



GCE AS MARKING SCHEME

SUMMER 2017

**AS (NEW)
BUSINESS - COMPONENT 1
B510U10-1**

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 learners are writing under examination conditions and credit should be given for what the learner 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 learners' answers. This is not intended to be exhaustive and learners 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. Learner'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 AS BUSINESS - COMPONENT 1 (NEW)

SUMMER 2017 MARK SCHEME

Q		Total
1 (a)	<p>Suggest two appropriate sources of finance and outline why they might be suitable for Andrew's business.</p> <p>Award 1 mark for each suitable source of finance. AO1: 2 marks</p> <p>Award 1 mark for each suggestion that is applied to the data AO2: 2 marks</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Bank loan though this may be difficult. • Government grant/fund. • Family/partner. • Sell assets such as land or outbuildings. • Leasing land out. • Re-mortgage. • Possible investor/venture capital. • Crowd funding. <p>Do not allow retained profit or selling shares or personal savings. Do not allow leasing or hire purchase of technology. Do not allow sale of assets such as old machinery and equipment.</p>	4

Q1 (b)	Identify three <i>stakeholders</i> apart from Andrew and explain the impact on each stakeholder if the business were to fail. [6]	
Band	AO1 3 marks	AO3 3 marks
3	3 marks Demonstrates excellent knowledge and understanding of the key stakeholders of business. Three key stakeholders clearly identified.	3 marks Excellent analysis of the impact on all three stakeholders should Andrew's business fail. A clear and well-developed explanation of how identified factors will impact on the stakeholders. A logical chain of reasoning is evident.
2	2 marks Demonstrates good knowledge and understanding of the key stakeholders of business. Candidate clearly identifies at least two stakeholders of Andrew's business.	2 marks Good analysis of the impact on at least two stakeholders should Andrew's business fail. A well-developed explanation of how identified factors will impact on the stakeholders.
1	1 mark Demonstrates limited knowledge and understanding of the key stakeholders of the business. Candidate might only identify one stakeholder of Andrew's business.	1 mark A limited analysis of the impact on at least one stakeholder should Andrew's business fail. A limited explanation of how identified factors will impact on the stakeholders of the business. Some points undeveloped and lacks detail and depth.
0	0 marks No suitable stakeholders identified.	0 marks No analysis attempted.

Indicative content:

- Bank – if Andrew has a loan / mortgage and his business fails he may not be able to pay back money borrowed.
- Employees may lose their jobs and may not get other work. They may have to seek alternative employment.
- Businesses that supply Andrew with raw materials and equipment will have to find another client and may suffer financially.
- Government will not benefit from tax revenue and may have to pay benefits to employees who lose their jobs.
- Supermarket may have to find another supplier – may have to pay higher prices or may find suppliers not as reliable as Andrew. Other customers who buy directly from the farm.
- Local community may lose out – unemployment levels and deprivation.
- Investors may also lose out – little or no return on investment.
- Competitors may benefit as customers will still need to purchase milk.

Q		Total
2 (a)	<p>Describe the meaning of the term SME.</p> <p>Award 1 mark for a limited knowledge or understanding AO1: 2 marks Award 2 marks for a good knowledge or understanding</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Small or medium enterprise. • Usually small less than 50 employees. • Medium less than 250. • Small turnover. • Usually sole trader, partnership or private limited company. • Turnover less than £50m. 	2

Q2 (b)	Evaluate the importance of SMEs, such as Ranjit's business, to the UK economy.		[6]
Band	AO3 3 marks	AO4 3 marks	
3	<p>3 marks</p> <p>Excellent analysis of how SMEs are important to the UK economy.</p> <p>A clear understanding of the impact of SMEs on the UK economy.</p>	<p>3 marks</p> <p>An excellent well-balanced evaluation of how SMEs are important to the UK economy.</p> <p>The evaluation focuses on the key issues and context to support their arguments.</p> <p>Clear supported judgements are made.</p> <p>May include a brief conclusion.</p>	
2	<p>2 marks</p> <p>Good analysis of how SMEs are important to the UK economy.</p> <p>The candidate has some understanding of the impact of SMEs on the UK economy.</p>	<p>2 marks</p> <p>A good evaluation of how SMEs are important to the UK economy.</p> <p>The evaluation will include some key issues.</p> <p>An attempt is made to make supported judgements.</p>	
1	<p>1 mark</p> <p>Limited analysis of how SMEs are important to the UK economy.</p> <p>The candidate demonstrates a superficial understanding of SMEs.</p>	<p>1 mark</p> <p>A limited evaluation of how SMEs are important to the UK economy.</p> <p>The answer lacks detail with limited development.</p> <p>Judgements are superficial and unsupported.</p>	
0	<p>0 marks</p> <p>No analysis of how SMEs are important to the UK economy.</p>	<p>0 marks</p> <p>No evaluation of how SMEs are important to the UK economy.</p>	

Indicative content:

- SMEs create jobs – businesses require a number of employees to help run and operate the business. These people pay tax and spend income on other products and services which goes into the economy.
- Critical to the UK economy as they make up 67% of the UK private sector jobs and contribute 50% of GDP – accept approximates.
- SMEs create demand for products which in turn creates more jobs and other businesses.
- SMEs buy products and services from other businesses in order to produce finished goods thus helping to generate wealth in the economy both locally and nationally.
- SMEs pay tax to the government – these businesses are required to pay business and corporation tax. This goes to the government to pay for things such as hospitals, police and schools.
- SMEs introduce new technology and innovation to the market – they come up with new technologies, create new products and provide new services for people in the UK and abroad.
- SMEs stimulate the economy by instilling confidence in people – having a healthy economy makes people more confident to invest.
- SMEs help to create competition which is good for the consumer and growth.
- Encourages exports and investments in the UK.

However:

- SMEs are small scale and more likely to fail in times of recession and hardship. Many SMEs fail.
- Smaller budgets – do not have funds to compete with larger organisations to put into R&D, advanced technology, marketing and promotions which may affect the SMEs ability to offer high quality solutions to customers.
- Less recognition and harder to compete with larger businesses and big profits.
- Harder to raise finance.
- Do not obtain economies of scale as larger businesses do.

Accept any other relevant point.

Q		Total
3 (a)	<p>Calculate sales revenue if all gnomes are sold.</p> <p>Award 1 mark for correct answer AO2: 1</p> <p>Selling price x quantity</p> <p>40 000 x £10 = £400 000</p> <p>Do not accept without £</p>	1

Q		Total
3 (b)	<p>Calculate the contribution made per gnome.</p> <p>Award 1 mark for correct formula AO1: 1</p> <p>Award 1 mark for correct answer AO2: 1</p> <p>Contribution is selling price – variable costs</p> <p>£10 - £4 (£1 labour + £3 raw materials)</p> <p>£6</p> <p>No £ award 1 mark</p>	2

Q		Total
3 (c)	<p>Calculate break-even output.</p> <p>Award 1 mark for correct formula AO1: 1</p> <p>Award 1 mark for calculating total fixed costs AO2: 1</p> <p>Award 1 mark for correct answer AO2: 1</p> <p>Break-even output = Fixed costs/contribution</p> <p>Fixed cost = £14000+£5000+£15000+£50000= £84000</p> <p>£84000/£6 = 14 000 units</p> <p>Do not accept £14 000 – must be units</p> <p>If £ used award max of 2 marks</p> <p>OFR applies for contribution</p>	3

Q		Total
3 (d)	<p>Calculate the profit made if all gnomes are sold.</p> <p>Award 1 mark for correct formula for profit AO1: 1 Award 1 mark for selecting correct data AO2: 1 Award 1 mark for calculating total costs AO2: 1 Award 1 mark for calculating profit AO2: 1</p> <p>Total costs = fixed cost + total variable costs Sales revenue – Total costs = profit</p> <p>£84 000 + (40 000 X 4) £160 000 =£244 000 £400 000 - £244 000 = £156 000</p> <p>The £ is necessary for full marks – award 3 marks for correct answer with no £</p> <p>OFR applies</p>	4

3 (e)	Identify and explain two sampling methods and recommend with reasons which one would be most appropriate for Lotus Enterprises Ltd. [8]			
Band	AO1 2 marks	AO2 2 marks	AO3 2 marks	AO4 2 marks
2	<p>2 marks</p> <p>Demonstrates good knowledge and understanding of two sampling methods available to a business.</p>	<p>2 marks</p> <p>Good application of how identified sampling methods are appropriate for a business such as Lotus Enterprises Ltd.</p> <p>Key factors are applied in context of the data and information is used in the development of arguments.</p>	<p>2 marks</p> <p>A good analysis of two sampling methods and their usefulness to business organisations in meeting customer needs.</p> <p>Analysis shows a clear understanding of the impact that these methods of sampling can have on a businesses.</p>	<p>2 marks</p> <p>A good and well-balanced evaluation of two sampling methods and their usefulness to business organisations in meeting the needs of customers.</p> <p>Valid judgements made to support arguments with some development on both sides.</p> <p>Answer should include a recommendation as to which is the best method to use with reasons and supporting argument.</p>
1	<p>1 mark</p> <p>Demonstrates limited knowledge and understanding of sampling methods available to a business.</p>	<p>1 mark</p> <p>Limited application of how identified sampling methods are appropriate for a business such as Lotus Enterprises Ltd.</p> <p>The candidate's response is mainly theoretical with limited reference to the data.</p>	<p>1 mark</p> <p>A limited analysis of sampling method/methods and their usefulness to business organisations in meeting customer needs.</p> <p>Demonstrates a superficial understanding of the impact that sampling methods can have on business organisations.</p>	<p>1 mark</p> <p>Limited evaluation of sampling method/methods and their usefulness to business organisations.</p> <p>Partial and unsupported judgements made.</p> <p>Recommendation made but supporting arguments are weak.</p>
0	<p>0 marks</p> <p>No knowledge or understanding of sampling methods demonstrated.</p>	<p>0 marks</p> <p>No reference to Lotus Enterprises Ltd made.</p>	<p>0 marks</p> <p>No analysis of sampling demonstrated.</p>	<p>0 marks</p> <p>No evaluation of sampling methods demonstrated.</p>

Indicative content:

- Definition of sampling – sampling is a method of answering questions that deal with a larger target population by selecting a smaller subset of the population being examined.
- Sampling is used to find out what customers want and how a business can best meet their needs to ensure repeat business, maximise sales and profits.

Types of sampling:

- **Quota sampling** involves population being segmented into specific groups with the same characteristics and then a number selected from each group; easy to manage and quick; cheaper to operate than other methods. However, not randomly chosen or statistically representative; higher levels of bias possible during selection.
- **Random sampling** makes sure that every member of the target population has an equal chance of selection – simple to design and interpret; bias is not introduced when deciding on sample. However, it assumes all members are the same (homogenous) and is not always representative.

Credit will be given for the following methods:

- **Cluster sampling** found in certain geographic groups or clusters with random sample from cluster being taken – quick and easy; can cut down on costs. However, expensive if clusters are large; greater risk of sampling error.
- **Systematic sampling** is a method used to save time by choosing every tenth or twentieth; not as random and may not be as representative; not all have equal chance of being selected but can be cost effective.
- **Stratified random sampling** is also random but divided into segments/strata based on knowledge of population (income, etc.) - a random sample is then chosen from these groups. Makes sample more representative but can be time consuming and costly.
- **Snowballing** is a more specialist method where existing subjects recruit future subjects from among their acquaintances. Thus the sample group is said to grow like a rolling snowball. Samples not always representative and is used only when other methods are not possible.
- **Multi-stage sampling** is selecting a sample from another sample.
- **Convenience/opportunity sampling** carried out close to the business location.

Reference to size of sample and how this has to be representative – larger sample sizes reduces risk of bias and increases reliability.

Defining the target population – sample needs to be representative and clearly defined using a sample frame (geographic – postcodes; payroll; customer database of a particular business).

Some methods more reliable than others depending on circumstance, time and resources available to a business.

For higher marks pupils will need to make recommendations with supporting arguments.

Q		Total
4 (a)	<p>Describe what is meant by the <i>public sector</i>.</p> <p>Award 1 mark for limited description AO1: 2 marks</p> <p>Award 2 marks for developed description</p> <p>Indicative content: Organisations which are owned (1) and run/funded/controlled by the government (local and national) (1)</p> <p>Award 1 mark only for examples (education, health services, defence, courts and police, street lighting etc.)</p>	2

Q		Total
4 (b)	<p>With reference to Local Wheels describe the key features of a <i>social enterprise</i>.</p> <p>Award 1 mark for correct feature AO1: 2 marks</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Business with primarily social objectives • Use profit to benefit society – reinvest profits • They can be for profit or not-for-profit • SEs aim to achieve social good <p>Award 1 mark for correct application AO2: 2 marks</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Local Wheels help to solve a social problem • Not for profit organisation – invest profits to provide a good service for the elderly • Work to support local community • To help the elderly maintain a healthy and balanced diet 	4

4 (c)	Discuss the view that the public sector plays a far more important role in meeting the needs of society than the private sector. [8]	
Band	AO3 4 marks	AO4 4 marks
3	<p style="text-align: center;">4 marks</p> <p>Excellent detailed and well-balanced analysis of the role and importance of both sectors in the provision of goods and services.</p> <p>The key issues are discussed.</p> <p>Analysis shows a clear line of argument and includes an excellent understanding of the impact on society.</p> <p>The analysis is supported by reference to specific examples.</p>	<p style="text-align: center;">4 marks</p> <p>An excellent and well-balanced evaluation of the role and importance of both sectors in the provision of goods and services.</p> <p>The focus is on the key issues.</p> <p>Both sides of the argument are evaluated.</p> <p>Clear judgements are made with supporting statements.</p> <p>May include an overall conclusion.</p>
2	<p style="text-align: center;">2-3 marks</p> <p>Good analysis of the role and importance of both sectors in the provision of goods and services.</p> <p>A number of key issues are discussed.</p> <p>The analysis will be uneven, with some well-developed points and some where the development is more limited.</p> <p>The analysis will mainly focus on one-side of the argument.</p> <p>The analysis is supported by some reference to examples.</p>	<p style="text-align: center;">2-3 marks</p> <p>A good evaluation of the role and importance of both sectors in the provision of goods and services.</p> <p>The evaluation includes most of the key issues.</p> <p>The evaluation is reasonably well balanced with some development on both sides of the argument.</p> <p>Valid judgements are made with some supporting comments.</p> <p>A brief conclusion may be included.</p>
1	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the role and importance of both sectors in the provision of goods and services.</p> <p>A limited number of issues are analysed.</p> <p>The analysis will focus on one-side of the argument.</p> <p>Superficial discussion with undeveloped points.</p>	<p style="text-align: center;">1 mark</p> <p>Limited evaluation of the role of the public and private sectors in the provision of goods and services.</p> <p>An awareness of the issues but little development.</p> <p>Judgements are superficial and unsupported.</p> <p>Brief or no conclusion.</p>
0	<p style="text-align: center;">0 marks</p> <p>No analysis attempted.</p>	<p style="text-align: center;">0 marks</p> <p>No evaluation attempted.</p>

Indicative content:

Importance of public sector:

- Public sector provides universal service to all UK households wherever they live.
- **Public sector aims and objectives** include providing a public services to all (health, education, defence, BBC, etc.).
- **Provision of merit and public goods** – goods and services that are under-provided by the private sector because of no profit incentive/not cost effective.
- Some goods difficult to charge for, such as, street lighting – public goods.
- Some people may not be able to pay for certain goods and service, such as, education and health, though these are also provided by the private sector – merit goods.
- Public sector organisations provide employment for many people. These people pay tax and contribute to the economy.
- Provision of merit goods is said to help raise society's standard of living, as do goods and services provided by private sector.
- Both private and public sector organisations aim to provide good customer service.
- Help to fund new businesses which boost the economy.

Importance of private sector:

- **Private sector organisations** are run and owned by private individuals.
- **Mention of different types of private sector organisations** - sole trader, partnership, companies, charities and social enterprises.
- Aims and objectives of the private sector might include survival, market share, profit maximisation, growth, maximisation of sales revenues, increasing share value. Most individuals who own private sector businesses do it for financial gain.
- Some services provided by public sector also provided by the private sector (health and education).
- Profit incentive helps to drive down prices and gives consumers more choice.
- Encourages competition.
- Most new and innovative products are brought about by private sector organisations.
- Increasing number of councils employ private sector businesses to carry out, for example, refuse collection, pest control, street cleaning and beach maintenance.
- Some public sector organisations have been successfully privatised.
- Schools and NHS run more like private businesses now.
- Provide tax for government spending on public services.
- Encourage investment in the UK from abroad.
- Social enterprise and charities are part of the private sector.

Any other valid point.

Credit should be given for a valid conclusion. Candidate should mention that both public and private sector organisations have an important role to play in society and are largely dependent on each other. Both help to boost the economy.