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**General Certificate of Secondary Education
June 2011**

Business Studies

413001

Setting Up a Business

Unit 1

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

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1

Total for this question: 21 marks

1 (a) *State and explain **one** feature of a sole trader.* (2 marks)

Possible features:

One owner who has:

- freedom of action
- keep all the profits
- easy to set up
- unlimited liability
- lack of continuity
- limited expertise.

Example:

As a sole trader, Jenny is the only owner (1) therefore any profits that she makes she will be able to keep for herself (1).

Both A01 marks.

1 (b) *Jenny is wondering whether to take up the franchise opportunity.*

*Explain **one** advantage and **one** disadvantage for Jenny of operating as a franchise.* (4 marks)

Possible advantages:

- use another company's name or brand
- means that they will promote your business.

Possible disadvantages:

- will cost money (£5000) to buy and likely to have an annual payment
- can restrict freedom of operation.

One mark for stating a point. Second mark for development.

L2 Example:

A franchise is where a business buys the right to use another firm's brand. Jenny would benefit from the franchiser's expertise as she has no experience of running a business.

Level	Descriptor	Marks	Assessment Objective
2	Explains advantage/disadvantage in context of Jenny's business.	2	AO2
1	Identifies feature(s) of a franchise.	1	AO1
0	No valid response.	0	

x2 for advantage and disadvantage.

1 (c) Identify **two** methods of market research and explain how each method might help Jenny to make her business successful. (6 marks)

Market research methods could include:

- surveys
- questionnaires
- focus group
- internet research.

Also allow primary and secondary research as methods.

Apply the grid below twice.

Level	Descriptor	Marks	Assessment Objective
2	Describes how market research methods might help to make Jenny's business successful.	2	AO2
1	Identifies market research method and/or a feature.	1	AO1
0	No valid response.	0	

1 (d)	<p><i>Jenny is unsure where the best place would be to locate her café. She is considering two locations:</i></p> <ul style="list-style-type: none"> • <i>the village where she lives</i> • <i>the shopping centre in the town near to where she goes to school.</i> <p><i>Advise Jenny which is likely to be the best option. Give reasons for your advice.</i> (9 marks)</p>
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Possible areas for discussion include:

Village location:

- likely to cost less to buy/rent and run
- convenient for Jenny
- tourist area so will get customers
- likely to have less competition.

Town centre location:

- would be more expensive to buy/rent and run
- all year round potential
- likely to have more customers
- likely to be more competition
- Jenny will need to travel to work.

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

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

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

2

Total for this question: 18 marks

2 (a)	<i>State two features of job production.</i>	<i>(2 marks)</i>
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These could include:

- each job is different
- customers get what they want
- more expensive way of manufacturing
- quality should be better
- can sell at a higher price
- less scope for automation.

One mark for each feature – both A01 marks.

2 (b)	<i>Explain one benefit to A to Z Frames of using batch production for the frames that it sells to the local gift shops.</i>	<i>(3 marks)</i>
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Benefits could include:

- cheaper to produce
- higher productivity
- more consistent quality
- would allow more use of machinery.

Level	Descriptor	Marks	Assessment Objective
3	Explains benefit in context of <i>A to Z Frames'</i> business.	3	AO2
2	Describes benefit of batch production.	2	
1	Identifies benefit of batch production.	1	AO1
0	No valid response.	0	

2 (c) Explain **two** possible reasons why A to Z Frames has highly paid workers.
(4 marks)

Ways could include:

- employees are skilled / have qualifications
- employees have been working there many years (experienced)
- supply and demand issues (unfilled vacancies)
- monetary reward will motivate
- to ensure products are of a good quality.

Apply the grid below twice.

Level	Descriptor	Marks	Assessment Objective
2	Explains possible reason.	2	AO2
1	Identifies possible reason.	1	AO1
0	No valid response.	0	

L2 Example:

The workers are skilled (L1) which means it is likely that the company will have to pay them a higher wage to get them to work there (L2).

2 (d) *A to Z Frames needs to lower its costs because of the competition from imports. It is considering whether it can reduce its costs by paying the workers on the basis of how many frames they make.*

Discuss whether or not changing the way it pays its workers would be the best way of reducing costs. (9 marks)

The new payment methods might mean:

- workers work harder, make more frames, become better motivated and more productive and therefore may reduce costs.

However;

- workers might produce too many; quality might suffer and costs might increase as more are made.

Discussion should be in the context of the competition and may refer to the two types of markets that they sell to.

Give credit for other cost reductions suggested, ie cheaper materials.

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

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

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

3**Total for this question: 21 marks**

3 (a)	<i>STS is considering developing a website in order to gain more customers. State two other ways in which the business could gain more customers. (2 marks)</i>
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These should be appropriate to a small business run by two people with a turnover of between £2000 and £6000 per month.

These could include:

- advertising (allow more than one appropriate example)
- pop-up / banners / internet advertising
- special offers
- public relation events
- reduce prices/hourly rate
- direct contact/selling.

Do **not** allow national media, ie TV, newspapers / magazines (unless local) or radio.

Both A02 marks.

3 (b)	<i>Explain how STS could benefit from using e-commerce. (6 marks)</i>
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Points made could include:

- will allow customers from all over the world
- is suitable for a translation business
- could save costs as distribution could also be electronic
- can compete with rivals
- would not be expensive to operate in the long run.

Level	Descriptor	Marks	Assessment Objective
3	Explains way(s) that e-commerce could benefit <i>STS</i> .	6–5	AO2
2	Describes benefit(s) of e-commerce.	4–3	
1	Identifies benefit/feature(s) of e-commerce.	2–1	AO1
0	No valid response.	0	

L3 Example:

E-commerce would mean that the friends could use a website and the internet to sell their translation services (L1). This would mean that they could attract customers from all over the world (L2). They could also use the internet to receive and send the translation work which would provide a quick (L3) and cheap service (L3).

3 (c) Explain how STS would benefit from improving its customer service. (4 marks)

Benefits could include:

- better reputation
- more repeat sales
- can charge higher price in future.

Level	Descriptor	Marks	Assessment Objective
2	Explains benefit(s) of customer service.	4–3	AO2
1	Identifies possible benefit(s) of customer service.	2–1	AO1
0	No valid response.	0	

L2 Example:

If one of the friends rings up after a job to check it is OK this will show customers that they care (L1). They may use more of their services in the future which will increase future revenue (L2).

3 (d)	<p><i>Magdi has just produced STS’s cash flow forecast for the next six months in order to plan when the business can afford to develop its website.</i></p> <p><i>Recommend the best action(s) you would advise STS to take in order to manage or improve its cash flow. Use Item C and Figure 1 above to support your recommendation.</i></p> <p style="text-align: right;"><i>(9 marks)</i></p>
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Cash flow is forecast to get worse. It will end positive but the balance is negative for three months. The friends take the same salary whatever the performance is. Website is an expensive item and could be delayed. It will, however, lead to extra sales. Income lags behind the expenses because of late payments.

Actions could focus on cutting spending, increasing the amount and speed of payments and could also consider the short-term need for a short-term overdraft or loan.

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

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

In addition and separately award marks for knowledge and application using the grid below.

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

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