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GENERAL CERTIFICATE OF EDUCATION
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MARKING SCHEME

BUSINESS STUDIES (NEW)
AS/Advanced

JANUARY 2009

INTRODUCTION

The marking schemes which follow were those used by WJEC for the January 2009 examination in GCE BUSINESS STUDIES (NEW). They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were 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' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

GENERAL MARKING GUIDANCE

It should be remembered that the candidates are mainly eighteen year olds who are writing under examination conditions, for this reason the standard of marking should be appropriate to the levels of performance expected from this age group.

Positive Marking

Credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the 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.

Levels of Response

Some questions are awarded marks on the basis of the level of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to properly analyse a situation are unlikely to be able to synthesise or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

Quality of written communication

The QWC is assessed in question 5(b).

1. (a) With the use of examples, explain the difference between needs and wants. [4]

Level 1 1-2 Candidate is able to distinguish between needs and wants.

Level 2 3-4 Candidate is able to explain the difference between needs and wants using appropriate examples.

Candidates who only deal appropriately with either needs or wants will only be Level 1. Candidates can be awarded four marks if the difference is implicit e.g. they define both accurately with appropriate examples.

Answers may refer to:

People have a limited number of needs which must be satisfied if they are to survive (1) these would include physical needs such as, a minimum amount of food, water, shelter and clothing. (1) and psychological and emotional needs e.g. self-esteem and love (1).

Wants are unlimited (infinite) people constantly aim for a better quality of life (1) include better/more food, better housing, longer holidays, better education – in effect any example which is not a basic need (1).

2. In what ways do the aims and objectives of the public sector differ from those of the private sector? [4]

Level 1 1-2 Candidate is able to identify the aims and objectives of either the private sector or the public sector.

Level 2 3-4 Candidate is able to explain how the aims and objectives of the private sector differ from those of the public sector.

Answers may refer to:

Their aims and objectives might include, survival profit maximisation, growth, maximising sales revenue, increasing share value.

(The private sector includes all these businesses which are set up by individuals or groups of individuals e.g. sole traders, partnerships, companies, charities and co-operatives.)

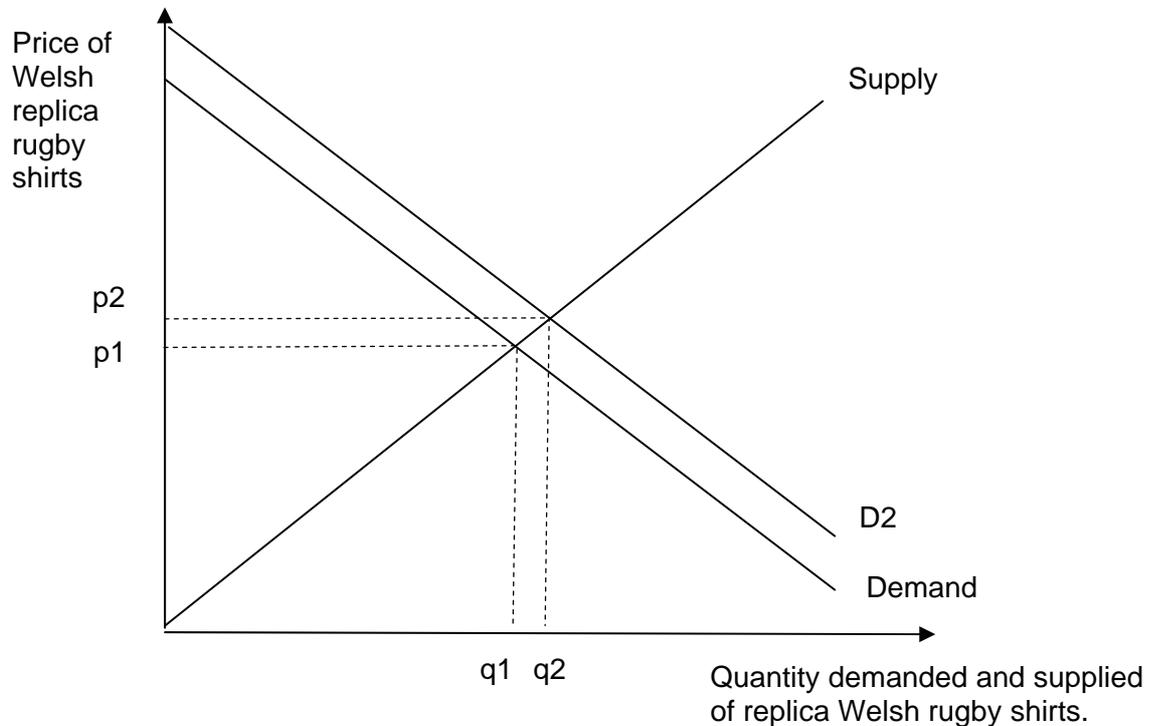
Their aims and objectives include, providing a public service to all e.g. BBC, provision of goods and services that the private sector might not provide e.g. public goods like defence or under provide e.g. merit goods like health and education.

(The public sector is essentially business activity that is owned/run by the government for the benefit of everyone e.g. army, police force, schools, hospitals.)

N.B. Some candidates may point out that in some instances aims and objectives are not dissimilar e.g. business in private sector seek to make a profit but in the public sector there is a need to aim for surpluses.

3. (a) **Adapt the demand and supply diagram below and explain what might happen to the price of replica Welsh rugby shirts if the Welsh team is more successful.** [4]

Rightward shift in the demand curve. (1) Marking of the new equilibrium price and equilibrium quantity. (1)



Explanation – a rightward shift in demand (1) will lead to an increase in price (1) because at the existing price demand exceeds supply. (1).

(NB There is an increase in the quantity supplied – a movement along the curve and not an increase in supply i.e. there is no shift in the supply curve.)

- (b) **Explain two factors, other than the success of the Welsh rugby team, that may influence the demand for replica Welsh rugby shirts.** [4]

Candidates may refer to:

- price of the shirts;
- income – general income levels;
- advertising and promotion;
- quality;
- reputation of supplier;
- consumer tastes or fashion;
- if worn by a well known celebrity – in effect publicity;
- credit crunch in relation to income;
- time of year – start of season/Christmas presents
- when it is World Cup year

1 for each appropriate example plus 1 for explanation x 2

- (c) **Consider the view that the primary market research carried out by *Under Armour* is of much greater value to the business than its secondary market research.** [6]

Level 1	1-2	Candidate defines primary/secondary research or is able to distinguish between the two using examples.
Level 2	3-4	Candidate explains the benefits of both types of market research and may attempt to evaluate the statement.
Level 3	5-6	Candidate fully evaluates the statement.

Candidates may refer to:

Primary research (field research) – collecting primary data – collecting information that does not already exist e.g. through questionnaires, interviews, surveys, focus groups.

Secondary research (desk research) – this information already exists in some form e.g. may be available within the business e.g. sales figures from Annual Report but it may also involve sources from outside the business e.g. information from competitors, commercial publications.

In the debate candidates will draw on their knowledge and understanding of the advantages and disadvantages of primary and secondary research.

Advantages of primary research:

- The research carried out is only available to *Under Armour* – this will enable it to gain market advantages over rival firms.
- It is up to date information, thereby enabling better decision making.
- It can be targeted for specific needs that *Under Armour* may have identified.

Disadvantages of primary research:

- Can be very expensive to collect – could the money have been better utilised using secondary research.
- Can be very time consuming to collect so that by the time it has been collected and analysed the market may have changed.
- Can have problems of bias.

Advantages of secondary research:

- It is inexpensive to collect and quick to obtain.
- Enables cost-effective analysis of several data sources.

Disadvantages of secondary research:

- Often out of date.
- Might not be available.
- Little control over quality.
- Problems of interpretation.

4. (a) In what ways does Neil Duttson exhibit the characteristics of a typical entrepreneur? [6]

Level 1	1-2	Candidate identifies one or two characteristics of entrepreneurs.
Level 2	3-4	Candidate explains functions of entrepreneurs/applies knowledge of entrepreneurs to Neil Duttson.
Level 3	5-6	Candidate analyses the information in the passage and identifies the qualities that Neil Duttson has and links this to characteristics of entrepreneurs.

Candidates may refer to the following:

Characteristics of successful entrepreneurs

- product knowledge
- single minded
- prepared to work hard
- passionate/determined/ambitious
- organises factors of production
- innovative
- risk takers
- use of examples of entrepreneurs to illustrate points e.g. Richard Branson
- no traditional qualifications like many current entrepreneurs

(b) Evaluate Neil Duttson's decision to change from operating as sole trader to setting up as a private limited company. [8]

Level 1	1-2	Candidate identifies one or two advantages and/or disadvantages of Neil Duttson's decision/or provides accurate definitions.
Level 2	3-4	Candidate explains advantages and/or disadvantages of Neil Duttson's decision.
Level 3	5-6	Candidate explains advantages and disadvantages of Neil Duttson's decision and may attempt to evaluate/draw conclusions.
Level 4	7-8	Candidate fully evaluates Neil Dutton's decision.

Candidates may refer to:

- potentially a lot more capital available for expansion;
- greater protection for personal assets – benefit of limited liability;
- easier to attract investors/shareholders because of security of limited liability;
- becomes a separate legal entity;
- likely to have greater continuity;
- possibly greater credibility with financial institutions;
- can still keep control;
- shareholders may bring in additional business ideas.

But

- loss of certain advantages associated with being a sole trader e.g. keeping all of the profit, may now need to consult when making key decisions;
- will need to consider the fact that he will need to publish accounts so that business affairs are less private;
- possibly less control over business – separation of ownership and control – but N Duttson can remain majority shareholder.
- cost of setting/private limited company setting/operating as

5. (a) **Outline two economies of scale that Thorntons will benefit from if it continues to be successful. [4]**

Identification of economy (1) / development / expansion (1) x 2

Candidates may refer to:

- Marketing/purchasing economies e.g. bulk buying of cocoa, milk, etc and the spreading of advertising costs over more units.
- Technical economies e.g. use of larger containers for making chocolate, more use of division of labour/specialisation.
- Financial economies i.e. easier to access loans and on favourable terms.
- Risk bearing economies i.e. larger producers like Thorntons can spread their risks so they don't have all their 'eggs in one basket'.
- Managerial economies i.e. use of specialist staff but no need to increase numbers in proportion to output.

(b) **Discuss the view that the expansion of Thorntons should take place through franchising rather than opening more of its own stores. [10]**

Level 1 1-2 Candidate lists a few relevant features of franchises e.g. describes franchises lists benefit/disadvantages.

Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.

Level 2 3-4 Candidate applies knowledge of franchises to Thorntons, explaining benefit/disadvantages of expansion via franchising or opening own stores.

Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive.

Level 3 5-7 Candidate analyses the issues and may offer some evaluation by considering the relative merits and demerits of each of the options.

Information is very well organised and argument is expressed clearly and coherently. There is good use of specialist terms/vocabulary and spelling, punctuation and grammar are generally accurate.

Level 4 8-10 Candidate fully evaluates the relative merits and demerits of each of the options.

Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar.

Candidates may refer to:

The lists below are framed in terms of the (i) benefits of franchising and through (ii) opening of own stores but in some cases a benefit of one may be turned round to be a disadvantage of the other e.g. with franchising there is no need to find finance to set up but if opening own stores finance will be needed to buy or build new shops.

Benefits of expansion through franchising

- Thorntons already has a large number of franchises – evidence suggests that they are successful;
- receipt of royalties;
- no need to find finance to set up – role of franchisee;
- no need to find sites – role of franchisee;
- able to expand the market and sales quickly;
- expansion can be achieved relatively cheaply;
- employees are responsibility of franchisee;
- can take advantage of enthusiasm/commitment of franchisees;
- do not suffer losses of individual outlets;
- do not have effort/cost of running individual outlets;
- spreading of risks;
- statistics tend to suggest that franchise businesses generally do well.

Benefits of expansion through opening of own shops:

- retain independence and in control of expansion;
- will keep all profits;
- if set up franchises less control over quality – need to monitor operations of franchisees;
- avoids training and administration associated with setting up franchises;
- can reap benefits from economies of scale.



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