



GCE A LEVEL MARKING SCHEME

SUMMER 2017

**A LEVEL (NEW)
BUSINESS – COMPONENT 1
A510U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2017 examination. It was finalised after detailed discussion at the examiners' conference by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in candidates' answers. This is not intended to be exhaustive and candidates do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Candidate's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS GCE A LEVEL BUSINESS

COMPONENT 1: Business Opportunities and Functions

MARK SCHEME

SECTION A

Q.		Total
1	<p>Outline three factors that are likely to affect the demand for ready-made meals.</p> <p>Award 1 mark for stating each correct factor. AO1: 3 marks</p> <p>Indicative content: Price, income, lifestyle, age, health, advertising, availability and price of substitutes and compliments, quality, the weather/season, state of the economy and population size.</p> <p>Accept any other appropriate response.</p> <p>Award 1 mark for each correct understanding applied to ready-made meals. AO2: 3 marks</p> <p>Indicative content: Price – as a rule the cheaper the price the greater the demand for a product, providing that the quality is the same.</p> <p>Income – as people’s incomes increase they may spend more on ready-made meals, as they tend to be more expensive than preparing the food yourself.</p> <p>Lifestyle – people who are working do not have time to prepare meals from scratch.</p> <p>Health – some people may regard ready-made meals as being a less healthy option and, as people become more health conscious, demand will fall. On the other hand many ready-made meals are marketed as being healthy, e.g., low fat, and as a result demand may increase as people become more aware of the problems associated with obesity.</p> <p>Credit any other valid response.</p>	6
2	<p>Identify one normal good and one inferior good outlining the reasons for your choice.</p> <p>Award 1 mark for a normal good correctly identified Award 1 mark for an inferior good identified</p> <p>Award 1 mark for understanding of a normal good Award 1 mark for understanding of an inferior good AO1: 4</p> <p>Indicative content: Normal good: e.g., restaurant meals, branded trainers, cars. A normal good is one for which demand increases as peoples’ incomes increase. As they get richer they are willing to spend more money on normal goods.</p> <p>Inferior good: e.g., supermarket own-label baked beans. An inferior good is one for which demand falls as peoples incomes increase. It is likely that as incomes increase consumers will either buy more expensive beans, such as Heinz baked beans or more expensive meals in general.</p> <p>Credit any other valid example and understanding.</p>	4

Q.		Total
3 (a)	<p>Explain the implications of unlimited liability to Sharon.</p> <p>Award up to 2 marks for demonstrating understanding of unlimited liability. AO1: 2 marks</p> <p>Award 1 mark for application to Sharon's business. AO2: 1 mark</p> <p>Award 1 mark for analysis of the impact of unlimited liability on Sharon. AO3: 1 mark</p> <p>Indicative content: Unlimited liability means that Sharon is responsible for all of the debts of the cafe. In the event of the business becoming insolvent she will have to raise all of the money necessary to pay off her creditors and may, for example, end up losing her house.</p>	4
(b)	<p>Describe why the manager at the bank told Sharon that it was important for her to write a business plan.</p> <p>Award up to 2 marks for demonstrating understanding of the importance of business plans. AO1: 2 marks</p> <p>Award up to 2 marks for applying the understanding in the context of Sharon's business. AO2: 2 marks</p> <p>Indicative content: This is Sharon's first business so it would be helpful for her to write a business plan. It helps her to plan the business so that she understands the market for health foods and the type of competition that she faces. It would help to make sure that she has sufficient finance available to start the café. It would also be useful to help her monitor the progress of the business. The bank would be more likely to lend her money if they could see a well written business plan.</p>	4
(c)	<p>Outline three suitable methods of market research that Sharon might undertake before starting her business.</p> <p>Award 1 mark for each suitable research method identified (up to 3 marks) AO1: 3 marks</p> <p>Indicative content: Suitable methods include the following: primary research – questionnaires, surveys, focus groups secondary research – trade journals, internet, local newspapers</p> <p>Any other valid method</p> <p>Award 1 mark for each suitable method that is applied to Sharon's business (up to 3 marks) AO2: 3 marks</p>	6

Q.		Total
	<p>Indicative content: Sharon could carry out field (primary) research. This would help her to find out about the existing competition in the area to see if anyone else was offering health foods. She could ask people to fill in questionnaires to find out what type of food they would like and how much they would be willing to pay. She could set up a focus group to help her decide what dishes were most likely to be popular. She could also carry out some desk (secondary) research, in order to find out more about the benefits of health foods, the most popular items of health food, etc.</p>	
(d) (i)	<p>Calculate the total spending on café meals in her area per year.</p> <p>Award 1 mark for the correct answer AO2: 1 mark</p> <p>$£104 \times 12\,000 = £1\,248\,000$</p>	1
(ii)	<p>Calculate her weekly profit</p> <p>Annual revenue = $£1\,248\,000 \times 5/100$ = $£62\,400$</p> <p>Weekly revenue = $£62\,400/52$ = $£1\,200$</p> <p>Weekly profit = $£1\,200 - £750$ = $£450$</p> <p>Or</p> <p>Total revenue = $£62\,400$ Minus total costs $£39\,000$ = $£23\,600$?52 = $£450$</p> <p>Award 1 mark for each correct answer (or 3 marks for the correct weekly profit) AO2: 3 marks</p> <p><i>Allow own figure rule</i></p>	3

SECTION B

4 (a)	Discuss the reasons why consumers sometimes need protection from exploitation by businesses. [8]		
Band	AO1	AO3	AO4
	2 marks	2 marks	4 marks
3			<p style="text-align: center;">4 marks</p> <p>Excellent evaluation of why consumers sometimes need protection from exploitation</p> <p>The evaluation is balanced and detailed and will focus on the key issues</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
2	<p style="text-align: center;">2 marks</p> <p>Good knowledge and understanding of the reasons why consumers sometimes need protection</p> <p>The candidate may use examples to show understanding</p>	<p style="text-align: center;">2 marks</p> <p>Good analysis of the reasons why consumers sometimes need protection</p> <p>The candidate may use examples in their analysis</p> <p>A clear chain of argument is present</p>	<p style="text-align: center;">2-3 marks</p> <p>Good evaluation of why consumers sometimes need protection from exploitation</p> <p>The evaluation is reasonably well balanced with some development</p> <p>The candidate makes judgements with some attempt to support their evaluation</p> <p>The answer may contain a brief conclusion</p>
1	<p style="text-align: center;">1 mark</p> <p>Limited knowledge of the reasons why consumers sometimes need protection</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the reasons why consumers sometimes need protection</p> <p>Superficial or generic discussion</p>	<p style="text-align: center;">1 mark</p> <p>Limited evaluation of why consumers sometimes need protection from exploitation</p> <p>The evaluation will be one sided and include general comments that are not developed or quantified</p>
0	<p style="text-align: center;">0 marks</p> <p>No knowledge of the reasons why consumers sometimes need protection</p>	<p style="text-align: center;">0 marks</p> <p>No analysis of the reasons why consumers sometimes need protection</p>	<p style="text-align: center;">0 marks</p> <p>Irrelevant or no evaluation is given</p>

Indicative content:

- Consumers may need protection because the goods they purchase are not fit for purpose. Unless this protection was available unscrupulous suppliers might sell substandard goods and the consumer would have no comeback. For example, a consumer might buy a raincoat that leaked.
- Consumers may need protection against products that do not meet their description. For example if a pair of shoes is described as being leather, but turn out to be made of plastic, the customer will need to have some redress which would not be available without consumer protection legislation.
- Consumers may be misled into thinking something is a bargain because they have been misled about prices, such as the example of being offered Pepsi for £1, when it was advertised as “previously £1.98”.
- Consumers also need to be given protection when buying goods online. The goods may not arrive at all or may not be as described. If there was no protection the consumer would not be able to return the goods or get a refund.
- Weights and measures need to be checked to make sure that consumers are not overcharged for anything from butter to petrol. Consumer protection departments regularly check weighing machines, etc, in order to ensure that they are accurate.
- Some consumers are particularly vulnerable, e.g. pensioners.
- There may be asymmetric information between businesses and consumers.
- Oligopolies and monopolies have market power over consumers and need to be regulated.
- Credit any other valid point.

4 (b)	Evaluate two different types of pricing strategies that can be used by a supermarket.				[8]
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	2 marks	
2	2 marks Good knowledge of pricing strategies	2 marks Good application of pricing strategies to a supermarket	2 marks Good analysis of pricing strategies	2 marks Good evaluation of pricing strategies	
	The candidate suggests two appropriate pricing strategies	There is consistently direct and clear reference to supermarkets	A clear analysis of two appropriate pricing strategies that might be used by a supermarket	Well-balanced evaluation of two pricing strategies that might be used by a supermarket	
1	1 mark Limited knowledge of pricing strategies	1 mark Limited application of pricing strategies to a supermarket	1 mark A partial analysis of the pricing strategies that might be used by a supermarket	1 mark Limited evaluation of pricing strategies	
	The candidate suggests one appropriate pricing strategy	There is some direct reference to supermarkets	Superficial analysis that lacks development	One-sided evaluation of one or two pricing strategies that might be used by a supermarket	Unsupported judgements are made
0	0 marks No appropriate pricing strategies suggested	0 marks No application to a supermarket	0 marks No analysis attempted of the pricing strategies that might be used by a supermarket	0 marks No evaluation attempted of pricing strategies that might be used by a supermarket	

Indicative content:

- A supermarket could use **penetration** pricing when introducing a new product in order to get as many customers as possible to try the new product. However, this may be expensive.
- A supermarket might use **psychological** pricing, i.e. price points such as £4.99 instead of £5.10 because consumers will think that the product is not too expensive. Not all customers will be convinced by this type of strategy.
- A supermarket might use **cost-plus** pricing, where it adds its normal profit margin to the cost that it purchases the goods, this should ensure that the business maintains satisfactory profit levels. The price may not be competitive.

- A supermarket might use **loss leader** pricing, for example on a staple product such as bread, in order to attract customers into the shop. This can be expensive.
- A supermarket might use **competitive** (or 'going rate') pricing, by checking its prices against other supermarkets and possibly guaranteeing that their prices are no more expensive than their competitors. The supermarket may lose money by charging the same price as its competitors.
- **Promotional pricing** such as the use of discounts or sales could be used. This will encourage sales but will reduce profit margins.
- Skimming is appropriate for some products such as mobile phones and laptops.
- Predatory pricing where prices are kept low to deter new entrants.
- Any other valid pricing method.

Q.		Total
5 (a)	<p>Calculate the missing figures for November.</p> <p>Award 1 mark for each correct answer. AO2: 4 marks</p> <p>(i) £2950</p> <p>(ii) £50</p> <p>(iii) - £320</p> <p>(iv) - £270</p>	4
5 (b)	<p>Explain two impacts on a business if it does not control its cash flow effectively.</p> <p>Award 1 mark for each impact correctly identified AO1: 2 marks</p> <p>Award 1 mark for each impact explained AO3: 2 marks</p>	4

Indicative content:

- If this is not controlled, i.e., if the money flowing out of the business exceeds the amount coming in (the net cash flow is negative) for any length of time there can be serious consequences for the business.
- The owner(s) may not be able to pay themselves a reasonable salary (drawings).
- The business may not be able to pay the wages of its staff (if it has any) which could lead to industrial action and stoppages.
- The business may not be able to pay its suppliers, in which case the suppliers will stop supplying them and production will come to a halt.
- The business may not be able to pay its rent (or mortgage) which could result in it being evicted.
- The business may not be able to pay its rates and/or other taxes, in which case it is likely to be prosecuted and eventually wound up.
- The business may not be able to afford to advertise which would result in loss of business or the failure to gain new customers, which in the long term will affect the future of the business.
- Similarly if the business is no longer able to repay the interest and capital on any loans that it has it may face court action and, ultimately, receivership.
- Banks may be unwilling to lend if there are serious cash flow problems
- Any other valid point.

5 (c)	Evaluate ways in which the cash flow situation of a business can be improved. [6]	
Band	AO3	AO4
	3 marks	3 marks
3	3 marks Excellent analysis of the ways in which cash flow can be improved At least 2 valid suggestions are analysed The analysis is balanced and detailed and includes well-reasoned developments Logical chains of reasoning	3 marks Excellent evaluation of the way that cash flow can be improved At least 2 valid suggestions are evaluated The evaluation is well balanced Relevant judgements are made with qualifying statements used to build an argument
	2 marks A good analysis of the ways in which cash flow can be improved At least 1 valid suggestion is analysed The analysis may focus on either increasing revenue or decreasing costs	2 marks Good evaluation of the way that cash flow can be improved At least 1 valid suggestion is evaluated The candidate makes partial judgements, with some attempt to support their evaluation
	1 mark Limited analysis of 1 way that cash flow can be improved The arguments are likely to be undeveloped	1 mark Limited evaluation of 1 way that cash flow can be improved Unsupported and limited judgements are made, often likely to be superficial
	0 marks No analysis of ways to improve cash flow	0 marks No evaluation of ways to improve cash flow

Indicative content:

- A business might try to increase its revenue by raising its prices but, if the demand for its products is elastic, this strategy will not work.
- The business might try to increase sales by spending more on advertising, but this can be expensive and is not guaranteed to work.
- The business might try to reduce its costs but this might have an impact on quality. If there is an attempt to reduce wages the workforce might take industrial action.
- A business might try to delay payment to its suppliers but this may result in the supplier refusing to supply any more materials.
- The business could look for additional finance but this can be expensive and **may** not solve the fundamental problem.

Any other valid suggestion.

<p>6 (a)</p>	<p>Outline what is meant by the term <i>lean production</i>.</p> <p>Award 1 mark only for a limited understanding of lean production Award 2 marks for good understanding of lean production</p> <p style="text-align: right;">AO1: 2 marks</p> <p>Indicative content: Lean production aims to remove all elements of waste from the production process and as a result increase productivity and reduce costs. The most important elements of a lean production system are just-in-time, Kaizen, Kanban, cell production and time-based management methods.</p>	<p>2</p>
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6 (b)	Discuss the impact of lean production on a manufacturing business, such as GE Appliances.			[8]
Band	AO1	AO3	AO4	
	4 marks	2 marks	2 marks	
3	<p style="text-align: center;">4 marks</p> <p>Excellent understanding of lean production in relation to a manufacturing business</p> <p>The key features of lean production are clearly understood</p>			
2	<p style="text-align: center;">2-3 marks</p> <p>Good understanding of lean production in relation to a manufacturing business</p> <p>The key features of lean production are understood</p>	<p style="text-align: center;">2 marks</p> <p>Good analysis of the impact of lean production on a manufacturing business</p> <p>A number of key features are discussed</p>	<p style="text-align: center;">2 marks</p> <p>Good evaluation of the impact of lean production on a manufacturing business</p> <p>The evaluation is well-reasoned and balanced</p> <p>Clear judgement is made with supporting statements</p>	
1	<p style="text-align: center;">1 mark</p> <p>Limited understanding of lean production in relation to a manufacturing business</p> <p>The candidate only refers to 1 or 2 features.</p> <p>Understanding is superficial</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the impact of lean production on a manufacturing business</p> <p>Only 1 feature is discussed</p> <p>The analysis will be undeveloped</p>	<p style="text-align: center;">1 mark</p> <p>Limited evaluation of the impact of lean production on a manufacturing business</p> <p>The evaluation is likely to be one-sided</p> <p>Unsupported judgements are made</p>	
0	<p style="text-align: center;">0 marks</p> <p>No knowledge of the impact of lean production on a manufacturing business</p>	<p style="text-align: center;">0 marks</p> <p>No analysis of the impact of lean production on a manufacturing business</p>	<p style="text-align: center;">0 marks</p> <p>Irrelevant or no evaluation is given</p>	

Indicative content:

- Lean production methods cut out waste. For a dishwasher manufacturer this can mean reducing the stocks of raw materials, such as metal and plastics, as well as the stocks of finished dishwashers.
- Kaizen will mean that the method of production and the quality of the products will be continuously improved.
- Kanban will mean that there will be no time wasted waiting for dishwasher parts, such as screws or electrical components, as these will be on the production line ready to be used.
- Cell production will mean that workers will take pride in their work and ensure that quality standards are maintained.
- Time-based management will ensure that goods are produced as quickly as possible so that the customers receive their goods promptly. It also means that new models can be developed quickly, thus making sure that the dishwashers include the most up-to-date technology. This will make the business more competitive.
- Any other valid point.

7	With reference to the various leadership styles and theories that you have studied, discuss the view that the leadership style of one individual, such as Peter Jones, can be appropriate for all different types of business. [12]		
Band	AO1	AO3	AO4
	4 marks	4 marks	4 marks
3	<p style="text-align: center;">4 marks</p> <p>Excellent knowledge and understanding of leadership styles</p> <p>At least 2 different leadership theories or styles are clearly understood</p>	<p style="text-align: center;">4 marks</p> <p>Excellent analysis of the appropriateness of leadership styles to different types of business</p> <p>At least 2 different leadership theories or styles are analysed</p> <p>The analysis is balanced and detailed, with logical chains of reasoning</p>	<p style="text-align: center;">4 marks</p> <p>An excellent, critical and detailed evaluation of the appropriateness of leadership styles to different types of business</p> <p>The evaluation is well balanced</p> <p>Relevant judgements are made with qualifying statements</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
2	<p style="text-align: center;">2-3 marks</p> <p>Good knowledge and understanding of leadership styles</p> <p>At least 2 different leadership theories or styles are understood</p>	<p style="text-align: center;">2-3 marks</p> <p>Good analysis of the appropriateness of leadership styles to different types of business</p> <p>At least 2 different leadership theories or styles are analysed</p> <p>The analysis may focus on one leadership theory</p>	<p style="text-align: center;">2-3 marks</p> <p>Good evaluation of the appropriateness of leadership styles to different types of business</p> <p>The candidate makes partial judgements, with some attempt to support their evaluation</p> <p>The answer may contain a brief conclusion</p>
1	<p style="text-align: center;">1 mark</p> <p>Limited knowledge of leadership styles</p> <p>At least 1 leadership theory or style has been identified</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the appropriateness of leadership styles to different types of business</p> <p>The analysis is likely to refer to few impacts and will not be developed</p>	<p style="text-align: center;">1 mark</p> <p>Limited evaluation of the appropriateness of leadership styles to different types of business</p> <p>Unsupported judgements are made</p>
0	<p style="text-align: center;">0 marks</p> <p>No knowledge of the appropriateness of leadership styles to different types of business</p>	<p style="text-align: center;">0 marks</p> <p>No analysis of the appropriateness of leadership styles to different types of business</p>	<p style="text-align: center;">0 marks</p> <p>Irrelevant or no evaluation is given</p>

Indicative content:

- There are different leadership styles – autocratic, democratic, paternalistic, bureaucratic and laissez-faire. Each of these styles is appropriate in different circumstances. The use of an inappropriate style may cause more harm than good and either result in a workforce that is insufficiently directed or a workforce that is frustrated by too much control. Reference made to McGregor's Theory X and Theory Y.
- A good leader is one that can adapt his/her style and approach to different situations.
- Without a good leader with an appropriate leadership style a business will struggle. It will not be clear on its vision, aims and objectives. The workforce may lack motivation. Problems may arise that have not been anticipated.
- Some theorists such as Fiedler believe that leaders have particular traits that make them appropriate for particular situations. In other words the task is to match the leader to the task. On this basis it would be difficult to see how one particular individual would have the appropriate leadership style for several different types of business.
- Other theorists such as Wright and Taylor, on the other hand, believe that leadership can be taught and that therefore it might be possible for one individual to have the appropriate style for all different types of business.
- Success in business will also depend on other factors both internal and external to the business. The business will need to produce a quality product. It will need to get the product to the customer in the right place, on time and at the right price. It will need to make sure that it has sufficient finance. It will need to have a workforce with appropriate skills and experience. It will need to promote its products successfully.
- At the end of the day it is up to the leader(s) of the business to make sure that all of these things happen. Some individuals are probably better at adapting their leadership style to different types of business than others, who are less flexible in their approach.
- Any other valid point.