**GCE MARKING SCHEME**

**BUSINESS STUDIES AS/Advanced**

**JANUARY 2011**

**INTRODUCTION**

The marking schemes which follow were those used by WJEC for the January 2011 examination in GCE BUSINESS STUDIES. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were 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' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

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**BS1**

It should be remembered that the candidates are writing under examination conditions are 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 candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer it is satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

**Levels of Response**

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who

are unable to analyse properly a situation, are unlikely to be able to synthesis or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

**Quality of written communication**

The QWC is assessed in question 6.

**Q.1 With the aid of examples distinguish between *needs and wants*. [4]**

|  |  |  |
| --- | --- | --- |
| Level 1 | 1-2 | Candidate is able to distinguish between needs and wants. |
| Level 2 | 3-4 | Candidate is able to explain the difference between needs and wants using appropriate examples. |

Candidates who only deal appropriately with either needs or wants will only be

Level 1.

Candidates can be awarded four marks if the difference is implicit e.g. they define both accurately with appropriate examples.

Answers may refer to:

People have a limited number of needs which must be satisfied if they are to survive (1) these would include physical needs such as, a minimum amount of food, water, shelter and clothing. (1) and psychological and emotional needs e.g. self-esteem and love (1).

Wants are unlimited (infinite) people constantly aim for a better quality of life (1) include better/more food, better housing, longer holidays, better education, entertainment - in effect any example which is not a basic need (1).

**Q.2 Explain, with the aid of examples, the meaning of *diseconomies of scale.* [4]**

Candidate may make distinction between internal and external diseconomies of scale though this is not necessary to secure full marks.

Appropriate definition/explanation which may include a diagram (2) plus examples

(2).

Answers may refer to:

Internal diseconomies of scale occur where the average cost (unit cost) increases as output expands (in the long run). (2) These occur when a firm becomes very large (1)

Mainly due to management problems. May be due to problems in relation to communication, co-ordination, control and employee morale. Communication becomes more complex and co-ordination is more difficult and control is weakened because a large firm is divided into departments. Morale may suffer as individual workers become a minor part of the total workforce. (2)

External diseconomies of scale may occur from over crowding in industrial areas (2) The price of land, labour, services and materials may rise as firms compete for a limited amount. (1) Congestion might lead to inefficiency. (1)

**Q.3 (a) With the aid of examples, distinguish between quantitative and qualitative market research. [6]**

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| --- | --- | --- |
| Level 1 | 1-2 | Candidate can describe either quantitative or qualitative market research possibly with an example. |
| Level 2 | 3-4 | Candidate is able to outline difference between quantitative and qualitative market research and may give examples of quantitative and qualitative data. |
| Level 3 | 5-6 | Candidate is able to explain the difference between quantitative and qualitative market research using appropriate examples. |

Answers may refer to:

Quantitative research

Involves the collection of data that can be measured.

• This means the collection of statistical data such as sales figures and market share. *Surveys and the use of government publications/existing statistics* are common methods of collecting quantitative research data.

• Researcher uses tools, such as *questionnaires and surveys* to collect numerical data.

• Researcher knows clearly in advance what he/she is looking for.

• Recommended during latter phases of research projects.

• Is usually regarded to be less open to interpretation than qualitative data

(objective).

• Data is in the form of numbers and statistics. Qualitative research

Involves collection of data about attitudes, beliefs and intentions.

• *Focus groups, participant observation and interviews* are common methods used to collect qualitative data.

• Researcher may only know roughly in advance what he/she is looking for.

• Recommended during earlier phases of research projects.

• Can be time consuming to collect and may be difficult to draw general conclusions.

• Information gathered is often open to high degree of interpretation (subjective) and so there is often disagreements within business about the significance and importance of qualitative data.

• Data is in the form of words, pictures or objects.

**(b) Consider the reasons for and against carrying out extensive market research. [8]**

|  |  |  |
| --- | --- | --- |
| Level 1 | 1-2 | Candidate identifies reasons for or against carrying out market research. |
| Level 2 | 3-5 | Candidate attempts to explain reasons for and/or against market research. |
| Level 3 | 6-8 | Candidate fully explains reasons for and against market research. |

Maximum of 5 if only deal with advantages or disadvantages. Reasons for

• An aid to decision making - helps to make informed decisions especially important in fast changing markets.

• To find out about customer wants and expectations.

• To suggest introduction of new products, modification of existing products.

• To find out how much customers are willing to pay/developing pricing strategies.

• To gain competitive advantage/keep pace with competitors/find out what they are doing.

• Predictive reasons - what is likely to happen in the future.

• Exploratory reasons - investigating new possibilities in a market.

• Descriptive reasons - what is happening in the market? Who is buying which products in our portfolio?

• Explanatory reasons - why have sales fallen in the last six months in Wales?

• Carrying out market research means that consumers may feel that their views are being considered.

• Reduces risk - without market research a business may spend large sums of money developing and launching unsuccessful products.

Reason against

• Market research may predict that an idea/product will succeed but this is not always the case - primary research depends upon responses of consumers who may not respond in the same manner in the future.

• Data can based on an unrepresentative sample - sampling discrepancies caused by statistical bias. A poorly constructed questionnaire can also lead to bias.

• In secondary research, data does not always meet specific needs of a business.

• Primary research can be expensive to gather and businesses may have to pay for secondary research.

• Secondary data can be outdated - especially problematic in fast-changing industries.

• Research data, especially primary can be time consuming to gather.

**Q.4 (a) Using the information above distinguish between merit goods and**

**public goods. [4]**

|  |  |  |
| --- | --- | --- |
| Level 1 | 1-2 | Candidate is able to distinguish between merit goods and public goods. |
| Level 2 | 3-4 | Candidate is able to explain the difference between merit goods and public goods using appropriate examples. |

Candidates who only deal appropriately with either merit goods or public goods will only be Level 1.

Candidates can be awarded four marks if the difference is implicit e.g. they define both accurately with appropriate examples.

Public goods are goods that would not be provided in a free market system, because firms would not be able to charge for them. Public goods have two main characteristics - they are non-excludable (if provided cannot exclude people from consuming them - "free riders") and are non diminishable - (consumption by one person does not reduce the amount available to the next person).

Examples include *defence, Social Protection - police, street lighting (from the data),* flood control, lighthouses, public water supplies.

Merit goods are goods that could be provided by the free market but policy makers recognise that they would be under-consumed. There are external benefits in providing these goods and services and they are provided free of charge by the Government *e.g. education and health (from the data)* and libraries.

**(b) How do the aims and objectives of the public sector differ from those of the private sector? [6]**

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| --- | --- | --- |
| Level 1 | 1-2 | Candidate is able to identify the aims and objectives of either the private sector or the public sector. |
| Level 2 | 3-4 | Candidate is able to explain how the aims and objectives of the private sector differ from those of the public sector. |
| Level 3 | 5-6 | Candidate fully explains how the aims and objectives of the private sector differ from those of the public sector and may consider their similarities. |

Answers may refer to:

The aims and objectives of the private sector might include, survival, profit maximisation, growth, maximising sales revenue, increasing share value.

(The private sector includes all these businesses which are set up by individuals or groups of individuals e.g. sole traders, partnerships, companies, charities and co-operatives.)

The public sector's aims and objectives include, providing a public service to all e.g. BBC, provision of goods and services that the private sector might not provide e.g. public goods like defence or under provide e.g. merit goods like health and education.

(The public sector is essentially business activity that is owned/run by the government for the benefit of everyone e.g. army, police force, schools, hospitals.)

N.B. Some candidates may point out that in some instances aims and objectives are not dissimilar e.g. business in private sector seek to make a profit but in the public sector there is a need to aim for surpluses, be cost efficient and provide the best possible service.

**Q.5 Explain the impact of rapid technological change on businesses, such as**

**Amazon.com, and their customers. [8]**

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| --- | --- | --- |
| Level 1 | 1-2 | Candidate identifies one or two valid points. |
| Level 2 | 3-5 | Candidate explains impact on businesses and/or their customers. |
| Level 3 | 6-8 | Candidate fully explains impact on businesses and their customers. |

Impact of technological change on businesses

• Cost involved in having to frequently change and maintain machines.

• Increase productivity - more can be produced with less resources and as a result more profit can be made.

• New technology often results in time being saved and fewer materials being used e.g. printing machines which waste less paper - reducing waste.

• Improving the working environment - safer working environment in manufacturing

Modern equipment has made work easier and more tolerable.

• Technology leads to reduction in staffing needs - cost savings to businesses but leading to unemployment for members of staff.

• Need for re-training as new skills are required.

• Reduced employment levels as a result of technological change leading to lower costs.

• Easier to order - 24 hour shopping.

• More rapid delivery of goods.

Impact of technological change on customers

• Rapid technological change and innovation has given customers wider choice of products e.g. in terms of computer games, phones, cameras and possibly higher standard of living.

• Much of the technological change has occurred in ICT resulting in improved speed of communications.

• Existing products become obsolete more quickly.

**Q.6 Franchising, as used by Lighterlife, is a popular way of expanding a business, it brings benefits to the franchisor and the franchisee but few, if any, disadvantages. To what extent do you agree with this statement? [10]**

Candidates will be expected to consider the benefits to the franchisor and the franchisee of franchising and the disadvantages that both may face.

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| --- | --- | --- |
| Level 1 | 1-3 | Candidate identifies relevant benefits and/or disadvantages.The candidate organises information and presents simple ideas in |
|  |  | a clear manner using some appropriate terminology. Errors ingrammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas. |
| Level 2 | 4-6 | Candidate explains benefits and/or disadvantages for franchisor and franchisee and may attempt evaluation. |
|  |  | The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas. |
| Level 3 | 7-10 | Candidate fully evaluates the statement. |
|  |  | The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling. |

Possible responses may include: Benefits to the franchisor

• Extra commitment from franchisees.

• Able to expand the market and sales quickly.

• Increased revenues, e.g. in the form of monthly royalties which have to be paid even if franchisee makes a loss.

• Risks and uncertainty are shared.

• Initial fee, e.g. of £12 000 in the case of the Lighterlife.

• Expansion can be achieved relatively cheaply.

Benefits to the franchisee

• May be supported by national advertising/promotion.

• Reduced risk of failure as they are selling an already proven product or service.

• Support is offered by franchisor e.g. in the case of Lighterlife, full training, and start-up equipment such as materials and weighing scales.

• Retaining degree of independence. Disadvantages for franchisor

• Franchisees may not operate in a satisfactory manner and the reputation of the business may be damaged. Bad PR may result.

• Must ensure that the franchise agreements are carefully drawn up or disputes could occur.

• Could Lighterlife effectively recruit, support and service over 270 franchisees? If not dissatisfaction and poor practice could result.

• Does not have complete control of the day to day running of the business.

Disadvantages for franchisee

• Cannot operate with same level of freedom as an ordinary business because of the franchise agreement.

• Franchisee cannot sell the business without the franchisor's permission.

• In some franchises the franchisor can end the franchise without reason or compensation.

• Franchisee has to make regular payments to the franchisor.