



GCE AS MARKING SCHEME

SUMMER 2016

**BUSINESS – NEW AS UNIT 1
2510U10-1**

INTRODUCTION

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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 Business

SUMMER 2016 MARK SCHEME

Unit 1: Business Opportunities

Q1	Identify and explain two motives that encourage individuals to become entrepreneurs.	Total
	<p>Award 1 mark for identification of each motive. AO1:4 ma Award 1 mark for explanation of each motive.</p> <p>Indicative content:</p> <ul style="list-style-type: none">• Financial reward – opportunity to earn more when owning a business.• Prefer to make their own decisions – in control of what they do as opposed to being employed.• Greater job satisfaction – creating and building a business can be very enjoyable and allow individuals to attain certain goals they have set themselves.• Passion/interest in what they produce – may enjoy producing a top quality product or inventing a new process.• To create employment – this may be as a result of being made redundant or desiring to create work for others.• Any other appropriate motive briefly explained.	4

Q2	Using examples of goods sold in a supermarket, explain the difference between inferior and normal goods.			(6)
Band	AO1	AO2	AO3	
	2 marks	2 marks	2 marks	
2	<p>2 marks</p> <p>Good knowledge of the relationship between income and demand.</p> <p>Clear understanding demonstrated.</p>	<p>2 marks</p> <p>Good application of relevant supermarket examples covering both normal and inferior goods.</p>	<p>2 marks</p> <p>A good analysis of the difference between normal and inferior goods in relation to income elasticity.</p> <p>The analysis shows a clear understanding of the impact of income on demand.</p>	
1	<p>1 mark</p> <p>Limited knowledge of the relationship between income and demand.</p>	<p>1 mark</p> <p>Limited application of relevant example of either a normal or inferior good sold in a supermarket.</p>	<p>1 mark</p> <p>A limited analysis of the difference between normal and inferior goods.</p> <p>The analysis shows a superficial understanding of the impact of income on demand.</p>	
0	<p>0 marks</p> <p>No knowledge demonstrated.</p>	<p>0 marks</p> <p>No application of relevant examples.</p>	<p>0 marks</p> <p>No analysis offered.</p>	

Indicative content:

- Normal goods have positive income elasticity.
- Most goods sold in a supermarket are regarded as normal goods – when incomes rise, so too does demand for the product. (vice versa)
- Inferior goods have negative income elasticity.
- When incomes rise the demand for inferior goods falls. (vice versa)
- Sausages are sometimes regarded as inferior as consumers tend to replace them with steak/chops etc. as incomes rise.
- Bread tends to be consumed less as income rises and more expensive food takes its place.
- Own label products, such as baked beans, tend to be substituted with branded baked beans as incomes rise.

Q3(a)	What is meant by the term market?	Total
	Award 1 mark for each relevant point identified. AO1: 2 marks Indicative content: Any set of arrangements that allows buyers and sellers (x1) to exchange goods and services (x1)	2

Q3(b)	Explain, with reference to the examples given in the text, what is meant by monopolistic competition. (6)		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	2 marks Good knowledge of key features of monopolistic competition demonstrated.	2 marks Good application, using examples given in the text.	2 marks Good analysis evident of the concept of monopolistic competition and the context in which it operates.
1	1 mark Limited knowledge of some features of monopolistic competition demonstrated.	1 mark Limited application of the examples given in the text.	1 mark Limited analysis evident of the concept of monopolistic competition and the context in which it operates.
0	0 marks No knowledge demonstrated.	0 marks No reference to examples in the text.	0 marks No explanation undertaken.

Indicative content:

- In this type of market structure there are a large number of relatively small businesses who compete with each other – nurseries and care homes tend to be small and they are increasing in number across Wales.
- It is relatively easy to set up in such markets – barriers to entry are low. Whilst there is increasing government legislation to comply with both care homes and nurseries are relatively easy to set up on a small scale. Large amounts of capital are not required.
- Businesses attempt to differentiate themselves through branding but this can be difficult to achieve as the services provided are inevitably quite similar.
- Businesses in this market structure tend to be price takers. Pricing can be very competitive and there is limited scope for price changes – price can often be an important aspect when customers are seeking a nursery as the cost tends to be prohibitive for those on relatively low incomes.
- Care homes and nurseries may try to emphasise other elements of their marketing mix – e.g. facilities, caring, entertainment, education, number of staff per child, opening hours.

Q4	Consider, using the concept of price elasticity of demand, why ‘raising price might be a poor decision’. (8)			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good understanding of the concept of PED.</p> <p>Definition is clear and precise.</p>	<p>2 marks</p> <p>Good application of raising the price in the context of the text.</p> <p>Clear reference to the data and relevant content.</p>	<p>2 marks</p> <p>Good, clear analysis of how the PED for a good impacts upon sales when price is raised.</p>	<p>2 marks</p> <p>Well-balanced evaluation of how a change in price may have either a positive or negative impact upon total revenue.</p>
1	<p>1 mark</p> <p>Limited understanding of the concept of PED.</p> <p>Definition is partially correct. Superficial understanding.</p>	<p>1 mark</p> <p>Limited application is attempted to the context of raising the price of coffee in the café.</p>	<p>1 mark</p> <p>Limited analysis of how the PED for a good impacts upon sales when price is raised.</p> <p>Superficial arguments with little development.</p>	<p>1 mark</p> <p>Limited evaluation of how the change a change in price may impact upon a business.</p> <p>Superficial judgements made.</p>
0	<p>0 marks</p> <p>No understanding or knowledge of the concept of PED.</p>	<p>0 marks</p> <p>There is no application to the decision to raise the price of coffee in the café.</p>	<p>0 marks</p> <p>There is no analysis of the impact of raising the price of a good.</p>	<p>0 marks</p> <p>No evaluation of a strategy to raise the price of a good.</p>

Indicative content:

- When Llinos raises her price for coffee, she can anticipate that the quantity demanded will fall.
- The key issue for Llinos is the extent to which the demand for her coffee will fall.
- PED informs us about relationship between the effect of a change in price on quantity demanded.
- If the PED for Llinos’s coffee is elastic, then the percentage change in quantity demanded is greater than the percentage change in price which caused it. Demand for her coffee is said to be price sensitive.
- If the PED for Llinos’s coffee is inelastic, then the percentage change in quantity demanded is less than the percentage change in price which caused it. Demand for her coffee is said to be price insensitive.
- If Llinos increases the price of her coffee and the demand for her coffee is price elastic then the total revenue she receives will fall – justifying Anna’s comment that raising price might be a poor decision.
- However, if Llinos increases the price of her coffee and the demand for her coffee is price inelastic, then the total revenue she receives will rise – this would suggest that Anna’s comment is unjustified.

Q5(a)	With reference to Rogers Travel Ltd, distinguish between <i>quantitative and qualitative data</i> .	Total
	<p style="text-align: right;">AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for explanation of quantitative data. Award 1 mark for explanation of qualitative data.</p> <p>Award 1 mark for each appropriate application to Rogers Travel Ltd.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Data that can be numerically measured. • Data referring to attitudes, intentions and beliefs. • The 10% rise in holidaymakers choosing Scandinavia as a destination - quantitative • Carrying out interviews – qualitative. 	4

Q5(b)	Describe the approach that DataWatch might use when gathering a random sample.	Total
	<p style="text-align: right;">AO1: 4 marks</p> <p>Award 1 mark for each relevant point.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • A very large sample needs to be chosen in order to ensure it is representative of the population. • Computers may be used to produce a random list of numbers which can then be used as the basis for selecting a sample. • Random samples are often drawn from local electoral registers. • The interviewees are contacted at home. • Interviewers call three times before giving up on an address in order to overcome the problem that working people are less likely to be at home or might be on holiday. 	4

Q5(c)	Explain how the use of <i>random sampling</i> will improve the reliability of the market research used by Rogers Travel Ltd.	Total
	<p style="text-align: right;">AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for a limited explanation. Award 2 marks for a good explanation.</p> <p>Award 1 mark for limited application. Award 2 marks for good application.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Data watch will attempt to ensure that every member of the population has an equal chance of being interviewed about views on package holidays to America. • Rogers Travel Ltd had previously haphazardly collected data related to Scandinavian holidays - which proved to be misleading. • Random sampling methods are more likely to produce data that is not weighted towards one side of the population - therefore is unlikely to introduce bias into the results. • Rogers Travel Ltd had previously collected biased data as so many of their respondents in the Scandinavian research were retired. The data lacked validity. 	4

Q6(a)	Evaluate different <i>sources of finance</i> that might be available in Wales to sole traders, such as Bronwen Lewis’s veterinary practice, to assist them in growing their business.(10)			
Band	AO1	AO2	AO3	AO4
	4 marks	1 mark	2 marks	3 marks
2	<p>3-4 marks A number of relevant sources of finance are identified.</p>		<p>2 marks A good analysis of the suitability of the sources of finance in helping to achieve business growth.</p>	<p>2-3 marks Well-reasoned and balanced evaluation that considers a variety of relevant sources of finance. Lines of evaluation are well-developed and informed judgements are made.</p>
1	<p>1-2 marks A limited number sources of finance is identified. Some of these may be unsuitable.</p>	<p>1 mark Applies at least one relevant source of finance specific to Wales.</p>	<p>1 mark A limited analysis of the suitability of the sources of finance in helping to achieve business growth.</p>	<p>1 mark Limited evaluation of a variety of relevant sources of finance. The evaluation maybe one-sided and include general comments. Judgements are superficial and unsupported.</p>
0	<p>0 marks No relevant sources of finance are identified.</p>	<p>0 marks No application to a Welsh context.</p>	<p>0 marks No analysis undertaken.</p>	<p>0 marks No evaluation is undertaken.</p>

Indicative content:

- Retained profit is a cheap form of finance as there are no financial charges, such as interest rates. The owner/s, however, do have to make a sacrifice as the profit is not available for personal expenditure. Low profits may hinder the pace of growth.
- Borrowing from Welsh Government via Business Wales - fast track loans are allocated to businesses. Rates of interest are competitive and benefit small firms by enabling them to take advantage of growth opportunities. Sound business advice is also offered to support the borrower. However, the criteria for accessing these loans are strict and businesses have to convince Business Wales of their strong potential for growth.
- Borrowing from banks – money does become immediately available if loan agreed. However, banks have been reluctant to support small businesses since the economic downturn in 2007. Interest rates tend to be high and availability is limited.

- Grants from Welsh Government – the Welsh Growth Fund offers grants to businesses that they feel have potential for growth. Grants have the huge benefit of not having to be repaid and a considerable amount of expert support is offered along with these grants. However, they are not easily attained and a very sound business plan has to be presented to convince the growth fund that the business has potential. Sometimes the business may have to match the grant with its own funding.
- Venture Capitalists/Business Angels may offer finance to small and medium size businesses and their expertise may also be helpful in achieving growth. They will, however, require some form of equity and the owner will have to sacrifice a degree of control.
- Finance can be attained from friends and family. There is no requirement to provide business plans or meet any conditions and it can be made available quickly. There may or may not be interest required. However, failure to repay the money may lead to family issues arising and the sums required to finance growth are unlikely to come from such a source.
- Other forms that are acceptable include leasing, overdrafts, hire purchase, mortgage, for building, trade credit, owners capital, credit cards and sale of unwanted assets.

Q6(b)	Assess the decision to form a private limited company from both Bronwen's and Lucy's point of view. (12)		
Band	AO2	AO3	AO4
	5 marks	2 marks	5 marks
3	<p>4-5 marks Detailed application to the situation both individuals are facing is clearly evident.</p> <p>An excellent application of the suitability of setting up a limited company is undertaken in relation to both individuals.</p>		<p>4-5 marks An excellent evaluation of how the decision to form a limited company will impact on both parties.</p> <p>The evaluation is well-balanced with clear development on both sides of the assessment.</p> <p>Supported judgements are made with qualifying statements.</p> <p>A holistic assessment may be offered with an overall conclusion.</p>
2	<p>2-3 marks Good application to the situation both individuals are facing is evident.</p> <p>A good understanding the suitability of setting up a limited company is applied to the circumstances facing either or both individuals.</p>	<p>2 marks Good analysis of the impact of the decision to form a limited company on either or both individuals.</p> <p>Key issues have been developed.</p>	<p>2-3 marks Good evaluation of how the decision to form a limited company will impact on either or both parties.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the assessment.</p>
1	<p>1 mark Limited application to either individual's situation.</p>	<p>1 mark Limited analysis of the impact of the decision to form a limited company on either or both individuals.</p>	<p>1 mark Limited evaluation of how the decision to form a limited company will impact on either or both parties.</p>
0	<p>0 marks No application to the data.</p>	<p>0 marks No analysis undertaken.</p>	<p>0 marks No evaluation of the decision undertaken.</p>

Indicative content:

- Currently Bronwen is a sole trader and is financially highly vulnerable. She has unlimited liability, but this will not be the case when she and Lucy operate under limited company status. This is a key benefit which will protect both as they will only be liable up to the amount of their investment.
- Bronwen has been in sole control of her enterprise and will have to sacrifice some of this control, as Lucy will become a shareholder. It is likely, however, that she will have greater voting rights if shares are allocated according to the amount invested by each. Private limited company shares cannot be sold to the public, so control will still largely be with Bronwen.
- Profits will now be shared – something that Bronwen has not needed to do as a sole trader. How they are shared may lead to disagreement and needs to be clarified at the outset.
- The capital that Lucy will be injecting into the business may allow Bronwen to raise sufficient funds for a new operating theatre. If the business grows as a result then both may benefit from increased profits.
- Lucy is taking a risk. She is leaving employment in a practice in Swansea and purchasing shares in a new limited company. Nonetheless, the business seems to be thriving and there is enough work for both.
- Both will be working in close proximity and it is important that they work amicably together. They are already friends and it is likely that they can work harmoniously in the future.
- There may be tax advantages for both as shareholders in a limited company, depending on how much they are currently earning.
- Some businesses will not deal with unlimited businesses as they can be regarded as risky. This will no longer be the case and this may help Bronwen and Lucy in dealing with some previously reluctant suppliers or customers.
- Until now Bronwen's business affairs have been largely confidential. Now financial information will be filed with the Registrar of Companies and can be inspected by both members of the public as well as competitors.
- The raising of finance from external sources may be easier if the business has limited status as it may be regarded as a safer bet. This will benefit both if the business needs further funds for growth.
- Any business venture involves an element of risk. There are many positive aspects to this venture and the business is already doing well. As long as they can work together effectively and Lucy can settle into a new environment then the decision to set up as a limited company seems sensible.
- The business can expand further in the future by the current shareholders agreeing to invite new shareholders to join the business and inject more capital.



GCE AS MARKING SCHEME

SUMMER 2016

**BUSINESS – NEW AS UNIT 2
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GCE Business

SUMMER 2016 MARK SCHEME

UNIT 2: Business Functions

Q 1 1	What is an apprenticeship?	Total
	<p style="text-align: right;">AO1:4 marks</p> <p>Award 1 mark for each aspect described.</p> <p>Indicative Content:</p> <ul style="list-style-type: none">• A form of training for young people whilst undertaking paid employment.• Focuses on the skills and methods required to carry out a specific job in industry.• These schemes cover traditional skills sectors such as engineering and construction as well as business administration, retail, banking and information technology.• Generally last for three to four years.• Consist of on-the-job training plus practical and written tests.• Often combine workplace training with attendance at college on day release or evenings.• Modern Apprenticeships offer people aged over 16 the chance of paid employment linked with the opportunity to train for jobs at craft, technician and management level.• Can be supported by government funding.• Possibility of permanent employment if the apprenticeship is successfully completed.• Qualifications are attained at the completion of the apprenticeship programme• Remuneration can be less than the minimum wage.	4

Q 1 2	Explain two benefits to Carry Light Ltd. of investing in training of its shop floor workers. (6)		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	2 marks Two benefits of training shop floor workers identified.	2 marks Good application of the benefits of training its shop floor workers to Carry Light Ltd. Clear reference to the text.	2 marks Good analysis of the possible benefits of training shop floor workers. Analysis shows a clear understanding of the benefits of training.
1	1 mark One benefit of training shop floor workers identified.	1 mark Limited application of the benefits of training its shop floor workers to Carry Light Ltd. The response is mainly theoretical.	1 mark Limited analysis of the possible benefits of training shop floor workers. Analysis shows a superficial understanding of the benefits of training.
0	0 marks No identification of benefits of training evident.	0 marks No application evident.	0 marks No analysis offered.

Indicative content:

- Training may help improve job satisfaction and motivation. Confidence will grow and they should gain greater self –esteem. According to the HR director many of the shop floor workers are de-motivated.
- Offering training may make some workers feel that they have prospects at Carry Light or that they can improve their skills and enjoy their jobs to a greater extent. This may stop some of them leaving the company for other jobs.
- Training can make workers more productive. By teaching more effective and efficient ways of working Carry Light may be able to reduce costs – thereby impacting on their profitability and cash flow problems.
- Training may prepare workers for taking on greater responsibility or requiring less supervision. This may make any de-layering strategy easier to implement.
- Any other benefit of training shop floor workers correctly applied to Carry Light limited.

Q 1 3	What is meant by the term <i>hierarchy</i>?	Total
	<p style="text-align: right;">AO1:3 marks</p> <p>Award 1 mark for each aspect described.</p> <p>Indicative Content:</p> <ul style="list-style-type: none"> • The <u>management structure</u> of an organisation – shows the levels of management from the top to the bottom. • Indicates who is responsible to whom – the way <u>authority is organised</u>. • Shows the <u>chain of command</u> – tall hierarchies have long chains of command and flat hierarchies have shorter chains of command.g 	3

Q 1 4	What is <i>delaying</i> and to what extent will it benefit an organisation such as Carry Light Ltd?		
Band	AO1	AO3	AO4
	2 marks	4 marks	2 marks
2	<p>2 marks</p> <p>Good understanding of the concept of delaying is demonstrated.</p>	<p>3-4 marks</p> <p>Good analysis of the benefits of delaying is evident.</p>	<p>2 marks</p> <p>Good evaluation of the impact that delaying may have on an organisation is evident.</p>
1	<p>1 mark</p> <p>Limited understanding of the concept of delaying is demonstrated.</p>	<p>1-2 marks</p> <p>Limited analysis of the benefits of delaying is evident.</p>	<p>1 mark</p> <p>Limited evaluation of the impact that delaying may have on an organisation is evident.</p>
0	<p>0 marks</p> <p>No understanding of the concept is demonstrated.</p>	<p>0 marks</p> <p>No explanation of the benefits of delaying is evident.</p>	<p>0 marks</p> <p>No evaluation is undertaken.</p>

Indicative content:

- It involves the removal of one, or more, levels of hierarchy from the management of an organisation.
- It creates a flatter structure to the management hierarchy leading to wider spans of control.
- By removing a layer of managers, considerable cost savings can be made on their salaries – overheads are reduced.
- Communication may improve because the organisation is flatter – managers and subordinates may develop a greater understanding.
- Some staff may now be empowered to make their own decisions and this could be motivating for them.
- However, those managers who remain may become demoralised and fearful that their job may be the next to go.
- May lead talented managers to seek other jobs as they see less chance of promotion in the new flatter management structure.
- Could lead to some managers being overburdened as they have to take on more subordinates – stress levels increase.
- Initially, this process can be very costly to implement if high redundancy payments have to be met.
- May result in the loss of some talented specialists within the management level that is removed.

Q 1 5	With reference to motivation theorists you have studied, to what extent do you agree with Alex Owen's view, 'that raising wages is not a long- term solution to our workforce problems'?				(1)
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	3 marks	5 marks	
3				<p>4-5 marks An excellent evaluation of the impact of pay on workforce performance is evident.</p> <p>A full range of relevant theories are integrated into the evaluation.</p> <p>Clear judgements are made.</p> <p>An overall judgement is offered.</p>	
2	<p>2 marks Good knowledge of motivational theorists is demonstrated.</p>	<p>2 marks Good application to the workforce problems at Carry Light Ltd.</p>	<p>2-3 marks Good analysis of relevant motivation theories.</p> <p>Two or more theories might be analysed.</p>	<p>2-3 marks A well-balanced evaluation of the impact of pay on workforce performance is evident.</p> <p>At least two relevant theories are integrated into the evaluation.</p>	
1	<p>1 mark Limited knowledge of motivation theorists is demonstrated.</p>	<p>1 mark Limited application to the workforce problems at Carry Light Ltd.</p>	<p>1 mark Limited analysis of relevant motivation theories.</p> <p>Only one theory might be analysed.</p>	<p>1 mark Limited evaluation of the impact of pay on workforce performance is evident.</p>	
0	<p>0 marks No knowledge of motivation theories is demonstrated.</p>	<p>0 marks No application to the workforce problems at Carry Light Ltd.</p>	<p>0 marks No analysis of motivation theories is undertaken.</p>	<p>0 marks No evaluation is evident.</p>	

Indicative content:

- FW Taylor – this scientific approach to management would seem to support the use of financial incentives to create greater productivity. However, whilst efficiency may have improved in those mass production factories in which scientific management was implemented it is debatable if the motivation of the workers was increased as high levels of supervision and de-skilling are key elements of this approach.
- Maslow – the hierarchy of needs suggests that financial reward is needed to satisfy basic physical requirements and that each need has to be fulfilled before the next becomes important. This would seem to suggest that the Managing Director's decision to offer higher wages may be part of the process in motivating the shop floor workers. To some extent it depends on whether the pay they currently receive is sufficient to satisfy their physical requirements. If it does then those higher level needs become more relevant and support Alex Owens' point of view.
- Herzberg – the two factor theory suggests that pay is a hygiene factor. Better wages may make the shop floor workers at Carry Light less dissatisfied but that alone is unlikely to motivate them. Nonetheless, if hygiene factors are not met productivity could fall – something which the business certainly would not want.
- Vroom/ Porter and Lawler– Expectancy theories suggest that workers believe that there must be a connection between their activities and the goals that they are trying to achieve – if you perform well you get a reward. However, they point out that not all individuals value the rewards in the same way. If individuals are not motivated by a pay rise then the Managing Director's offer will do little to solve the problems on the shop floor.
- Mayo – the Hawthorne studies and the subsequent work of Mayo and the 'human relations school' suggest that management must work and communicate with informal groups – in this case trying to ensure that the goals of the shop floor workers fit in with the goals of Carry light Ltd. The studies carried out by the 'human relations school' suggest that changes in financial rewards had little or no effect on productivity and that greater cohesion and communication which groups developed made them more motivated to work together. These studies would seem to support Alex Jones' view that raising wages is not the long term solution to Carry Lights workforce problems.
- There are many and varied views as to the impact of financial remuneration upon the motivation of workers. It needs to be remembered that workers are individuals do not all react and behave in the same way. The extra pay offered by the MD may positively influence some of the workforce but may have little impact on others.
- Reference to McGregor's Theory X and Theory Y approach – Theory Y would concur with Alex Owen's view in relation to the motivation of the workers.

Q 1 6	Taking into account the increases in both raw material costs and wages, recalculate the closing balance in September for Carry Light Ltd's cash flow forecast. (Clearly show all your workings)	Total
	<p style="text-align: right;">AO2: 5 marks</p> <p>Award 1 mark for each correct calculation (Award all 5 marks if (151) is offered as a single figure.)</p> <p>Indicative content:</p> <p>980 plus 10% = 1078 300 plus 3% = 309 New Total Payments = 1935 New Net Cash Flow = (235) New Closing Balance = (151) <i>Own figure rule to apply</i></p>	5

Q 1 7	What might be the implications for Carry Light Ltd of exceeding its overdraft limit?	Total
	<p style="text-align: right;">AO2: 1 mark AO3: 2 marks</p> <p>Award 1 mark for identifying overdraft limit. Award up to 2 marks for explanation</p> <p>Indicative Content:</p> <ul style="list-style-type: none"> • Overdraft limit for the company is £100 000 • Closing balance for September is in excess of £100 000 • Company has run out of cash and cannot continue with its day to day activities. • Cash flow is inadequate to continue trading/the business will close down. • If allowed to exceed the overdraft limit, then extra interest charges will be incurred. • Banks are likely to stop lending once an overdraft limit is exceeded. 	3

Q 1 8	Carry Light Ltd. needs to improve its cash flow situation. Evaluate possible ways in which it might do this. (10)			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
2	2 marks Good knowledge of how to improve cash flow is demonstrated.	2 marks Good application to specific aspects of Carry Light Ltd's cash flow forecast.	2 marks A good analysis of the impact that any changes in the cash flow forecast may have. Analysis will be supported by reference to the forecast.	3-4 marks An excellent evaluation of a variety of relevant options that may be open to the business to improve cash flow. Lines of evaluation are well-developed.
	1	1 mark Limited knowledge of how to improve cash flow is demonstrated.	1 mark Limited application to Carry Light Ltd's cash flow forecast.	1 mark A limited analysis of the impact that any changes in the cash flow forecast may have.
0	0 marks No knowledge of how to improve cash flow is demonstrated.	0 marks No application to Carry Light Ltd's cash flow forecast.	0 marks No analysis undertaken.	0 marks No evaluation is undertaken.

Indicative content:

- Increase prices in an attempt to increase revenue – this depends on the PED for the suitcases that they make. How competitive is the market? Could result in less revenue.
- Seek an alternative, cheaper supplier – this could have a negative impact on quality and be a poor move in the long run.
- Bring in measures to reduce administration costs. This depends on how efficiently they are operating presently. Could lead to a shortage of staff and inefficiency. Redundancies might also be very costly.
- Reduce marketing expenditure. This could have a negative impact on sales and thereby worsen cash flow. Depends on how effective the marketing spend actually is. Might be worthwhile increasing marketing expenditure in order to increase revenue.
- Find a cheaper insurance. Would the cover be the same or might they have to compromise on the risk?
- Renegotiate loan repayments so that less is paid off each month. In the long term this will result in higher interest payments and depends on how flexible the bank/lender is prepared to be.
- Could renegotiate a higher overdraft limit. This will result in higher interest payments. It is worth remembering that overdraft limits can be reduced without warning by the bank. Risky to rely on the overdraft too often.
- Find a cheaper leasing contract for staff cars. Remove the cars from certain levels of management. Depends how long the contract has to run. May not be possible in the short run. Could cause resentment and de-motivation amongst those managers who are affected. May cause some to leave or others not to apply for jobs at Carry Light.
- Any other relevant method of improving cash flow for this business - plus evaluation.

Q 2 1	Calculate the labour productivity per week of both the Dewhurst workers in 2002, and the Hiut Denim Company workers in 2016.	Total
	<p style="text-align: right;">AO1: 1 mark AO2: 2 marks</p> <p>Award 1 mark for correct formula Award up to 2 marks for correct calculations</p> <p>Indicative Content:</p> <ul style="list-style-type: none"> • Output (per week) divided by Number of employees (per week) • $35000/400 = 87.5$ pairs of jeans per week. • $200/14 = 14.29$ (accept 14.3) pairs of jeans per week. 	3

Q 2 2	Explain why improving efficiency would be very important to a business such as Dewhurst.		(4)
	AO1	AO3	
	2 marks	2 marks	
2	<p style="text-align: center;">2 marks</p> <p>Good understanding of the concept of efficiency is demonstrated.</p>	<p style="text-align: center;">2 marks</p> <p>Good analysis of the importance of achieving efficiency to a business such as Dewhurst.</p> <p>Possible impact on such a business is clearly explained.</p>	
1	<p style="text-align: center;">1 mark</p> <p>Limited understanding of the concept of efficiency is demonstrated.</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the importance of achieving efficiency to a business such as Dewhurst.</p>	
0	<p style="text-align: center;">0 marks</p> <p>No understanding of the concept of efficiency is demonstrated.</p>	<p style="text-align: center;">0 marks</p> <p>No analysis of the importance of achieving efficiency to a business such as Dewhurst.</p>	

Indicative content:

- Efficiency is concerned with how well resources, such as raw materials, labour and capital can be used to produce a product.
- It is concerned with achieving high output per worker, the reduction of waste and generating as many sales as possible from the business' assets.
- Mass production companies in a competitive market, such as Dewhurst, would need to keep average costs as low as possible in order that they can match, or better, the prices offered by their competitors.
- If they are not efficient and do not deliver the right product, at the right price and at the right time then they may lose major contracts from large high street retailers. This could well threaten the survival of such businesses.

Q 2 3	Assess the suitability to the Hiut Denim Company of using job production methods.				(8)
Band	AO1	AO2	AO3	AO4	
	1 mark	3 marks	2 marks	2 marks	
2		2-3 marks A good application of the suitability of job production methods to Hiut Denim Company.	2 marks A good explanation of why job production methods suit certain businesses.	2 marks A good evaluation of the suitability of job production methods to the Hiut Denim Company.	
1	1 mark An understanding of job production methods is evident.	1 mark A limited application of the suitability of job production methods to Hiut Denim Company.	1 mark A limited explanation of why job production methods suit certain businesses.	1 mark A limited evaluation of the suitability of job production methods to the Hiut Denim Company.	
0	0 marks No understanding of job production methods.	0 marks No application demonstrated.	0 marks No explanation demonstrated.	0 marks No evaluation undertaken.	

Indicative content:

- Job production involves producing a one-off item that has been tailor made to suit a specific customer – Hiut jeans are produced for individual customers who send in their specific measurements.
- Job production is used when orders for the product tend to be relatively small – Hiuts currently produce 200 pairs a week. However, their inability to deal with a sudden upsurge in orders following the publication articles in two national newspapers did place them in a difficult position and might have led to negative PR.
- The workforce is usually made up of skilled craftspeople or specialists – a significant number of skilled cutters and machinists were available in the local workforce following the closure of Dewhurst.
- The work undertaken in job production is both demanding and interesting. The workers employed are highly motivated and proud of their expertise – so much so that the machinist responsible actually signs each pair that they make.
- Problems are readily dealt with – any issue/defect is directly attributable to a specific cutter or machinist. This ensures that quality issues are inspected easily at Hiut.
- Under job production lead times can be lengthy – if orders were to rise rapidly the business may not be able to satisfy customer demands. If many of Ant and Dec's followers decide they want Hiut jeans then production methods may have to change.
- Costs will tend to be higher and job production can only be used in small niche markets – however, this suits Hiut Jeans well as they are targeting a premium brand market and charge between £130 and £230.

Q 2 4	Outline what is meant by <i>above-the-line</i> promotion.	Total
	<p>Award 1 mark for each relevant point</p> <p>Indicative Content:</p> <ul style="list-style-type: none"> • Above the line promotion is advertising. • Traditionally, advertising takes place through independent media such as print media and broadcast media - newspapers, magazines, television and radio. 	<p>AO1: 2 marks</p> <p>2</p>

Q 2 5	Discuss the view that the most important element of the Hiut Denim Company's marketing mix is promotion.				(12)
Band	AO1	AO2	AO3	AO4	
	1 mark	2 marks	4 marks	5 marks	
3				<p>4-5 marks</p> <p>An excellent evaluation is undertaken related to the other elements of the marketing mix.</p> <p>Clear judgements are made.</p> <p>An overall judgement is offered.</p>	
2		<p>2 marks</p> <p>Good application in the context of Hiut Denim's marketing mix.</p>	<p>3-4 marks</p> <p>Good analysis of the importance of promotion to Hiut's marketing strategy.</p>	<p>2-3 marks</p> <p>A good evaluation is undertaken related to the other elements of the marketing mix.</p>	
1	<p>1 mark</p> <p>Understanding of the marketing mix is demonstrated.</p>	<p>1 mark</p> <p>Limited application in the context of Hiut Denim's marketing mix.</p>	<p>1-2 marks</p> <p>Limited analysis of the importance of promotion to Hiut's marketing strategy.</p>	<p>1 mark</p> <p>A limited evaluation is undertaken related to the other elements of the marketing mix.</p>	
0	<p>0 marks</p> <p>No understanding of the marketing mix is demonstrated.</p>	<p>0 marks</p> <p>No application in the context of Hiut Denim's marketing mix.</p>	<p>0 marks</p> <p>No analysis undertaken.</p>	<p>0 marks</p> <p>No evaluation is evident.</p>	

Indicative content:

- Hiut have no promotion budget and the product was launched with a series of tweets. This use of social media has proved to be a very important part of raising awareness. In turn, this prompted newspaper articles which gave impetus to the promotion of the jeans. In addition, the endorsement of the product by famous purchasers of the product has raised the company's reputation. This communication with interested parties – the development of Public Relations – has all been achieved at virtually no cost.
- The product is made from top quality raw materials and cut and put together by a skilled workforce. The USP (unique selling proposition) - a combination of the history tag, unique number and maker's signature – make the product stand out from its competitors. The products are made to fit the specific measurements of individuals, providing the buyer with a sense of ownership.
- The distribution of the product (place) is also a significant element of the marketing mix. A small proportion of the sales take place through exclusive Denim retailers. Whilst the margin that Hiut will receive will be lower; this does have the benefit of reinforcing the 'exclusivity and quality' image of the jeans. The use of e-tailing accounts for the majority of the sales. Direct sales to customers' homes results in Hiut receiving a high profit margin, which is clearly important to a business with relatively low sales.
- The pricing strategy is consistent with the quality and exclusivity of the product. Clearly they have to cover costs – which are relatively high per pair of jeans – but at £230 a pair they are expensive. They can be categorized as a luxury product and selling them at a lower price could even damage sales. Psychologically the price is telling potential customers that they are getting a quality product.
- To argue that the promotion is the most important element of the marketing mix is misleading. All four elements of the 'mix' should complement each other. The jeans may be a quality product, but if the target market does not know of their existence then the business will fail. Selling the product at a price that does not match what the potential customers anticipate will harm sales and if potential buyers cannot access the product readily, they will purchase from the competition. Getting one element of the 'mix' wrong could nullify the effectiveness of the other three. All elements of the 'mix' are important.