"><b>[6]</b></span>	
<b>Band</b>	AO1 1c	AO3
	2 marks	4 marks
<b>2</b>	<b>2 marks</b> The learner identifies 2 suitable sources of finance.	<b>3-4 marks</b> A good analysis of the benefits and drawbacks of the identified sources of finance.  A clear explanation of how the chosen sources of finance will impact upon James and the business.  A logical chain of reasoning is evident.
	<b>1 mark</b> The learner identifies 1 suitable source of finance.	<b>1-2 marks</b> Limited analysis of the benefits and drawbacks of the identified sources of finance.  A limited explanation of how the chosen sources of finance will impact upon James and the business.  The analysis lacks depth with some undeveloped points.
<b>0</b>	<b>0 marks</b> No suitable source of finance identified.	<b>0 marks</b> No analysis attempted.

**Indicative content:**

- Bank loan - widely available through many financial institutions, will involve paying interest, can be expensive, can increase costs and affect profit margins, but no loss of equity.
- Sell Shares - to family and friends or to venture capitalists - these are people who buy shares in new businesses. They may also be able to offer advice to James, but will lose some degree of control as equity is diluted.
- Grants - money given to business by local and central government, these do not have to be repaid, but not all businesses qualify for grants.
- Leasing - if money is needed to buy equipment. This is when a business rents fixed assets. Only a small amount is needed in the short-term, but over the long-term it can be expensive and James will never get to own the asset.

Credit any other suitable method.

2 (a)	<b>Explain two advantages and two disadvantages to Danny and Richard of setting up as a partnership?</b> [8]		
Band	AO1 1ab	AO2 1ab	AO3
	2 marks	4 marks	2 marks
2	<b>2 marks</b> Demonstrates knowledge and understanding of at least 2 advantages and 2 disadvantages of setting up a partnership.	<b>3-4 marks</b> Applies at least 2 advantages and 2 disadvantages to Danny and Richard of setting up their partnership.  Clear reference to the context.	<b>2 marks</b> A good analysis of the advantages and disadvantages of operating as a partnership.  Analysis shows a clear understanding of the impact of operating as a partnership on Danny and Richard.
	<b>1 mark</b> Demonstrates knowledge of 1 advantage and 1 disadvantage of setting up a partnership.	<b>1-2 marks</b> Applies at least 1 advantage or 1 disadvantage.  Limited application to the advantages or disadvantages to Danny and Richard of setting up their partnership.	<b>1 mark</b> Limited analysis of the advantages or disadvantages of operating as a partnership.  Analysis shows superficial understanding of the impact of operating as a partnership on Danny and Richard.
0	<b>0 marks</b> Demonstrates knowledge of only 1 advantage or disadvantage or no knowledge demonstrated.	<b>0 marks</b> No application to Danny and Richard.	<b>0 marks</b> No analysis of the impact of setting up as a partnership to Danny and Richard.

**Indicative content:**

## Possible advantages:

- As partners they can combine their specialist skills (business and catering) to form a more effective business and provide greater customer satisfaction.
- They can each make particular contributions to the business plan related to their training. Danny is a catering student and Richard a business undergraduate.
- They are good friends and are likely to be able to trust one another.
- They may be able to raise more finance as a pair as opposed to being a sole trader.
- They can cover for each other during times of sickness or holidays.
- They can share ideas and make key decisions together to enhance the business plan.
- They may motivate and support each other during difficult times.

## Possible disadvantages:

- Partners still have unlimited liability and are still liable to all debts incurred.
- Any decision made by Danny or Richard is binding on their partner – even if it is a costly mistake.
- Partners do not have incorporated status, so they can be sued by customers.
- Neither has much practical experience, having recently graduated.

Q.		Total
2 (b) (i)	<p><b>Identify two of the main components of a business plan.</b></p> <p>Award 1 mark for each component identified <span style="float: right;">AO1 2 marks 1a</span></p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• An overview of the business/ executive summary</li> <li>• The business' objectives</li> <li>• The business opportunity</li> <li>• The market it will operate in</li> <li>• Personnel breakdown</li> <li>• Buying and production information</li> <li>• Premises and equipment required</li> <li>• Financial forecasts.</li> </ul>	<b>2</b>

2 (b) (ii)	<b>To what extent do you agree with the view that a business plan will guarantee the success of a business venture such as Danny and Richard's? [8]</b>	
Band	AO3	AO4 1cd
	4 marks	4 marks
<b>2</b>	<p style="text-align: center;"><b>3-4 marks</b></p> <p>Good analysis of how a business plan impacts on a new business venture.</p> <p>The analysis is balanced and detailed.</p> <p>The impacts of producing a business plan are clearly identified.</p> <p>Other factors affecting success are identified and discussed.</p> <p>Well-reasoned developments.</p> <p>The learner develops a logical chain of reasoning.</p>	<p style="text-align: center;"><b>3-4 marks</b></p> <p>Well-reasoned evaluation why a business plan will enhance the chance of success.</p> <p>The evaluation is balanced and will focus on the key issues.</p> <p>Other key aspects for business success are evaluated.</p> <p>Judgements made with supporting comments.</p> <p>Attaches weight and value to points in the evaluation.</p>
<b>1</b>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited analysis of how a business plan will impact on a new business venture.</p> <p>Undeveloped points are made.</p> <p>Other factors affecting success may be identified.</p> <p>Superficial discussion on the impact of a business plan on business success.</p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited evaluation of why a business plan will enhance the chance of success.</p> <p>Other important issues are identified but not developed.</p> <p>The evaluation will be uneven and focus on one-side of the argument.</p> <p>Unsupported judgements are made.</p>
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No analysis of the impact of a business plan on a new business venture.</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No evaluation on the importance of a business plan on a new venture.</p>

**Indicative content:**

Features of a business plan – objectives, the market, personnel, buying and production, location, forecasts (sales, cash-flow, P&L), break-even, finance.

Why might a business plan enhance the chance of success?

- A well-constructed business plan will force the entrepreneurs to examine all aspects of the business and not just focus upon a narrow aspect, such as the unique features of the product or service.
- Banks will expect to see a business plan to judge creditworthiness. Obtaining start-up finance is crucial.
- When trading, a business plan can be a useful monitoring tool – comparing forecasts with reality. Any problems that emerge can then be tackled.

Other elements to consider:

- Has the plan been properly researched – have all aspects for achieving success been covered?
- Is it realistic? Are the assumptions made in relation to sales and profits sensible? Are costs realistic?
- New, unanticipated competition could hit a business unexpectedly and make the business plan much less meaningful.
- Sharp economic downturns, such as the recession following 2008, make even the best business plans seem inadequate.

Conclusion:

There is likely to be a greater chance of success with a well-constructed business plan but it does not guarantee success.

Q.		Total
3 (a) (i)	<p><b>Calculate Ski-Joy's contribution per jacket:</b></p> <p>Award 1 mark for correct formula                      AO1 1 marks 1a Award 1 mark for correct calculation                      AO2 1 marks 1a</p> <p>contribution =                      selling price – variable costs</p> <p>Calculation of contribution                                      £100 (£300- (£120+£80)) Do not accept 100</p>	2
3(a)(ii)	<p><b>Calculate Ski-Joy's break-even output:</b></p> <p>Award 1 mark for correct formula                      AO1 1 marks 1a Award 1 mark for correct calculation                      AO2 1 marks 1a</p> <p>Break-even =                      <math>\frac{\text{fixed cost}}{\text{contribution}}</math></p> <p>Calculation of break-even                      <math>\frac{£1\,000\,000}{100} = 10\,000</math> jackets or 10 000 Do not accept £10 000</p>	2

Q.		Total
3 (b)	<p><b>Calculate the profit that Ski-Joy made in 2014. (show your workings)</b></p> <p>Award 1 mark for correct formula                      AO1 1 mark 1a</p> <p>profit = total revenue(sales x sales price) – total cost</p> <p>Award 1 mark for each correct calculation                      AO2 3 marks 1a</p> <p>Calculation of sales revenue                                      50 000 x £300= £15 000 000 or £15 million Do not accept 15 000 000 or 15 million</p> <p>Calculation of total costs    (£50 000*£200)+£1 000 000)= £11 000 000 or £11 million</p> <p>Calculation of profit    £15 000 000 - £11 000 000= £4 000 000 or £4 million Do not accept 4 000 000 or 4 million</p> <p>Own figure rule applies for calculation of profit.</p>	4

<b>4 (a)</b>	<b>Adapt the diagram below and explain what will happen to the price of sports clothing as the general level of income rises in the UK.</b> [4]		
<b>Band</b>	AO1 1b	AO2 1b	AO3
	1 mark	1 mark	2 marks
<b>2</b>			<p><b>2 marks</b></p> <p>Explains reason for the shift in the demand curve and the impact on the new price at P1.</p> <p>Makes reference to increase in price at P1.</p> <p>Clear explanation of the impact on price as the general level of income rises.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>The learner shows knowledge that the price will increase.</p> <p>The learner demonstrates an understanding that price will increase.</p>	<p><b>1 mark</b></p> <p>Applies knowledge by moving demand curve to the right.</p> <p>The new demand curve must be labelled correctly.</p>	<p><b>1 mark</b></p> <p>Limited explanation of reasons why demand curve shifts.</p> <p>No reference to price at P1.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No knowledge or understanding that the price will increase.</p>	<p><b>0 marks</b></p> <p>Incorrect change to the diagram or the demand curve is moved correctly but is not labelled or not labelled correctly.</p>	<p><b>0 marks</b></p> <p>No explanation on the impact of an increase in income.</p>

**Indicative content:**

- Able to identify how the changes will impact upon the demand curve.
- Moves the demand curve (shifts) to the right on the diagram.
- Increase in the general level of income explained as reason for shift.
- Price rises – new equilibrium where  $D_1$  cuts original supply curve.

<b>4 (b)</b>	<b>To what extent do you agree with Giles Marlow's view that ".....a rise in the general level of income is the most significant factor that affects demand in our market"?</b>		
			<b>[8]</b>
<b>Band</b>	AO1 1ab	AO2 1b	AO4 1c
	2 marks	2 marks	4 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Demonstrates good understanding of the key factors that affect demand.</p> <p>Clear understanding of the reasons why demand in the market is affected by a rise in incomes.</p> <p>Clear understanding of the other factors, other than income, that affect demand.</p>	<p><b>2 marks</b></p> <p>Good application of the key factors that affect the demand for the business' products.</p> <p>The key factors are applied in context of the data.</p> <p>Clear reference to the context.</p>	<p><b>3-4 marks</b></p> <p>Well-reasoned and balanced evaluation that considers the significance of the key factors that affect demand.</p> <p>Lines of evaluation are well-developed and informed judgements are made.</p> <p>Attaches weight and value to points in the evaluation.</p> <p>May offer an overall judgement on the most significant factor.</p>
	<b>1</b>	<p><b>1 mark</b></p> <p>Demonstrates limited knowledge of the key factors that affect demand.</p> <p>Superficial understanding of how the level of income affects demand.</p> <p>Other factors may be identified.</p>	<p><b>1 mark</b></p> <p>Limited application of the key factors that affect the demand for the business' products.</p> <p>The learner response is mainly theoretical with limited reference to the data.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No knowledge or understanding of what affects demand.</p>	<p><b>0 marks</b></p> <p>No application to the data.</p>	<p><b>0 marks</b></p> <p>No evaluation of the factors that affect demand.</p>



**Indicative content:**

- Reasonable to assume that the higher the incomes of consumers the more sports clothing will be bought – income sensitive.
- A well-established business will have experience of the effect that rising income levels have on their business.
- It is a significant factor because consumers will be more confident and will be willing to spend on 'luxury/quality' items as incomes rise. However.....may not be the only factor to affect demand for their products.
- Some customers will have large increases in their income. Others will find that their incomes do not increase at all. Thus, demand for sports clothing will only increase if the incomes of those consumers who buy them increase.
- A successful advertising campaign may also have a positive impact upon sales for the business. Reverse also true.
- A change in taste and fashion in favour of sports clothing may have a positive effect. Reverse also true.
- Change in population levels and structure can affect demand. If many of their customers are retired, for example, their incomes may be largely fixed. Therefore the impact of rising incomes will not be so significant for this type of business.

