



**General Certificate of Secondary Education  
June 2012**

**Business Studies**

**413001**

**(Specification 4133)**

**Unit 1: Setting up a Business**

***Mark Scheme***

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1

**Total for this question: 21 marks**

**1 (a)** State **two** possible business objectives that would be suitable for a small business such as Marco's. (2 marks)

**Possible answers might include the following:**

- survival
- keep/return to making a profit
- growth (of sales).

Also allow both generic objectives such as customer satisfaction; provide a quality service and specific objectives that might apply to Marco.

One mark for each correct point.

**1 (b)** Describe the effect that the opening of the new pizza takeaway might have on **two** different groups of stakeholders of Marco's business. (4 marks)

Stakeholder groups include employees, customers, owner (Marco), suppliers, competitors.

**Apply the grid below twice.**

Level	Descriptor	Marks	Assessment Objective
2	Describes effect on stakeholders of Marco's business.	2	AO2
1	Identifies group of stakeholders.	1	AO1
0	No valid response.	0	

x 2 stakeholder groups.

**L2 Example:**

Employees (1) will be affected by the opening of the takeaway as they will lose their jobs (1).

**1 (c) (i)** *Marco currently sells cod and chips meals for £5 and sells 100 a week. If he reduces the price to £4, he is sure he can sell 150 meals.*

*Calculate his weekly revenue if he does sell 150 meals at the new price.  
(2 marks)*

Correct answer = £600 (**2 marks**).  
£4 x 150

Other answers that can be awarded **1 mark**.  
Giving the formula of Price x Quantity = Revenue.  
Showing understanding of the formula by using:  
5 x 100, 4 x 100, 5 x 150.

**1 (c) (ii)** *Explain what other information Marco would need to consider before deciding whether to reduce his price.  
(4 marks)*

**Possible answers might include the following:**

- Marco's variable or fixed costs
- Competitors' prices or range of products
- views of customers.

Level	Descriptor	Marks	Assessment Objective
2	Explains how information will help Marco with his decision.	4–3	AO2
1	Identifies information.	2–1	AO1
0	No valid response.	0	

**L2 Example:**

Marco will need to know what his costs are (L1). This could include fish or wages (L1). He can then see whether his lower price will now cover his costs (L2, 3 marks) or whether he will need to reduce his staff costs further so that his profit will go up (L2, 4 marks).

<p><b>1 (d)</b> <i>Marco is considering whether he should offer a delivery service. In order to see whether this would increase demand for his traditional range of meals, Marco knows that he must undertake some reliable market research.</i></p> <p><i>His options include:</i></p> <ul style="list-style-type: none"> <li>• <i>interviewing some of his current customers</i></li> <li>• <i>giving out questionnaires in the local shopping centre.</i></li> </ul> <p><i>Advise Marco on what he should do. Give reasons for your advice. (9 marks)</i></p>
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**Possible areas for discussion might include the following:**

**Interviews:**

- will take time and money to complete
- unlikely to be accurate or have sufficient sample size
- should include non (potential) customers
- existing customers are biased
- will be up-to-date and can cover correct area
- will also create awareness.

**Questionnaire:**

- can look at a range of competitors
- may not gather customer views
- may be unrepresentative
- sample may be biased.

Many other suitable options can be included/discussed and/or combined.

Level	Descriptor	Marks	Assessment Objective
3	Analyses benefit(s) of option(s).	4–3	AO3
2	Describes benefit(s) of option(s).	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

**Note:** AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement plus clear justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	

2

**Total for this question: 19 marks**

**2 (a)** Describe **one** way in which the law will help to protect the customers of Budget Signs Ltd. (2 marks)

**Possible answers might include the following:**

The law says that products should be as described, fit for purpose, of suitable quality etc. Complaints are about signs being ‘the wrong size, the wrong colour and containing spelling mistakes’.

One mark for identifying valid legal point, second mark for development/explanation or example which may or may not be in context.

Products should be fit for purpose (1). If a business is supplied with a name sign with spelling mistakes it cannot be used (1).

**2 (b)** Explain **two** advantages to Budget Signs Ltd of using batch production to produce its large range of standard signs. (4 marks)

**Possible answers might include the following:**

- quality should increase
- productivity / efficiency should increase
- costs should decrease
- allows you to make large quantities of different signs
- more scope for use of technology.

**Use the grid below twice.**

Level	Descriptor	Marks	Assessment Objective
2	Explains how batch production would be an advantage to <i>Budget Signs Ltd.</i>	2	AO2
1	Identifies advantage of batch production.	1	AO1
0	No valid response.	0	

**L2 Example:**

Batch production would reduce costs (L1) as they can use more technology to produce a large amount of similar signs (L2).

**2 (c)** Explain the benefits to *Budget Signs Ltd* of producing quality products. (4 marks)

**Benefits might include the following:**

- better reputation
- repeat purchases
- less complaints
- motivated workers.

Allow any reasonable suggestion/example/benefit that could be applied to *Budget Signs Ltd*.

Maximum of 3 marks if only one benefit identified and explained.

Level	Descriptor	Marks	Assessment Objective
2	Explains how benefits could affect <i>Budget Signs Ltd</i> .	4–3	AO2
1	Identifies possible benefits.	2–1	AO1
0	No valid response.	0	

**L2 Example:**

If *Budget Signs Ltd* produces quality products, it will get less complaints and a better reputation (L1). This will lead to *Budget Signs Ltd* gaining more customers which will increase its sales and profits (L2).

**2 (d)**      *Recommend the best way for Budget Signs Ltd to improve its cash flow.  
Give reasons for your recommendation.*      (9 marks)

**Possible areas for discussion might include the following:**

- reduce/enforce customer credit – but they are major customers and may be lost
- gain credit terms or delay paying suppliers – but they are a new business they might not be given credit. They have to pay cash at present
- pay workers monthly – workers may leave if not paid weekly – could argue a one-off gain but when would monthly pay happen?
- apply for overdraft/loan – but would bank authorise and is it really needed?

Discussion should be in the context of the business.

Level	Descriptor	Marks	Assessment Objective
3	Analyses action <i>Budget Signs Ltd</i> could take to manage its cash flow.	4–3	AO3
2	Describes action <i>Budget Signs Ltd</i> could take.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

**Note:** AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

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3

**Total for this question: 20 marks**

**3 (a)** State **two** features of a private limited company (Ltd). (2 marks)

**Possible answers might include the following:**

- issues shares
- separate identity
- continuity
- more involved to set up compared to a sole trader or partnership
- can only sell shares to 'friends and family'
- shareholders have limited liability.

One mark for each correct response.

**3 (b)** Explain the possible benefits to LS Ltd of the location of its garden centre. (5 marks)

**Possible answers might include the following:**

- convenient to town/population
- good transport links
- convenient for staff
- convenient for customers
- available land (car park, greenhouses).

Level	Descriptor	Marks	Assessment Objective
2	Explains possible benefits to <i>LS Ltd</i> .	5–3	AO2
1	Identifies possible benefit(s) for current location.	2–1	AO1
0	No valid response.	0	

Maximum 4 marks for one benefit.

**L2 Example:**

It has a large car park (L1) this means that customers are more likely to visit as it will be convenient and easy to load their bulky garden purchases (L2). It also has a lot of space (L1) so it can grow its own plants (L2) which means it can have cheaper prices/make more profit (L2).

**3 (c)** State and explain **two** reasons why the company mainly employs part-time staff. (4 marks)

**Possible answers might include the following:**

- cheaper
- more flexible to assist with longer opening hours during the summer
- staff will work hard
- allows greater range of specialisms.

Do not allow answers that consider the benefits to the employee.

**Example:**

Part-time staff are more flexible (1). This is useful as with seasonal demand and long opening hours in the summer they may need extra hours (1).

One mark for identifying a reason, additional mark for explaining why *LS Ltd* employs part-time staff.

**Apply twice.**

**3 (d)** Advise LS Ltd on the best way to improve the motivation of its staff.  
Give reasons for your advice. (9 marks)

**Possible answers might include the following:**

**Current motivational problems are:**

- staff are poorly paid
- only employed part time and seasonally
- work long hours
- do not know when they are working
- their needs are not looked after and they are not told what is going on.

**Possible solutions could include monetary or non-monetary options:**

- monetary methods could include increased pay or bonuses
- non-monetary methods could include improved communication, training, greater responsibility or fringe benefits
- company's profits are 'low' so might affect the method chosen.

Level	Descriptor	Marks	Assessment Objective
3	Analyses benefit(s) of option(s) to LS Ltd.	4–3	AO3
2	Describes benefit(s) of option(s) to LS Ltd.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

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