GCSE MARKING SCHEME

AUTUMN 2021

BUSINESS - COMPONENT 1
C510U10-1

INTRODUCTION

This marking scheme was used by WJEC for the 2021 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GCSE BUSINESS - COMPONENT 1

AUTUMN 2021 MARK SCHEME

Question		Marks
1. (a)	**Identify one feature of a private limited company.** AO1: 1 mark Award **1** mark for a suitable feature identified **Indicative content:** Limited liability Have to be invited to buy shares Owned by shareholders Have to publish financial accounts Credit any other valid responses.	1
(b)	**Suggest one example of an expense that Shoowz Ltd is likely to pay.** AO1: 1 mark Award **1** mark for a correct expense identified **Indicative content:** • Rent • Wages • Utilities • Tax • Fuel • Marketing • Business rates • Administration • Insurance • Financial costs (interest of loans) Credit any other valid responses. Do not accept raw materials	1

Question		Marks
(c) (i)	**State the formula for calculating gross profit margin (GPM).** AO1: 1 mark Award **1** mark for the correct formula stated Gross profit/sales revenue * 100	1
(c) (ii)	**Using the formula calculate the GPM for 2019. (Present your answer to one decimal point.)** AO2: 1 mark Award **1** mark for the correct answer 61.1 (%)	1
2.	**Which of the above terms best describes each of the following?** AO1: 4 marks Award **1** mark for each correct answer identified (a) An organisation that represents workers' interests. **Trade union** (b) A short-term method of finance. **Trade credit** (c) When products are made in a continuous process, moving from one stage of the process to the next. **Flow production** (d) Gives rights to the owner of an invention that prevents others from making or selling the invention without their permission. **Patent**	4

Question		Marks
3. (a)	**With reference to the information above, explain why Tesco uses sales promotion.** AO2: 2 marks AO3: 2 marks Award **1** mark for selecting a suitable example of sales promotion from the data Award **1** mark for each correct explanation of why Tesco uses sales promotion (up to 2 marks) **Indicative content:** One way Tesco has used sales promotion is by giving customers a loyalty card. This encourages customers to be loyal and return to the store, by enticing customers back to the store rather than go to another supermarket because they will get incentives such as money off vouchers for their loyalty. Another way Tesco has used sales promotion is by using 3 for 2. This encourages multiple purchases, customers may buy things they did not actually intend to, in order to get the 'free' product and expanding their spend, resulting in greater sales revenue for Tesco. Credit any other valid explanations.	4

Question		Marks
(b)	**Identify and describe one suitable pricing strategy that Tesco may use.** AO2: 2 marks Award **1** mark for identification of a suitable pricing strategy for Tesco Award **2** marks for developed description in the context of a supermarket. **Indicative content** • Tesco may use psychological pricing, such as charging 99p for a loaf of bread as it allows the consumer to think they are paying less than they actually are and decide to buy more of the product • Tesco may use penetration pricing, charging a lower price for a new shampoo, that has just been introduced into its stores • Tesco may use a loss leader, they may not make a profit on a product such as washing powder to get people into the store then they buy other products, ending up with a basket full and greater sales revenue for Tesco • Tesco may use price discrimination, charging a higher price for the same product in Tesco Metro due to the convenience Credit any other valid responses. Do not accept cost plus pricing	2

Question		Marks
4. (a)	**Identify which of the following are external sources of finance.** AO1: 3 marks Award **1** mark for each correct answer Overdraft Government grant Leasing	**3**
(b)	**Explain which one of the above sources of finance is the most suitable source for James to purchase his freezer.** AO1: 1 mark AO2: 1 mark AO3: 1 mark Award **1** mark for understanding of the source of finance Award **1** mark for relevant reference to the scenario Award **1** mark for an explanation of why the source of finance is suitable / why he is dismissing the other source(s) **Indicative content** James could use his retained profit to finance the freezer, we know the restaurant is doing well, there is increased demand leading to the expansion, therefore it is likely he has profits to use, this would save him paying interest. Credit any other valid explanation.	3

Question		Marks
5. (a)	**State what is meant by cash flow.** AO1: 1 mark Award **1** mark for the correct description of a cash flow. **Indicative content** The money that flows in and out of a business Credit any other valid responses.	1
(b)	**Using an example from Crusty Ltd, describe the term revenue.** AO1: 1 mark AO2: 1 mark Award **1** mark for the correct description of revenue. Award **1** mark for giving an example directly relating to Crusty **Indicative content** The income a business receives from selling its products or services, for example Crusty Ltd would get revenue from selling sandwiches or other snacks Credit any other valid responses.	2
(c) (i)	**Calculate the estimated net cash flow for July.** AO2: 1 mark Award **1** mark for the correct answer £1 460	1
(c) (ii)	**Calculate the estimated total payments for August.** AO2: 1 mark Award **1** mark for the correct answer £8 480	1
(c) (iii)	**Calculate the estimated closing balance for December.** AO2: 1 mark Award **1** mark for the correct answer £930	1

Question		Marks
(d)	**Outline two ways a cash flow forecast may be useful for a business.** AO1: 2 marks Award **1** mark for each valid point **Indicative content** They help a business to avoid making bad decisions They can help investors/bank decide whether to lend money to the business It will help the business plan its cash flow effectively Helps a business to manage its cash effectively Help a business to solve future cash flow problems Credit any other valid responses.	2
(e)	**Recommend two ways a business could improve its cash flow.** AO1: 2 marks AO3: 2 marks Award **1** mark for stating a valid way to improve cash flow (max 2 marks) Award **1** mark for explaining each recommendation of how a business could improve its cash flow (max 2 marks) **Indicative content** A business could generate more sales to improve its cash flow, this could be done by having a special promotion/advertising A business could increase its prices to improve its cash flow, this will mean that its profit margins will increase A business could reduce costs by employing less staff, thus reducing the wage bill and increasing net profit A business could seek other sources of cash such as an overdraft, allowing them to have access to more cash if needed Credit any other valid responses.	4

5. (f) Using qualitative and quantitative data on Crusty Ltd, analyse Jadie's aim to expand the business. [8]			
Band	**AO1**	**AO2**	**AO3**
	2 marks	**4 marks**	**2 marks**
3	There are no Band 3 marks for this assessment objective 2 marks are awarded as for Band 2	**4 marks** Excellent application to Crusty Ltd Valid examples of quantitative and qualitative data used throughout There is a very clear and direct reference to Crusty Ltd throughout the discussion	There are no Band 3 marks for this assessment objective 2 marks are awarded as for Band 2
2	**2 marks** Good knowledge and understanding of business growth, with at least 2 reasons why business want to grow explained A good attempt specialist vocabulary	**2-3 marks** Good application to Crusty Ltd Valid example of quantitative and qualitative data is used There is a clear reference to Crusty Ltd. throughout the discussion	**2 marks** A good analysis of Jadie's aim to expand the business Writing is generally well structured using reasonably accurate grammar, punctuation and spelling Supported analysis
1	**1 mark** Limited knowledge and understanding of business growth, with at least 1 reason for growth explained Limited or no specialist vocabulary	**1 mark** Limited application to Crusty Ltd Discussions are mostly generic with brief application to data	**1 mark** A limited analysis of Jadie's aim to expand the business Writing shows limited evidence of structure but with some errors in grammar, punctuation and spelling Unsupported analysis
0	**0 marks** No knowledge or understanding of business growth	**0 marks** No reference to Crusty Ltd is made	**0 marks** No analysis

Indicative content One of the main reasons businesses want to grow is to gain economies of scale, which means the cost of reducing one unit would fall as output rises. Jadie could negotiate better prices with the suppliers to make her savoury snacks. This could lead to the cost of her sales going down further. It could also lead to an increase in sales revenue, at the moment Jadie's sales revenue is falling, if she could make her products cheaper due to economies of scale she could benefit from an increase in sales revenue as people are motivated to buy from her by the competitive prices. However, expanding will mean costs will rise. At the moment Jadie's total payments are approximately £8000 per month using the three food vans. If she decided to grow and open a shop on the high street, her costs will soar if she starts to pay rent on a property, increased utility bills and business rates. Despite this risk, it is likely that growing and opening up a shop will lead to more customers, increasing the sales revenue, Jadie's aim is to be on the high street, surely there will be a good footfall which Jadie will benefit from. Another reason a business would want to grow is to have the opportunity to diversify, which means entering new markets. At the moment the vans could be quite limiting for Jadie, she may be limited to the type of food she can offer. She may be able to start offering other products from a shop such as cookery classes or children's parties, this could lead to extra sales revenue from new income streams and really improve Jadie's net cash flow, which, is not great at the moment. Credit any other valid responses.

Question		Marks
6. (a)	**Calculate the percentage increase in income Dogs Trust has received between 2016 and 2018. (Present your answer to one decimal point, show your workings)** AO2: 2 marks Award **1** mark for selection of correct data Award **1** mark for the correct answer $\frac{13}{98} \times 100$ = 13.2(%) Apply OFR for the correct answer if incorrect increase identified, must use the original number 98 million, calculation must be correct.	2

6. (b) With reference to the Dogs Trust, describe how the features of the Dogs Trust charity will differ from a private sector business. [6]		
Band	**AO1**	**AO2**
	3 marks	**3 marks**
3	**3 marks** Excellent understanding of how charities differ from private sector businesses	**3 marks** Excellent application to the Dogs Trust
2	**2 marks** Good understanding of how charities differ from private sector businesses	**2 marks** Good application to the Dogs Trust
1	**1 mark** Limited understanding of how charities differ from private sector businesses	**1 mark** Limited application to the Dogs Trust
0	**0 marks** No knowledge or understanding	**0 marks** No application to the Dogs Trust

Indicative content

Dogs Trust is not allowed to make a profit from the donations it receives for the dogs, this means that any money they receive, by law, has to be used to help meet its specified charitable aims.

Dogs Trust does not pay tax on any of the donations it receives for the dogs, this means that more of the donations can be used to fund its rehoming centres.

Dogs Trust are regulated by the government to ensure charitable donations go to the dogs and that there are no huge bonuses paid to staff.

Dogs Trust's proceeds earned are spent in accordance with the aims of the charity in order to help make sure unwanted dogs are cared for in the rehoming centre.

Credit any other valid responses.

Question		Marks
(c)	**Identify two stakeholders of a private sector business.** AO1: 2 marks Award **1** mark for each correct stakeholder **Indicative content** Supplier Customer Manager Local community Government Owner/shareholder Credit any other valid responses.	2

6. (d) Evaluate the different advertising media Dogs Trust might use. [10]			
Band	**AO1**	**AO2**	**AO3**
	2 marks	**4 marks**	**4 marks**
3	There are no Band 3 marks for this assessment objective 2 marks are awarded as for Band 2	**4 marks** Excellent application of advertising media in the context of Dogs Trust There is a clear and direct reference to Dogs Trust throughout the discussion	**4 marks** An excellent analysis and evaluation of the different advertising media available to Dogs Trust Writing is very well structured using accurate grammar, punctuation and spelling Well-reasoned and balanced discussion with clear lines of argument
2	**2 marks** Good understanding of advertising media Good use of specialist vocabulary	**2-3 marks** Good application of advertising media in the context of Dogs Trust There is a clear and direct reference to Dogs Trust to support their answer but there are omissions	**2-3 marks** A good analysis and evaluation of the different advertising media available to Dogs Trust Writing is generally well structured using reasonably accurate grammar, punctuation and spelling The discussion may be unbalanced
1	**1 mark** Limited understanding of advertising media Limited use of specialist vocabulary	**1 mark** Limited application of advertising media in the context of Dogs Trust The response is mostly generic with brief application to Dogs Trust	**1 mark** A limited analysis and evaluation of advertising media available to Dogs Trust Writing shows limited evidence of structure but with some errors in grammar, punctuation and spelling The discussion lacks detail and superficial comments are made with little development
0	**0 marks** No knowledge or understanding of advertising media	**0 marks** No reference to Dogs Trust	**0 marks** No analysis or evaluation

Indicative content
Dogs Trust could use TV to advertise, the good thing about this type of media is that a national advert can reach millions of viewers, this could mean that Dogs Trust potentially get lots more people donating to the charity. On the other hand this is a very expensive form of media and may mean Dogs Trust is spending so much money on an advert that they are compromising meeting their aims. That said, the extra money raised from all the potential new donors could help them protect even more dogs from harm, cruelty and suffering.

Another form of advertising Dogs Trust could use is local newspapers. A local newspaper would be very cheap to advertise in, this may suit Dogs Trust as it is a charity that are regulated and have to agree to certain standards, however, fewer people would see the advert and they may get fewer donors and may not be able to keep all of their rehoming centres going if donations drop.

Another form of advertising Dogs Trust could use is an online advertisement, the good thing about this type of advertising is it is much cheaper than TV yet still with the potential to reach millions of potential donors. A disadvantage is you wouldn't reach people that are not online, such as elderly people who are likely to be those that have money to donate to a charity such as Dogs Trust. Online advertising is best suited to Dogs Trust, national adverts are so expensive that it doesn't seem quite right for a charity to spend so much money when they could be helping the cause. I think advertising online will still reach a mass-market but with less money spent, they will then get more donors and still be able to meet their aims and help dogs.

Credit other valid responses

Question		Marks
7. (a)	**Outline what is meant by a SMART objective.** AO1: 2 marks Award **2** marks for identifying 4 of the correct SMART criteria Award **1** mark for identifying at least 2 of the correct SMART criteria Award maximum **1** mark for definition of SMART – to make objectives clear and more meaningful to understand and achieve. S – specific M – measurable A – agreed R – realistic or reliable T – time bound (or other variations, including the word time)	2
(b)	**Lush's UK turnover in 2018 was £322 million. Using the data in Figure 1, *c*alculate the percentage of global sales turnover that came from the UK in 2018. (Present your answer to one decimal point, show your workings.)** AO2: 2 marks Award **1** mark for the selection of correct data 322 000 000/ 995 000 000 x 100 Award **1** mark for correct answer 32.3(%) Award **2** marks if just the correct answer is given Apply OFR for the correct answer if incorrect data selected	2

Question		Marks
(c)	**Explain one advantage and one disadvantage to a business of entering new markets.** AO1: 2 marks AO3: 2 marks Award **1** mark for correctly identifying one advantage Award **1** mark for correctly identifying one disadvantage Award **1** mark for valid explanation of the advantage Award **1** mark for valid explanation of the disadvantage **Indicative content** Advantages could include: Spread the risk, they will not be reliant on one country and have many markets to gain profit from New customers, they will be able to benefit from more customers across the globe, meaning more potential for profit Lower cost of production, they may be able to benefit from economies of scale due to the larger production Disadvantages could include: Greater competition, there may be other similar, more established brands that they will have to compete with Cultural differences, they may have to consider different tastes, they may have to adapt their products which could be expensive Extra costs, such as tariffs and cost of transporting goods which could affect profit margins Credit other valid responses	4

<table>
<tr><th>Question</th><th></th><th>Marks</th></tr>
<tr><td>(d)</td><td>Explain one factor that is important to a business when choosing a supplier.

AO1: 1 mark
AO3: 1 mark

Award 1 mark for identification of correct factor
Award 1 mark for a suitable explanation

Indicative content
If the supplier can provide a <u>competitive price</u> this will ensure the business can offer prices in line with other competitors

If a supplier provides <u>good quality</u> products this will help the reputation of the business

If the supplier <u>delivers products on time</u> this means the business has the stock it needs to meet demand

<u>Behaviour of suppliers/reputation</u> of the suppliers could have an impact on the business buying as they would be seen as accountable for their supply chain

Credit other valid responses</td><td>2</td></tr>
<tr><td>(e)</td><td>Explain how a business can act in a sustainable way.

AO1: 1 mark
AO3: 1 mark

Award 1 mark for understanding of sustainability

Award 1 mark for explaining how a business can act sustainably

Indicative content
Methods of production that can continue in the long term without damaging the environment
Meeting the needs of the present without affecting the ability of future generations to meet their needs.

A business can act in a sustainable way by reducing its packaging on its products, increasing the amount of materials it recycles, introducing energy saving schemes or alternative sources of energy.

Credit other valid responses</td><td>2</td></tr>
</table>

7. (f) Analyse the impact on Lush and its customers when implementing environmentally friendly policies. [8]			
Band	**AO1**	**AO2**	**AO3**
	2 marks	**4 marks**	**2 marks**
3	There are no Band 3 marks for this Assessment Objective 2 marks are awarded for Band 2	**4 marks** Excellent application of the impact of environmentally friendly policies in the context of Lush Excellent reference is made to Lush throughout the answer	There are no Band 3 marks for this Assessment Objective 2 marks are awarded for Band 2
2	**2 marks** Good knowledge and understanding of environmentally friendly policies Some attempt to use specialist vocabulary	**2-3 marks** Good application of the impact of environmentally friendly policies in the context of Lush Good reference is made to Lush in the answer	**2 marks** Good analysis of implementing environmentally friendly policies The analysis should be balanced by considering the impact on Lush and its customers
1	**1 mark** Limited knowledge or understanding environmentally friendly policies Limited or no use of specialist vocabulary	**1 mark** Limited application of the impact of environmentally friendly policies in the context of Lush Some information from the data is used, but the response is mainly theoretical	**1 mark** Limited analysis of implementing environmentally friendly policies The analysis may consider the impact on Lush and/or its customers
0	**0 marks** No knowledge or understanding of environmental policies	**0 marks** No reference made to Lush	**0 marks** No analysis

Indicative content
Implementing environmentally friendly policies can mean more customers for Lush. With growing awareness of the impact that our actions can have on the environment has led to more and more people supporting sustainable companies, this can be a good marketing tool for businesses such as Lush and will mean they can increase their sales.

An advantage for customers is that they are able to buy products such as the handmade cosmetics that Lush sell with limited damage to the environment, they have the option to reuse the black pots and this will make many customers happy, Lush's turnover has risen a lot over the past few years, it is likely that customers are motivated by their ethos with consumers becoming increasingly more conscious of the damage caused to the environment by our actions over recent years.

A negative point for a company such as lush of implementing such policies is the costs involved, supplying black pots and other recyclable materials that have less of an impact on the environment can be more expensive than the non-recyclable versions, this can mean lower profit margins or the inability to compete with other companies who show less concern for the environment.

A negative for customers is that the products are often more expensive, this can result in customers finding themselves unable to afford these products, this can be particularly bad for customers who very much support sustainable business but cannot afford the high price tag that comes with many of Lush's cosmetics.

Credit other valid responses

Question		Marks
8. (a)	**With reference to iCakes, describe the term multi-channel distribution.** AO1:1 mark AO2:1 mark Award **1** mark for the correct definition of multi-channel distribution Award **1** mark for the valid application to iCakes **Indicative content** Multi-channel distribution occurs when a business uses more than one type of distribution channel, iCakes uses several channels namely online and over the telephone. Credit other valid responses	2
(b)	**Explain one reason why a business uses multi-channel distribution**. AO1:1 mark AO3:1 mark Award **1** mark for a suitable reason why a business uses multi-channel distribution Award **1** mark for an explanation of why a business uses multi-channel distribution **Indicative content** They can access more customers, if they sell from more than one channel they will potentially be able to sell more products Increase convenience for customers, meaning customers are more likely to use the products leading to more sales Boost sales as customers are able to get the products from a place that suits them, leading to more revenue. Credit other valid responses	2

Question		Marks
(c)	**Explain why quality is so important to iCakes.** AO1: 2 marks AO2: 2 marks AO3: 2 marks Award **1** mark for identifying why quality is important (up to 2 marks) Award **1** mark for using context when explaining why quality is important (up to 2 marks) Award **1** mark for explaining why quality is important (up to 2 marks) **Indicative content** It is likely that iCakes will satisfy customer expectations by providing high quality, this means customers are likely to make repeat purchases of iCakes cakes as they are so satisfied, this will lead to customer loyalty and repeat purchases. iCakes could avoid costly mistakes when producing its cakes, by having quality assurance procedures in place, leading to less waste due to less mistakes when producing customised cakes such as the wrong name used, this will save money as less items will be sent back or have to be remade. iCakes will be able to charge a higher price for its cakes, people will be willing to pay more for the items if they are known for high quality/reliability with delivery, this will lead to better profit margins due to satisfied customers spreading the word. Credit other valid responses	6

8. (d) Evaluate iCakes plan to open its own shops. You must consider the following factors in your answer:
- Product and Price (from the marketing mix)
- Economic factors **[10]**

Band	AO1	AO2	AO3
	2 marks	**4 marks**	**4 marks**
3	**2 marks** Band 3 marks for this Assessment Objective 2 marks are awarded for Band 2	**4 marks** Excellent application to iCakes with relevant data extracted and used fully in the discussion There is clear, correct and direct reference to iCakes throughout the answer	**4 marks** Excellent evaluation of iCakes plans to open its own shops Clear reference is made to product and price and economic factors throughout Writing is very well structured using accurate grammar, punctuation and spelling Well-reasoned and balanced discussion with a clear line of argument
2	**2 marks** Good knowledge and understanding of product and price and economic factors Good attempt to use specialist vocabulary	**2-3 marks** Good application to iCakes with data extracted and used in the discussion There is correct reference to iCakes in the answer There may be some omissions	**2-3 marks** Good evaluation of iCakes plans to open its own shops Reference is made to product and price and economic factors Writing is generally well structured using reasonably accurate grammar, punctuation and spelling The discussion may be unbalanced
1	**1 mark** Limited knowledge and/or understanding of product or price and/or economic factors Limited attempt to use specialist vocabulary Some attempt to use specialist vocabulary	**1 mark** Limited application to iCakes, the discussion is generic The answer is mainly theoretical	**1 mark** Limited evaluation of iCakes plans to open its own shops Reference is made to product and price and/or economic factors Writing shows limited evidence of structure but with some errors in grammar, punctuation and spelling The discussion lacks detail and superficial comments are made with little development
0	**0 marks** No relevant knowledge or understanding	**0 marks** No reference is made to iCakes business	**0 marks** No valid discussion

Indicative content

iCakes do not sell in shops at the moment, just online. If iCakes do decide to sell its cakes in shops in cities across the UK this new service could likely attract new customers who do not use their online services. This innovation that they are planning will increase their product range as they introduce cupcakes and sponge cakes. However, iCakes may want to consider, at the moment, its USP is that it sells online, its customers may not be so keen to buy the celebration cakes in a shop setting, with so many cafes in large cities across the UK they may not get enough customers to compete.

iCakes currently only sell online and benefit from economies of scale, by opening shops with a café it is likely that their costs will rise significantly, could this mean that it would need to increase the price of its cakes? It would need to consider what competitors charge for café items and consider if they are able to compete. If competitors can offer cheaper prices it could mean iCakes are unable to make sufficient profit margins to cover the costs of the new cafes.

iCakes will need to take into account economic factors when deciding to open the cafes. Changes in consumer income could have an impact, for example, if people had less disposable income due to interest rate rises it could mean they spend less money on personalised celebration cakes and just buy standard versions available in supermarkets. It could also mean customers are less likely to go to cafes for treats.

Another factor iCakes could consider is employment rates, if there is a fall in unemployment it may find it difficult to get staff to work in the cafes. Working in a café could be considered an unskilled job that is likely to have lower pay. If fewer people are looking for work then iCakes could have to attract staff with higher pay this may be difficult to fund with all the cost of expansion.

Despite the risks, in business it is important that businesses innovate, a new competitor for online cakes could easily enter the market, by opening cafes iCakes is protecting itself by diversifying and safeguarding itself from unforeseen economic changes.

Credit other valid responses