



GCSE MARKING SCHEME

SUMMER 2017

**BUSINESS STUDIES
4080/01**

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.

Question No.	Question & Answer	Mark Allocation	Assessment Objective
1. (a)	Which of the following best describes the term unlimited liability? The owners of a business may have to sell personal possessions if the business goes bankrupt	1	AO1 1
1. (b)	Which <u>two</u> of the following businesses will have unlimited liability? Arlene's Bouquet Snips Salon	2	AO1 2
2.	In <u>each</u> case below tick whether the goods are most likely to have been produced using job, batch or flow production methods. (i) A one-off wedding dress made to unique design. Job production (ii) Identical pencils made on a production line in large quantities. Flow production	2	AO2 2
3.	Which <u>three</u> of the following are examples of fixed costs paid by a small local café that provides a delivery service? Rent for the shop Monthly lease on equipment and machinery Payment of business rates on premises	3	AO2 3
4. (a)	Calculate the Gross Profit and Net Profit for 2016. (i) Gross Profit = £200,000 [1] (ii) Net Profit = £ 50,000 [1] OFR - for subtracting gross profit - expenses	2	AO2 2
4. (b)	How might a wet summer affect the sales of Timberskills Ltd? Suggestion [1] Application [1] Sales / profit could fall – outdoor furniture and equipment no longer in demand / needed Sales / profit could rise – decorating products could be required Businesses unable to get supplies - unable to supply customers so businesses sell less Loss of customers – customers choose not to go out / cannot get to the shops etc. Application must show an effect to Timberskills Ltd.	2	AO2 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
5.	Below are a number of terms and concepts used in business. Which of the above best describes each of the following: (i) value of one country's currency against another country's currency; Exchange Rates (ii) the money workers receive before statutory and voluntary deductions are taken from pay; Gross Pay (iii) an increase in production (output) results in a reduction in unit costs; Economies of Scale (iv) anyone that can be affected by the operation of a business? Stakeholder	4	AO1 4
6.	(a) Explain the purpose of a job description in the recruitment process. For each [1x2 or 2x1] Reasons may include:- To show what the job entails / what the employee will be expected to do The applicant can use them to decide whether to apply - can speed up the recruitment process - potential applicants may not apply once they have seen the job description The business can link this to advertising the job The business can link this to the person specification - to make a decision on shortlisting. etc. (Do not award marks for Person Specification) (b) Explain the purpose of shortlisting in the recruitment process. Reasons may include:- Shortlisting is a reduced list of candidates / cut down from a larger list – unsuitable candidates will not be asked to interview - most suitable candidate will be employed Speeds up the recruitment process - less time consuming interview stage - reduces costs etc.	4	AO3 4

Question No.	Question & Answer	Mark Allocation	Assessment Objective
7. (a)	Identify <u>two</u> functions of an entrepreneur. Each suggestion [1] Suggestions may include: They set up a business / they are the business owners / they run the business / they are the managers They have the idea / show the initiative / innovation They take the risks / face the uncertainties/ suffer the consequences of failure Qualities / characteristics of entrepreneur e.g. determined / organised They invest / put money into the business They earn the profits / earn an income etc.	2	AO1 2
7. (b)	Explain <u>two</u> reasons why an individual such as Christopher Williams may wish to set up his or her own business. Suggests reasons [2x1] Explains/expands [2x1] Answer might include: Personal ambition / satisfaction – always wanted to do it - building your own business may help individuals reach the higher goals in life Interest - may be passionate about the product or service they provide – examples To keep a family business running – taken over from family member Reward for own efforts – to make profits - earn income Can exploit an opportunity/identify a gap in the market to increase wealth Provide a service to local community/social enterprise Use skills – learnt in previous job / experience / interests / hobbies Be own boss / to be in control – this will give greater flexibility than employment - to be able to make own decisions – e.g.	4	AO1 2 AO3 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
	No work available – to get a job Use qualifications – gained in school / college – or in previous job Encouragement by external/government agencies to set up own business - support and advice offered by agencies - e.g. GO Wales, Career Wales, Princes Trust To use redundancy pay to take advantage of the opportunity to set up a business etc.		

Question No.	Question & Answer	Mark Allocation	Assessment Objective
7. (c)	Apart from competition, suggest <u>two</u> other factors that Christopher Williams needed to consider when choosing the location of the shop. Each suggestion [1] Suggestions may include: Cost Availability of shop Suitability of shop / size of the premises / state of premises / facilities Infrastructure Closeness of shop to market / plenty of customers Ease of access for customers / for deliveries Passing trade / footfall etc.	2	AO1 2
7. (d)	Outline <u>one</u> reason why locating near to competitors would be a disadvantage to CW Sports. Suggestion [1] Application to CW sports [1] Answers could include:- Similar businesses may be well known – likely to have loyal customers - who will not switch Similar business may have wider range of goods – customers more likely to visit competition Similar business may have lower prices – steal customers – could start a price war Potential for low sales – difficult to attract customers (credit other marketing strategies used by the larger/smaller business to steal/attract customers from small sport shop) etc.	2	AO2 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
7. (e)	Evaluate the various pricing strategies that might be used by CW Sports. Level 1 Suggests relevant pricing strategy / strategies that could be used with no or limited explanation. Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar. Level 2 Suggests relevant pricing strategy / strategies that could be used, with some explanation and / or provides advantage(s) or disadvantage(s). Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive. Level 3 Suggests relevant pricing strategies showing how each will help the business and provides advantages and disadvantages. Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar. (MAX 2 for a list) (MAX 5 for 1 pricing strategy fully evaluated) Answers could include: Cost plus pricing - adding profit to cost so profit is made on each good but may not work in sportswear market/competitive market / depends on margins Psychological pricing - the prices appear to be lower than whole pounds to attract customer but some may not be convinced to buy so revenue may not rise / customers may not be attracted to the business Price skimming – setting a high price to recoup costs of providing goods – attracts early adopters e.g. new football boots but some customers unable to / unwilling to pay the high prices Penetration pricing – the goods have a low price to attract customers but when prices rise people may not be willing to purchase - questions over quality Market orientated/competitive pricing - where prices are similar to those of other sports retailers (shops) but customers may be used to buying from competitors so revenue might not change / customers may not switch from rivals	10 1-3 4-6 7-10	AO1 3 AO2 3 AO3 4

Question No.	Question & Answer	Mark Allocation	Assessment Objective
	Loss leader - involves selling at below cost to encourage sales of other goods - unlikely in this case – mainly used by supermarkets rather than sports retailers (shops) Market pricing - where prices are set at level market can stand/demand and supply but changes in price may or may not change revenue / demand Promotional pricing – e.g. discount/sales pricing - will encourage sales but costs will rise / revenue might not increase in the long run Premium pricing – setting a high price to give the image of high quality – for example selling branded sportswear/equipment but customers may not be willing or able to pay the high prices. Price discrimination – charging different prices to different customers (market segments) – e.g. discounted pricing to students - customers attracted to lower pricing but some customers excluded and may choose rival sports retailers (shops)		

Question No.	Question & Answer	Mark Allocation	Assessment Objective
8. (a)	State <u>two</u> functions of a retailer. Valid suggestion [2x1] Answers might include: Display goods Promote goods Sell to consumers / sell goods and services Give customers advice / provide customer service Deal with faulty goods / complaints Distribute goods / deliver goods Buy from wholesalers / manufacturers / suppliers Break bulk / buy in large quantities and sell in small Closer to consumer / Local Can offer credit etc.	2	AO1 2
8. (b)	What is the name given to the person or business selling the rights to the business name and products? Franchisor	1	AO1 1
8. (c)	Suggest <u>one</u> possible source of external finance that would be suitable to raise the money to pay the £50 000. Give <u>one</u> advantage and <u>one</u> disadvantage of your suggestion. (x1) for identification of possible source of finance (x1) for correctly identified advantage (x1) for correctly identified disadvantage Possible responses may include: Bank loan/mortgage: access to large sums of money. Spread payments / instalments. However, interest has to be paid on the loan and some form of collateral may be required to secure the loan. Bank may take an active interest in the business once the loan is given. Very difficult to obtain for small businesses. Loans/finance from family or friends: Money will be available immediately and may not incur interest / pay back. However, limited funds may be available and if loan is not repaid could damage friendships / cause family issues.	3	AO2 1 AO3 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
	Government assistance (grant): Usually given to businesses in regions where unemployment is high. Often they are grants which do not have to be repaid. However, they tend to be small amounts that last only for a relatively short period of time. They are also few and far between due to strict criteria. Take on partner/shareholder: They invest capital without interest payments. They offer expertise, skills, specialisations etc. However, the owner will lose some control and the profits will be distributed between partners/shareholders. Venture capital: Possibly large sums of money can be attained quickly and advice may also be given. However, likely to lose full control of the business. (Do not award marks for overdraft, trade credit, leasing, hire purchase, sale of assets)		
8. (d)	Apart from personal details (name, address and telephone number), suggest <u>two</u> pieces of information that should be included in a business plan and explain why the information is needed. Suggestion [2x1] Reasons [2x1] Answers might include: Aims of business / mission statement – give the business direction / goal – motivate workers / management Cash flow forecast / projected sales / projected costs – banks / suppliers can see if business can pay them back – management / owners can make decisions from them Owners CV – identify if they have the skills / experience to make business work Type of ownership – assess the liability – assess the advantages and disadvantages for the running of the business Marketing – outline the marketing mix /how the business will set price / product/ range/ attract customers / market research Location / premises – to assess suitability in relation to main factors / examples Financial information – for example projected Profit and loss account Information about skills / experiences / type of workers to be employed – to provide good service etc.	4	AO1 2 AO3 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
8. (e)	Explain one reason why Tom Culligan uses electronic communication such as email. Reason [1] Explanation / development [1] Answers might include: Speeds up communication – the message is sent / received instantly Saves money – no need to send letters / pay postage Aids flexible working – receive and send messages when not in the office Note email is only one example of electronic communication, credit should be given to explaining other forms. etc.	2	AO2 1 AO3 1
8. (f)	Explain the advantages and disadvantages of becoming a franchisee. Level 1 Advantage(s) and / or disadvantage(s) stated with no explanation. Level 2 Advantage(s) and / or disadvantage(s) explained. Level 3 Advantages and disadvantages fully explained. Advantages might include:- Business model - well-known name - more customers for franchisee based on reputation of franchise Training received - franchisor able to pass on knowledge / skills to franchisee - to give quality of service Advice - from franchisor with experience in the business Advertising by franchisor - sometimes on national scale - franchise becomes better known Equipment provided - to have quality / corporate image Goods to sell bought from franchisor - no need to find supplier – common standard Finance may be provided - sometimes at favourable interest Exclusive area - so franchisee do not face competition Process of making - as efficiently as possible - expertise etc. Disadvantages might include:- Set up cost paid to franchisor - to be able to join franchise	8 1-2 3-5 6-8	AO1 2 AO2 3 AO3 3

Question No.	Question & Answer	Mark Allocation	Assessment Objective
	Monthly royalties / fee paid to franchisor - may reduce profits Little freedom to operate - as area/goods sold chosen by franchisor May gain bad reputation - other franchisees may provide bad service Difficult to go through qualification – selection process etc. (Do not accept advantages/disadvantages in relation to being the franchisor)		

Question No.	Question & Answer	Mark Allocation	Assessment Objective
9. (a)	Suggest and explain <u>two</u> reasons why packaging is important. Suggests reasons [2x1] Explains/expands [2x1] Answers might include: Protection - reduce risk of damage - ensure the product is of a high quality Keep product fresh/clean – prevent contamination - consumers aren't harmed Storage - before sale - in retailers/on shelves Information - name and address of manufacturer - use of product - ingredients – safety – use by dates - legal Identifies product from advertising/previous purchase - for its image/quality - enables higher prices - differentiated products from rivals - customers can tell one product from another - so product recognised - so brand loyalty - customers continue to buy - product stands out in display - impulse buying is encouraged etc.	4	AO1 2 AO2 2
9. (b)	Outline the benefits to Delyn Packing Ltd of selling high quality plastic food packaging to its customers. [2x1 or 1x2] Answers might include:- High levels of customer satisfaction / customers will be happy with the products – repeat purchasing Differentiates the goods from rivals - more competitive Increase sales / market share - attract customers with better products / retain existing customer Improve image – good publicity from quality – use in promotion Charge higher prices – increase sales revenue – bigger margins / increase profit Less complaints / returns – reduce costs of providing new / replacement products etc.	2	AO1 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
9. (c)	Suggest and explain <u>one</u> benefit to businesses such as Delyn Packaging Ltd of using computer aided design (CAD)? Suggests reason [1] Explains/expand [1] Answers might include:- Reduce costs and improve quality are the main benefits, there are a number of different examples: Speeds up design Alternative designs can be considered - simple to edit Producing drawings of finished goods and parts / No need to build models (prototypes) nor finished goods - reduce costs To view finished goods before manufacture to find best design – improves quality and accuracy of the design Testing – materials and design to reduce errors and reduce costs Linked to CAM to speed up production etc.	2	AO2 1 AO3 1
9. (d)	Explain why the workers at Delyn Packaging Ltd may be concerned by the introduction of new technology such as computer aided design. Suggests reason [1] Explains/expand [1] Answers might include:- May lose jobs – technology may replace need for workers / changes require fewer workers Promotion opportunities may be reduced - with smaller workforce Lower morale – lack of job security / promotion opportunities Fewer hours – reduced pay Need to familiarise with technology – need to be trained - may need to work harder Health risks - Technology could be dangerous etc.	2	AO2 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
9. (e)	Advise Delyn Packaging Ltd as to whether they should use on-the-job or off-the-job training for the introduction of new technology. Level 1 Suggests methods of training and/or advantage(s) / disadvantage(s) listed with limited explanation. May offer simple and unsupported advice. Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar. Level 2 Considers on-the-job and/or off-the-job training with a good explanation of the advantage(s) and disadvantage(s). May offer a brief advice. Max 5 marks if no advice given. The response could be one sided. Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive. Level 3 Considers both on-the-job and off-the-job training with an excellent explanation of the advantages and disadvantages of each. The best answers offering a reasoned recommendation. Max 9 marks if no reasoned advice given Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar. On-the-job Advantages Cheaper than off-the-job – worker works alongside experienced operative – no need to pay external agency Quick to organise – given as needed Effective – trainee supervised – trained in the ways of specific business Workers still contribute to production – improves efficiency / operations of the business etc.	10 1 – 3 4 – 6 7 - 10	AO1 3 AO2 3 AO3 4

Question No.	Question & Answer	Mark Allocation	Assessment Objective
	Disadvantages May not provide in depth training – depends on skills of other workers – may not be effective trainer – poor communication skills – may pass on bad habits to trainee May be limited to individual training – rather than to group Takes up time of trainer – skilled workers taken off production - mistakes can be made – holding up production Etc. Off-the-job training Advantages Wide range of skills gained – from experienced trainers – who are up to date with modern ideas – practices – high quality Workers can gain qualifications – improved morale – quality of work Motivates workers – money is being spent on the training – workers feel valued Etc. Disadvantages May be expensive – trainers may be paid to come on site – or workers attend off course sites at colleges etc. No production takes place whilst workers away May not be aimed at specific needs of firm – as variety of skills taught Qualifications may lead to workers leaving – higher value on job market Etc. Conclusion - Give reasoned advice.		

Question No.	Question & Answer	Mark Allocation	Assessment Objective
10. (a)	(i) What is meant by the term turnover? Value of sales/income/revenue of a business/money made from selling goods [1] (ii) How could Gavin and Anita improve their turnover? [2] Increase price – make more revenue per item sold Reduce price – may create demand / sell more goods to increase total revenue Increase promotion / advertising – may attract more customers / sales etc.	3	AO1 1 AO2 2
10. (b)	Identify one other cost Gavin and Anita's business may have. Points might include:- Advertising / business rates / tax / fuel / drawings / bonuses / sundries / maintenance of machinery / loan repayment etc.	1	AO1 1
10. (c)	Suggest <u>two</u> ways in which a cash flow forecast might be useful to a business such as Gavin and Anita's. Points might include:- May be part of a business plan / improves planning / what if scenarios Helps a business gain finance / helps bank decide whether to give loan / helps a business to borrow money Forewarns a business about future possible cash flow problems / surplus of cash	2	AO2 2
10. (d)	Calculate the estimated: (i) Materials payment for September; (£)545 (ii) Closing Bank Balance for December; (£)3525	2	AO2 2

Question No.	Question & Answer	Mark Allocation	Assessment Objective
10. (e)	Gavin and Anita intend to use ICT to purchase materials and to create a customer database. Explain why the use of ICT may benefit Gavin and Anita's business in: Suggestion for each [1] Explanation / development / expansion for each [1] (i) Purchasing materials using e-commerce (online) Can see images of products - can compare many products Prices of many sellers can be compared - on one computer No need to travel to suppliers - so costs saved Can pay on line – may save bank charges May be cheaper - because seller costs lower Wider choice - from many sellers Order 24/7 – more convenient for business owners etc. (ii) Creating customer records using a database More effective data handling – sort and search for customer records quickly – inputting the data It is easy to make changes - save your work and print it out again Can create reports – print out records and store hard copies Can create mail merge – speed up sending correspondence via letters Marketing – creating customer profile and loyalty scheme etc.	4	AO3 4
10. (f)	Discuss the reasons why some businesses choose to grow and other businesses choose to remain small. Level 1 Candidate suggests reason(s) why some businesses choose to grow and / or why some choose to remain small. May include brief or limited explanation. Level 2 Candidate suggests reason(s) why some businesses choose to grow and/ or why others choose to remain small as well as providing some explanation. Level 3 Candidate fully explains the reasons why some businesses choose to grow and why others choose to remain small. [MAX 4 for unbalanced argument]	8 1-2 3-5 6-8	AO1 2 AO2 3 AO3 3

Question No.	Question & Answer	Mark Allocation	Assessment Objective
	Possible responses for expansion may include: Increase market share – increase number of customers in comparison to competition – increase sales revenue Increase sales – potential to increase profits Potential economies of scale – reduces costs – increase profit - example such as purchasing, technical, financial and marketing Gain competitive advantage – example of how the business may gain an advantage such as; reducing costs, extensive advertising, access to more resources etc. Opportunity to spread risk – selling a wide range of goods/services or wider market Etc. Possible responses for remaining small may include: Some business owners do not want to grow / are content to operate as a small business - without all the stresses and strains associated with a growing business – examples such as; financial limitations, access to resources, management etc. Small businesses can survive on a relatively low cost structure - may operate from home - have no stock holding costs etc Some serve niche markets and there is no scope for growth – the market may not be possible to expand Many services can be delivered more effectively on a small scale – e.g. Hairdressers, personal trainers, etc Some consumers like to purchase goods from specialist suppliers and outlets / small stores - they may provide something unique / provide a personal service which some larger organisations struggle to achieve Small businesses can adapt quicker than large business – adapting to change quickly such as technology, fashion – more able to satisfy customer needs effectively than a cumbersome plc etc.		