

Cambridge National
Business and Enterprise

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

Cambridge National Level 1/2 Award/Certificate

Mark Scheme for June 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
	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
	Level 4

All on left hand side.

Question		Answer	Mark	Guidance				
1	(a)	<p>Answer</p> <p>A private limited company has <i>limited</i> (1) liability.</p> <p>The owners of a private limited company are paid a <i>dividend</i> (1).</p>	2	<p>One mark for each correct identification up to a maximum of two correct identifications.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>				
	(b)	<p>Answer</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>True</th> <th>False</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">✓</td> <td></td> </tr> </tbody> </table>	True	False	✓		1	<p>One mark for correct identification</p> <p>No marks if ticks in both boxes. If crossed out, reward if not replaced.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>
True	False							
✓								
	(c)	<p>Answer:</p> <p>Benefits include: shares quoted on Stock Exchange legal personality access to finance (sell shares) makes the business bigger economies of scale easier finance from banks</p> <p>Exemplar answer:</p> <p>DDL would be able to raise more money (1) by selling shares on the stock exchange (1) which they could use to develop more products and services(1).</p> <p>With an increase of shareholders DDL would become bigger(1). This gives it a chance to expand to different places (1), also there is then a continuous contingency plan (1).</p>	3	<p>One mark for the correct identification of a benefit, plus up to a further two marks for an explanation. (1+2 NOT 3*1)</p> <p>The second mark should show understanding of the reason. These can be benefits of one or drawbacks of the other. Third mark for context.</p> <p>Do not reward three separate benefits.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>				

Question		Answer	Mark	Guidance
2	(a)	<p>Competitors might affect DDL through:</p> <ul style="list-style-type: none"> • lower prices • more products/ packages • better quality • better safety record <p>Exemplar answer: Competition might affect the DDL because the people buying have other options (other than DDL (1) which means some might not buy from DDL which means they are going to lose money (1) and other companies will be gaining (1).</p>	3	<p>One mark for each point of explanation up to a maximum of three such points, but allow development marks. NB. For third mark must show some understanding of market share</p> <p>NR must be given where there is no answer 0 marks for an answer not worthy of credit.</p>
2	(b)	<p>Reasons:</p> <ul style="list-style-type: none"> • any economic factor – recession, tax, interest rates • demographic changes • technological changes • competition • new products <p>Must be reason for consumer switch from DDL to another business or vice versa.</p> <p>Exemplar answer: DDL's objectives should change over time because it operates in a competitive market.(L1) This means that if it is to <i>survive</i> the business must keep up with changes in firework and light display development if it is to offer the products and services which are demanded by the market. (L2) As the business is a company it has to make a <i>profit</i> in order to pay dividends to its shareholders but as it get bigger and becomes more successful it might consider becoming a public limited company in order to raise more money (L3). Some businesses in our area such as Marks and Spencer have not really moved with the times and have lost profit (R). Often business has to keep up with both fashions and with methods of buying and selling if they are to be competitive. Businesses such as DDL may be affected by changes in the law especially when giving firework displays and therefore may need more money to invest in new products (L3) and health and safety.</p>	6	<p>Level 3 – Analysis (5–6 marks) An analysis of the effects of the reasons for and implications of a business changing objectives over time. Max 5 marks for no context or research.</p> <p>Level 2 – Application (3–4 marks) An understanding of the reason(s) for a business to change its objectives over time.</p> <p>Level 1 – Knowledge (1–2 marks) Generic knowledge of objectives or simple statements about why objectives might change over time.</p> <p>Analysis will be shown by explaining the implications of changing or not changing objectives</p>

Question		Answer	Mark	Guidance						
				<p>over time.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>						
3	(a)	<p>Answer</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Overdraft</th> <th>Loan</th> </tr> </thead> <tbody> <tr> <td>Rate of interest is always variable</td> <td>Rate of interest can be fixed</td> </tr> <tr> <td>Short term</td> <td>Medium to long term</td> </tr> </tbody> </table>	Overdraft	Loan	Rate of interest is always variable	Rate of interest can be fixed	Short term	Medium to long term	4	<p>One mark for each correct identification up to a maximum of four identifications.</p> <p>Only four boxes to be marked. Mark left to right top to bottom. If all four are in one column mark all four.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>
Overdraft	Loan									
Rate of interest is always variable	Rate of interest can be fixed									
Short term	Medium to long term									
	(b)	<p>Answer:</p> <p>The break-even point is where total costs (1) are the same as total revenue (1).</p> <p>No profit (1) or loss (1).</p> <p>The break even pint is when the money you put into the business (1) is equal to the money coming out of the business (1).</p>	2	<p>Up to two marks for explanation.</p> <p>The explanation must show an understanding of break even.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>						

Question	Answer	Mark	Guidance
4	<p>Answer:</p> <p>Reasons to plan resource needs for production might include (these should be seen in the context of materials).</p> <p>To forecast cost of materials To set/meet objectives To plan for contingencies / deterioration of stock Quality To raise finance To make product decisions To review/control To know what to do/achieve/targets Products come from China (time delay) To remain competitive Cope with increased/seasonal demand</p> <p>Exemplar answer:</p> <p>Planning resource needs in a manufacturing business is essential if the right quantity and quality of product is to be made (L1) to meet the demand or orders for firework and light displays. Running low raw materials could result in production stopping and the business not having enough to sell (L2). Customers do not like to be disappointed and could take their custom elsewhere. Or give a bad review to the business on the Internet (L3) Having too many resources can be wasteful and take up a lot of space. In the case of DDL this might be very important because the raw materials could be dangerous and deteriorate which could result in increased costs and, perhaps, accidents. (L3)</p> <p>Do not reward simple statements e.g. lower profit or higher profit without mention of revenue and costs.</p>	5	<p>Level 3 – Analysis (4–5 marks) Analysis of at least one reason for businesses to plan/control resources</p> <p>Level 2 – Application (2–3 marks) Knowledge and understanding of resource planning / control</p> <p>Level 1 – Knowledge (1 mark) Identification of reasons to plan/control resources.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>

Question	Answer	Mark	Guidance
5 (a)	<p>Candidate gets one mark for the correct identification of a disadvantage plus two marks for expansion. Only reward for one disadvantage.</p> <p>Disadvantages of primary research might include:</p> <ul style="list-style-type: none"> • time • cost • accuracy • access to information • range (limited amount/types) • People might not be interested (in participating) <p>Exemplar response. A disadvantage would be that it would take the business a lot of time (1) since this requires the collection of first-hand information (1) from businesses and people who might want the parties (1)</p>	3	<p>One mark for the correct identification, plus up to a further two marks for an explanation.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
(b)	<p>Reasons include:</p> <ul style="list-style-type: none"> • Speed • Target market • Number of people • Direct mail can include email <p>Exemplar answer. DDL should use the website as it is already up and running (1), therefore costs will be less (1). It also has the facility to show videos of real light and firework displays (1).</p> <p>DDL could also use local newspapers and trade magazines as these will attract both companies and local people (1) who might want a firework display for a special occasion (1)..</p> <p>Social networking caters for all ages and you have direct links to your website which you could sell (1). Also on social media you can share pages with your friends (1).</p>	4	<p>Up to two marks for each of the correct explanations.</p> <p>There is no mark for the identification of a recommendation. Any reward should be given for the recommendation.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>

Question		Answer	Mark	Guidance
6	(a)	<p>Differences might include:</p> <ul style="list-style-type: none"> • weekly, monthly, paid yearly • type of worker • time period • method of calculation (e.g. piece rate) • set/fixed amount for salary <p>Exemplar answer: Wages are usually paid to part time, temporary or manual workers and are calculated as an hourly rate (1). Salaries are paid to full time workers (1) and are calculated on an annual basis.</p>	2	<p>Up to two marks for explanation of difference between wages and salaries.</p> <p>Wages can be accepted as monthly</p> <p>NR must be given where there is no answer.</p> <p>0 marks for an answer not worthy of credit.</p>
	(b)	<p>Only accept these steps in this order.</p> <p>Step 4 must relate to selection process:</p> <ul style="list-style-type: none"> • sort through applications • select best applicants • short list applicants <p>Step 5 must relate to interview/test:</p> <ul style="list-style-type: none"> • carry out interview • test • audition • role play 	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>NR must be given where there is no answer.</p> <p>0 marks for an answer not worthy of credit.</p>
	(c)	<p>Possible costs (directly affect the business and not the individual) include:</p> <ul style="list-style-type: none"> • financial • time - internal training • expertise- specialists • lost output – external training • poor quality (if staff are not trained this may lead to poor quality and ultimately high costs of returns) 	10	<p>Level 4 – Evaluation (8–10 marks)</p> <p>Evaluation of at least one cost and one benefit to DDL using examples from the local area.</p> <p>Maximum of 8 marks for no reference to local area. Evaluation could arise from looking at the</p>

Question	Answer	Mark	Guidance
	<ul style="list-style-type: none"> • opportunity cost <p>Possible benefits (directly affect the business and not the individual) include:</p> <ul style="list-style-type: none"> • increased skills • better quality products • better motivation <p>Exemplar answer:</p> <p>The local gym, Fitness First, in my area regularly sends its staff on training courses to keep them up to date with life saving techniques, first aid and health and safety.(R) The benefits of training for most businesses are the same. For the gym and for DDL, training should result in a better skilled workforce (L1) which can either produce better products or give a better service (L2). When staff are given training it often results in them being better motivated to work, creating a happier workforce, happier customers and increase in sales revenue and market share.(L3). However, this depends on the quality of the training and the willingness of the workforce to undertake the training (L4). Therefore, training results in some problems for businesses. At the local gym the owners have found that once people are trained they want promotion and often leave and move to better jobs. So financially, training can be costly to the business not only in terms of applying for the training or losing time training staff but also in terms of having to recruit more staff when the trained staff leave (L4).</p> <p>Simple statements e.g. training costs a lot of money is not rewardable e.g. 0 marks.</p> <p>However training to learn how to manufacture the product correctly which would be expensive for the business (L2)</p>		<p>relative costs and benefits.</p> <p>Level 3 – Analysis (5–7 marks) Analysis of at least one cost and one benefit to DDL using examples from the local area.</p> <p>Maximum of 5 marks for no reference to local area or only one cost or benefit with L3 analysis.</p> <p>Level 2 – Application (3–4 marks) Knowledge and understanding of one cost or benefit of training.</p> <p>Level 1 – Knowledge (1–2 marks) Identification of cost or benefit of training.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit</p>

Question	Answer	Mark	Guidance
7	<p>Possible examples of changes in technology: keeping electronic records ecommerce materials/product development production methods CAD/CAM payment methods website methods of communication/advertising automated stock control systems</p> <p>Possible effects:</p> <ul style="list-style-type: none"> • competitors • costs • advertising e.g. internet over paper • redundancy • pay for training • change method of production <p>Type of technology e.g.</p> <ul style="list-style-type: none"> • website • app <p>Exemplar answer:</p> <p>Firework displays are now set off by computers (1). If you do not have the latest technology people are less likely to hire you (1) because your shows may not be as impressive. However technology costs a lot (1) of money so this could potentially lower profit. (Do not reward any statement which states 'lower profit')</p>	3	<p>One mark for each correct point of explanation up to a maximum of three such points but allow development marks.</p> <p>NR must be given where there is no answer. 0 marks for an answer not worthy of credit.</p>

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8	<p>Possible answers include.</p> <p>Legal:</p> <ul style="list-style-type: none"> • Health and Safety • Employment Law • Consumer Protection • Equality Act • Data Protection • Age • Licences <p>Social:</p> <ul style="list-style-type: none"> • social networks • population changes • fashion in entertainment/firework displays • employment levels • attitudes to noise • religions and cultures – more opportunities for display/sales • communication/reputation/feedback online resources <p>Exemplar answer:</p> <p>An answer referring to either manufacturing or entertainment is equally valid.</p> <p>Many small businesses, especially those who offer service such as DDL, have suffered due to changes in the law in particular. There are several businesses in my area which offer experiences such as rock climbing and canoeing, such as RC2 and they have been affected in particular by changes in health and safety laws (L1/2 R). Firework displays, especially those which are privately held, have been discouraged by the government and by local authorities (L2). This could affect DDL's objective of expanding the service to private individuals. (L3) In fact this is an example of where legal and social changes come together. There is no actual law against private firework displays but social attitudes have changed and they have gone out of fashion (L3). DDL needs to build on its objective of offering a corporate service where businesses market their products and services through more and more elaborate entertainment.</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 on the objectives of businesses such as DDL.</p> <p>Must have L3 on both factors to get L4.</p> <p>For 9/10 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 the objectives of businesses such as DDL based on research.</p> <p>No research max 6 marks.</p> <p>Only one factor/no research maximum 5 marks.</p> <p>Must have evidence of discussion of “objectives” to go beyond Level 2</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>

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	<p>This would still be subject to a number of laws such as consumer protection and health and safety but the displays would be controlled by professionals (L3). Therefore in terms of the objective of market share and growth DDL is probably more affected by legal factors than social factors (L4).</p> <p>On the other hand, DDL also has an objective to recruit more part time and temporary staff. In my area there is a university and often students looking for work (R). The success of this objective might depend on the unemployment levels in the area and also the structure of the population (L2). Obviously in my area they would have more success but perhaps in a rural area there would be fewer opportunities to employ such labour (L3). Recruitment and employing labour is an expensive and time consuming task and is subject to legislation such as the Equality Act and Employment Law. Therefore it is difficult to identify which of the two factors would have the greatest impact as it depends on the area in which the business operates and the ability of the business to adhere to employment laws (L4).</p>		<p>Level 1 – Knowledge (1–2 marks) Knowledge of legal/social factor(s) affecting business.</p> <p>NR must be given where there is no answer 0 marks for an answer not worthy of credit.</p>

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