



*Rewarding Learning*

**ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
2017**

---

**Business Studies**

Assessment Unit AS 1

*assessing*

The Competitive Business

**[AT111]**

**THURSDAY 18 MAY, AFTERNOON**

---

**MARK  
SCHEME**

## General Marking Instructions

### Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

### The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

- 1 (a) A product is an item/good/service that is bought and sold within a market. Products are developed so that they satisfy a specific consumer need or want that has been targeted by the business. This represents the nature of the item provided by the business to the consumer. It is also a key element of the marketing mix.

Smartwatch is the product – it has been developed to help a consumer monitor their health, to use it as an email, or to make phone calls.  
Alternative answers – Apple smart keyboard; Apple pencil; Apps.  
Valid alternatives accepted.

	<b>AO1 Knowledge and Understanding [2] marks</b>	<b>AO2 Application [2] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of the term product.	[2] marks Candidate makes good application of the term product.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of the term product.	[1] mark Candidate attempts to make some application of the term product.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of the term product.	[0] marks No attempt at application.

[4]

AVAILABLE  
MARKS

4

- (b) A market segment is where the whole market is broken down into smaller sections in which customers share common characteristics, from the same income, gender, age, socio-economic group of lifestyle.

The Smartwatch can be broken down by socio-economic group, those who can afford an expensive Smartwatch can afford Apple, whereas the more price sensitive customer can afford the Pebble Smartwatch, at £99.

	<b>AO1 Knowledge and Understanding [2] marks</b>	<b>AO2 Application [2] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of what is meant by market segment.	[2] marks Candidate makes good application of the term market segment.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of what is meant by market segment.	[1] mark Candidate attempts to make some application of the term market segment.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of what is meant by market segment.	[0] marks No attempt at application.

[4]

4

AVAILABLE  
MARKS

(c) Pebble sells their Smartwatch from £99. Apple watches start at £299.

- The cost of manufacturing a Smartwatch.
- The cost that goes into R&D for a Smartwatch.
- The price at which the market can bear for the product (target market/market share).
- The price of competitors' Smartwatches.
- The selling price for the Smartwatch needs to reflect the cost of the marketing mix elements that goes into the end product – such as product quality, packaging, branding and promotion.
- Market research findings on pricing/demand/past and present sales data.

	<b>AO1 Knowledge and Understanding [2] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [4] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of price.	[2] marks Candidate makes good application of the term price.	[4]–[3] marks Good analysis of price.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of price.	[1] mark Candidate attempts to make some application of the term price.	[2]–[1] marks Limited analysis of price.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of price.	[0] marks No attempt at application of price.	[0] marks No analysis of price.

[8]

8

AVAILABLE  
MARKS

- (d) Cost advantage refers to the ability of a business to constantly produce a product at a lower cost than its rivals. This enables it to sell at a lower price and achieve higher profits and greater market share. Alternatively it may keep prices constant and still benefit from greater profits.

Cost advantage allows a business to achieve competitive advantage in its market.

**The arguments in favour of Pebble using cost advantage to achieve a competitive advantage:**

- Cost advantage is useful in times of recession, when consumers want the latest technology but are not willing to pay the higher prices.
- Cost advantage will help Pebble to increase its market share.
- Cost advantage will increase sales of their Smartwatches and as a result make the business more profitable.
- Cost advantage will increase sales, and in turn Pebble may be able to benefit from economies of scale (e.g. fewer stores means reduced overheads).
- Cost reductions – i.e. less rent, advertising, fewer channels of distribution.

**The arguments against Pebble using cost advantage to achieve a competitive advantage:**

- The Pebble watch may be seen as inferior quality in the eyes of consumers.
- Lower prices may mean lower profits.
- Lower prices may mean less money to reinvest back into new models/features.
- Can lead to greatly increased competition in the market as all firms strive to cut costs (e.g. price wars, may jeopardise viability of the business).

AVAILABLE  
MARKS

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 3</b>	[3] marks Candidate demonstrates very good understanding of the arguments for and against. Candidate makes very good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[3] marks Very good analysis of arguments.	[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[2] marks Good analysis of arguments.	[3]–[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of the arguments for and against.	[1] mark Candidate attempts to apply knowledge.	[1] mark Limited analysis of arguments.	[1] mark Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of the arguments for and against.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of arguments.	[0] marks Candidate makes no attempt to evaluate the arguments presented.

[12]

AVAILABLE  
MARKS

12

(e) The usefulness of a product life cycle:

- It helps Apple to categorise their products into the various stages and it shows the expected cash flows (money in and money out) at each of the stages.
- It will help Apple to decide when they should withdraw a product because it is no longer making enough sales revenue.
- It will help Apple to assess the cash flow at each of the various stages and how their marketing activities impact on cash flow.
- It will help Apple to decide when to introduce a new product and then help them in the marketing activities (e.g. extension strategy).
- Aids decision-making (e.g. marketing).
- Helps to ensure a balanced product portfolio.

The disadvantages of a product life cycle:

- It is difficult to accurately state where each product is on the product life cycle, some products may be in decline today but get resurgence next month, e.g. Apple iPhone.
- It is difficult to establish how long a product will remain at a certain stage; this means that the product life cycle might not help make accurate decisions, e.g. iPad.
- It is based on past sales and is not an indicator of future sales, e.g. iPhone.
- A time-consuming approach to adopt in practice.

AVAILABLE  
MARKS

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 3</b>	[3] marks Candidate demonstrates very good understanding of the arguments for and against. Candidate makes very good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[3] marks Very good analysis of arguments.	[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[2] marks Good analysis of arguments.	[3]–[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.



	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of the arguments for and against.	[1] mark Candidate attempts to apply knowledge.	[1] mark Limited analysis of arguments.	[1] mark Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of the arguments for and against.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of arguments.	[0] marks Candidate makes no attempt to evaluate the arguments presented.

AVAILABLE  
MARKS

[12]

12

- 2 (a) External economies of scale occur outside a firm but within an industry. For example investment in better transportation network servicing an industry will result in a decrease in costs for a company working within that industry.

An example includes development facilities in local universities that several businesses in an area can benefit from. Likewise, the relocation of component suppliers and other support businesses close to the centre of manufacturing are also an external cost saving.

- Government Market Research – Market research findings identify the need for 1200 new dwellings.
- Notion of 'eco-friendly' developments driven by the construction industry/government legislation.
- For Kane Bros Ltd an external economy of scale would be better roads/sewage/gas/electric utilities provided for social housing.

	<b>AO1 Knowledge and Understanding [2] marks</b>	<b>AO2 Application [2] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of the term external economies of scale.	[2] marks Candidate makes good application of the term external economies of scale.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of the term external economies of scale.	[1] mark Candidate attempts to make some application of the term external economies of scale.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of the term external economies of scale.	[0] marks No attempt at application.

[4]

4

AVAILABLE  
MARKS

- (b) A social enterprise is a business that trades to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods or services, but they reinvest their profits back into the business or the local community. May receive government funding (partial/full). Tend to be non-profit making/regional in nature.

From the case study, a social enterprise is where regional social houses are being built. In this case 1200 new social houses would be needed from 2008 to 2018.

	<b>AO1 Knowledge and Understanding [2] marks</b>	<b>AO2 Application [2] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of what is meant by social enterprise.	[2] marks Candidate makes good application of the term social enterprise.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of what is meant by social enterprise.	[1] mark Candidate attempts to make some application of the term social enterprise.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of what is meant by social enterprise.	[0] marks No attempt at application.

[4]

4

AVAILABLE  
MARKS

(c) The benefits of increasing market share might include:

- It will lead to an increase in profits for Kane Bros Ltd. A larger market share means that more sales have been made to generate profits.
- Shareholders will want to see a return on their investment and increasing market share indicates that Kane Bros Ltd is performing well.
- Kane Bros Ltd will be less likely to fail as a business if it has a larger market share.
- A larger market share gives Kane Bros Ltd a stronger position when negotiating with suppliers and financial institutions (economies of scale benefits may accrue).
- Improves brand image.
- Gives strong market position/market control.
- Eliminates competition.

	<b>AO1 Knowledge and Understanding [2] Marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [4] Marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of market share.	[2] marks Candidate makes good application of the term market share.	[4]–[3] marks Good analysis of market share.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of market share.	[1] mark Candidate attempts to make some application of the term market share.	[2]–[1] marks Limited analysis of market share.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of market share.	[0] marks No attempt at application of market share.	[0] marks No analysis of market share.

[8]

8

AVAILABLE  
MARKS

(d) Arguments in favour of operating as a private limited company:

- Kane Bros Ltd is not open to a hostile takeover.
- Benefits from economies of scale compared to partnership or sole trader.
- Kane Bros Ltd shareholders will have limited liability and the business has a separate legal existence.
- Kane Bros Ltd would have more access to capital than an unincorporated business.
- More privacy than a public limited company, as it only has to release a limited amount of financial information.
- Kane Bros Ltd would be a lot more flexible than a public limited company, such as decision-making (or more control over decision-making).
- Increased specialisation.

Arguments against operating as a private limited company:

- Accounts have to be filed with the Registrar of Companies and are then open to the public for inspection so Kane Bros Ltd cannot keep information from competitors.
- Profits now have to be shared out amongst shareholders, Kane Bros Ltd needs to be careful that they do not issue too many shares.
- Kane Bros Ltd is still limited in the capital it can raise since shares cannot be sold to the general public as in a public limited company.
- On-going costs of a limited company – such as administration costs, e.g. accounts have to be audited.

Candidates are expected to evaluate throughout.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

AVAILABLE  
MARKS

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 3</b>	[3] marks Candidate demonstrates very good understanding of the arguments for and against. Candidate makes very good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[3] marks Very good analysis of arguments.	[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[2] marks Good analysis of arguments.	[3]–[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of the arguments for and against.	[1] mark Candidate attempts to apply knowledge.	[1] mark Limited analysis of arguments.	[1] mark Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of the arguments for and against.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of arguments.	[0] marks Candidate makes no attempt to evaluate the arguments presented.

[12]

AVAILABLE  
MARKS

12

(e) The arguments in favour of investing in new construction equipment include:

- There is a growth in the demand for housing and the construction industry appears to be picking up.
- If Kane Bros Ltd invest in new construction equipment, they should benefit from economies of scale.
- New equipment (£1m) is needed to ensure that the houses get built on time, otherwise the competition will get the work in the future.
- The equipment will always be worth a substantial amount in disposal.
- Investing in new equipment could cut the wage bill because fewer workers are needed.
- New construction equipment should speed up the building of the new homes.
- New construction equipment may motivate workers.
- Uses 'eco-friendly' equipment.

The arguments against a building firm investing in new construction equipment include:

- The huge costs (£1m) associated will put a financial strain on Kane Bros Ltd.
- Employees of Kane Bros Ltd will have to be trained on how to work the new equipment.
- There could be another decline for housing, resulting in the construction industry getting less work.
- Getting new construction equipment may mean fewer workers, so some may have to be made redundant. Kane Bros Ltd will have to pay off workers.
- If Kane Bros Ltd invest £1m in equipment, they may only benefit for one more year according to research.
- Downtime if equipment suffers breakdown/unreliable.

Candidates are expected to evaluate throughout.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

AVAILABLE  
MARKS

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 3</b>	[3] marks Candidate demonstrates very good understanding of the arguments for and against. Candidate makes very good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[3] marks Very good analysis of arguments.	[4] marks Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.

	<b>AO1 Knowledge and Understanding [3] marks</b>	<b>AO2 Application [2] marks</b>	<b>AO3 Analysis [3] marks</b>	<b>AO4 Evaluation [4] marks</b>
<b>Level 2</b>	[2] marks Candidate demonstrates good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] marks Candidate applies knowledge effectively.	[2] marks Good analysis of arguments.	[3]–[2] marks Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] mark Candidate demonstrates some understanding of the arguments for and against.	[1] mark Candidate attempts to apply knowledge.	[1] mark Limited analysis of arguments.	[1] mark Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] marks Candidate demonstrates no understanding of the arguments for and against.	[0] marks Candidate does not attempt to apply knowledge.	[0] marks No analysis of arguments.	[0] marks Candidate makes no attempt to evaluate the arguments presented.

	<b>AVAILABLE MARKS</b>
[12]	12
<b>Total</b>	<b>80</b>