

Cambridge National
Business and Enterprise

Unit **R061/01**: Introduction to Business

Cambridge National Level 1/2 Award/Certificate

Mark Scheme for January 2015

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
tv	Not relevant/Too vague
	Correct
	Seen (even blank page)
	Repetition
	Level 1
	Level 2
	Level 3
	Cross
	Use of research/context
	Not answered question
	Advantages
	Disadvantages
BOD	BOD
L4	Level 4

Question		Answer	Mark	Guidance
1	(a)	<p>Candidates can choose any business that seems to be relevant.</p> <p>For “name”, candidate could include “The”, eg “The Vegi Stall” as this implies that it is a business name rather than type.</p> <p>No marks for using name or product/service from the research brief.</p>	2	<p>One mark for each correct identification.</p> <p>No marks for businesses known to be companies or partnerships e.g. Tesco and John Lewis.</p> <p>Do not accept general names eg Hairdresser, Bakery, Car Shop, Flower Shop etc.</p> <p>If (a) name is incorrect, product/service correct and relevant can be given mark.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
	(b)	<p>Exemplar:</p> <p>Unlimited Liability is when the owner/s (1) of a business is responsible for all the business debts (1).</p> <p>Alternatives would include, possessions being taken, personally liable</p>	2	<p>Up to two marks for a definition NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p> <p>Do not need to mention debt.</p>

Question	Answer	Mark	Guidance
(c)	<p>Benefits include:</p> <ul style="list-style-type: none"> • personal contact/service • keeps all profits • makes all decisions • easy to set up • full control • set up costs (paper) • friends/family <p>Exemplar answer: As a sole trader Tracy has personal contact (1) which means that Tracy builds a relationship with her customers (1). In a partnership you do not have to split the profits. (1)</p> <p>Explanation needs to relate to benefit of partnership.</p>	3	<p>One mark for the correct identification of a benefit, plus a further one mark for an explanation. Third mark must show some comparison with partnership.</p> <p>If benefit/explanation same can not get second mark repeated.</p> <p>Do not reward 2 separate benefits. Context is not required – generic application to be rewarded.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question		Answer	Mark	Guidance
2	(a)	<p>Objectives:</p> <ul style="list-style-type: none"> • Profit • Social benefit • Market share • To provide effective service to the public • Survival • Reputation • Corporate social responsibility/eco-friendly • Change in business organisation • Make/ sell other products • Break even • Ecommerce (develop online presence) • Friendly environment • Decrease running costs 	2	<p>One mark for each correct identification up to a maximum of two marks.</p> <p>Do not allow sales revenue, expansion or growth.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
	(b)	<p>Reasons might include:</p> <ul style="list-style-type: none"> • To increase profit • To survive • To change business organisation • Increase market share • Might disagree • Already achieved objectives • Business growing • More money in the business, new objectives <p>Exemplar answer:</p> <p>Tracy might have to rethink her objective of increasing sales revenue and concentrate on survival (1) in the first year of the new partnership (1) while the new products are becoming established. (1)</p>	2	<p>One mark for new objective plus up to one mark for explanation.</p> <p>Second mark needs to relate to partnership eg issue of more than one person involved eg combination of skills</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Mark	Guidance
2 (c)	<p>Objectives are important in order to:</p> <ul style="list-style-type: none"> • give direction and purpose (to staff) • to set realistic, measurable, timely and achievable targets(SMART) • to achieve strategic aims • to motivate the workforce • to monitor, control and review business activities/to assess progress • be organised • focus on weak points to improve <p>Exemplar answers:</p> <p>Objectives are important so that the business knows what it needs to achieve (L1). A business can make decisions which will help it to reach its objectives (L1). It is particularly important for a small business to have realistic objectives which are achievable. (L2). For example Tracy wishes to increase sales revenue but in order to do this she may have to increase advertising. This would increase her costs and may decrease her profit meaning that she does not have enough money to live. (L3). A lot of small shops in our area (eg) have closed down because they have gone bankrupt. This may have been due to them not having realistic objectives (L3).</p> <p>Be aware of second page</p>	6	<p>Level 3 – Analysis (5-6 marks) Analysis of the reason for small business to have objectives using examples from the local area. Maximum of 5 marks for no reference to local area/one example.</p> <p>Level 2 – Application (2–4 marks) Application of knowledge and understanding of reason for having objectives.</p> <p>No research needed for level 2.</p> <p>1xL2 = 3 2xL2 = 4</p> <p>Level 1 – Knowledge (1 mark) Identification of reasons for having objectives.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question		Answer	Mark	Guidance
3	(a)	<p>Cash flow is the <i>movement(1)</i> of cash <i>into(1)</i> and <i>out(1)</i> of a business</p> <p>Accept 'the movement of cash out and into a business'</p> <p>Accept "in" as well as "into".</p>	3	<p>One mark for each correct identification.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
	(b)	<p>Ways might include:</p> <ul style="list-style-type: none"> • More money coming from Chandra • More accessible • More opportunity/security <p>Exemplar:</p> <p>Going into partnership means that Tracy will get investment from Chandra (1) to use to buy the extra machinery needed for the expansion. (1)</p> <p>Both put money in (1) which could then increase to produce range and raise finance by selling more (1)</p> <p>Second mark – raising money to do something.</p>	2	<p>One mark for the correct identification of a valid way, plus a further mark for any development of that way.</p> <p>Do not award 2 marks for two different ways. Must be one way and development.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Mark	Guidance
4	<p>Candidates need to make a case for one or other option.</p> <p>Advantage of wholesalers to UGF:</p> <ul style="list-style-type: none"> • Less storage space and costs • Expertise of wholesalers • Certain demand • Reduction in risk • Reduced cost of transportation <p>Disadvantages of wholesalers to UGF:</p> <ul style="list-style-type: none"> • Lack of personal contact and information from consumers • Less profit • Less knowledge of how product is marketed and sold <p>Advantages of direct selling to supermarkets to UGF:</p> <ul style="list-style-type: none"> • Faster than wholesalers • Better consumer feedback • Certainty of distribution and selling • Increased sales volume/revenue • Less storage and transport costs <p>Disadvantages of direct selling to supermarkets:</p> <ul style="list-style-type: none"> • Contracts may be short • Profit is reduced • Quality requirement is high <p>Exemplar answer:</p> <p>A local grower of apples in my area sells the apple juice it makes straight to the supermarket. This is because the supermarket will take smaller amounts of the apple juice as and when it is sold. (L2) The supermarket does this to show that it is supporting local growers. However it is very important that the product is high quality and are packaged and bottled professionally whereas when it is sold at local markets this is not the case (L3). Therefore although money is saved on storage and transport costs of the products and vegetables the price at which they would be sold to a retailer</p>	10	<p>Level 4 – Evaluation (8–10 marks) Evaluation of at least one option for small businesses such as UGF using examples from the local area. Maximum of 8 marks for no reference to local area Max 9 for one option evaluated with research</p> <p>Level 3 – Analysis (5–7 marks) Analysis of at least one option for small businesses such as UGF using examples from the local area. Maximum of 5 marks for no reference to local area or only one method of distribution with L3 analysis.</p> <p>Level 2 – Application (3–4 marks) Knowledge and understanding of one or more of the distribution options.</p> <p>Level 1 – Knowledge (1–2 marks) Simple knowledge of distribution.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p> <p>Note: If the candidate produces an evaluation then they move into Level 4, even if not all Level 3 criteria met.</p>

Question	Answer	Mark	Guidance
	<p>would be lower than selling directly to the consumer (L4). Using a wholesaler would allow the new business to sell a greater quantity of products when the business is established but they would probably be unable to produce enough at first to really benefit from the breaking bulk and storage facilities offered by a wholesaler. Most of the small businesses in my area tend to sell directly to supermarkets with whom they can build a relationship and know that there is feedback about the consumer response to the products. Therefore I would recommend that in a few years the business approaches larger supermarkets and uses them as its distribution outlet.(L4)</p>		
5	<p>(a)</p> <p>Features of batch production might include:</p> <ul style="list-style-type: none"> • Combination of job and flow production • Identical/similar products in limited quantities • Requires machinery • Can use CAM • bunch of products together <p>Exemplar: Batch production is when similar products (1) are made in limited quantities (1) Alternatively, an example can be given for the second mark eg “strawberry jam”.</p>	2	<p>One mark for correct feature plus one mark for explanation OR a correct and appropriate example. Allow chutneys, sauces and jams.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p> <p>Do not accept ‘ makes lots of products at once’</p>
	<p>(b)</p> <p>Suggestions, eg (not a definitive list):</p> <ul style="list-style-type: none"> • Cost of machinery • Is it needed? • How long will the machinery last • Rates of interest • How much machinery/type of machinery • How much it will produce • Costs of training • Eco friendly 	3	<p>One mark for each correct identification.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p> <p>Do not accept “costs” or “workers” on their own.</p>

Question		Answer	Mark	Guidance
		<ul style="list-style-type: none"> • Loss of jobs • Cost of borrowing/insurance etc • Will it be profitable? • Training • Space/size • Pay back time • Investment appraisal • Reliability/quality of machinery • Demand for products • Can it be leased Depreciation		Two answers could be in one factor eg on one line.
6	(a)	<p>Correct answer is Time rate</p> <p>Accept “wages”, “daily wage”</p>	1	<p>One mark for correct identification</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
	(b)	<p>Piece rate</p> <p>Bonus/performance related pay</p> <p>Daily rate</p>	1	<p>Do not reward salary as not appropriate for temporary workers</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question		Answer	Mark	Guidance
6	(c)	<p>Possible answers include:</p> <ul style="list-style-type: none"> • Training/re-employment • Increased wages/performance related pay/targets • Appraisal • Supervision • Job rotation • Family atmosphere/competitions/ best employee • Setting targets <p>Exemplar answer: Tracy could improve the motivation of her workers by giving them incentives (L1). At our local supermarket employees are motivated through an employee of the month scheme' and are given other benefits like lunch vouchers and a social club.(R) However Tracy's business is much smaller and the work is hard and requires the employees to be careful and to have some knowledge of plants (L2). Tracy could send her employees on a training day when they are first employed and also tell them that if they work well they could be re-employed next season. As it is a small business it is unlikely that Tracy would be able to increase wages (L3) so other forms of motivation and supervision may be more important. Temporary workers are often students or unemployed people so the need for some security of employment is important to them and also helps Tracy to know that she will have properly trained employees each season. (L4)</p> <p>A list of ways is only Level 1</p>	8	<p>Level 4 – Evaluation (7-8 marks) Recommendation and justification of using suitable method(s) of motivation management using examples from the local area. Maximum of 7 marks for no reference to local area.</p> <p>Level 3 – Analysis (5-6 marks) Analysis of the implications of using suitable method(s) of motivation management using examples from the local area. Maximum of 5 marks for no reference to local area/one example.</p> <p>Level 2 – Application (3-4 marks) Knowledge and understanding of methods of motivation management</p> <p>Level 1 – Knowledge (1 -2 marks) Identification of methods of motivation management.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Mark	Guidance
7	<p>Possible answers include:</p> <ul style="list-style-type: none"> • Health and Safety • Employment Law • Minimum Wage • Working Time Regulations • Equality Act • Sale of Goods Act • Data Protection • Any relevant law e.g. environmental, gangmasters, copyright, limited liability • Food Safety • Labelling • Any relevant EU regulations • Income Tax • Environment Act <p>Exemplar answer: Tracy will be affected by the Health and Safety laws (1) which protect employees and the public (1). If Tracy does not use proper tools and materials to grow her plants then employees might have accidents which could have been avoided. (1)</p> <p>Accept any relevant law/legislation relating to a business, eg limited liability act.</p> <p>If law incorrect but explanation is ok, mark explanation.</p>	3	<p>One mark for a correct identification of a law plus a two further marks for an explanation. 1+2</p> <p>Does not have to state the Act.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Mark	Guidance
8	<p>Possible answers include :</p> <p>Economic:</p> <ul style="list-style-type: none"> • Recession/recovery • Unemployment • Inflation • Interest rates • Taxation/government spending. • Competition (if only connected to prices or eg large supermarkets) • Demand <p>Environmental:</p> <ul style="list-style-type: none"> • Methods of fertiliser, pest control • Packaging • Noise • Litter • Fashion in foods • weather <p>Exemplar answer:</p> <p>Many small businesses such as small dress shops, pet shops and hairdressing shops have gone out of business on our local High Street because of the recession (L1 R). The recession means that there is more unemployment, wages don't increase as much as inflation (L2) and people do not have money to buy products and services from smaller shops whose prices are often much higher than they can buy them from supermarkets and online. The costs of running a small business are also very high and this means that profit will go down if there aren't enough sales (L3). Tracy and Chanda may have a better chance of surviving these economic problems if they go into partnership because they will have a better financial base and will be able to widen their product range to meet a specific demand in the market. (L4)</p>	10	<p>Level 4 – Evaluation (8–10 marks) Evaluation of a both external factors with a supported judgement about which will have the greatest impact which will impact on businesses such as UGF.</p> <p>For 9 or 10 marks candidate must come to a justified judgement based upon the preceding analysis and research. No research max 8 marks.</p> <p>Level 3 – Analysis (5–7 marks) Analysis of at least one of the external factors which may impact on businesses such as UGF based on research.</p> <p>Analysis of a factor but no research maximum 5 marks.</p> <p>Six marks for analysis of one factor with research.</p> <p>Seven marks for analysis of both factors with research.</p> <p>Level 2 – Application (3–4 marks) Knowledge and understanding of at least one external factor(s) which will impact on a business.</p>

Question	Answer	Mark	Guidance
	<p>The extent to which environmental issues affect a business depends upon the owners and how important they think it is to use more expensive natural organic fertilisers and pest control (L3). Small businesses such as the local pick your own farm shop in our area(R) uses environmental marketing to sell products. However this makes the products more expensive and therefore the farm has had to use the pick your own part of the business to make more money. (L3)</p> <p>The economy will always have a large impact on small businesses because they are often selling at a particular market and have to charge higher prices. They will benefit if the economy improves and people become better off and vice versa. However environmental factors are to some extent a matter of choice. Therefore I believe that the economy has the greatest impact on small businesses. (L4)</p> <p>Answer can be in regard to any local business or similar to UGF.</p> <p>“Customers won’t come in and buy the food. They won’t get no profit and they wouldn’t be able to buy things for their shop” – L3.</p> <p>Profit – there has to be some linkage and can’t link directly to the problem.</p>		<p>Level 1 – Knowledge (1–2 marks) Knowledge of economic/environmental factor(s).</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

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