



**General Certificate of Secondary Education
June 2013**

Business Studies 413001

(Specification 4133)

Unit 1: Setting up a Business

Final

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this Mark Scheme are available from: aqa.org.uk

Copyright © 2013 AQA and its licensors. All rights reserved.

Copyright

AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

1

Total for this question: 21 marks

1 (a) State **two** advantages of setting up as a franchise. (2 marks)

Possible answers could include the following:

- well known / established brand
- assistance from franchiser, eg training, marketing.
- reduces risk
- equipment normally provided

One mark for each advantage.

1 (b) Explain **two** benefits to Paul and Arianna of writing a good business plan. (4 marks)

Likely answers will revolve around the following:

- help to persuade the bank to give them the start-up loan that they need
- help to monitor/evaluate business success as they have not got business experience
- help them to organise what decisions to make as they have not got much business experience.

Level 2 Response: A good business plan would help persuade a bank they know what they are doing so they will give them the start-up loan that they need.

Level	Descriptor	Marks	Assessment Objective
2	Explains benefit to Paul and Arianna or their business.	2	AO2
1	Student identifies possible benefit.	1	AO1
0	No valid response.	0	

Apply twice.

1 (c) *Explain how Paul and Arianna’s business would benefit from selling pet food that has been produced using methods that are ‘ethical and sustainable’.*
(6 marks)

Ethical products are produced with reference to moral standards. Sustainable products are environmentally friendly.

Possible answers could include the following:

- more sales: customers will value these aims/be more popular
- can establish a market niche: other business may not do this so will establish loyal customer base
- higher price: customers will be prepared to pay more
- employees – any future workers would want to work for a firm with such goods so it will be easier to recruit.

Level 3 Response: Ethical methods are ones than are based on good moral standards. As they will be selling ethical products customers will be prepared to pay a higher price because of the high standards used (**L2**), this means that their business may sell more and make more profits (**L3**).

Level	Descriptor	Marks	Assessment Objective
3	Explains how ethical and/or sustainable products would benefit the business. Should demonstrate some understanding of term(s).	6–5	AO2
2	Explains the benefit of Paul and Arianna’s business being ethical and/or sustainable in general terms.	4–3	
1	Demonstrates some understanding of ethics and/or sustainability or identifies a benefit(s) to Paul and Arianna.	2–1	AO1
0	No valid response.	0	

1 (d) *Paul and Arianna would have some freedom in the way they promoted their pet food products to local households. They are considering two options:*

- *professionally designed and printed posters to be displayed in the 5 animal hospitals in the surrounding area for a year, these would cost £500*
- *a small advert in the local newspaper, which sells 10 000 copies, this would cost £250 a week.*

Advise Paul and Arianna on which is likely to be the better option to make customers aware of their new business. Give reasons for your advice.

(9 marks)

Possible areas for discussion include:

Posters:

- more expensive
- would be more targeted
- details can be passed on
- should remain on display for a time
- may be removed/not displayed.

Advert:

- cheaper (if only one week)
- less targeted
- can be shared/passed on
- may be missed.

Areas for Analysis/Evaluation

- newspaper is 2.5p per copy, hospitals £100 per hospital
- one year vs. one week (newspaper advert could be repeated)
- the franchise will cost them £5000 so they may be short of funds
- animal hospitals will not be visited by all pet owners.

Level	Descriptor	Marks	Assessment Objective
3	Analyses option(s).	4–3	AO3
2	Describes option.	2	AO2
1	States relevant point.	1	AO1
0	No valid response.	0	

See next page for Evaluation grid.

Note: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Judgement is based on which method will make customers more aware of their new business.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement plus clear justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	

2

Total for this question: 20 marks

2 (a) State **two** advantages for Neat and Smart Ltd's supplier of using job production. (2 marks)

Possible responses might include the following:

Answers may be in context of *Neat and Smart Ltd*, but only require a correct statement

- meets individual needs
- usually higher quality
- motivates staff involved
- can charge higher price.

One mark for each valid answer.

2 (b) Using **Item B**, explain **one** benefit to Neat and Smart Ltd of being a private limited company. (4 marks)

Possible responses might include the following:

- limited liability – risky business with cash flow difficulties, shareholders are worried
- continuity/succession – would be able to continue if owners/managers gave up
- ability to raise finance/raise the businesses profile – banks may be more willing to provide overdraft, can attract new investors/shareholders as limited liability.

Level 3 Response: As a private limited company the shareholder will be protected by limited liability (**L1**) which means that they can only lose the money they have invested (**L2**). This means that the company are more likely to get more shareholder funds to help them with their cash flow problem. (**L3**)

Level	Descriptor	Marks	Assessment Objective
3	Explains benefit to <i>Neat and Smart Ltd</i> .	4–3	AO2
2	Explains benefit.	2	
1	Identifies possible advantage.	1	AO1
0	No valid response.	0	

2 (c) Explain the importance of *Neat and Smart Ltd* providing a good service for its customers. (5 marks)

Possible responses could include the following:

- revenue/profits will increase as people buy more/repeat purchases, uniform is a recurring expenditure
- reputation will improve – teachers are already unhappy about late supplies and incorrect items – aim is ‘good quality at reasonable prices’
- less complaints/returns – would be difficult to re-sell/re-make as made to measure
- competitors – parents already threatening to go back to other local uniform shops.

Level 2 Response: If service is good parents will return for more uniforms (L1) Shareholders are already worried so this will improve profits (L2). Also there is a threat of competition if the service is not good as parents will chose to switch their custom (L2 = 5).

Level	Descriptor	Marks	Assessment Objective
2	Explains the importance to <i>Neat and Smart Ltd</i> .	5–3	AO2
1	Identifies possible effect(s).	2–1	AO1
0	No valid response.	0	

2 (d) *Neat and Smart Ltd has just produced its cash-flow forecast for the next four months. It will have a cash flow problem in July and August. It is considering a 10% reduction in price to customers who pay in full when they order the uniforms.*

*By referring to **Item B** and the table above, recommend to Neat and Smart Ltd whether a 10% reduction in price would be the **best** solution to the cash flow problem.*

Give reasons for your recommendation. (9 marks)

Possible responses could include the following:

10% reduction:

- could cost up to £7 300
- reduced overdraft charges
- might act as a promotional offer.

Possible alternative actions/points:

- do nothing – but over the overdraft limit (£25,000) in July so bank might stop overdraft
- raise overdraft limit but this has a high rate of interest
- reduce spending, eg advertising £2000, find an alternative supplier
- delay paying creditors although they currently insist on being paid with order
- chase up uncollected orders.

Analysis/Evaluation

- likely to be in the context of the effect on present/future cash flow and future profitability
- overall cash flow is forecast to increase from £5,000 to £7,000 – this will make it worse
- don't know interest/overdraft charges
- may suggest a lower discount than 10%
- "best" solution will demonstrate how it addresses July/August problem.

Level	Descriptor	Marks	Assessment Objective
3	Analyses possible action(s).	4–3	AO3
2	Describes possible action(s).	2	AO2
1	Identifies possible action(s).	1	AO1
0	No valid response.	0	

See next page for Evaluation grid.

Note: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Judgement is based on which is the best solution to the cash flow problem.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement plus clear justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	

3

Total for this question: 19 marks

3 (a) Explain **two** ways that his assistant is protected by the law when working at the garage. (4 marks)

Possible responses could include the following:

- health and safety (may give more than one example)
- minimum wage
- maximum hours
- no discrimination, eg gender, age or disability (allow more than one example).

Level 2 Response: He will be protected by health and safety law (**L1**) which means that the working conditions in the garage must not be dangerous (**L2**).

Level	Descriptor	Marks	Assessment Objective
2	Explains how it protects his worker.	2	AO2
1	Identifies possible legal protection.	1	AO1
0	No valid response.	0	

Apply twice

3 (b) Jim cannot afford to give his assistant a wage increase. Explain how non-monetary benefits could be used to improve his assistant's motivation. (6 marks)

Possible responses could include the following:

- good working conditions – eg new garage
- fringe benefits
- discounts
- more responsibility
- more interesting work
- training.

Level 3 Response: Non-monetary motivation could include more interesting work (**L1**). Jim could get his assistant to do different jobs (**L2**). This would motivate him because he only currently does basic work and finds this boring (**L3**).

Level	Descriptor	Marks	Assessment Objective
3	Explains how benefit(s) would improve his assistant's motivation.	6-5	AO2
2	Explains benefit(s) or describes in context.	4-3	
1	Identifies/describes possible method(s).	2-1	AO1
0	No valid response.	0	

3 (c) *Jim is concerned about his low profits and unhappy assistant. He is now considering buying a larger and more modern garage in another area of town.*

Advise Jim on whether this would be a good idea. Give reasons for your advice. (9 marks)

Possible responses might include the following:

- money saved from renting vs repayments on loan (and interest)
- new customers (passing trade) vs inconvenience for old ones
- new location may upset his assistant even more
- better working conditions
- won't change the nature of jobs.

Analysis/Evaluation

- balance of extra costs vs. potentially extra revenue
- lack of clear market research
- some costs, eg relocation will only be short term.

Level	Descriptor	Marks	Assessment Objective
3	Analyses arguments for and/or against relocation.	4–3	AO3
2	Describes argument for and/or against relocation.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

Note: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Judgement based on whether buying the garage will either increase profits and /or solve the problems with his unhappy assistant.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement plus clear justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3	AO3 and Quality of written communication
E1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	