Oxford Cambridge and RSA

# A Level Business

## H431/01 Operating in a local business environment

Sample Resource Booklet Version 1.1

Time allowed: 2 hours

**Instructions to candidates**

- This is a resource booklet.
- You should refer to it when answering the examination questions which are printed in a separate booklet.
- The business described in this Case Study is a real business.

**Information**

- This document consists of **8** pages. Any blank pages are indicated.

## Cartridge World

The fall in the level of UK unemployment in early 2014 was good news for the economy. Part of the reason for the fall in the number of jobless was the rise in the number of people starting their own business and becoming self-employed. In 2014 there were 211 000 more self-employed people than in 2013.

Starting your own business brings a huge number of personal challenges, and would-be entrepreneurs need the ability to cope with a considerable amount of uncertainty. Many businesses fail in the first year that they are established. In 2012 this figure was 20%. One way of minimising the risk of failure when becoming self-employed is to become a franchisee.

One of the recent successes in UK franchising is Cartridge World. It was started in Australia in 1998, as a business supplying replacement ink and toner cartridges at a price well below the printer manufacturers' and it has grown into a global business with over 1500 outlets. It not only sells new cartridges, it also encourages customers to return their used cartridges to be refilled. By helping customers to refill, rather than replace their cartridges, a Cartridge World franchise reduces the number of cartridges that end up in landfill. It also sells printers, along with a large range of other office supplies.

The first UK franchise opened in 2001. There are now over 140 of these franchises in the UK. The firm targets small and medium-sized organisations for its core business. Although marketing is undertaken nationally, franchisees are allowed to set their own prices and run their own promotion campaigns, so that they can remain competitive in their allocated local territory. Fig. 1 shows some information Cartridge World provides for its potential franchisees.

**Fig. 1 – Key points from Cartridge World's franchise brochure**

We've spent the past 20 years fine-tuning our business model so you don't have to.

Operating a Cartridge World franchise has a number of advantages:

- A variety of options for a franchisee. The minimum investment is £30 000. In addition to this there will be the costs of shop fittings and stock. Cartridge World provides guidance and assistance with site selection, store design and opening.

- All franchising options come with:
  - a defined local territory to operate within
  - initial training followed by newsletters and technical updates
  - ongoing business and technological support
  - an in-house product development team
  - access to marketing data and a business development manager
  - a strong brand image that emphasises ethical behaviour
  - regular national marketing campaigns.

We are looking for successful people who are passionate about developing a strategic partnership. So if you have the desire to succeed you might just be the person we are looking for.

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Each franchise sells a wide variety of office supplies. Fig. 2 shows some data relating to two of Cartridge World's printer cartridge packs.

**Fig. 2 – Sales data from an average Cartridge World franchise**

Data adapted from Cartridge World Franchise brochure 2014. Item removed due to third party copyright restrictions.

For other examples of this type of question, please see our past papers, available through our website and Interchange.

Anyone considering taking out a franchise will obviously be interested in the state of the market in which they will be operating. Fig. 3 indicates some of the data that is provided to franchisees by Cartridge World.

**Fig. 3 – Data on the UK printer ink market**

Data adapted from Cartridge World Franchise brochure 2014. Item removed due to third party copyright restrictions.

For other examples of this type of question, please see our past papers, available through our website and Interchange.

As well as data from Cartridge World, potential franchisees will want to investigate the current state of the economy and its prospects for the future. See Figs. 4, 5 and 6.

**Fig. 4 – UK Gross Domestic Product (GDP) 2008–2014**

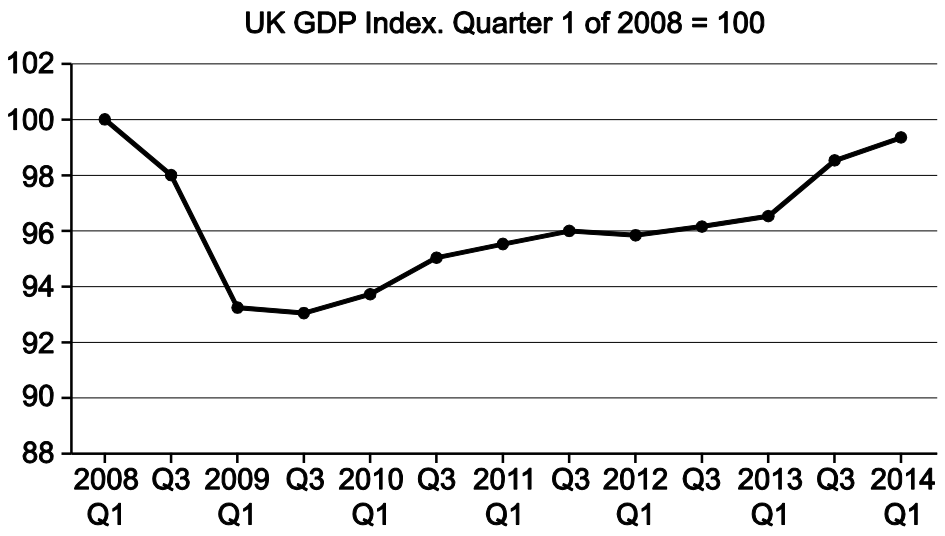
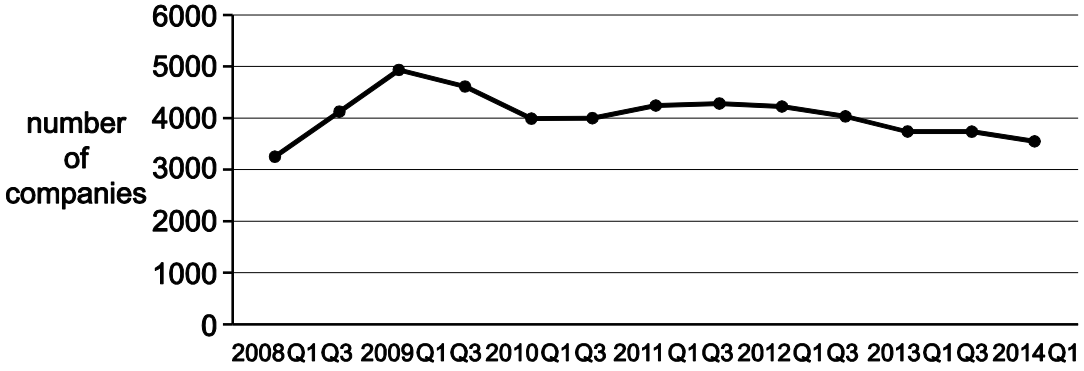


**Fig. 5 – UK GDP forecast: percentage change on previous year**

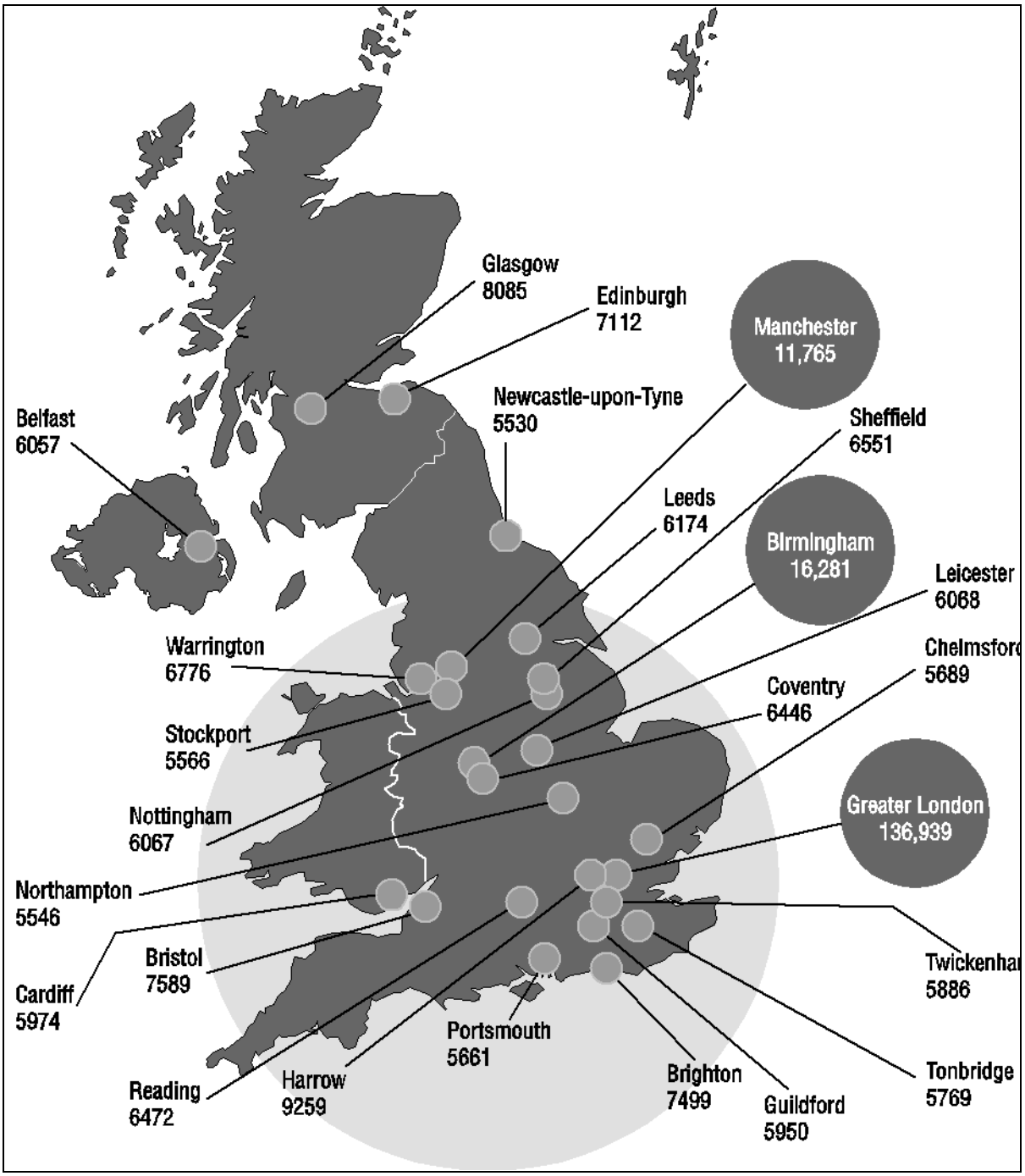
| | |
|---|---|
| 2014 | 1.8 |
| 2015 | 2.3 |
| 2016 | 2.7 |
| 2017 | 2.8 |

**Fig. 6 Company Liquidations in England and Wales**



Another issue for a franchisee is where to locate the new business. Fig. 7 shows the most popular locations for business start-ups in 2013.

**Fig. 7 – UK entrepreneurial start-up hotspots 2013**




Success is never guaranteed in any business. A lot of data needs to be analysed and a number of factors have to be evaluated before any decision is taken. Running a Cartridge World franchise does not, of course, mean that all the work and decision making is done for you. A lot of effort, as well as capital, has to be invested in the business, especially in the first months of a new franchise. Furthermore, the office supply market is competitive, with relatively low barriers to entry. This means that market forces can quickly change the situation of a business operating within it. Some Cartridge World franchises are set up as a family business to share the workload and to offer support.

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# Summary of updates

| Date | Version | Change |
|---|---|---|
| February 2021 | 1.1 | Updated copyright acknowledgements. |

Copyright Information:

Facts adapted from Cartridge World Franchise brochure 2014.

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Data adapted from UK GDP forecast: percentage change on previous year, the Office for Budget Responsibility © Crown Copyright. Reproduced under the terms of the Open-Government Licence (OGL).

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# A Level in Business

## H431/01 Operating in a local business environment

Sample Question Paper

## Date – Morning/Afternoon

Time allowed: 2 hours

**You must have:**
- the Resource Booklet

**You may use:**
- a scientific or graphical calculator

| | |
|---|---|
| **First name** | |
| **Last name** | |
| **Centre number** | |
| **Candidate number** | |

SPECIMEN

**INSTRUCTIONS**
- Use black ink.
- Complete the boxes above with your name, centre number and candidate number.
- Answer **all** the questions.
- Use black ink.
- Write your answer to each question in the space provided. If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.
- The Resource Booklet is required for **Section B** only.

**INFORMATION**
- The total mark for this paper is **80**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended responses will be assessed in questions marked with an asterisk (*).
- This document consists of **12** pages.

## Section A

Answer **all** the questions. Put a tick (✓) in the box next to the **one** correct answer for each question.

**1** What is meant by $360^0$ appraisal?

**(a)** Appraisal is carried out in a group meeting with everyone sat around a table ☐

**(b)** Feedback about the employee is gathered from supervisors, peers and subordinates ☐

**(c)** The appraisal process is carried out by the subordinates whom the employee manages ☐

**(d)** The employee carries out their own self-appraisal without the input of anybody else ☐

**[1]**

**2** Many fast food restaurant chains employ staff on a permanent contract, but do not guarantee how many hours each employee will work over a given period. This is an example of:

**(a)** annualised hours ☐

**(b)** compressed hours ☐

**(c)** a flexi-time contract ☐

**(d)** a zero hours contract ☐

**[1]**

**3** After more than 100 application forms have been read by the selection panel, what is the next stage in the selection process?

**(a)** Appoint the successful candidate ☐

**(b)** Carry out a training needs analysis ☐

**(c)** Request references for all candidates ☐

**(d)** Shortlist suitable candidates to interview ☐

**[1]**

**4** Which of the following would **not** be appropriate for inclusion in a job description?

**(a)** Aptitudes and skills ☐

**(b)** Job title ☐

**(c)** Tasks to be carried out ☐

**(d)** Position in the chain of command ☐

SPECIMEN

**[1]**

**5** Which one of the following functional areas is principally concerned with gearing?

**(a)** Accounting and finance ☐

**(b)** Marketing ☐

**(c)** Operations management ☐

**(d)** Human resources ☐

**[1]**

**6** Which of the following would improve a small firm's current ratio from its existing position of 0.5?

**(a)** An increase in inventories ☐

**(b)** An increase in payables ☐

**(c)** A reduction in cash ☐

**(d)** A reduction in receivables ☐

**[1]**

**7** Tactical planning is important in a business because it:

**(a)** clarifies the direction and purpose of the business ☐

**(b)** reduces the need for strategic review ☐

**(c)** identifies resource requirements ☐

**(d)** helps develop the mission statement ☐

**[1]**

**8** Which of the following sources of finance would be the most appropriate in the short-term for an entrepreneur starting up a small business selling ice cream from a van as a sole trader?

**(a)** Factoring ☐

**(b)** Mortgage ☐

**(c)** Personal savings ☐

**(d)** Selling shares to the public ☐

**[1]**

SPECIMEN

**9** A business produces budgets for each area of the business. These budgets are compared against the actual results at the end of each year.

| | Budget (£) | Actual (£) |
|---|---|---|
| Sales revenue | 400 000 | 410 000 |
| Marketing expenditure | 50 000 | 25 000 |
| Advertising revenue | 20 000 | 25 000 |
| Costs of production | 150 000 | 180 000 |

Which variance was most favourable for the business?

**(a)** Sales revenue ☐

**(b)** Marketing expenditure ☐

**(c)** Advertising revenue ☐

**(d)** Costs of production ☐

**[1]**

**10** The table below shows four combinations of supply and demand changes which may occur within the market for air travel.

| | **Effect on supply** | **Effect on demand** | |
|---|---|---|---|
| **(a)** | Shift to the left | Shift to the left | ☐ |
| **(b)** | Shift to the right | Shift to the right | ☐ |
| **(c)** | Shift to the right | Shift to the left | ☐ |
| **(d)** | Shift to the left | Shift to the right | ☐ |

Which combination best describes the impact of increasing fuel costs and decreasing consumer incomes on the market for air travel?

**[1]**

**11** The fall in unit costs that occurs when an oil company uses a larger tanker to deliver its oil is an example of which type of economy of scale?

**(a)** Bulk-buying ☐

**(b)** External ☐

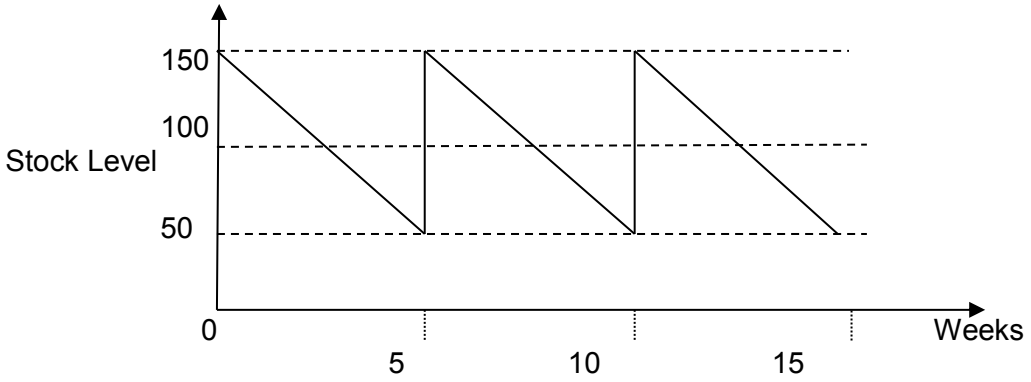
**(c)** Financial ☐

**(d)** Technical ☐

**[1]**

SPECIMEN

**12** A firm produces dining tables. The stock control chart below shows units of wood being used by the firm over a fifteen week period.




Which of the following is the buffer stock level?

**(a)** 20 units ☐

**(b)** 50 units ☐

**(c)** 100 units ☐

**(d)** 150 units ☐

**[1]**

**13** The table below shows the number of employees and units of output for four firms.

| Firm | Number of employees | Units of output |
|---|---|---|
| **A** | 40 | 240 |
| **B** | 65 | 260 |
| **C** | 60 | 300 |
| **D** | 80 | 320 |

Which one of the firms has the highest productivity?

**(a)** Firm A ☐

**(b)** Firm B ☐

**(c)** Firm C ☐

**(d)** Firm D ☐

**[1]**

SPECIMEN

**14** The table below shows forecasting data for a small shop which opens for only four days a week.

| | Actual sales (£) | Trend sales (£) |
|---|---|---|
| Tuesday | 120 | 116 |
| Wednesday | 104 | 116 |
| Thursday | 110 | 117 |
| Friday | 135 | 118 |
| Tuesday | 122 | 118 |
| Wednesday | 105 | 118 |
| Thursday | 111 | 117 |
| Friday | 130 | 117 |
| Tuesday | 121 | 118 |
| Wednesday | 108 | 117 |
| Thursday | 110 | 120 |
| Friday | 140 | 121 |
| Tuesday | 125 | 121 |
| Wednesday | 110 | 122 |

Calculate the average cyclical variation for a Wednesday (to 1 decimal place).

**(a)** -11.3 ☐

**(b)** +11.3 ☐

**(c)** -11.5 ☐

**(d)** +11.5 ☐

**[1]**

**15** Which of the following is **not** a direct advantage of undertaking market analysis?

**(a)** It enables a firm to identify training needs of its staff ☐

**(b)** It reveals customers' buying patterns ☐

**(c)** It identifies when a firm should discontinue a product ☐

**(d)** It can identify useful psychographic information about customers ☐

**[1]**

SPECIMEN

## Section B

Answer **all** the questions.

Please use the information provided in the **Resource Booklet** to answer the following questions.

**16** Analyse **one** possible reason why somebody would want to become a Cartridge World franchisee.

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**[6]**

**17** Analyse **one** benefit to a Cartridge World franchisee of operating the business in an environmentally friendly manner.

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**[7]**

**18*** "The office supply market is competitive……and market forces can quickly change the situation of a business operating within it." (Lines 32 and 33).

Evaluate the likely impact of market forces on a Cartridge World franchise.

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**[15]**

**19** **(a)** Refer to Fig. 2. Calculate the price elasticity of demand for the Cartridge Pack for Printer B if its price is cut by 10% and sales rise to 98 units per week.

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**[3]**

**(b)*** Cartridge World provides its franchisees with marketing data such as estimates of price elasticity of demand.

Evaluate the usefulness of estimates of elasticity of demand to a Cartridge World franchisee.

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**[15]**

**20** **(a)** Refer to Fig. 2. Calculate the total weekly gross profit for the Cartridge Pack for printer A if the gross profit margin is 18% and customers buy 90 of these packs in a week.

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**[4]**

SPECIMEN

**(b)*** Using quantitative data and qualitative information, evaluate the extent to which a Cartridge World franchise opening in December 2014 is likely to be successful.

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**[15]**

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# Specimen Assessment Material

**A Level in Business**

**H431/01 Operating in a local business environment**

**SAMPLE MARK SCHEME**

**Duration:** 2 hours

## MAXIMUM MARK 80

**This document consists of 28 pages**

## MARKING INSTRUCTIONS

### PREPARATION FOR MARKING
### SCORIS

1. Make sure that you have accessed and completed the relevant training packages for on–screen marking: *scoris assessor Online Training*; *OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal http://www.rm.com/support/ca

3. Log–in to scoris and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

   YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

### TRADITIONAL

Before the Standardisation meeting you must mark at least 10 scripts from several centres. For this preliminary marking you should use **pencil** and follow the **mark scheme**. Bring these **marked scripts** to the meeting.

### MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the scoris 50% and 100% (traditional 50% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone, email or via the scoris messaging system.

5. Work crossed out:

   a. where a candidate crosses out an answer and provides an alternative response, the crossed out response is not marked and gains no marks
   b. if a candidate crosses out an answer to a whole question and makes no second attempt, and if the inclusion of the answer does not cause a rubric infringement, the assessor should attempt to mark the crossed out answer and award marks appropriately.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen.

7. There is a NR (No Response) option. Award NR (No Response)

   - if there is nothing written at all in the answer space
   - OR if there is a comment which does not in any way relate to the question (e.g. ‘can’t do’, ‘don’t know’)
   - OR if there is a mark (e.g. a dash, a question mark) which isn’t an attempt at the question.

   Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

8. The scoris **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

   If you have any questions or comments for your Team Leader, use the phone, the scoris messaging system, or e–mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response:

    a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer

    b. **To determine the mark within the level**, consider the following:

| Descriptor | Award mark |
|---|---|
| On the borderline of this level and the one below | At bottom of level |
| Just enough achievement on balance for this level | Above bottom and either below middle or at middle of level (depending on number of marks available) |
| Meets the criteria but with some slight inconsistency | Above middle and either below top of level or at middle of level (depending on number of marks available) |
| Consistently meets the criteria for this level | At top of level |

## 11. Annotations

| Annotation | Meaning |
|---|---|
| | |
| | |
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| | |

## 12. Subject–specific Marking Instructions

**INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

## Levels of response – level descriptors – detailed explanation of each descriptor

| | Knowledge and understanding | Analysis | Evaluation |
|---|---|---|---|
| **Strong** | | A fully developed argument which demonstrates the sequential links in relation to the causes, consequences and/or possible solutions. | A conclusion is drawn weighing up both sides, and reaches a fully supported judgement. |
| **Good** | Accurate use of the terms and concepts in the question and applied in a focused way to the context of the question. | A developed argument which demonstrates the sequential links in relation to the causes, consequences and/or possible solutions. | A conclusion is drawn weighing up both sides, and reaches a judgement which is not fully supported. |
| **Reasonable** | Awareness of the meaning of the terms and concepts in the question and applied to the context of the question. | An argument which demonstrates some of the links in relation to the causes, consequences and/or possible solutions. | Some attempt to come to a conclusion, which shows some recognition of the influencing factors. |
| **Limited** | Awareness of the meaning of the terms and concepts in the question. | Simple statement(s) of cause and consequence and/or possible solutions. | An unsupported assertion. |

## USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide ‘correct’ answers. The Mark Scheme can only provide ‘best guesses’ about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners’ Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates’ responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co–ordination scripts will be issued at the meeting to exemplify aspects of candidates’ responses and achievements; the co–ordination scripts then become part of this Mark Scheme.

Before the Standardisation Meeting, you should read and mark in pencil a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the ‘target range’ of Bands for the paper which you are marking. Please mark these answers according to the marking criteria.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

**INSTRUCTIONS TO EXAMINERS:**

**A INDIVIDUAL ANSWERS**

**1** The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.

**2** Using 'best–fit', decide first which set of BAND DESCRIPTORS best describes the overall quality of the answer. Once the band is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.

- **Highest mark**: If clear evidence of all the qualities in the band descriptors is shown, the HIGHEST Mark should be awarded.

- **Lowest mark**: If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the bands below and show limited evidence of meeting the criteria of the band in question) the LOWEST mark should be awarded.

- **Middle mark**: This mark should be used for candidates who are secure in the band. They are not 'borderline' but they have only achieved some of the qualities in the band descriptors.

**3** Be prepared to use the full range of marks. Do not reserve (e.g.) high Band 6 marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

## B TOTAL MARKS

**1** Transfer the mark awarded to the front of the script.

**2** The maximum mark for the paper is **80**.

**3** The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level.

## Section A

| Question | | Answer | Marks | AO | Rationale |
|---|---|---|---|---|---|
| 1 | | (b) | 1 | 1 | **(a)** Sounds like it is carried out in a circle so it must be $360^{0.}$<br>**(b) Correct answer** Feedback about the employee is gathered from supervisors, peers and subordinates<br>**(c)** This is 'bottom–up' appraisal and is only part of the $360^0$ process.<br>**(d)** This is self–appraisal. |
| 2 | | (d) | 1 | 1 | **(a)** A guaranteed number of hours are provided over the year, although they may vary month by month.<br>**(b)** The employee can fit five days' worth of work into four days.<br>**(c)** The employee has a set number of hours to work but can vary the hours they work each day.<br>**(d) Correct answer:** a zero hours contract does not guarantee how many hours an employee will work |
| 3 | | (d) | 1 | 1 | **(a)** Appoint the successful candidate – after the interview.<br>**(b)** Design interview questions – usually finalised after shortlisting for interview.<br>**(c)** Request references for all candidates – only requested for suitable candidates.<br>**(d) Correct answer:** Shortlist suitable candidates to interview. |
| 4 | | (a) | 1 | 1 | **(a) Correct answer:** Aptitudes and skills – on person specification.<br>**(b)** Job title.<br>**(c)** Tasks to be carried out.<br>**(d)** Reporting relationship. |
| 5 | | (a) | 1 | 1 | **(a) Correct answer:** Gearing is an accounting ratio used to judge the proportion of capital employed in relation to long–term borrowing.<br>**(b)** This is probably not a strong distracter but it is a functional area.<br>**(c)** Candidates may think that 'gear' is equipment and/or a mechanism (cog) so is useful to production.<br>**(d)** Candidates may think that 'gear' relates to clothes or uniform so is relevant to the people function. |
| 6 | | (a) | 1 | 1 | **(a) Correct answer**: this would serve to increase current assets relative to current liabilities.<br>**(b)** This would increase current liabilities thus worsening the acid test position.<br>**(c)** Reduces current assets thus worsening acid test ratio.<br>**(d)** As (c) above. |

| Question | | Answer | Marks | AO | Rationale |
|---|---|---|---|---|---|
| 7 | | (c) | 1 | 1 | **(a)** Strategic planning rather than tactical planning.<br>**(b)** It cannot reduce the need for strategic review.<br>**(c) Correct answer:** It enables the business to plan ahead and ensure resources are available.<br>**(d)** Tactical planning is not related to the mission statement. |
| 8 | | (c) | 1 | 2 | **(a)** Factoring.<br>**(b)** Mortgage – long term.<br>**(c) Correct answer:** Personal savings.<br>**(d)** Selling shares to the public – not appropriate for sole trader. |
| 9 | | (b) | 1 | 2 | **(a)** £10 000 favourable.<br>**(b) Correct answer:** £25 000 favourable.<br>**(c)** £5000 unfavourable.<br>**(d)** £30 000 unfavourable. |
| 10 | | (a) | 1 | 2 | **(a) Correct answer:** demand will fall with declining income, supply will fall with increased costs<br>**(b)** Both wrong.<br>**(c)** Demand wrong.<br>**(d)** Supply wrong. |
| 11 | | (d) | 1 | 2 | **(a)** To do with buying raw materials/components.<br>**(b)** These are benefits to the industry not just one firm.<br>**(c)** May have occurred when buying the vehicle but not as a result of using it.<br>**(d) Correct answer:** more fuel can be transported per tanker |
| 12 | | (b) | 1 | 2 | **(a)** This is the average weekly stock usage (150–50)/5, which candidates can easily calculate and may think that this is buffer stock if they don't know the term.<br>**(b) Correct answer:** The buffer stock is the minimum amount of stock held, which is 50 units in this case.<br>**(c)** 100 units is the difference between the maximum stock and the buffer stock level.<br>**(d)** 150 is the maximum stock level. |
| 13 | | (a) | 1 | 2 | **(a) Correct answer:** Productivity is the output per worker. Firm answer is 6. You can't easily guess the answer without knowing how to calculate productivity.<br>**(b)** This firm's productivity is 4 but they have a higher output and the number of employees than (a) and the number of employees is out of sequence so this could act as a distractor.<br>**(c)** Productivity for this firm is 5, which is clearly higher than (b) and (d) which may act as a distractor.<br>**(d)** Candidates who do not know how to calculate productivity may choose the firm with the largest output so this may be a good distractor. The productivity is 4. |

| Question | | Answer | Marks | AO | Rationale |
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| 14 | | (c) | 1 | 2 | **(a)** Missed out the fourth Wednesday (only 3 dates for some of the days).<br>**(b)** As (a) but also got formula wrong way round.<br>**(c) Correct answer:** $\frac{-12 + -13 + -9 + -12}{4}$<br>**(d)** Correct calculation but formula for cyclical variation reversed. |
| 15 | | (a) | 1 | 1 | **(a) Correct answer:** training is not strictly related to market analysis, although could be one of its outcomes.<br>**(b)** An advantage of market analysis.<br>**(c)** An advantage of market analysis.<br>**(d)** An advantage of market analysis. |

## Section B

| Question | | | Answer | Marks | Guidance |
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| 16 | | | **Level 2 (4–6 marks)**<br>Candidate shows good knowledge and understanding and shows good analysis of a reason why somebody would want to become a Cartridge World franchisee/what would be the impact on somebody of becoming a Cartridge World franchisee.<br><br>**Level 1 (1–3 marks)**<br>Candidate shows limited knowledge and understanding with limited or no analysis of why somebody would want to become a Cartridge World franchisee/what would be the impact on somebody of becoming a Cartridge World franchisee.<br><br>(NB – award one mark for a non–contextualised reason)<br><br>**0 marks** – no response or no response worthy of credit.<br><br>Exemplar Level 2 Response:<br>*"Cartridge World (CW) is a well–known business. It has a brand name that its customers will know and trust. The customers will also know that the franchise with the CW brand has a reputation for selling at a price which is lower than the manufacturer. This means that a new franchisee should get regular and frequent orders (assuming the customer service offered is good) and so will make more revenue and profit than another franchise where the brand isn't so well known. This would certainly be one reason why someone would want to become a CW franchise."*<br><br>Exemplar Level 1 Response:<br>*"Cartridge world have spent a long time (20 years) building up their business model. They now know what* | **6**<br><br>**(1 AO1)**<br>**(2 AO2)**<br>**(3 AO3)** | • **Cartridge World is an established brand name** – potential customers will be familiar with the products or/and service on offer and so it should take less time for a franchisee to establish the business/break–even/start making a profit.<br>• **It makes setting up a business easier and it reduces risk of business failure.** The brand is well known and Fig 1 states that CW has spent 20 years fine–tuning the business model and so business risks are minimised.<br>• **Initial and ongoing training** – a franchisee will be trained in all aspects of running the business. This is useful as a potential franchisee may only have knowledge/experience of one of the four key business functions (or they may have knowledge of all four but in a different business context). They will therefore be more likely to succeed.<br>• **Ongoing support and advice** – e.g. in market research and marketing. CW franchisees are thus able to have their products promoted through mass media which would otherwise be too expensive for them. Also, as they do not have to perform certain functions the franchisees can concentrate their effort on selling and making more profit.<br>• **Finance** – A bank knows that CW will be 'choosy' with regard to franchisees and will pick those most likely to succeed. It will also know that the franchiser insists on the franchisee operating via the established business model and so hopefully it will be easier to obtain finance (and at a better rate of interest) than someone starting their own business 'from scratch'.<br>• **CW franchisees are given a defined local territory exclusive to them** – this, essentially gives them a |

| Question | | | Answer | Marks | Guidance |
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| | | | *things can go wrong for a franchisee and so they can offer all sorts of help if they do. This is very beneficial for the franchisees who can get assistance if they need it."* | | monopoly over the brand in the allocated area. This policy will (hopefully) increase revenue/profit for the franchisees. |
| **17** | | | **Level 2 (4–7 marks)**<br>Candidate shows good knowledge and understanding and shows good analysis of one benefit of operating a Cartridge World franchisee operating the business in an environmentally friendly manner.<br><br>**Level 1 (1–3 marks)**<br>Candidate shows limited knowledge and understanding with limited or no analysis of one benefit of operating a Cartridge World franchisee operating the business in an environmentally friendly manner.<br><br>Exemplar Level 2 response<br>*Environmental concerns are a major factor for many businesses when making any sort of purchase. This could be very significant for a Cartridge World franchisee trying to market the products since we are told that the main target market is businesses. It is very often the case that a business will insist that all of its suppliers have environmental policies which will include 'green' issues such as sustainability and the size of the carbon footprint. If a supplier cannot provide evidence of complying with these sorts of issues then the potential customer may refuse to deal with them which will mean a large amount of revenue and profit will be forgone. A Cartridge World franchise will not have this problem since it has policies that clearly demonstrate that it operates in an environmentally friendly manner. This gives it a commercial advantage over competitors and so increases the likelihood of sales and profit.* | **7**<br><br>**(1 AO1)**<br>**(2 AO2)**<br>**(4 AO3)** | • Use as a marketing tool e.g. the refilling printer & toner cartridges – 'which saves on plastic/environmental resources'. Reusing reduces the amount going to landfill – less damage to the environment. Since cartridges are reused less are manufactured – this lowers carbon emissions.(Not mentioned in stimulus material but candidates may know this). Recycling scheme for printer & toner cartridges in store. Therefore likely to be popular and generate sales with businesses who insist that their supply chain is environmentally friendly<br>• May be easier to attract/retain staff who are environmentally conscious, therefore less staff recruitment/training costs<br>• Potentially larger market amongst green consumers who might otherwise have shopped elsewhere. |

| Question | | | Answer | Marks | Guidance |
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| 18 | * | | **The question is concerned with the operation of a Cartridge World franchise NOT the 'parent company' as a whole.**<br><br>Graphs may be drawn but they are not a requirement.<br>*Evaluation could be achieved by judging whether demand factors taken together are more significant than supply factors (or vice versa) in a franchise being successful, OR by judging which demand or/and supply factor(s) is/are the most significant.*<br><br>**Level 3 (11–15 marks)**<br>Candidate shows strong knowledge and understanding, analysis and evaluation of the likely impact of market forces on a Cartridge World franchise.<br>*There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.*<br><br>**Level 2 (6–10 marks)**<br>Candidate shows good knowledge and understanding, analysis and evaluation of the likely impact of market forces on a Cartridge World franchise.<br>*There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.*<br><br>**Level 1 (1–5 marks)**<br>Candidate shows limited knowledge and understanding of market forces, with limited or no analysis and evaluation of the likely impact of market forces on a Cartridge World franchise.<br><br>(NB – award maximum of two marks for non– | **15**<br><br>**(2 AO1)**<br>**(2 AO2)**<br>**(4 AO3)**<br>**(7 AO4)** | **Supply**<br>• A franchisee need not worry about 'increased supply' affecting success in their area from another Cartridge World franchise because the location of franchises is set so they do not overlap. However that does not stop *other* businesses which offer the same products (franchised or not) setting up, and operating in, that area. This increased supply will bring added competition for customers. The franchisee will have to work harder to maintain/grow the customer base.<br>• Increased supply/competition in theory drives the price down (shown on a demand and supply graph by a rightward shift of the supply curve). This could lower revenue for the franchisee unless demand is elastic.<br>• However, increased supply because of the emergence of a competitor may **not** be an issue for the success of the franchise if the customer base is loyal (e.g. because of the quality of service provided) or because the competitor 'is just starting out' whilst the franchisee has the established trade. A distinction between the short term and the long term could be made here; the (supply) situation will change if the competitor 'gets established'.<br>• Any *reduction* in competition/supply should benefit the franchise as (in theory) prices will rise (shown on a demand and supply graph by a leftward shift of the supply curve).<br>• If Cartridge World increases the price of products/asks for higher royalty payments then this raises costs for the franchisee. Other things being equal this will reduce the ability to stock products and supply them.<br>• The same point would apply if indirect taxes on office supplies were increased. |

| Question | | | Answer | Marks | Guidance |
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| | | | contextualised impacts)<br>*The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.*<br><br>**0 marks** – no response or no response worthy of credit.<br><br>Exemplar Level 3 Response:<br><br>*"Demand and supply are the market forces. Cartridge World will be affected by demand factors such as customers' income and the price they themselves charge for products like the cartridges and printers. If the economy is in a recession it is likely that the small and medium–sized businesses who are their customers will experience a drop in demand for their products and will get less revenue. This may not affect the amount of cartridges they buy but it might very well affect the amount of other consumable office equipment they buy from the franchisee. These customers will probably delay purchasing items such as a new printer if they do not really need one. This will impact negatively on the sales and profit of a Cartridge World franchise.*<br><br>*Price is another significant factor affecting demand – especially if the economy is in a recession. It says that the office supply market is competitive and if other companies' products (of the same quality) are cheaper than Cartridge World franchisees' then the Cartridge World franchise will experience a fall in demand because the products are close substitutes and consequently a loss in sales.*<br><br>*There are a number of factors that affect supply, which is* | | • Allow valid references to other supply curve movements e.g. technology, wage rates, cost of raw materials etc.<br><br>**Demand**<br>• Cartridge World is an established brand name – potential customers will be familiar with the product or service on offer and so (hopefully) will buy/ demand it. This means it should take less time to establish the business/breakeven/start making a profit.<br>• What is the state of the economy/market? The main determinant of consumer demand is income. How income–elastic are the products that Cartridge World sells? Will there be a large fall in demand from people if incomes fall (shown on a demand and supply curve by a leftward shift of the demand curve) – and vice versa? Could Cartridge World products be considered as an inferior good? In which case demand would rise in a recession.<br>• Makes reference to the fact that it is usually other *businesses* who are the core customers. Would this make demand less income–elastic? Presumably cartridges are not something a business can cut back on (printing a contract/invoice for an order for £10 probably requires the same amount of paper and ink as one for £10,000). As above, it is a reasonable assumption that if 'times are tough' then Cartridge World products may be bought in preference to premium brands. How might success be affected when the economy picks up?<br>• How *price*–elastic are the products that Cartridge World sells? Could success (increased revenue /profit) be achieved due to more sales being generated by price cuts? Comments could be made |

| Question | | | Answer | Marks | Guidance |
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| | | | *the other force in a market, such as cost of the products from the parent company (if these rise it may reduce the ability of the franchisee to supply as many as previously if they have a limited budget), but the low barriers to entry that are mentioned are the most important supply factor. This is because if there are new entrants to the market the increased supply will almost certainly force market prices down. This may very well reduce the overall profit of a franchise because even if that franchisee's business makes more sales at the new lower price the profit margins will have been squeezed.*<br><br>*In my opinion the factors affecting the demand for a franchisee's products are more significant than supply factors in the market they operate in. The market may be competitive and have new entrants but the parent company will have been doing market research and will have identified how to help franchisees cope with the new competition. This means that this sort of problem with supply in the market can hopefully be overcome quite easily. The parent Cartridge World company wants its franchises to succeed and will be able to take action and offer advice based on its own research to assist them.*<br><br>*On the demand side, however, if there is a recession and customers are ordering less there may be very little the franchisee can do since if they seek out new customers these will probably be in the same situation as their existing ones. There is not much the parent company can do to help the franchisee in this situation because the state of the economy is completely out of its control especially if the recession is severe like the one we have been through recently.*<br><br>*If demand is expected to remain low for months national* | | about the extent (and/or likely duration) of any price/demand change on the success of a franchise e.g. small, short–term price cuts may not be the way to succeed in growing the business.<br>• Fig. 1 makes reference to national marketing campaigns. This should stimulate demand. The more often this is undertaken then the larger the demand should be for the franchisee's products.<br>• The sale of printers as a complementary good would affect demand, e.g. if the price of printers falls then a franchise might well expect an increase in the demand for cartridges. Also allow references to substitutes; if cartridges are substitutable the manufacture's price (be it set 'high' or 'low') might well affect the demand for Cartridge World's cartridges.<br>• Cartridge World offer help, support and business advice (see Fig. 1) if there are difficulties in running the business. |

| Question | | | Answer | Marks | Guidance |
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| | | | *advertising may be ineffective. Whereas it has at least a degree of influence when dealing with supply in the market in terms of dealing with new competitors especially as it has many years of operating in the office supply market. Therefore supply has much less of an impact on a franchise of Cartridge World than demand."*<br><br>Exemplar Level 2 Response:<br><br>*'Market forces are supply and demand.*<br><br>*Cartridge World offers lots of help to anyone becoming one of their franchisees. This is made clear in Fig 1. This assistance should help a franchisee cope with a new competitor which ceteris paribus would increase supply in the market. This is unlikely to be beneficial to a franchisee because it will lower the market price and they will have to 'fight' harder for the same level of sales. However the main company could offer advice to its franchisees based on 20 years of operating in the market on how to respond. This means that the franchisees are never "on their own" if the supply situation in the market changes.*<br><br>*The parent company of Cartridge World may also be able to help with a fall in demand for the office products if there is a downturn in the economy because they can advertise and use other marketing to try to boost franchisees' demand. This is not guaranteed to work but it at least can help the situation. Alternatively if a franchisee is worried about the ability to fulfil a large office supply order because it is of a size or kind never dealt with before Fig.1 states that there is a business development manager who will be able to help with this as well. Coping with demand changes is well looked after by the parent company.* | | |

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| | | | *Naturally the Cartridge World main company cannot just tell a franchisee to go and cut prices because the success of this depends on price elasticity of demand. PED would have to be elastic (greater than 1) if revenue is to increase. However Cartridge World would know this fact and so they would not recommend price cuts unless they thought it would assist the franchises. The parent company has a lot of information and marketing tools to help overcome changes in demand.*<br><br>*In either case with supply and demand changes, the parent company can help a franchisee but it is probably more effective in the case of changes in market demand. So supply changes probably have less of an impact on a cartridge world franchisee than demand when it comes to market forces.'* | | |
| **19** | **(a)** | | Candidates do NOT need to use the minus sign.<br><br>Award 1 mark if the formula is given but calculation is wrong. | **3**<br><br>**(1 AO1)**<br>**(2 AO2)** | % Change quantity is 22/76 = +28.9% (Allow + 29%) **(1)**<br><br>% Change in price is –10%<br><br>PED = % change Q/% change in price **(1)**<br>28.9/10 = (–) 2.89 (Allow – 2.9) **(1)** |
| **19** | **(b)** | * | **Level 3 (11-15 marks)**<br>Candidate shows strong knowledge and understanding, analysis and evaluation of the usefulness of estimates of elasticity of demand to a Cartridge World franchisee/of the impact of estimates of elasticity of demand on a Cartridge World franchisee.<br>*There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.*<br><br>**Level 2 (6-10 marks)**<br>Candidate shows good knowledge and understanding, | **15**<br><br>**(2 AO1)**<br>**(2 AO2)**<br>**(4 AO3)**<br>**(7 AO4)** | **Price Elasticity of Demand**<br>• Revenue can be maximised – prices could be cut on products where PED is elastic and increased where they are inelastic. Thus knowledge of PED is important for revenue maximisation.<br>• A knowledge of PED could help a franchisee judge the effects of a change in price due to say VAT or an increase in supply caused by the emergence of a competitor (or vice versa). If PED is known then the effect of the change in price on sales (and hence stock to be bought in/effect on cash flow/revenue) can be predicted. |

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| | | | analysis and evaluation of the usefulness of estimates of elasticity of demand to a Cartridge World franchisee/of the impact of estimates of elasticity of demand on a Cartridge World franchisee.<br>*There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.*<br><br>**Level 1 (1–5 marks)**<br>Candidate shows limited knowledge and understanding of elasticity of demand, with limited or no analysis and evaluation of its usefulness to a Cartridge World franchisee/of the impact of estimates of elasticity of demand on a Cartridge World franchisee.<br><br>(NB – award maximum of two marks for a non–contextual understanding of price elasticity of demand)<br>*The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.*<br>**0 marks** – no response or no response worthy of credit.<br><br>Exemplar Level 3 Response:<br><br>*'There are various different types of elasticity measures that a Cartridge World franchisee might want to use. These are price, income, cross, and advertising elasticity. Each of these measures the proportionate change in demand for a Cartridge World product when there is a change in some other variable.*<br><br>*In the case of price elasticity, if a franchisee knows that a good like a cartridge has elastic demand this theoretically shows that revenue can be increased by decreasing the* | | • A franchisee can use information on the PED as part of a policy of price discrimination – where different prices for the same office supply product are charged to different customers. As above, this will increase revenue.<br><br>**Income Elasticity of Demand**<br>• Selling primarily in business to business market, so changes in income will take some time to feed through to the franchisee<br>• Keeping an eye on macroeconomic factors could be useful in trying to estimate demand<br>• Small value item not likely to be affected by changes in income<br>• Similarly demand for cartridges is more likely to be driven by need than by income.<br><br>**Cross Elasticity of Demand**<br>Knowledge of XED would essentially be useful in two ways:<br>• How responsive demand for its products are following a price change by competitors (where these products are substitutes) or its own substitutes.<br>• How responsive demand for its products are following a price change on complementary products (its own or other firms).<br>• In both cases the elasticity value, both + and - , indicate what CW should do with its own prices and promotional/product mix<br><br>**Advertising Elasticity of Demand**<br>• Measures advertising effectiveness<br>• Helps CW franchisee to decide on own prices and local promotional campaigns<br>• Avoids wasting money on advertising which will not |

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| | | | *price of that good. Price decreases but the sales increase at a greater rate, thus increasing the franchises' total revenue. If the product is inelastic, then price can be raised; sales fall but less than proportionately. This means PED is very useful as a technique to consider if the franchisee wants to maximise revenue.*<br><br>*In the case of income elasticity. The same sort of theory applies. If income elasticity measure is elastic (say 4) this indicates that a 2% rise in income should generate an 8% increase in sales. So a franchisee seeing an upturn in income because GDP is rising could expect a large rise in demand and also revenue for the franchise.*<br><br>*However, the franchisee needs to be aware that both of these measures are subject to certain limitations. To start with both of them measure changes to revenue and not changes to profit. If the price elasticity estimate is very elastic (and the 2.9 I have just calculated is quite elastic) then theoretically price could be cut and sales of cartridges would increase considerably – in this case a 10% price cut would mean a 29% increase in sales. However all the extra expenses (not to say time and trouble for the franchisee) from the actions necessary to sell the stock (such as additional delivery costs and overtime working) may wipe out the increase in revenue. Therefore it is important to consider cost increases as well as revenue increases resulting from any price changes if the franchisee is considering what happens to profit.*<br><br>*In the case of the income elasticity measurement, as most franchise customers are in fact businesses not individuals, rises in people's income may have little effect on demand even though the estimate shows that it* | | work<br>• However, business to business therefore direct marketing might be more appropriate<br>• Little use to franchisee if marketing is conducted by Head Office<br>• The magnitude of the change in expenditure is important not the percentage change in the expenditure in the majority of cases.<br><br>**Limitations**<br>• Data from Cartridge World will probably relate to the country as a whole or a particular region; it may not be appropriate for the territory a franchisee is operating in.<br>• Elasticity measures revenue not profit. Therefore for example an elastic PED estimate might encourage the belief that a price cut would generate a lot of sales; which it might but this may not increase profit because the extra costs have not been taken into account.<br>• Estimates are just that. They are not precise figures, change s in quantity demanded due to say price or income are calculated on the basis that 'other factors (e.g. competitors actions in the market) have remained constant' but this is extremely unlikely in practice. Thus as a guide to future action it may be unreliable.<br>• A candidate might well use the figure of (–) 2.9 from part (a) to comment that although this figure is quite elastic this does not mean that it will always have this value for this particular cartridge. It would change since price elasticity changes depending on the price range and direction of the price change. |

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| | | | *should.*<br><br>*Also, in both cases the franchisee needs to recognise that the change in demand might have been caused by something else and not by a change in price or income. It could be the case that a competitor put up prices or stopped an advertising campaign shortly before the survey that provided the data for the franchisee was done. This would mean that an estimate of any of the measures of elasticity could be highly misleading in terms of what action to take (cut price, buy more stock, advertise more etc.). There is no real way to separate out the effects of these sorts of factors.*<br><br>*This means that although elasticity estimates can help increase revenue they are not an infallible guide as to how to increase profit – which is probably the franchisee's long–term objective. They could therefore be used as a 'starting point' for a franchisee's actions but cannot be considered an infallible guide'.*<br><br>Exemplar Level 2 Response:<br><br>*''Elasticity estimates can be useful in trying to maximise revenue. The problem for a Cartridge World franchisee is that these estimates are not actually figures that can be relied on to guarantee success. For example, the price elasticity figure we have for the cartridge is 2.9 which is elastic and this suggests a price cut would certainly increase revenue since the rise in demand would be proportionately more than the price cut. But the franchisee has to be careful. This is because the price elasticity figure might have been calculated at a time when something in the market changed (the real world is not ceteris paribus) like another cartridge firm put up the* | | |

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| | | | *price of a similar product. The same thing would apply to an income elasticity calculation; when the calculation was made the change in demand may have been caused by a change in something else not a change in income.*<br>*In fact even if this did not happen the figures might be out of date when the franchisee came to use them because something else in the office supply market had changed since it was calculated. This means that any elasticity figures like price, income, and cross elasticity are alright as an estimate of what might happen but are not 100% useful".* | | |
| **20** | **(a)** | | Award 1 mark if the formula is given but calculation is wrong.<br>Award all the marks for a correct answer even if working is not shown.<br><br>OFR applies. | **4**<br><br>**(1 AO1)**<br>**(1 AO2)**<br>**(2 AO3)** | Gross profit margin = $\frac{\text{Total gross profit}}{\text{Turnover}}$ x 100<br><br>Turnover = Sales x price = 90 x 25.99 **(1)**<br>= £2339.10 **(1)**<br><br>Therefore 18% = $\frac{\text{Total gross profit}}{2339.10}$ x 100<br><br>0.18 x 2339.10 **(1)** = 421.038 (Allow £421.04 or £421) **(1)** |
| **20** | **(b)** | * | The answer asks for the use of both types of data. If only quantitative or qualitative data are used then reward the answer at the bottom of the appropriate level.<br><br>**Level 3 (11–15 marks)**<br>Candidate shows strong knowledge and understanding, analysis and evaluation of the extent to which a Cartridge World franchise opening in December 2014 is likely to be successful.<br>*There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* | **15**<br><br>**(2 AO1)**<br>**(2 AO2)**<br>**(4 AO3)**<br>**(7 AO4)** | Stronger answers will be explicit in terms of what constitutes 'success', e.g. survival of first year(s)/'getting established', breaking even, increasing revenue, increasing profit, reaching a target income that the franchisee has set themselves, growth.<br><br>It is expected that candidates will use quantitative skills to analyse the data (e.g. interpreting the index numbers in Fig. 4, commenting on the trend in Figs 4 & 6, analysing figures from Fig. 3) in line with the specification requirements i.e. 'use and interpret quantitative and non–quantitative information in order to make decisions'. This will enable |

| Question | | | Answer | Marks | Guidance |
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| | | | **Level 2 (6–10 marks)**<br>Candidate shows good knowledge and understanding, analysis and evaluation of whether or not Cartridge World franchise opening in December 2014 is likely to be successful.<br>*There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.*<br><br>**Level 1 (1–5 marks)**<br>Candidate shows limited knowledge and understanding of aspects of success with limited or no analysis and evaluation of whether or not Cartridge World franchise opening in December 2014 is likely to be successful.<br><br>(NB – award maximum of two marks for a non–contextualised response)<br>*The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.*<br><br>**0 marks** – no response or no response worthy of credit.<br><br>Exemplar Level 3 Response:<br><br>*'The franchisee would most likely regard 'success' in the traditional way; first business survival, then growth and finally long–term profit. There are several reasons to believe that a Cartridge World (CW) franchise set up in December 2014 would follow this path to success.*<br><br>*First of all, the information provided in Fig. 1 is very encouraging in terms of support being offered to a* | | access to the analysis and evaluation marks.<br><br>The GDP figures in Fig. 4 show an upward trend. The projections from the GDP forecast (Fig. 5) support this. Assuming that office supplies are a normal good then demand for them should rise – but how representative and useful are these? The area of the country the franchise will operate in is important – the south of the country and especially the area around London has experienced a much faster economic recovery than some other parts of the country. Reference to Fig. 7. On the other hand in areas where economic activity is lower and firms are very aware of costs perhaps Cartridge World's cheaper cartridges will sell very well as inferior goods.<br><br>Fig. 6 shows a fall in the number of company liquidations but (again) how useful is this? On the face of it, it offers support for a recovering/growing economy – but many Cartridge World franchises could be sole traders/partnerships rather than companies. How many of these have closed down? The data gives no idea of the sector the company operated in or the reason for its failure.<br><br>It is hoped that better candidates will consider what *other* data they would need to analyse in order to form a judgement, e.g. how often do the SMEs mentioned in Fig.3 buy office supplies and/or the average order size. Is there data from Cartridge World on this and other matters such as average turnover/profit of a franchise of the type they were thinking of investing in? They may also question how accurate forecasts of GDP have been in the past. OBR statistics are updated quarterly. How accurate are they?<br><br>It might also be pointed out that since it was established Cartridge World has become (in a relatively short space of |

| Question | | | Answer | Marks | Guidance |
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| | | | *franchisee. Help is being offered on many of the key aspects of running a business such as marketing and product development. From this a franchisee would know that CW would always be willing to offer advice and support since it will not want to see a franchise fail because it means less profit and possibly poor publicity. There is therefore every reason to suppose that advice (e.g. on trends in sales of printers) given to a franchisee is going to be up to date, accurate and of value to the franchisee. This would be an immense help to achieving success. A franchisee might know that they are not good at running all aspects of a business but that help was always available for any 'weaknesses' they know they have.*<br><br>*The quantitative data also supports the view that December 2014 would be a good time to start a franchise business with CW. Fig 4 shows a steady rise in GDP. Figures may vary but the trend in output is clearly upward. If the economy is growing then the small and medium–sized business that are CW's customer will be ordering more office supplies which will impact positively on the likelihood of survival and growth.*<br><br>*Of course not all the data is reliable; the figures in Fig. 5 are just forecasts and the state of the economy could change quite quickly and so rises in sales for a CW franchise are not absolutely certain. To form a clear judgement it would be useful to have some specific data on how many franchises (especially CW franchises) have started up over the past year not just "new businesses" in Fig. 7, how many have failed and very importantly the reasons why they failed. It could then be gauged just how useful the sort of help from CW would be in counteracting these reasons.* | | time) 'a global business with over 1500 outlets' (Line 11). This suggests that the franchising model *does* work.<br>For the rest of the answer accept any relevant factors affecting the success of a Cartridge World franchise such as:<br><br>• It might be better to establish the franchise in one of the 'start–up hotspots' (Fig. 7) since the franchisee could expect a (positive) multiplier effect affecting the sale of office equipment. On the other hand the area could be 'crowded' with similar suppliers – whether recently started up or not. Would one of the other areas be better? Why?<br>• How effective are the national advertising campaigns (at local level)? National brand image of Cartridge World. (They like to be known as a 'green' company). How positive is it in reality? Might the 'bad' actions of one franchise generate poor publicity and effect the growth of a new one?<br>• Regular evaluation of progress/review of the franchise's business plan – undertaken with the Cartridge World business development manager.<br>• R & D at Cartridge World and the ability to keep up with customer requirements (e.g. 3D printers, recycled paper/paper from sustainable sources, energy–efficient printers etc.) and make sure the products are available for franchisees.<br>• Promotional offers at the launch of the franchise – and ongoing promotion. What is it going to be? Competing on price may mean (very) low margins. If in the example in Q2 (i) the gross margin is 18% what might the net margin be?<br>• Which type of franchise is taken out from Cartridge World – the 'basic £30 000+ package' or a more ambitious option such as a store. Would it be better for a sole trader to 'play safe and start small' or be |

| Question | | | Answer | Marks | Guidance |
|---|---|---|---|---|---|
| | | | *The two key factors in the success of a business, the state of the market and the ability of the entrepreneur, are definitely both positive here. The figures from Figs. 3 to 6 point to a steady rise in sales of CW products which every business will need to some degree. If the correct area to locate in is chosen (there would be a need to look carefully at Fig. 7) the franchisee could expect a sort of multiplier effect affecting the sale of office equipment as the growth of new businesses trigger more demand for products.*<br><br>*When this fact is coupled with the help (developed over 20 years' experience) that the parent CW offers in all aspects of running a franchised business because it itself wants to grow through the success of its franchises, I think the new franchise has an excellent chance of starting up successfully in December 2014. It should then be growing larger in terms of sales in 2015/16 if the trend in the economy's growth is maintained. Then when the franchisee has gained a few years' experience of issues like customer relations and running their own local promotions to suit the local market the business should be successful in terms of making a sustained profit.'*<br><br>Exemplar Level 1 Response:<br><br>*'It would be good to start a CW franchise in December 2014 because the economy is doing really well now and the gross domestic product (which is all the UK output) has been going up steadily. When companies do well and lots are being set up as shown in Fig. 7 they will order more cartridges and paper and printers etc. from CW franchises. This means they will increase their profits quickly so it is a good time to start up and succeed.* | | much more ambitious and open a store? To some extent this may depend on the characteristics of the would–be franchisee (see below) and the availability of finance. There is a need to assess risk and uncertainty.<br>• The skills/characteristics the franchisee possesses. The training given by Cartridge World can only do so much. If a franchisee ignores advice or 'lets things slip' on issues such as monitoring cash flow, ordering stock and customer service the business is not likely to succeed. Entrepreneurs need to be dedicated, enthusiastic, able to work under pressure, be comfortable with a degree of risk etc. What if a franchisee is 'good' with some aspects of the business like meeting customers and selling office equipment but 'poor' with accounting and stock control?<br>• Similarly, the franchisee's willingness to ask for advice. A franchisee should never be too 'embarrassed' to make use of advice from the business development manager, the bank etc.<br>• If operating the Cartridge World franchise as a family business any family relationship problems may 'spill over' into the business' operation thus hindering the franchises' success.<br>• Luck can be a significant factor in any business. If the franchisee finds a 'big customer' (who reorders regularly) early on in the franchise's 'life' this will be a major boost to survival/growth/increased revenue.<br>• Competitors' actions. Cartridge World carefully select an area for the franchise to operate in but there will still be some competitors – and others could appear. Are any potential competitors 'small' or are they part of a national chain with a lot of market power? Will a new franchisee have the experience to know how to |

| Question | | | Answer | Marks | Guidance |
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| | | | *However some areas of the country are better than others so they need to choose where to go carefully and they must keep prices low as well to get customers. If they do this they will definitely succeed. So yes December 2014 is the right time.'* | | react? See above about willingness to seek advice. |

**APPENDIX 1 – Grid for Specimen Assessment Material Component 1**

| Question | AO1 | AO2 | AO3 | AO4 | Total | Quantitative skills |
|---|---|---|---|---|---|---|
| **Section A** | | | | | | |
| **Multiple choice (questions 1–15)** | 8 | 7 (4) | - | - | **15** | **(4)** |
| **Sub-Total** | 8 | 7 | - | - | **15** | **4** |
| | | | | | | |
| **Section B** | | | | | | |
| **16** | 1 | 2 | 3 | – | **6** | |
| **17** | 1 | 2 | 4 | – | **7** | |
| **18** | 2 | 2 | 4 | 7 | **15** | |
| **19(a)** | 1 (1) | 2 (2) | – | – | **3** | **(3)** |
| **19(b)** | 2 | 2 | 4 | 7 | **15** | |
| **20(a)** | 1 (1) | 1 (1) | 2 (2) | – | **4** | **(4)** |
| **20(b)** | 2 | 2 | 4 | 7 | **15** | |
| **Sub-Total** | 10 | 13 | 21 | 21 | **65** | **7** |
| | | | | | | |
| **Total** | **18** | **20** | **21** | **21** | **80** | **11** |