

Applied Business

Advanced Subsidiary GCE

Unit: **F242**: Understanding the Business Environment

Mark Scheme for January 2012

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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
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Own figure rule
	Repeat
	Noted but no credit given
	Tick

Question		Answer	Marks	Guidance
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Cyclists • Canoeist • Walkers/pedestrians/dog walkers • British Canoe Union • British Waterways • National Rivers Authority <p>Responses include:</p> <p>Cyclists, canoeists.</p>	2	<p><i>One mark for identification up to a maximum of two marks.</i></p> <p>Acceptable annotation is ✓</p> <p>Only award responses in indicative content.</p> <p>Do NOT accept disabled because they are canal boat users.</p> <p>Care do not award responses such as canoeing – needs to be the person e.g. canoeist.</p>
	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Anglers - peace and quiet for fishing, air/water/noise/waste pollution • Environmentalists – air/water/noise/waste pollution, clean animal/habitat <p>Responses include:</p> <p>Anglers prefer not to have any boats cruising (1) as this would reduce their chances of catching any fish (1).</p> <p>Environmentalists are concerned about preserving the natural environment along the canals (1) and do not like the pollution caused from the diesel used by the boats (1).</p>	4	<p><i>Two marks for each explanation up to a maximum of four marks.</i></p> <p>Acceptable annotation is ✓</p> <p>Award one mark for stating interest of anglers/environmentalists and one mark for development.</p> <p>Explanation could be a conflict.</p> <p>Allow implied interests e.g. accept 'boat pollution affects quality of fish' as interest of anglers.</p>

Question	Answer	Marks	Guidance
(c)	<p>Indicative content:</p> <p>Interest</p> <ul style="list-style-type: none"> • Concerned about • Know about <p>Influence</p> <ul style="list-style-type: none"> • Impact • Affect • Changing decisions <p>Responses include: Stakeholder interests refer to the issue(s) that are important to a group of people (1) while stakeholder influence refers to the impact a particular stakeholder has on an organisation (1).</p>	2	<p><i>Up to two marks for explanation.</i></p> <p>Acceptable annotation is √</p> <p>Do not award marks for 'stakeholder interests are what a stakeholder is interested in' or 'stakeholder influence refers to the influence a stakeholder has on an organisation' unless it is further explained e.g. 'influence business decisions'. Candidates are required to explain what 'interests' and 'influence' are to gain full marks.</p>

Question		Answer	Marks	Guidance
2	(a)	<p>Indicative content: Do not vary with output.</p> <p>Exemplar response: The costs are fixed because they do not vary according to the number of customers <i>The Floating Lotus</i> serves (2).</p> <p>Costs the business has to pay no matter what (1)</p> <p>Costs that a business has to pay regardless of output (2).</p>	2	<p><i>Up to two marks for explanation.</i></p> <p>Acceptable annotation is ✓</p> <p>Award full marks only if candidate recognises that fixed costs do not vary according to output.</p> <p>Do not award 'costs do not change'.</p>
	(b)	<p>Indicative content: Gross profit = £5 - £1.50 (1) = £3.50 (1), £3.5(1)</p>	2	<p><i>Up to two marks for correct calculation.</i></p> <p>Acceptable annotation is ✓</p> <p>Award full marks for correct answer without working.</p>
	(c)	<p>Indicative content: Gross profit – profit less cost of sales. Net profit – gross profit less expenses.</p> <p>Exemplar response: Gross profit only takes into consideration the direct cost of producing/selling the goods/services (1).</p> <p>Gross profit does not take into account indirect expenses (1).</p> <p>Net profit is calculated by deducting expenses from gross profit (1).</p> <p>Gross profit only takes into account the costs of sales (1).</p>	1	<p><i>Up to one mark for a correct answer.</i></p> <p>Acceptable annotation is ✓</p> <p>Generic responses are acceptable. Award full marks for 'expenses'.</p> <p>Accept formulas but they must show the difference between gross and net profits.</p>

Question	Answer	Marks	Guidance
(d)	<p>Indicative content:</p> <p>Break even = fixed costs/ unit contribution or FC/SP-VC Unit contribution = £5-£1.5= £3.5 Break even = £41475/£3.5 = 11850 11850/12 = 988</p> <p>Monthly fixed costs = £41475/12 = £3456.25 Break even = £3456.25/£3.5 = 988</p>	4	<p><i>Up to two marks for correct calculation.</i></p> <p>Acceptable annotation is ✓</p> <p>Workings should only be marked if the final answer is incorrect. In which case award marks as shown in the guidance column up to a maximum of 4 marks.</p> <p>NB award 1 mark for correct formula if nothing else is given. 988 – 4 marks 987.5 or 987– 3 marks 11850 - 2 marks £41475 – 1 mark £3.5 – 1 mark</p> <p>988 = 4 marks 987 or 987.5 = 3 marks £3456.25 = 1 mark £3.5 = 1 mark</p>

Question	Answer	Mark	Guidance						
(e)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Increase selling price • Lower variable costs • Lower fixed costs <p>Exemplar response:</p> <p><i>The Floating Lotus</i> could increase the selling price to lower the break-even point (L1). If <i>The Floating Lotus</i> raises the selling price of its tea and coffee (Cont), it will break even sooner (L2). However, this strategy might drive customers away leading to <i>The Floating Lotus</i> losing its customer base and lowering the overall sales revenue (L3). On the other hand, <i>The Floating Lotus</i> could lower the variable costs (L1). By doing so <i>The Floating Lotus</i> would probably have to lower the cost of their ingredients (Cont) (L2). This may reduce the standard of the food which might lead to lower customer satisfaction which would mean less repeat business (L3).</p> <p>Carmen and Lee could find another mooring (Cont) with a lower fee to lower FC (L2). This might mean a poorer location which may put off customers (L3).</p>	9	<p><i>Use levels of response criteria.</i></p> <p>Acceptable annotation is</p> <table style="margin-left: 20px;"> <tr> <td>AO3</td> <td>L3</td> </tr> <tr> <td>AO2</td> <td>L2</td> </tr> <tr> <td>AO1</td> <td>L1</td> </tr> </table> <p>Do not accept the following points:</p> <ul style="list-style-type: none"> • Having sales promotion • Advertise more • Open longer hours • Lower hourly wage (except at Level 1) • Start up costs eg refurbishment costs <p>Note selling price is not given. Therefore putting price up to any stated amount can only be given L1.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Level 3 Candidate analyses suggested strategies with context.</p> <p>L3: [9 marks] Candidates analyses all three strategies (SP/FC/VC) to the FL [8marks] Candidates analyses two strategies (SP/FC/VC) to the FL [7 marks] – candidates analyses one strategy (SP/FC/VC) to the FL</p>	AO3	L3	AO2	L2	AO1	L1
AO3	L3								
AO2	L2								
AO1	L1								

Question	Answer	Mark	Guidance
			<p>Level 2 Candidate identifies strategy or strategies with context. L2: Must contain more context than name-dropping e.g. food, ingredients, drinks/beverages, (NOT raw materials), mooring fee, insurance, maintenance, salaries, heating & lighting [6 marks] – candidate identifies all three strategies (SP/FC/VC) to the FL. [5marks] – candidate identifies two strategies (SP/FC/VC) to the FL. [4 marks] – candidate identifies one suitable strategy(SP/FC/VC) to the FL.</p> <p>Level 1 Candidate identifies strategy or strategies with no context. [3 marks] - candidate identifies three strategies with no context. [2 marks] - candidate identifies two strategies with no context. [1 mark] – candidate identifies one strategy with no context.</p>

Question	Answer	Marks	Guidance
3 (a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Spreadsheet – P&L, cash flow, BE, budgeting, forecast finance, costs records, sales records, cash inflow, cash outflow • Database – customer records, reports, queries, searches, sorts • Accounting software • Word processor – letters, promotional materials, memos, questionnaires • Graphic packages – create promotional material, menus • DTP – menu, promotional material <p>Responses include:</p> <p>Spreadsheets (1) can be used to create a cash-flow forecast (1) and create a break-even chart (1). A database (1) can be used to keep supplier details (1) and stock control (1). A word processor (1) is very useful for typing letters (1) and also for creating posters (1).</p>	6	<p><i>One mark for each correct identification up to a maximum of two marks. One mark for each correct explanation, up to a maximum of four marks.</i></p> <p>Acceptable annotation is ✓</p> <p>Accept generic response.</p> <p>Allow two uses in the same box.</p> <p>Accept brand names but do NOT accept Microsoft Office.</p> <p>Do NOT accept more than one document that can be used for same purpose e.g. SWOT/PEST, posters/adverts.</p> <p>Do NOT accept website/internet/e-mail for types of software.</p> <p>Do NOT accept vague answers i.e. store data.</p> <p>Do NOT accept benefits of software.</p> <p>MAKE SURE uses are specific to uses of software and NOT hardware.</p> <p>Look out for and do NOT accept repetition e.g. cash flow and inflow/outflow.</p> <p>If incorrect software identified do NOT accept explanations.</p>

Question	Answer	Mark	Guidance								
(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Establish presence - global • Market goods/services – marketing tool • Online booking • Customer reviews • Gather feedback through email • Raise awareness • Costs of setting up, training, updating <p>Exemplar response:</p> <p>Most businesses nowadays have a website to market their products/services (L1). It is a very cost effective way and good for establishing a presence in the international market (L1). The FL can use the website to market its catering (Cont) services as well as allowing customers to make bookings online (L2). This not only raises customers' awareness of the business which will improve sales revenue (L3), the online booking system will also increase customer satisfaction which leads to repeat business (L3). However, there is a cost implication and unless Lee acquires the appropriate IT skills (Cont) and knowledge it will increase running costs (L3).</p> <p>On balance, using a website is a cheap way of marketing the FL especially if Lee has acquired the skills to update and maintain it (Cont) (L4), it will reduce their marketing budget in the long run (L4). The web presence will also enhance the reputation of the FL, especially if the website is attractive and professionally designed (L4).</p>	12	<p><i>Use levels of response criteria.</i></p> <p>Acceptable annotation is</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">AO4</td> <td style="width: 50%;">L4</td> </tr> <tr> <td>AO3</td> <td>L3</td> </tr> <tr> <td>AO2</td> <td>L2</td> </tr> <tr> <td>AO1</td> <td>L1</td> </tr> </table> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Do not award marks for making other suggestions on how the FL can use IT unless it is related to the use of website.</p> <p>Each time L2 is awarded, make sure that context is evident and annotated.</p> <p>Level 4 Candidate evaluates the impacts of using a website to market FL services with context. L4:[11-12 marks] Candidate evaluates with detailed justification of using a website to market FL services. L4:[10 marks] Candidate evaluates with brief justification of using a website to market FL services.</p> <p>Level 3 Candidate analyses the impacts of using a website with context. L3:[8-9 marks] Candidate analyses more than one impact of using a website on the FL. L3:[7 marks] Candidate analyses one impact of using a website on the FL.</p>	AO4	L4	AO3	L3	AO2	L2	AO1	L1
AO4	L4										
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Question	Answer	Mark	Guidance
			<p>Level 2 Candidate <u>identifies</u> the impacts of using a website with context. L2:Must contain more context than name-dropping e.g. new business, lack of IT skills, ICT course needed, restaurant, Birmingham, limited space. [5-6 marks] Candidate identifies more than one impact of using a website on the FL. [4 marks] Candidate identifies one impact of using a website on the FL.</p> <p>Level 1 Candidate identifies the impacts of using a website with no context. L1:[2-3 marks] Candidate identifies more than one impact of website with no context. [1 mark] – candidate identifies one impact of website with no context.</p>

Question		Answer	Marks	Guidance
4	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Cash or non cash • Accruals/debts yet to be paid • Debt finance <p>Exemplar response: A positive cash-flow indicates that a business has more money coming in than going out in a period of time (1); profit shows the amount of money left over after all cash and non-cash costs and expenses have been deducted (1).</p>	2	<p><i>Up to two marks for correct explanation.</i></p> <p>Acceptable annotation is ✓</p> <p>Award 1 mark for explaining positive cash-flow or profit.</p> <p>Award full marks if candidate explains the difference between a cash-flow and profit.</p>
	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Identify periods of cash shortages • Evaluate proposal/I feasibility • Compare the two proposals • Estimate amount of overdraft needed • To check figures are realistic/reasonable/nothing omitted • Identify where costs can be saved • Decide whether finance is needed <p>Exemplar response: It tells them how much finance is needed to fund the proposal (1).</p>	2	<p><i>One mark for each identification up to a maximum of two marks.</i></p> <p>Acceptable annotation is ✓</p> <p>Restrict answers to how cash flow can be used to make investment decisions.</p> <p>Accept any generic response.</p> <p>Do NOT accept vague answers e.g. helps make decisions, make changes, profit/loss.</p> <p>Do NOT award 'cash flow figures are accurate' but accept 'reasonable'.</p> <p>Answers should reflect it is a future proposal e.g. 'how the money will be spent'</p>

Question	Answer	Marks	Guidance																																																					
(c)	<p>Indicative content:</p> <table border="1" data-bbox="369 279 1075 981"> <tr> <td>Cash inflow</td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td>6300</td> <td rowspan="2">} (1)</td> </tr> <tr> <td>Total Inflow</td> <td>6300</td> </tr> <tr> <td>Cash Outflow</td> <td></td> <td></td> </tr> <tr> <td>Mooring fee</td> <td>225</td> <td></td> </tr> <tr> <td>British Waterways licence</td> <td>158</td> <td></td> </tr> <tr> <td>Drivers' Licence</td> <td>8</td> <td></td> </tr> <tr> <td>Insurance</td> <td>200</td> <td></td> </tr> <tr> <td>Maintenance</td> <td>183</td> <td></td> </tr> <tr> <td>Fuel, heating and lighting</td> <td>181</td> <td></td> </tr> <tr> <td>Salaries</td> <td>2500</td> <td>(1)</td> </tr> <tr> <td>Stock</td> <td>1890</td> <td>(1)</td> </tr> <tr> <td>Internet provider and telephone</td> <td>200</td> <td></td> </tr> <tr> <td>Sundry expenses</td> <td>50</td> <td></td> </tr> <tr> <td>Total Outflow</td> <td>5595</td> <td>(1)</td> </tr> <tr> <td>Net Cash-Flow</td> <td>705</td> <td>(1)</td> </tr> <tr> <td>Opening balance</td> <td>5000</td> <td></td> </tr> <tr> <td>Closing balance</td> <td>5705</td> <td>(1)</td> </tr> </table>	Cash inflow			Sales	6300	} (1)	Total Inflow	6300	Cash Outflow			Mooring fee	225		British Waterways licence	158		Drivers' Licence	8		Insurance	200		Maintenance	183		Fuel, heating and lighting	181		Salaries	2500	(1)	Stock	1890	(1)	Internet provider and telephone	200		Sundry expenses	50		Total Outflow	5595	(1)	Net Cash-Flow	705	(1)	Opening balance	5000		Closing balance	5705	(1)	6	<p>One mark for each correct answer. Up to a maximum of six marks</p> <p>Acceptable annotation is ✓</p> <p>OFR applies to: Total outflow, net cash flow and closing balance.</p> <p>If candidate put down £30,000 for salaries, use the following OFR figures:</p> <p>Total outflow = £33095 (1) Net cash flow = (£26795) (1) Closing balance = (£21795) (1)</p>
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(d)	<p>Indicative content:</p> <p>£5705</p>	1	<p>Up to one mark.</p> <p>Acceptable annotation is ✓</p> <p>Ofr applies – answer must be the same as closing balance for 4c.</p>																																																					

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(e)	<p>Indicative content</p> <ul style="list-style-type: none"> • Already a café so lower risk • Low capital requirement • Lack of ICT skills and knowledge leading to extra costs/time • Lack of space – limits the number of customers • Reduce number of seats leading to fewer customers being served • Stringent regulations regarding health and safety, more costly • Additional capital outlay for computers • Little competition in city centre • Competing technology i.e. smart phone with Internet access or tablet computers • Compare with Carmen's proposal. <p>Exemplar response: A new service could attract new customers to try a business out (L1). An Internet café might attract new customers (L2), however, it might put off some existing customers (L3).</p> <p>Carmen and Lee do not have good ICT skills (Cont) will mean either they acquire the necessary skills and knowledge through expensive training courses or employ an ICT technician on board (L2). This increases either the start-up or the running costs (L3). The shortage of space (Cont) on the boat might also reduce customer satisfaction (L2) and therefore affects sale revenue (L3). On balance, it is a good idea as the Internet café (Cont) may encourage customers to spend more while they are on board given that this is one of the ways the FL can improve their sales revenue (L4). If Lee acquires sufficient ICT skills (Cont) then the running costs look set to be lower in the long term than being a full-blown restaurant (L4).</p>	12	<p><i>Use levels of response criteria.</i></p> <p>Acceptable annotation is</p> <table style="margin-left: 20px;"> <tr> <td>AO4</td> <td>L4</td> </tr> <tr> <td>AO3</td> <td>L3</td> </tr> <tr> <td>AO2</td> <td>L2</td> </tr> <tr> <td>AO1</td> <td>L1</td> </tr> </table> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Answers in relation to business earnings must be conditional to be awarded i.e. might/likely, could but not will or would.</p> <p>L4:[11-12 marks] Candidate evaluates after analysing the impact(s) of including an Internet café to the FL with detailed and specific justification.</p> <p>NB Insufficient financial data to make decision. Do not accept judgement made on cash flow data.</p> <p>L4:[10 marks] Candidate evaluates after analysing the impact(s) of including an Internet café to the FL with brief justification.</p> <p>L3:[8-9 marks] Candidates analyses more than one impact of including Internet café to the FL .</p> <p>L3:[7 marks] – candidate analyses one impact of including an Internet café to the FL</p> <p>L2:Must contain more context than name-dropping [5-6 marks] – candidate identifies more than one impact of including an Internet café to the FL.</p> <p>[4 marks] – candidate identifies one impact of including an Internet café to the FL.</p> <p>L1:[1-3 marks] Candidate identifies issues with no context.</p>	AO4	L4	AO3	L3	AO2	L2	AO1	L1
AO4	L4										
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Question		Answer	Marks	Guidance
5	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Unemployment rate • Inflation • Lifestyle changes • Government spending/Policy • Competition • Economic cycle • Credit crunch • Recession • Boom • Economic downturn • Economic recovery • Suppliers • Financiers • Residents • Government • Bank • Customers • Weather • Tax increase/decrease • Minimum wage • Political • Legal • Economic not Economical (but explanation must not be interest rates or exchange rates as given in the question) • Social trends – fast food, new tastes, obesity, healthy lifestyle • Technological • Price of food 	12	<p>One mark for each identification up to a maximum of four marks. Two marks for each explanation up to a maximum of eight marks.</p> <p>Do not accept interest rates and exchange rates. Must be external influences.</p> <p>Do not award marks for factors which affect success, must be external influences.</p> <p>Accept both positive and negative effects on the business</p> <p>External influences must be identified correctly for any marks to be awarded.</p> <p>Candidate identifies correct external factor Acceptable annotation is √ (1 mark)</p> <p>Candidate explains impact on business with no context Acceptable annotation is √ (1 mark)</p> <p>Candidate explains impact on business in context of Carmen's proposal Acceptable annotation is √√ (2 marks)</p> <p>If the identification is incorrect then no marks for the explanation.</p> <p>Context – buffet-style restaurant, ethnic theme, changing menu every month, extended opening hours, using local produce, additional staff required, refurbishment, new modern kitchen and office, new computer, major additional funding (£50,000), sell their house, bank loan, renovation taking three months</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response: Unemployment (1) If unemployment increases, the general public has less spending power (1) this means fewer customers for the restaurant (1).</p> <p>Inflation (1) If inflation rises, the general public has less spending power (1) this means fewer customers for the restaurant (1). If inflation rises, the costs of the business will increase (1) this means reduced profit (1)</p> <p>Social trend (1) If the average consumer prefers a proper sit-down service (1), this would mean fewer customers for a buffet-style restaurant (1).</p> <p>Government (1) If the government introduces more stringent regulations regarding the health and safety of canal boat users (1), the running costs would increase (1) which reduce the chances of success (1) of the business.</p> <p>Competition (1) If competition increases, the business would have to consider lowering prices (1) which would affect the profit levels (1).</p>		<p>Context must be of Carmen's proposal, not just Floating Lotus or food in general, boat, meal.</p> <p>Note – take care to check the second page.</p>

Question	Answer	Marks	Guidance
(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Not in import/export industry • Bank loan/borrowing need of £50000 • Local produce • Ethnic food <p>Exemplar response:</p> <p>Changes in interest rates have a greater impact because the Floating Lotus is not in the exporting/importing industry (1) but is probably paying back a business loan/mortgage/overdraft (1). An increase in interest rate leads to higher running costs (1).</p> <p>Interest rates affect the level of disposal income of the restaurant's customers (1) while exchange rates do not have a direct impact on the spending power of its customers (1). A decrease in customers' spending power will lead to lower sales revenue for the restaurant(1).</p>	3	<p><i>Up to a maximum of three marks for a correct explanation.</i></p> <p>Acceptable annotation is √</p> <p>Only award full 3 marks for answers that explain both the impact of both interest rate and exchange rate and is in context as in indicative context.</p> <p>Otherwise max 2 marks.</p>

Question	Answer	Marks	Guidance
6 (a)	<p>Indicative content:</p> <p>Selling their house</p> <p>Advantages:</p> <ul style="list-style-type: none"> • cheaper with no interest to pay • less paperwork • should raise more than enough funds to cover the costs <p>Bank loan</p> <p>Advantages:</p> <ul style="list-style-type: none"> • can keep existing lifestyle/no need to move house • more readily accessible than selling a house • can pay back over a long period of time • long term source of finance <p>Exemplar response:</p> <p>Selling the house should raise more than enough funds to implement the proposal. Carmen only needs £50,000 for her proposal (L2).</p>	4	<p><i>Use levels of response criteria.</i></p> <p>Acceptable annotation is</p> <p>A02 L2 A01 L1</p> <p>Please indicate: L2 Candidate identifies advantage(s) of sources of finance with context. L1 As above with no context.</p> <p>For bank loan – ‘do not have to sell the house’ is contextual. Do NOT award for name dropping.</p>
(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • How profit should be shared • Partners’ job roles, working arrangement • Amount of capital each partner is to contribute • How new partners are to be appointed • What happens if a partner dies or wishes to leave the partnership <p>Exemplar response:</p> <p>How profit should be shared (1).</p>	2	<p><i>One mark for each identification up to a maximum of two marks.</i></p> <p>Acceptable annotation is ✓</p> <p>Accept generic response.</p> <p>Do NOT restrict answers to deed of partnership.</p> <p>Do NOT accept ‘name, address, starting date, share liability or losses’.</p>

Question	Answer	Mark	Guidance								
(c)*	<p>Indicative content:</p> <ul style="list-style-type: none"> • Limited liability • Continuity of business • Separate legal identity • More red tape • Higher running costs • Partnership accounts remain private <p>Exemplar response:</p> <p>A partnership does not have limited liability (L1). Carmen and Lee started as a partnership (Cont) and they appear to work well together. However, they do not have limited liability which is desirable as they wish to expand the business (Cont) (L2). Carmen and Lee will not lose everything they possess if the business were to go bankrupt (L3). Becoming a limited company will also mean if something happens to one of the partners the business can still carry on trading as before (L1). This ensures the stability of the business (L2) which is important as they are likely to need an external source of finance (Cont) (L3). However, a limited company can be expensive to set up (L1) and Carmen and Lee might have to raise more capital for the new business (Cont) (L2). This has implications not only on the finances but also the time it takes to set up the new venture (L3). On balance, they should remain as a partnership as the focus should be on getting the new venture up and running with their limited capital (Cont) (L4). They have worked well together (Cont) and the deed of partnership should ensure the smooth running of the business for the foreseeable future (L4)</p>	12	<p><i>Use levels of response criteria.</i></p> <p>Acceptable annotation is</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">AO4</td> <td style="width: 50%;">L4</td> </tr> <tr> <td>AO3</td> <td>L3</td> </tr> <tr> <td>AO2</td> <td>L2</td> </tr> <tr> <td>AO1</td> <td>L1</td> </tr> </table> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Do not award any reference to/confusion with Public Limited Company.</p> <p>Advantages and disadvantages which apply to both types of ownership should not be rewarded e.g. they can take on new investors whether they remain a partnership or become an Ltd.</p> <p>Do not reward answers which assume that Carmen and Lee are intending to invite new shareholders if they become an Ltd.</p> <p>Do not accept ‘Carmen’s proposal’ as context as it is in the question.</p> <p>Level 4 Candidate evaluates the advantage/disadvantage(s) of one type of ownership over the other with context. L4:[11-12 marks] Candidate evaluates _advantage/disadvantage(s)_of one type of ownership over the other _with detailed and specific justification. L4:[10 marks] Candidate evaluates _advantage/disadvantage(s)_of one type of ownership over the other with brief/weak justification.</p>	AO4	L4	AO3	L3	AO2	L2	AO1	L1
AO4	L4										
AO3	L3										
AO2	L2										
AO1	L1										

Question	Answer	Mark	Guidance
			<p>Level 3 Candidate analyses the advantage/disadvantage(s) of one type of ownership over the other with context. L3:[8-9 marks] Candidate analyses more than one advantage/disadvantage of one type of ownership over the other with context. L3:[7 marks] Candidate analyses one advantage/disadvantage of one type of ownership over the other with context.</p> <p>Level 2 Candidate identifies the advantage/disadvantage(s) of one type of ownership over the other with context. L2:Must contain more context than name-dropping [5-6 marks] Candidate identifies more than one advantage/disadvantage of one type of ownership over the other with context. [4 marks] Candidate identifies one advantage/disadvantage of one type of ownership over the other with context.</p> <p>Level 1 Candidate identifies the advantage/disadvantage(s) of one type of ownership over the other with no context. L1:[2-3 marks] Candidate identifies more than one advantage/disadvantage of one type of ownership over the other with no context. [1 mark] – candidate identifies one advantage/disadvantage of one type of ownership over the other with no context.</p>

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