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# **GCE AS MARKING SCHEME**

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**SUMMER 2017**

**AS (NEW)  
BUSINESS – UNIT 1  
2510U10-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2017 examination. It was finalised after detailed discussion at examiners' conferences 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.

**WJEC GCE AS BUSINESS - UNIT 1 (NEW)**

**SUMMER 2017 MARK SCHEME**

**Unit 1: Business Opportunities**

<b>1. (a)</b>	<b>Describe TWO roles undertaken by an entrepreneur?</b>	<b>Total</b>
	<p>AO1: 4 marks</p> <p>Award <b>1 mark</b> for each role identified.</p> <p>Award <b>1 mark</b> for description of each role.</p> <p>Maximum 2 marks per role.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"><li>• <b>Setting up and owning/leading</b> a business – as the owner, the entrepreneur will provide the finance to set the businesses up and also finance any growth that may occur.</li><li>• <b>Organisation/managing/planning</b> of their business – this may range, for example, from setting up machinery, hiring staff to work in the business and marketing the products or services on offer.</li><li>• <b>Risk taking</b> – there is no guarantee that a new business will succeed (in fact far more fail than succeed) so the entrepreneur may well lose the money he/she initially put in to set up the business.</li><li>• <b>Decision-making</b> – decisions will be taken on various aspects of the business including finance, employment, marketing etc.</li><li>• <b>Create employment</b> – the majority of employees work for small enterprises.</li><li>• <b>Acting as innovator</b> – bringing new products/services to the market.</li><li>• <b>Securing finance</b> – money needed to fund the business can be raised both internally and externally.</li><li>• <b>Formulate a business plan</b> – sets out vision for the development of the business.</li><li>• <b>Undertaking marketing research</b> – to establish the degree of competition and whether or not a gap in the market exists.</li></ul>	<b>4</b>

(b)	Explain three characteristics that entrepreneurs are likely to possess in order to help them succeed.	Total
	<p>AO1: 3 marks AO3: 3 marks</p> <p>Award <b>1 mark</b> for each characteristic identified.</p> <p>Award <b>1 mark</b> for each explanation of how the characteristic may help in achieving success.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• They demonstrate <u>initiative</u> – they are self-starters who are adaptable to change and can act positively when required. They do not allow problems to overwhelm them and take decisions to resolve problems that may face them rather than doing nothing and hoping that a problem will go away in time.</li> <li>• They have <u>confidence</u> and are positive/decisive– an entrepreneur must possess self-belief and be confident about the idea that their business is based upon. If they cannot demonstrate confidence they will not be able to persuade customers to trade with them or people to lend them money to help grow the business.</li> <li>• They need to have an <u>understanding of the market</u> which their product or service is going to be sold in and possibly take on board good advice from those already operating in that market. They need to <u>make judgements</u> in dynamic markets and be prepared to intelligently monitor changes in the marketplace. This will lead to <u>taking a risk</u> in some circumstances.</li> <li>• They need to be <u>committed/determined/motivated</u> to the business that they have set up. They must persevere when things do not go as planned and not expect immediate success. They will have to work through the bad times in the hope of success in the future.</li> <li>• They need to be able to <u>cope with stress</u>. Inevitably problems will be encountered and they are the one who needs to be able to make calm, well-reasoned decisions when under pressure.</li> <li>• They need to be <u>a good judge of people</u> – this will be important when employing people as each individual is a key employee in a small enterprise. Absenteeism or poor performance can be very harmful when margins are low and customers precious.</li> <li>• <u>Innovative</u> – develop a product or service that makes them competitive. A unique selling point will make the business more likely to succeed.</li> <li>• <u>Leadership qualities</u> – can delegate and motivate employees to increase the achievements of objectives</li> </ul>	6

<b>2. (a)</b>	<b>With reference to Table 1, calculate the percentage increase in the number of new start- up businesses registered with Companies House (UK) between 2012 and 2014.</b>	<b>Total</b>
	<p>AO2: 2 marks</p> <p><b>Indicative content:</b></p> <p><math>581\,173 - 484\,224 = 96\,949</math> (x1)</p> <p><math>96\,949</math> divided by <math>484\,224 \times 100 = 20.02\%</math> or <math>20\%</math> (x1)</p>	<b>2</b>

<b>(b)</b>	<b>Evaluate the view that, for new start-up enterprises, undertaking primary market research is far more beneficial than undertaking secondary market research. [10]</b>			
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	3-4 marks
				<b>3-4 marks</b> An excellent evaluation of the impact of undertaking primary and secondary research might have upon new start-up enterprises.  Clear judgements are made.  An overall judgement is offered.
<b>2</b>	<b>2 marks</b> Good knowledge of primary and secondary market research is demonstrated.	<b>2 marks</b> Good application to new start-up enterprises is evident.  More than one reference is offered.	<b>2 marks</b> Good analysis of how various research methods may be utilised by new start-up enterprises.	<b>2 marks</b> A good evaluation of the impact of undertaking primary and secondary research might have upon new start-up enterprises.
<b>1</b>	<b>1 mark</b> Limited knowledge of primary or secondary market research is demonstrated.	<b>1 mark</b> Limited application to new start-up enterprises is evident.  Superficial reference to start-up businesses.	<b>1 mark</b> Limited analysis of how various research methods may be utilised by new start-up enterprises	<b>1 mark</b> A limited evaluation of the impact of undertaking primary and secondary research might have upon new start-up enterprises.
<b>0</b>	<b>0 marks</b> No knowledge of primary or secondary market research is demonstrated.	<b>0 marks</b> No application to new start-up enterprises.	<b>0 marks</b> No analysis of how various research methods may be utilised by new start-up enterprises.	<b>0 marks</b> No evaluation is evident.

**Indicative content:**

- Primary data collected by start-up businesses will apply directly to the market in which they plan to operate and will therefore be relevant and, therefore, particularly helpful.
- Any data collected by a new business will belong to it alone. Competitors will not have access to this information and this may prove to be a useful competitive advantage.
- Primary research is likely to be expensive to undertake if it is to be meaningful. Small start-up businesses are unlikely to be able to afford to undertake research on a large enough scale in order to make the findings reliable.
- Primary research has to be carried out carefully. Poorly constructed questionnaires or badly undertaken focus groups will produce incorrect data which may jeopardise the business. Many entrepreneurs may not have the required expertise to effectively undertake primary research.
- Undertaking secondary research is relatively cheap in comparison to undertaking primary research, which makes it much more suitable for small enterprises with limited marketing budgets.
- Secondary research is relatively easy to undertake and several different sources may be available. Being able to utilise the Internet makes such research much more available to small businesses than ever before.
- Specific relevant data may not be available, especially if the new business is operating in a specialised or niche market.
- Secondary data can often be out of date, especially in dynamic markets: making it far less effective and even risky to base decisions on.
- In conclusion, primary market research is likely to be more beneficial when making decisions. However, if collecting such data is too costly it will certainly not benefit small businesses and the cost may result in cash flow problems, the major cause of failure for new start-up enterprises in the UK. Primary market research is a luxury that most new enterprises simply cannot afford.

<b>3. (a)</b>	<b>With the use of examples from the text, analyse why Greenstream Carpets may be regarded as 'social enterprise'.</b>			<b>[6]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	
	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>	
<b>2</b>	<b>2 marks</b> Good knowledge of at least two key characteristics that help define a business as a social enterprise.  Clear understanding demonstrated.	<b>2 marks</b> Good application of relevant examples of Greenstream's activities.	<b>2 marks</b> A good analysis of characteristics of the organisation.  The analysis shows a clear understanding of the positive impact on society and the environment.	
<b>1</b>	<b>1 mark</b> Limited knowledge of key characteristics that help define business as a social enterprise.	<b>1 mark</b> Limited application of relevant examples of Greenstream's activities.	<b>1 mark</b> A limited analysis of characteristics of the organisation.  The analysis shows a superficial understanding of the positive impact on society and the environment.	
<b>0</b>	<b>0 marks</b> No knowledge demonstrated.	<b>0 marks</b> No application of relevant activities.	<b>0 marks</b> No analysis offered.	

**Indicative content:**

- A social enterprise is an organisation that applies business strategies in an attempt to bring about improvements in human and environmental well-being.
- The products that it sells are entirely re-cycled and it has a positive impact upon the environment. Landfill sites are fast running out and they have saved 85,000sq.m from being dumped in 2014.
- Much of their stock is used to improve social housing and provides warmth and comfort to people who could not otherwise afford it.
- They employ people who might find gaining meaningful employment very difficult. Ex-prisoners are trained and employed. Society benefits as they are less likely to re-offend.
- All the above have a positive social impact and define Greenstream Floorings as a social enterprise.



<b>Q3(b)</b>	<b>To what extent might the aims of a social enterprise such as Greenstream Flooring differ from those of Public Limited Companies (PLCs)?</b>			<b>[8]</b>
<b>Band</b>	AO1	AO3	AO4	
	2 marks	3 marks	3 marks	
<b>2</b>	<p><b>2 marks</b></p> <p>Good knowledge of the aims of plc's and social enterprises is demonstrated.</p> <p>Key aims of both types of organisation are identified.</p>	<p><b>2-3 marks</b></p> <p>A good analysis of how the aims of both types of business organisation impact on the manner in which they operate.</p>	<p><b>2-3 marks</b></p> <p>A good evaluation of how the aims of both types of organisation compare and contrast.</p> <p>Clear judgements are made in relation to the essential difference between these aims.</p> <p>An overall judgement is offered.</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Limited knowledge of the aims of plc's and social enterprises is demonstrated.</p>	<p><b>1 mark</b></p> <p>A limited analysis of how the aims of both types of business organisation impact on the manner in which they operate.</p>	<p><b>1 mark</b></p> <p>A limited evaluation of how the aims of both types of organisation compare and contrast.</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No knowledge is demonstrated.</p>	<p><b>0 marks</b></p> <p>No analysis evident.</p>	<p><b>0 marks</b></p> <p>No evaluation undertaken.</p>	

**Indicative content:**

- The main aim of plc's is to make a profit for their shareholders –which is distributed via dividend payments.
- During difficult trading conditions this primary aim may be replaced by the need to ensure the survival of the business, enabling profits to be made in the future when trading conditions improve.
- Growth is another aim of plc's – on occasions a significant proportion of any profit may be re-invested into the business in order to achieve a larger or more efficient business. Nonetheless, this is intended to produce greater dividends for shareholders in the long run.
- A social enterprise has two main aims: - to achieve social, community or environmental outcomes: and to earn revenue which it uses in order to pursue a mission which will benefit society.
- In many ways Greensteam operates in a similar way to the plcs that it deals with – it naturally wishes to survive during difficult trading conditions and it wants to grow as an enterprise – reinvesting some surplus revenue back into the enterprise.
- It makes its money from selling goods in the open market, but reinvests a proportion of its profits/surplus back into the local community. So, when Greenstream profits, society profits - not shareholders.
- In terms of employment Greenstream aims to employ people who are typically excluded from the mainstream economy and unlikely to attain employment elsewhere. When employing workers, plcs will aim to employ those best suited and qualified to carry out the task most cost effectively.
- Greenstream aims to have a positive impact on the environment by recycling materials and redistributing them for use elsewhere. The fact that Greenstream sources its materials from plc's clearly demonstrates the difference in aims in relation to environmental issues.

<b>4. (a)</b>	<b>Using examples from Josie and Helen's business, distinguish between fixed and variable costs.</b>	<b>Total</b>
	<p>Award <b>1</b> mark for each correct definition. AO1:2 marks Award <b>1</b> mark for each correct example. AO2:2 marks</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>Fixed costs – a cost which does not change as output changes in the short run. Examples – rent and electric sewing machines.</li> <li>Variable costs – a cost which changes as output changes. Examples – Fabric/materials, labour/sewing and packaging.</li> </ul>	<b>4</b>
<b>(b)</b>	<b>Calculate the profit that Josie and Helen hope to make during their first year of trading. (show your workings)</b>	
	<p>Award <b>1</b> mark for correct formula. AO1: 3 marks Award <b>1</b> mark for correct calculation. AO2: 4 marks</p> <p><b>Indicative content:</b></p> <p>Total Revenue = Price x quantity sold.(x1) Total Revenue = £25 x 500 = £12500 (x1)</p> <p>Total Cost = Total Fixed Cost +Total Variable Cost (x1) = £960 + (500 x £17) (x1) = £960 +£8 500 = £9 460 (x1)</p> <p>Profit = Total Revenue – Total Cost (x1) = £12 500 - £9 460 = <b>£3 040</b> (x1)</p> <p>Or calculating through contribution: Unit contribution = Price – Variable costs (x1) Unit contribution = £25-£17 = £8 (x1) Total sales x contribution per unit (x1) Total contribution = 500 x £8 = £4 000 (x1) Total contribution – fixed costs (x1) Profit = £4 000 – 960 (x1) + £3 040 (x1)</p> <p>If total fixed costs do not include the 2 sewing machines (£440) then profit figure will be £3 480. Will receive 7 marks.</p>	<b>7</b>
<b>(c)</b>	<b>How many 'onesies' do they need to sell in order to break even?</b>	
	<p>Award <b>1</b> mark for correct formulae. AO1: 1 mark Award <b>2</b> marks for correct calculations. AO2: 2 marks</p> <p><b>Indicative content:</b></p> <p>Break Even = <math>\frac{\text{Fixed Cost}}{\text{Contribution}}</math> (x1) = <math>\frac{£960}{£25 - £17}</math> (x1) = <b>120 onesies</b> (x1)</p> <p>If total fixed costs assumed to be £520 then break even quantity is 65 onesies.</p>	<b>3</b>

<b>5.</b>	<b>To what extent do you agree with Jake's comment that.... 'A town centre location, for a business such as ours, is bound to give us a greater chance of success'? [10]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	1 mark	2 marks	4 marks	3 marks
<b>3</b>			<b>3-4 marks</b> Excellent analysis of how locational factors might impact upon the degree of success the proposed business might achieve.	<b>3 marks</b> An excellent evaluation is undertaken in relation to the relative merits of each site.  Clear judgements are made.  An overall conclusion is offered.
<b>2</b>		<b>2 marks</b> Good application to the situation facing Jake and Ceri.	<b>2 marks</b> Good analysis of how locational factors might impact upon the degree of success the proposed business might achieve.	<b>2 marks</b> Good evaluation is undertaken in relation to the relative merits of each site.
<b>1</b>	<b>1 mark</b> Relevant locational factors are identified.	<b>1 mark</b> Limited application to the situation facing Jake and Ceri.	<b>1 mark</b> Limited analysis of how locational factors might impact upon the degree of success the proposed business might achieve.	<b>1 mark</b> Limited evaluation is undertaken in relation to the relative merits of each site.
<b>0</b>	<b>0 mark</b> No locational factors are identified.	<b>0 mark</b> No application is evident.	<b>0 marks</b> No analysis is undertaken.	<b>0 mark</b> No evaluation is evident.

**Indicative content:**

- The town centre location is likely to be much more expensive in terms of both rent and business rates. Carrying very high fixed costs would certainly have an impact on potential profit.
- In terms of footfall the town centre location is likely to be much more advantageous and passing trade is likely to be much greater.
- Would those customers who have said they will use their new business actually do so? If they move three miles out of the town centre it is likely that many may not do so. However, a site close to where they currently work may see many more keeping their promise.
- How convenient is the new site? Is there regular transport? Does adequate parking exist?
- How much will the out of town site cost to convert to a hairdressing salon? The town centre site is already fitted out as a hairdressers, but does require redecoration. Cost may be an issue here.
- Will their quality of life improve if they are located close to their home? Would their childcare costs be reduced? Commuting would no longer be necessary.
- The fact that the town centre site has become available as a result of a failed hairdressing business is a concern. The reasons for its failure need to be investigated thoroughly.
- To some extent it depends how they are to measure success. What value do they put on quality of life? Money seems to be an issue and a business plan for both options needs to be constructed. The relative costs and revenue are key to their decision as to which location is likely to lead to success.