GCE AS MARKING SCHEME

SUMMER 2024

AS
BUSINESS - COMPONENT 1
B510U10-1

About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE AS BUSINESS - COMPONENT 1

SUMMER 2024 MARK SCHEME

1. (a)	**Define the meaning of the term market research.**	**Total**
	Award **1** mark for a limited understanding of the term market research Award **2** marks for a good understanding of the term market research AO1: 2 marks **Indicative content:** Market research is the process of collecting information / data (1) about customers, competitors and other areas of the market place (1) Can be primary or secondary (1) Credit any other relevant suggestion.	**2**

(b)	**Identify and describe two possible market segments that would be suitable for Ovi's.**	**Total**
	Award **1** mark for each market segment identified (max 2 marks) **Indicative content:** AO1: 2 marks • Demographic segmentation such as age, social class, gender, income • Psychographic segmentation to target groups on personality and emotionally based behaviour such as attitudes, opinions and lifestyles. • Geographic segmentation based on different locations. Award **1** mark for each market segment that is specifically applied to the context of Ovi's (max 2 marks) **Indicative content:** AO2: 2 marks • Demographic segmentation: Social class / income will apply to Ovi's as boat owners are generally from specific classes with high amounts of disposable income. • Psychographic segmentation: By differentiating products such as inflatables for tourists looking for a day out compared to boating equipment from regular locals who will have a greater attitude to the care of their boats. • Geographic segmentation: Targeting boating equipment to Bortchester (where more boat owners live), and inflatable hire to Blimouth where more tourist will be looking for a tourist activity. • Owners are likely to buy, while tourists are likely to rent. Credit any other relevant suggestion.	**4**

(c)	**Explain the importance of entrepreneurs to the local economy.** **[4]**	
Band	**AO1**	**AO3**
	2 marks	**2 marks**
2	**2 marks** Demonstrates good understanding of the importance of entrepreneurs to the local economy.	**2 marks** Good explanation of the importance of entrepreneurs to the local economy.
1	**1 mark** Demonstrates limited understanding of the importance of entrepreneurs to the local economy.	**1 mark** Limited explanation of the importance of entrepreneurs to the local economy.
0	**0 marks** Little or no knowledge	**0 marks** Little or no analysis

Good understanding can be achieved within one explanation.

Indicative content:

- <u>Creates jobs</u>: Without entrepreneurs there would be fewer businesses and fewer employment opportunities. The increased income within the local area will lead to greater spending in other areas of the local economy. E.g. A person may spend their wages in a local bar or restaurant which in turn further creates job opportunities.
- <u>Increased tax revenue</u>: Through higher income levels the government have more money to spend in the local area such as on schools and hospitals, increasing educational and health standards in the area.
- <u>Better living standards / economic growth / reduced poverty:</u> A local economy that is achieving steady increases in growth will attract more people to the area due to the better living standards and job opportunities that exist. House prices and wealth may rise as a result, and crime rates may fall.

Credit any other relevant suggestion.

<table>
<tr><td>(d)</td><td colspan="3">Discuss whether Location A or Location B would be the best choice for Ovi's boat shop and hire business. [9]</td></tr>
<tr><td rowspan="2">Band</td><td>AO2</td><td>AO3</td><td>AO4</td></tr>
<tr><td>3 marks</td><td>3 marks</td><td>3 marks</td></tr>
<tr><td>3</td><td>3 marks
Excellent application of the case study.

Answer thoroughly embedded to the data available.</td><td>3 marks
Excellent well-balanced analysis of the reasons for each location.

The analysis is balanced and detailed.

Key issues have been well-developed with a clear line of argument.</td><td>3 marks
Excellent evaluation of the most suitable choice of location.

The evaluation is balanced and detailed and will focus on the key issues.

Clear judgements are made for the most suitable location with supporting statements and may include factors that determine why one location is a better choice than the other.</td></tr>
<tr><td>2</td><td>2 marks
Good application of the case study.

Answer refers to the data in developing arguments.</td><td>2 marks
Good analysis of the reasons for each location.

The analysis is uneven and will focus on one-side of the argument.</td><td>2 marks
Good evaluation of the most suitable choice of location

Valid judgements are made to support arguments with some development on both sides.

A choice of location may be offered.</td></tr>
<tr><td>1</td><td>1 mark
Limited application of the case study.

One reference is made to the data to support arguments.</td><td>1 mark
Limited analysis of the reasons for each location.

A limited number of issues are discussed.
One-sided analysis.
A superficial analysis that describes the reasons for or against one/both locations.</td><td>1 mark
Limited evaluation of the most suitable choice of location.

Partial and unsupported judgements made.

One-sided evaluation.

There is no conclusion.</td></tr>
<tr><td>0</td><td>0 marks
No application.</td><td>0 marks
No analysis given.</td><td>0 marks
No evaluation given.</td></tr>
</table>

Indicative content:

For location A (near the main road from Bortchester to Blimouth):
- The location is on route to the sea from the town where more boat owners live.
- Residents from Oaktown are also likely to see the business as they usually travel this route to the sea.
- The main road appears to be coming from an area outside of the map which might be used by tourists / residents that live outside the area from a nearby town.
- Being located on a main road might see greater footfall depending on how many people use this main road.
- No direct competitors on the same main road, however could also suggest that the location is unsuitable for this type of market as it is further away from the sea.

For location B (In Blimouth):
- The location is in the largest town on the map, suggesting a high footfall.
- Tourists who travel through the main road from Oaktown to Blimouth will not see the business in location A, as it is suggested that location A is on the quieter of the two main roads.
- The location is right next to the sea where many of the hire items will be used.
- This location is nearer to competitors suggesting it's an area that customers are used to travelling to, in order to get their boating equipment / hire needs.
- Being within a town may make it easier to attract employees.
- It's where Paul lives, making it more convenient for him.

Possible themes for evaluation

The best choice of location depends on:
- How easy it is to stand out and compete with existing rivals. If Ovi's struggle to match competitors value for money then locating in an area before tourists reach the town might be better.
- The amount of cars that travel through each of the two main roads (and therefore expected footfall for location A).
- The cost of each location, in determining the ability to break even.

Credit any other relevant suggestion.

2. (a) (i)	State the formula for calculating revenue	Total
	Award **1** mark for a correct formula AO1: 1 mark Revenue = Price x number of units sold	**1**

(ii)	State the formula for calculating profit.	Total
	Award **1** mark for a correct formula AO1: 1 mark Total revenue – Total costs or Total contribution – Fixed costs	**1**

(iii)	Over the past year Lottie sold 2280 ride-on cars. Calculate her current level of profit.	Total
	Award **1** mark for the calculation of total sales revenue or total costs or total contribution Award **2** marks for the calculation of profit expressed as £s AO2: 2 marks **Indicative content:** Total sales revenue = 2 280 x 40 = £91 200 Total costs = (2 280 x 28) + 24 000 = £87 840 Profit = £3 360 (must include the £ sign for two marks) Total contribution = (40 – 28) x 2 280 = £27 360 Profit = £27 360 - £24 000 = £3 360 (must include the £ sign for two marks)	**2**

(b)	**Calculate the new break-even output if Lottie implemented: Idea 1, Idea 2**	**Total**
	Award **1** mark for either understanding of break-even or using the correct formula AO1: 1 mark **Indicative content:** Break-even = fixed costs / contribution per unit Award up to **3** marks for the correct calculation of break-even: Award **1** mark for the correct break-even calculation of idea 1 or idea 2 (answer does not have to include units / ride-on cars) Award **2** marks for the correct break-even calculation of idea 1 and idea 2 (answer does not have to include units / ride-on cars) Award **3** marks for the correct break-even calculation of idea 1 and idea 2 (answer must be expressed correctly e.g. units / ride-on cars) AO2: 3 marks **Indicative content:** Idea 1: 24 000/ (40 – 15) = 960 units / ride-on cars Idea 2: 24 000 / (48 – 28) = 1 200 units / ride-on cars	**4**

(c)	**Analyse two qualitative factors Lottie should consider before implementing either of her two ideas.**	**Total**
	Award **1** mark for each qualitative factor identified (max of two marks) AO1: 2 marks **Indicative content:** Qualitative factors could include: • Quality / brand image • Speed of service / delivery • Supplier relationship • Competitiveness Award **1** mark for each qualitative factor that is specifically applied to the context of Lottie's business (max of two marks) AO2: 2 marks Award **1** mark for an analysis for each qualitative factor (max of two marks) AO3: 2 marks **Indicative content:** • Reducing her variable costs by using cheaper materials may have a direct negative affect on reviews and reputation. Products or young children will have greater safety demands. • Delays from Brazil could result in customers having to wait longer for their products to arrive, negatively affecting the level of service. • If a strong relationship already exists with UK suppliers, future deals may be lost if Lottie changes suppliers. • What price to charge will depend on what other similar products sell (it is a very competitive market). Credit any other relevant suggestion.	**6**

3. (a)	Identify two reasons why consumers need protection from businesses	Total
	Award **1** mark for each correct identification AO1: 2 marks **Indicative content:** • To ensure satisfactory quality products that are fit for purpose. • To ensure products that are safe. • So a refund can be issued if the product / service doesn't meet expectations. • So that accurate descriptions are used in promotion. • So that the customer understands the total payable when purchasing on credit. Credit any other relevant suggestion.	**2**

(b)	Calculate her previous month's sales revenue.	Total
	Award **1** mark for the correct calculation of the previous sales revenue AO2: 1 mark **Indicative content:** 1300 / 125 x 100 = £1 040 (accept 1 040 without the £ sign)	**1**

(c)	Evaluate the different factors that could affect price equilibrium for Anvi's business. [6]		
Band	**AO2**	**AO3**	**AO4**
	2 marks	**2 marks**	**2 marks**
2	**2 marks** Good application of factors affecting price equilibrium for Anvi's business. Two factors are referenced to the data.	**2 marks** Good analysis of the impact of factors on price equilibrium. Analysis shows clear line of arguments.	**2 marks** Good evaluation of the impact of factors on price equilibrium. Valid judgements are made with development on both sides.
1	**1 mark** Limited application of factors affecting price equilibrium for Anvi's business. One factor is referenced to the data.	**1 mark** Limited analysis of the impact of factors on price equilibrium. Analysis is superficial.	**1 mark** Limited evaluation of the impact of factors on price equilibrium. Partial, unsupported judgements made.
0	**0 marks** No application.	**0 marks** No analysis given.	**0 marks** No evaluation given.

Indicative content:

In a free market economy price equilibrium is decided by demand and supply.

Demand factors

- Advertising / fashion / trends: Packaging plays an important role in helping Anvi differentiate her business, along with changes in more people wearing fake eyelashes will shift demand to the right, increasing the prices at which she can sell.
- Income: It could be argued that fake eyelashes is not a necessity for most, therefore a normal good. As income rises there could be higher demand increasing prices.
- Substitutes: It is a competitive market within the UK as mentioned in the case study. If there is an increase in competition, then demand will shift left causing prices to fall.
- Compliments: In Anvi's case compliments could be make-up or other cosmetic products. If prices for these fall, then more people may purchase fake eyelashes, increasing demand and market price.

Supply factors

- Productivity: Anvi's sales revenue has grown by 25% suggesting that her productivity levels are rising. The harder Anvi works then the greater the supply to meet demand. Providing supply and demand rise by similar amounts then prices will remain unchanged.
- Indirect taxes: Taxes on imports from China, and cosmetic products (VAT) can influence supply. If these are reduced, then Anvi will be attracted to purchase more stock at a lower cost, allowing her to reduce prices.
- Number of firms: The more eyelash businesses in the UK the greater the supply and prices will fall as firms compete with one another. It is a competitive market and so prices are likely to be low as a result.
- Technology: Anvi purchase supplies from China and sells online rather than a physical store. This reduces costs, attracting her to supply more, enabling her to reduce prices.
- Cost of production: Importing from china and selling online allows prices to fall.

Possible themes for evaluation

- A relevant justification of the significance of factors mentioned, and which are likely to change prices by a greater amount.
- Although there are a high number of firms, Anvi's ability to differentiate using clever packaging gives her more control in being able to set higher prices.

Alternatively:
Price equilibrium depends on:

- How much demand changes in relation to supply. If supply rises more than demand then prices will fall, regardless of the rise in demand.
- Whether governments intervene in the market to control prices.
- The number of competitors in the UK, as this will affect demand and supply.

Credit any other relevant suggestion.

(d)	**Define the meaning of the term unlimited liability.**	**Total**
	Award **1** mark for limited understanding Award **2** marks for good understanding AO1: 2 marks **Indicative content:** The business owner is liable for all of the debts of the business / the owner and business share the same legal identity (1) personal belongings could be repossessed to pay business debts (1) Credit any other relevant suggestion.	**2**

(e)	**To what extent is a partnership a more appropriate legal business structure than a sole trader?** **[6]**	
Band	**AO3**	**AO4**
	3 marks	**3 marks**
3	**3 marks** Excellent and well-balanced two-sided analysis of the appropriateness of both legal structures. The key issues are discussed. Analysis shows a clear line of argument and includes an excellent understanding of legal structures and their appropriateness.	**3 marks** An excellent evaluation of the appropriateness of legal structures. The focus is on the key issues. Both sides of the argument are evaluated. Clear judgements are made with supporting statements. Key depends on factors are explained.
2	**2 marks** Good analysis of the appropriateness of both legal structures. A number of key issues are discussed. Analysis is uneven, with some well-developed points and some where the development is more limited. A good one-sided analysis of the appropriateness of both legal structures.	**2 marks** A good evaluation of the appropriateness of legal structures. The evaluation includes most of the key issues. The evaluation is reasonably well balanced with some development on both sides of the argument. Valid judgements are made with some supporting statements. Key depends on factors may be stated.
1	**1 mark** Limited analysis of the appropriateness of both legal structures. A limited number of issues are discussed. The analysis will focus on one-side of the argument and on one legal structure. The analysis may only list or describe the appropriateness of legal structures.	**1 mark** Limited evaluation of the appropriateness of legal structures. The evaluation is one-sided. An awareness of the key issues but little development. Judgements are superficial and unsupported.
0	**0 marks** No analysis attempted.	**0 marks** No evaluation attempted.

Indicative content:

Sole Trader – one registered owner

- Are very easy and cheap to set up as individuals just need to inform the H.M.R.C that they are self-employed.
- Fast-decision making on all business issues with no need to consult.
- No sharing of the profits.

However
- Limited range of capital and skills in the business.
- More pressure with workload and decision making on one owner.

Partnership – joint ownership

- Can bring in more investment as well as experience and skills into the business.
- Workload is shared as different partners can focus on different key roles and responsibilities.

However
- Need a deed of partnership that outlines the specific share of profits each owner receives and the expected amount of capital that should be invested.
- Conflicts of ideas between partners.
- Complications can be caused with the death of a partner.

Possible themes for evaluation

It depends on
- The size of the business – The bigger the business the bigger the workload required, therefore a partnership could be more suitable.
- Amount of capital required – A small-scale window cleaning business may not require a large amount of capital and therefore can be run by one individual.
- The skill and experience level of the entrepreneur – First time entrepreneurs may benefit going into a partnership with more experienced entrepreneurs.
- The aims of the business – The more aspirational the aims, the more investment, experience and work may be required, suggesting a partnership being more appropriate.

Credit any other relevant suggestion.