

# **Applied Business**

Advanced Subsidiary GCE

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

## **Mark Scheme for January 2013**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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  |
|---|--|
|    | The response given is 'Unclear' to the marker  |
|    | 'Benefit of doubt' – but credit given  |
|    | To indicate the response is in 'context' of the relevant case study                                |
|    | Response is incorrect  |
|    | Use for Level of response answers to indicate Level 1  |
|    | Use for Level of response answers to indicate Level 2  |
|    | Use for Level of response answers to indicate Level 3  |
|    | Use for Level of response answers to indicate Level 4  |
|    | The response is not incorrect but has 'Not answered question'                                      |
|    | Own figure rule. Use where indicated in mark scheme  |
|   | 'Repeat' Response repeats the same marking point where credit has already been given               |
|  | 'Noted but no credit given' or to indicate all of part blank answer pages have been seen by marker |
|  | Correct point/answer. Credit can be given  |

**Subject-specific Marking Instructions****Testing of QWC**

*In this external assessment the assessment of QWC will take place in Question 9\* which is a levels of response question and carries 12 marks.*

*Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 9\*.*

**Level 4:**

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

(4 marks representing the appropriate level of written communication are embedded in this level of response).

**Level 3:**

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

(3 marks representing the appropriate level of written communication are embedded in this level of response)

**Level 2:**

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

(2 marks representing the appropriate level of written communication are embedded in this level of response)

**Level 1:**

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

(1 mark representing the appropriate level of written communication is embedded in this level of response.

| Question | Answer   | Marks | Guidance   |
|----------|--|-------|--|
| 1        | <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• has to follow rules set by the franchisor</li> <li>• cannot sell other brands/products not supplied by franchisor</li> <li>• not able to choose prices</li> <li>• not able to change brand/image</li> <li>• growth/expansion may not be possible without franchisor's permission</li> <li>• cannot use own business name</li> <li>• has to share a percentage of profit</li> <li>• royalty fees payable.</li> </ul> <p>Exemplar response:</p> <p>eg The owner has to follow the rules set by the franchisor <b>(1)</b>, <i>Beacon's View</i> will have to purchase stock from suppliers appointed by the franchisor <b>(1)</b>.</p> <p>eg A franchisee cannot have its own brand <b>(1)</b>, <i>Beacon's View</i> may not be able to keep its name <b>(1)</b>.</p> <p>eg The franchisee will have to share a percentage of its profit <b>(1)</b>, this will decrease the opportunity for expansion <b>(1)</b>.</p> <p>eg A franchisee will have to pay royalty fees <b>(1)</b>, this affects the profitability of <i>Beacon's View</i> <b>(1)</b>.</p> | 6     | <p>AO1 3<br/>AO2 3</p> <p>One mark for each identification up to a maximum of three identifications, plus a further one mark for each of three explanations.</p> <p>Mark holistically, identification marks can be awarded in the explanation frame.</p> <p>Accept generic context.</p> <p>Do <b>NOT</b> award disadvantages eg 'other franchisees might give them a bad image'.</p> <p>Look out for repetition.</p> |

| Question | Answer  | Marks | Guidance  |
|----------|---|-------|---|
| 2        | <p>Use level of response criteria.</p> <p>Indicative content:</p> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• has full control of the running of the hotel</li> <li>• enjoy economies of scale, ie bulk purchase through co-operative's purchasing system</li> <li>• can keep the hotel's unique identity</li> <li>• increased promotion/regular media exposure</li> <li>• access to expert consultation and advice</li> <li>• share ideas with other members</li> <li>• banks more likely to lend</li> <li>• part of a recognised brand.</li> </ul> <p>Exemplar response:<br/>eg Being a member of the hotel operators' co-operatives, Kay and Pete can keep full independence while being part of an affiliation <b>(L1)</b>. For example, they can design the menu for their restaurant <b>(CONT) (L2)</b>. This will enable them to run the business the way they want in order to keep its unique identity <b>(L3)</b>. This is important to <i>Beacon's View</i> as it is built as a Victorian <b>(CONT)</b> hotel <b>(L2)</b>. As novice <b>(CONT)</b> hoteliers Kay and Pete will also be able to gain access to expert advice <b>(L2)</b>. This will improve their chances of success <b>(L3)</b>.</p> | 9     | <p>AO1 3<br/>AO2 3<br/>AO3 3</p> <p><b>Level 3 (7–9 marks)</b><br/>Candidate analyses advantage(s) of being a part of a hotel operators' co-operative for <i>Beacon's View</i>.</p> <p><b>Level 2 (4–6 marks)</b><br/>Candidate applies knowledge and understanding of the advantage(s) of being a part of a hotel operators' co-operative for <i>Beacon's View</i>.</p> <p><b>Level 1 (1–3 marks)</b><br/>Candidate identifies the advantage(s) of being a co-operative with no use of context.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Level 3 (7–9 marks)</b><br/>(7 marks) candidate analyses <b>one</b> advantage of being part of a hotel operators' co-operative with context.<br/>(8–9 marks) candidate analyses <b>more than one</b> advantage of being part of a hotel operators' co-operative with context.</p> <p><b>Level 2 (4–6 marks)</b><br/>(4 marks) candidate applies knowledge and understanding of <b>one</b> advantage of being part of a hotel operators' co-operative with context.<br/>(5–6 marks) candidate applies knowledge and understanding of <b>more than one</b> advantage of being part of a hotel operators' co-operative with context.</p> |

| Question |     |  | Answer   | Marks | Guidance   |
|----------|-----|--|--|-------|--|
|          |     |  |  |       | <p><b>Level 1 (1–3 marks)</b><br/>(1–3 marks) candidate gives advantage(s) of being a co-operative with no use of context.</p> <p>Do <b>not</b> award disadvantages or statements about a co-operative.</p> <p>Do <b>not</b> take ‘hotel’, ‘hotelier’ as context.</p> <p>Context should be annotated every time L2 is awarded with the ‘CONT’ annotation.</p> <p>Non-contextual answer <b>max</b> Level 1.</p> |
| 3        | (a) |  | 221,000 (1)<br>Profit (1)  | 2     | <p>AO2 2</p> <p>Up to two marks.</p> <p>Award if profit is circled even though figure is wrong eg £23000, profit = 1 mark for profit indicated.</p>  |
|          | (b) |  | <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• assumes all products made are sold</li> <li>• assumes selling price remains constant</li> <li>• assumes variable cost remains constant</li> <li>• fixed costs may change</li> <li>• doesn’t give a timescale</li> <li>• ignores <b>changes</b> in external factors/unexpected events.</li> </ul> <p>Exemplar responses:<br/>eg It ignores <b>changes</b> in external factors (1).<br/>eg It assumes all products that are made are sold (1).</p> | 3     | <p>AO1 3</p> <p>One mark for each correct identification up to a maximum of three identifications</p> <p>Accept generic context.</p> <p>Do <b>not</b> accept responses that apply to all planning tools eg ‘it is a prediction/estimate’ when ‘it’ is not specified, or ‘it is not accurate’.</p> <p>Do <b>not</b> accept ‘human error’.</p>   |

| Question |         | Answer  | Marks | Guidance  |
|----------|---------|---|-------|---|
|          | (c) (i) | <p>Response include:</p> <ul style="list-style-type: none"> <li>• insurance</li> <li>• printing</li> <li>• stationery</li> <li>• stock</li> <li>• materials</li> <li>• utilities</li> <li>• postage</li> <li>• other costs.</li> </ul>  | 3     | <p>AO1 3</p> <p>One mark for each correct identification up to a maximum of three marks.</p> <p>Answers must be taken from the list given.</p> <p>Mark <b>first three</b> answers only.</p>   |
|          | (ii)    | <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• profit decreases</li> <li>• increase break-even point</li> <li>• negative impact on cash-flow</li> <li>• affects budgets</li> <li>• might affect quality of product/service</li> <li>• limits expansion</li> <li>• increase selling price.</li> </ul> <p>Exemplar responses:</p> <p>eg A VAT increase means that the costs of running the business become more expensive <b>(1)</b>, this will reduce the profit of <i>Beacon's View</i> <b>(1)</b>.</p> <p>eg Kay and Pete might have to compromise on the materials used for running the business <b>(1)</b> this will affect the quality of their service <b>(1)</b>.</p> <p>eg Kay and Pete might have to increase their selling price <b>(1)</b>, this would impact on their competitiveness <b>(1)</b>.</p> | 2     | <p>AO1 1<br/>AO2 1</p> <p>One mark for a correct identification up to a maximum of one identification, plus a further one mark for explanation.</p> <p>Accept any valid reason.</p> <p>Allow increase in costs to customers/suppliers and the subsequent impact on a business.</p> <p>Accept generic context.</p> <p><b>Do not accept</b> 'cost will increase'.</p> |

| Question | Answer  | Marks | Guidance   |
|----------|---|-------|--|
| (d)      | <p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• interest rates</li> <li>• inflation rate</li> <li>• recession/growth/state of economy/economic climate</li> <li>• employment/unemployment rate</li> <li>• exchange rates</li> <li>• government spending</li> <li>• taxation (<b>other than VAT</b>)</li> <li>• minimum wage.</li> </ul> <p>Exemplar response:</p> <p>eg Unemployment rate can have a serious impact on a business (<b>L1</b>). If unemployment rate is high then people will not use <i>Beacon's View</i> as it is a luxury hotel (<b>CONT</b>) (<b>L2</b>). This will affect <i>Beacon's View's</i> sales revenue which will in turn affect its profit (<b>L3</b>). If inflation rises the costs of running <i>Beacon's View</i> e.g. food (<b>CONT</b>) bills will increase (<b>L2</b>). This will again affect the profit level of the business (<b>L3</b>). The most important economic factor is recession. This usually means high unemployment rate which will affect people's spending power. As <i>Beacon's View</i> is not selling a need (<b>CONT</b>), it will be the first thing that people cut down on (<b>L4</b>).</p> | 12    | <p>AO1 3<br/>AO2 3<br/>AO3 3<br/>AO4 3</p> <p><b>Level 4 (10–12 marks)</b><br/>Candidate evaluates the impact of changes in economic factor(s) on <i>Beacon's View</i> with context.</p> <p><b>Level 3 (7–9 marks)</b><br/>Candidate analyses how <i>Beacon's View</i> is affected by economic factor(s) with context.</p> <p><b>Level 2 (4–6 marks)</b><br/>Candidate applies knowledge and understanding of how <i>Beacon's View</i> is affected by economic factor(s) with context.</p> <p><b>Level 1 (1–3 marks)</b><br/>Candidate identifies economic factors with no context.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Level 4 (10–12 marks)</b><br/>(10 marks) candidate evaluates how <i>Beacon's View</i> is affected by economic factor(s).<br/>(11–12 marks) candidate evaluates the economic factor that affects <i>Beacon's View</i> the most with justification.</p> |

| Question | Answer | Marks | Guidance   |
|----------|--------|-------|--|
|          |        |       | <p><b>Level 3 (7–9 marks)</b><br/>           (7 marks) candidate analyses how <i>Beacon's View</i> is affected by <b>one</b> economic factor.<br/>           (8–9 marks) candidate analyses how <i>Beacon's View</i> is affected by <b>more than one</b> economic factor.</p> <p><b>Level 2 (4–6 marks)</b><br/>           (4 marks) candidate applies knowledge and understanding of how <i>Beacon's View</i> is affected by <b>one</b> economic factor.<br/>           (5–6 marks) candidate applies knowledge and understanding of how <i>Beacon's View</i> is affected by <b>more than one</b> economic factor.</p> <p><b>Level 1 (1–3 marks)</b><br/>           (1 mark) candidate states one economic factor with no context.<br/>           (2–3 marks) candidate states economic factors with no context.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Do <b>not</b> accept '<i>Beacon's View</i>' and 'Pete and Kay' as context.</p> <p>Do <b>not</b> accept VAT.</p> <p>Non-contextual answer <b>max</b> Level 1.</p> |

| Question | Answer   | Marks | Guidance   |
|----------|--|-------|--|
| 4        | <p>Indicative content:</p> <p>Strengths:</p> <ul style="list-style-type: none"> <li>• experience/knowledge/skills needed for proposed project</li> <li>• no training needed.</li> </ul> <p>Weaknesses:</p> <ul style="list-style-type: none"> <li>• costs a huge sum of money</li> <li>• building work might take a long time.</li> </ul> <p>Opportunities:</p> <ul style="list-style-type: none"> <li>• increased spending in leisure activities</li> <li>• unemployment</li> <li>• social trends.</li> </ul> <p>Threats:</p> <ul style="list-style-type: none"> <li>• poor economic climate/recession</li> <li>• planning permission not approved</li> <li>• unemployment</li> <li>• competition.</li> </ul> <p><b>Pete's proposal is:</b><br/> 4 self-contained holiday apartments, each to include a living room<br/> Targeting larger parties of families<br/> Structure building work costing £500000<br/> Same as current business<br/> Generate more revenue.</p> <p>Exemplar responses:</p> <p><b>Strengths</b><br/> The project is an extension of what they do well <b>(1)</b>. There is less risk and more likely to succeed <b>(1)</b>.</p> <p>They do not have to learn anything new <b>(1)</b>. This is good for Pete's project as they do not have to spend time and money on training so more likely to be successful <b>(1)</b>.</p> | 8     | <p>AO1 4<br/> AO2 4</p> <p>One mark for each identification up to a maximum of four identifications, plus a further one mark for each of four explanations.</p> <p>SWOT must be identified correctly before any further marks can be awarded.</p> <p>SWOT identified as well as explanation must apply to Pete's proposal to gain marks (<b>not</b> Kay's proposal or <b>existing hotel business</b>).</p> |

| Question | Answer   | Marks | Guidance |
|----------|--|-------|----------|
|          | <p><b>Weaknesses</b></p> <p>It costs a huge sum of money <b>(1)</b>. This might impact on the cash-flow which could lead to failure <b>(1)</b>.</p> <p>Pete and Kay will have to borrow money <b>(1)</b>. This reduces the profitability of the business which affects the likelihood of success <b>(1)</b>.</p> <p>The building work might take a long time <b>(1)</b>. This reduces the chances of success because there is no return on the investment while the building work is being carried out <b>(1)</b>.</p> <p><b>Opportunities</b></p> <p>Increased spending on leisure activities <b>(1)</b>. This increases the demand for the luxury rooms he proposes to build and so the project is more likely to be successful <b>(1)</b>.</p> <p>Due to the poor economic climate Britons tend to stay in the UK for holidays <b>(1)</b>. This improves the chances of success of the proposal because of the likelihood of more business <b>(1)</b>.</p> <p><b>Threats</b></p> <p>Planning permission/Listed Building Consent <b>(1)</b>. This is required for any building work to be carried out, without it the project cannot go ahead <b>(1)</b>.</p> <p>Unemployment rate <b>(1)</b>. If this increases the demand for Pete's luxury room will decrease so the project is less likely to succeed <b>(1)</b>.</p> <p>Recession <b>(1)</b>. In a poor economic environment, people tend to save their money for the things they need rather than luxuries so low demand affects likelihood of success <b>(1)</b>.</p> |       |          |

| Question | Answer  | Marks | Guidance  |
|----------|---|-------|---|
| 5        | <p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• retained profit – eg internal, interest free, retain control, sufficient</li> <li>• mortgage – eg long term, repay in instalments, lower interest rates, secured</li> <li>• bank loan – eg long term, repay in instalments, secured, professional advice</li> <li>• (sleeping) partner – eg equity funding, debt free, control</li> <li>• being incorporated – eg equity funding, debt free, limited liability, control</li> <li>• friends and family – eg, disagreements, costs, availability</li> <li>• grant – eg interest free, no repayment, availability</li> <li>• Small Business Government Loan Scheme – eg availability, advice, no deposit required, lower interest than banks, unsecured</li> <li>• selling assets – eg availability</li> <li>• venture capitalists/investors – eg equity funding, control.</li> </ul> <p><b>Pete’s proposal is:</b><br/> 4 self-contained holiday apartments, each to include a living room<br/> Targeting larger parties of families<br/> Structure building work costing £500000<br/> Same as current business<br/> Generate more revenue.</p> <p>Exemplar response:<br/> eg A business can get a bank loan which is a long term source of finance <b>(L1)</b>. There is retained profit in <i>Beacon’s View</i> which is an internal source of finance which Pete could use to pay for the building costs <b>(CONT) (L2)</b>. The advantage of using retained profit is that there is no interest to pay <b>(L2)</b> and therefore reduces the costs to the business <b>(L3)</b>. However, £250000 <b>(CONT)</b> is not enough to cover the costs of the whole project so <i>Beacon’s View</i> would have to get a bank loan to avoid a negative balance. Therefore the most appropriate source of finance is a bank loan because it will provide enough money</p> | 12    | <p>AO1 3<br/> AO2 3<br/> AO3 3<br/> AO4 3</p> <p><b>Level 4 (10–12 marks)</b><br/> Candidate evaluates the most suitable source(s) of funds with context.</p> <p><b>Level 3 (7–9 marks)</b><br/> Candidate analyses factor(s) of source(s) of finance.</p> <p><b>Level 2 (4–6 marks)</b><br/> Candidate applies knowledge and understanding of factor(s) of appropriate source(s) of finance with context.</p> <p><b>Level 1 (1–3 marks)</b><br/> Candidate identifies factor(s) of appropriate source(s) of finance with no use of context.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Level 4 (10–12 marks)</b><br/> (10 marks) candidate recommends a source of finance most suitable for <i>Beacon’s View</i> with a <b>weak</b> evaluative comment with context.<br/> (11 marks) candidate recommends the source(s) most suitable for <i>Beacon’s View</i> with <b>full</b> justification with context <b>and</b> having presented one sided argument of source recommended.</p> |

| Question | Answer  | Marks | Guidance   |
|----------|---|-------|--|
|          | to cover the substantial costs of the project (L4). |       | <p>(12 marks) candidate recommends the source(s) most suitable for <i>Beacon's View</i> with <b>full</b> justification with context <b>and</b> having presented a balanced argument of source recommended.</p> <p><b>Level 3 (7–9 marks)</b><br/>           (7 marks) candidate analyses factor(s) of <b>one</b> source.<br/>           (8–9 marks) candidate analyses factor(s) of <b>more than one</b> source.</p> <p><b>Level 2 (4–6 marks)</b><br/>           (4 marks) candidate applies knowledge and understanding of factor(s) of <b>one</b> appropriate source of finance with context.<br/>           (5–6 marks) candidate applies knowledge and understanding of factor(s) of <b>more than one</b> source of finance with context.</p> <p><b>Level 1 (1–3 marks)</b><br/>           (1 mark) candidate identifies factor(s) of <b>one</b> appropriate source of finance with no use of context.<br/>           (2–3 marks) candidate identifies factor(s) of <b>more than one</b> appropriate source(s) of finance with no use of context.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Accept figures as context.</p> <p>Non-contextual answer <b>max</b> Level 1.</p> |

| Question | Answer | Marks | Guidance  |
|----------|--------|-------|---|
|          |        |       | Do <b>NOT</b> award bank loans are 'quick' and 'easy' unless fully explained. |

| Question |         | Answer  | Marks | Guidance   |
|----------|---------|---|-------|--|
| 6        | (a)     | Food and Drink = £16 000 <b>(1)</b><br>Net Cash-Flow = £12 000 <b>(1)</b><br>Closing balance = £12 000 <b>(1)</b> (OFR)   | 3     | AO2 3<br><br>One mark for each correct identification, up to a maximum of three identifications.   |
|          | (b)     | Opening balance = £12 000   | 1     | AO1 1<br><br>For one mark.<br><br>OFR applies.   |
|          | (c)     | Indicative content: <ul style="list-style-type: none"> <li>• shows viability</li> <li>• shows where more funding is needed</li> <li>• to show stakeholders</li> <li>• monitor business performance</li> <li>• for budgeting purposes</li> <li>• compare proposals</li> <li>• shows where savings can be made.</li> </ul> <p>Exemplar responses:<br/>eg The net cash flow and closing balances show whether proposal is viable <b>(1)</b>. This will prevent the wrong decision being made <b>(1)</b>.<br/>eg It shows whether more funding is needed <b>(1)</b> so arrangement can be made to look for an appropriate source of finance <b>(1)</b>.<br/>eg It shows when the project is likely to run out of cash <b>(1)</b> so a bank overdraft can be sought before the business runs into negative cash flow <b>(1)</b>.</p> | 4     | AO1 2<br>AO2 2<br><br>One mark for each correct identification up to a maximum of two identifications plus a further one mark for each of two explanations.<br><br>Mark holistically, identification marks can be awarded in the explanation frame.<br><br>Do <b>NOT</b> accept profit/loss/success/failure. |
|          | (d) (i) | Indicative content: <ul style="list-style-type: none"> <li>• spreadsheet</li> <li>• accounting package.</li> </ul>  | 1     | AO1 1<br><br>For one mark.<br><br>Do <b>not</b> award name of software.  |

| Question | Answer   | Marks | Guidance  |
|----------|--|-------|---|
|          | <p>(ii)</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• formulas can be used</li> <li>• can be edited/changed</li> <li>• templates can be used.</li> </ul> <p>Exemplar response:<br/>eg Formulas <b>(1)</b> can be used to carry out repetitive calculations <b>(1)</b>.</p> <p>Eg Can be edited <b>(1)</b> this will save labour time <b>(1)</b>.</p>   | 2     | <p>AO1 1<br/>AO2 1</p> <p>Up to two marks.</p> <p>Answers must relate to the <b>production</b> of financial documents.</p> <p>Do <b>NOT</b> award 'speed', 'ease of use', 'professional', 'accuracy' without further clarification.</p> |
|          | <p>(e)</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• costs of hardware/software</li> <li>• cost of upgrade</li> <li>• cost of maintenance</li> <li>• security issues - risk of hacking, virus, firewalls, encryption</li> <li>• problems caused by system failure/crash</li> <li>• training costs</li> <li>• might demotivate some employees/staff resistance</li> <li>• time lost in training</li> <li>• increased cost of security/insurance</li> <li>• loss of personal service for customers.</li> </ul> <p>Exemplar responses:<br/>eg It will cost the business money to train employees <b>(1)</b><br/>eg It is expensive for a business to purchase hardware and software <b>(1)</b>.</p> | 2     | <p>AO1 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Do <b>not</b> award vague answers eg 'very expensive', 'needs updating', etc.</p> <p>'Input data incorrectly' is incorrect!</p> |



| Question |     | Answer  | Marks | Guidance  |
|----------|-----|---|-------|---|
|          | (b) | <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• <b>more</b> employees might have been needed</li> <li>• (minimum) wage <b>has increased</b></li> <li>• staff may have been given a pay <b>rise</b></li> <li>• employees worked <b>more hours</b> than anticipated/overtime</li> <li>• <b>more</b> skilled employees were used.</li> </ul> <p>Exemplar response:<br/>eg Extra employees might have been employed <b>(1)</b>.</p>   | 2     | <p>AO1 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Do <b>not</b> accept 'it is a prediction' or 'variable cost' without further clarification.</p> <p>An <b>increase</b> has to be clear.</p> <p>Beware of repetition.</p>   |
| 8        | (a) | <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• enhance reputation/image</li> <li>• increase competitiveness</li> <li>• increase sales</li> <li>• increase profit</li> <li>• to gain awards/recognition</li> <li>• encourage repeat business/customer loyalty</li> <li>• satisfy/motivate employees</li> <li>• increase staff retention</li> <li>• staff recruitment easier</li> <li>• unique selling point</li> <li>• satisfy stakeholder needs</li> <li>• reduces stakeholder issues (award for each different stakeholder if correct)</li> <li>• ethical consumerism.</li> </ul> <p>Exemplar responses:</p> <p>eg This will enhance their image <b>(1)</b> as there is a growing awareness about the importance of ethical practices amongst businesses <b>(1)</b>.</p> <p>eg Ethical practices have been used to increase competitiveness <b>(1)</b>, a business which is viewed as unethical might lose market share <b>(1)</b>.</p> | 4     | <p>AO1 2<br/>AO2 2</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Accept generic context.</p> <p>Mark holistically, identification marks can be awarded in the explanation frame.</p> <p>Award any development.</p> <p>Do <b>not</b> award repetition of question eg 'be more ethical'.</p> <p>Be aware <b>not</b> to award responses that reflect reducing costs/saving money.</p> |

| Question | Answer  | Marks | Guidance   |
|----------|---|-------|--|
| (b)      | <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• could protest if not happy</li> <li>• could complain</li> <li>• might generate bad publicity</li> <li>• might object planning applications</li> <li>• write to the press</li> <li>• talk to local radio</li> <li>• might boycott produce/service</li> <li>• frequent the business</li> <li>• recommend business to others.</li> </ul> <p>Exemplar responses:</p> <p>eg The local community will protest <b>(1)</b> if they are not happy. This will affect the reputation of the business <b>(1)</b>.</p> <p>eg They might object to planning applications <b>(1)</b>. This will slow down the growth of a business <b>(1)</b>.</p> <p>eg They can boycott a business' product/service <b>(1)</b>, this reduces sales <b>(1)</b>.</p> <p>eg The local community may enable a business to expand more easily <b>(1)</b> if they do not object to its expansion plans <b>(1)</b>.</p> | 4     | <p>AO1 2<br/>AO2 2</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Accept generic context.</p> <p>Mark holistically, identification marks can be awarded in the explanation frame.</p> <p>Explanation should describe <b>how</b> it impacts on the business.</p> <p>Do <b>NOT</b> award how a business can impact on local community.</p> <p>Do <b>NOT</b> award causes of conflict.</p> <p>Do <b>NOT</b> award the <b>interests</b> of local communities on a business eg jobs.</p> <p>Look for what local community <b>can do</b> to a business.</p> <p>'Influence' – <b>too vague</b>.</p> <p>Allow both positive and negative impact.</p> |

| Question | Answer   | Marks | Guidance   |
|----------|--|-------|--|
| 9*       | <p>Use levels of response criteria.</p> <p>Indicative content:</p> <p>Internal:</p> <ul style="list-style-type: none"> <li>• degree of risk (internal factors)</li> <li>• likelihood of success</li> <li>• cost</li> <li>• time</li> <li>• profitability</li> <li>• staffing</li> <li>• impact on workforce</li> <li>• retained profit available</li> <li>• knowledge of the market – experience/expertise</li> <li>• practical and operational matters</li> </ul> <p>External:</p> <ul style="list-style-type: none"> <li>• wider business environment</li> <li>• customer profile</li> <li>• legislation</li> <li>• degree of risk (external factors)</li> <li>• economic stability</li> <li>• economic conditions – exchange, interest, inflation rates, etc</li> <li>• social trends</li> <li>• disposable income levels.</li> </ul> <p>Exemplar response:</p> <p>eg The degree of risk has to be considered when making business decisions <b>(L1)</b>. Kay's project will allow <i>Beacon's View</i> to gain more market share in the lucrative weddings <b>(CONT)</b> market <b>(L2)</b>. Especially as indicated in the case study that the market for renewing wedding vows <b>(CONT)</b> is growing, this is a good opportunity for <i>Beacon's View</i> to tap into the market further <b>(L2)</b>. If successful, this will increase <i>Beacon's View's</i> revenue <b>(L3)</b>. Furthermore, it does not require much capital to set up. <i>Beacon's View</i> will not need to borrow money <b>(CONT)</b> <b>(L2)</b> which will keep running costs low <b>(L3)</b>. It is also unlikely to</p> | 12    | <p>AO1 3<br/>AO2 3<br/>AO3 3<br/>AO4 3</p> <p>QWC is assessed in this question.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Level 4 (10–12 marks)</b><br/>Candidate evaluates the factor leading to the adoption of Kay's proposal/rejection of Pete's proposal.</p> <p><b>Level 3 (7–9 marks)</b><br/>Candidate analyses the factor(s) leading to the adoption of Kay's proposal/rejection of Pete's proposal.</p> <p><b>Level 2 (4–6 marks)</b><br/>Candidate applies knowledge and understanding of the factor(s) leading to the adoption of Kay's proposal/rejection of Pete's proposal.</p> <p><b>Level 1 (1–3 marks)</b><br/>Candidate identifies factor(s) affecting business decision-making with no use of context.</p> <p><b>Level 4 (10–12 marks)</b><br/>(10 marks) candidate evaluates why Kay's proposal has been chosen/Pete's proposal has been rejected with <b>weak</b> justification.<br/>(11marks) candidate evaluates which factor</p> |

| Question | Answer  | Marks | Guidance  |
|----------|---|-------|---|
|          | <p>take as long to complete <b>(CONT)</b> as Pete's proposal which means the project will generate revenue fairly quickly <b>(L2)</b>. As a result, cash-flow is more likely to be healthy <b>(L3)</b>. Overall, I think the most important factor that might have led them to the decision is that Kay's proposal is cheaper <b>(CONT)(L4)</b>. It reduces the overall risk of <i>Beacon's View's</i> expansion plan <b>(L4)</b>. The Victorian chapel <b>(CONT)</b> will also give <i>Beacon's View</i> a unique selling point which will allow it to compete more effectively in the long run <b>(L4)</b>.</p> |       | <p>may have led to the adoption of Kay's proposal/rejection of Pete's proposal with <b>full</b> justification having analysed internal <b>or</b> external factor(s).<br/>           (12marks) candidate evaluates which factor may have led to the adoption of Kay's proposal/rejection of Pete's proposal with <b>full</b> justification having analysed <b>both</b> internal and external factors.</p> <p><b>Level 3 (7–9 marks)</b><br/>           (7 marks) candidate analyses <b>one factor</b> leading to the adoption of Kay's proposal/rejection of Pete's proposal.<br/>           (8–9 marks) candidate analyses <b>more than one</b> factor leading to the adoption of Kay's proposal/rejection of Pete's proposal.</p> <p><b>Level 2 (4–6 marks)</b><br/>           (4 marks) candidate applies knowledge and understanding of <b>one factor</b> leading to the adoption of Kay's proposal/rejection of Pete's proposal.<br/>           (5-6 marks) candidate applies knowledge and understanding of <b>more than one</b> factor leading to the adoption of Kay's proposal/rejection of Pete's proposal.</p> <p><b>Level 1 (1–3 marks)</b><br/>           (1 mark) candidate identifies <b>one</b> factor affecting business decisions with no context.<br/>           (2–3 marks) candidate identifies <b>more than one</b> factor affecting business decisions with no context.</p> |

| Question |  |  | Answer | Marks | Guidance  |
|----------|--|--|--------|-------|---|
|          |  |  |        |       | <p>Candidate's argument must be <b>Pro Kay or anti Pete (not anti Kay or pro Pete)</b>.</p> <p>Do <b>not</b> accept '<i>Beacon's View</i>' and 'Pete and Kay' as context.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer <b>max</b> Level 1.</p> |

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