



ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2017

Business Studies
Assessment Unit AS 2
assessing
Growing the Business
[SBU21]

FRIDAY 26 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

The main purpose of the mark scheme is to ensure that examinations are marked accurately, consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidates' responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for GCE Business Studies.

Candidates should be able to:

- AO1** Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
- AO2** Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
- AO3** Analyse issues within a business, showing an understanding of the impact on individuals and organisations of external and internal influences.
- AO4** Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17- or 18-year-old which is the age at which the majority of candidates sit their GCE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 17- or 18-year-old GCE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error. To avoid a candidate being penalised, marks can be awarded where correct conclusions or inferences are made from their incorrect calculations.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement.

The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

- Level 1: Quality of written communication is basic.
- Level 2: Quality of written communication is satisfactory.
- Level 3: Quality of written communication is good.
- Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Basic): The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a satisfactory selection and use of an appropriate form and style of writing. Relevant material is organised with some degree of clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are satisfactory enough to make meaning clear.

Level 3 (Good): The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

Level 4 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning very clear.

1 (a) (i) Using the information in **Table 2** calculate the percentage decrease (rounded to two decimal places), in the number of new cars sold in January 2016 compared to January 2015. Show your workings clearly. (AO1, AO2)

• new car sales in January 2016	6189
• new car sales in January 2015	6356
• change in annual new car sales	-167
• % change in annual new car sales	$(-167/6356) \times 100\% = -2.63\%$
• 2.63% acceptable for full marks	

Marking:

[2] statement of correct answer, without supporting workings;
 [1] correct calculation of change in annual new car sales;
 [1] correct calculation of % change in annual new car sales;
 [0] incorrect calculation or incorrect method.

[2]

2

(ii) Using the information in **Table 1** and **Table 2** calculate the percentage of new cars sold in January 2015 (rounded to two decimal places), as a proportion of the total number of new cars sold during 2015. Show your workings clearly. (AO1, AO2)

• new car sales in January 2015	6356
• annual new car sales in 2015	57 097
• % of new cars sold in January 2015	$(6356/57097) \times 100\% = 11.13\%$

Marking:

[2] statement of correct answer, without supporting workings;
 [1] correct calculation of number of new cars sold in January 2015;
 [0] incorrect calculation or incorrect method.

[2]

2

(b) Analyse **two** ways in which the N. Ireland car market may be segmented. (AO1, AO2, AO3)

- Geographical – on basis of counties; 6 counties in N. Ireland;
- Gender – on basis of males and females;
- Time – new year registration;
- New/used car market;
- Type of product – petrol, diesel, electric vehicles;
- Price – cars costing up to £10 000, £20 000 etc. i.e. small and economical versus large and expensive models;
- Age;
- Income;
- Brand;
- Lifestyle;
- Taste.

Marking:

Level 3 ([7]–[8])

An excellent response demonstrates:

- Well-focused and sound analysis of two ways in which the N. Ireland car market may be segmented

AVAILABLE MARKS

- Comprehensive and relevant, accurate knowledge and understanding of two ways in which the N. Ireland car market may be segmented
- Relevant use of appropriate source material to analyse two ways in which the N. Ireland car market may be segmented
- An excellent quality of written communication.

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MARKS

Level 2 ([4]–[6])

A good response demonstrates:

- Focused analysis of two ways in which the N. Ireland car market may be segmented
- Good, accurate knowledge and understanding of two ways in which the N. Ireland car market may be segmented
- Some relevant use of appropriate source material to analyse two ways in which the N. Ireland car market may be segmented
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of the ways in which the N. Ireland car market may be segmented
- Basic knowledge and understanding of the ways in which the N. Ireland car market may be segmented
- References to source material may not be appropriate to analyse the ways in which the N. Ireland car market may be segmented
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

The question requires only two ways in which the N. Ireland car market may be segmented. Any additional reasons will not attract any marks. [8]

8

(c) Analyse **three** primary market research methods that Daly's Garage might use to maintain market share. (AO1, AO2, AO3)

Questionnaires:

- Designed to elicit views on all aspects of the product/service;
- Enables dealer to improve customer experience in the future;
- Can be completed in a number of ways, e.g. online, manually etc. and relatively cheaply;
- Can be used effectively by car dealer to plan ahead and maintain market share.

Focus Groups:

- Groups of customers are invited to participate in key events (e.g. model launches, demos) and provide opinions/views about the product/service;
- Allows dealer to enhance customer experience;
- May be biased and expensive and not representative;
- Views expressed may assist dealer in meeting customer needs.

Observations:

- Customers may watch demonstrations (e.g. of car models, engine size, new products, features and their reactions are monitored by the dealer);
- This may inform the dealer as to what products/services are likely to satisfy customer needs and maintain market share

- Test driving the vehicle, observation of client's behaviour by sales representative;
- Social Media reviews;
- Test Drive.

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MARKS

Marking:

Level 3 ([8]–[10])

An excellent response demonstrates:

- Well-focused and sound discussion of three primary market research methods Daly's Garage might use
- Comprehensive and relevant, accurate knowledge and understanding of all three primary market research methods Daly's Garage might use
- Appropriate use of relevant source material to analyse all three primary market research methods Daly's Garage might use
- An excellent quality of written communication.

Level 2 ([4]–[7])

A good response demonstrates:

- Focused discussion of up to three primary market research methods Daly's Garage might use
- Good, accurate knowledge and understanding of up to three primary market research methods Daly's Garage might use
- Some use of relevant source material to analyse up to three primary market research methods Daly's Garage might use
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of the appropriate primary market research methods Daly's Garage might use
- Basic knowledge and understanding of the appropriate primary market research methods Daly's Garage might use
- Limited use of relevant source material to analyse one, two or three primary market research methods Daly's Garage might use
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

The question requires a discussion of only three primary research methods Daly's Garage might use. Any additional methods discussed will not attract any marks.

[10]

10

(d) Evaluate the key elements of the marketing mix mentioned in the case study, which would enable Daly's Garage to increase its sales. (AO1, AO2, AO3, AO4)

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Price

- Dealers such as Daly's Garage can use discounting in order to persuade customers to buy new cars starting at a price of £10 245 (Ford Fiesta);
- Dealers such as Daly's Garage can stock new cars suited to customer preferences – e.g. small economical cars, which tend to be cheaper to buy, for instance, priced at £10 245 (Ford Fiesta);
- Dealers such as Daly's Garage can persuade customers to 'trade-in' their old cars in favour of a new car – generous allowances may be offered in order to secure the sale and tempt the customer into buying the new car;
- May use pricing strategies as part of analysis, e.g. skimming.

Promotion

- Dealers such as Daly's Garage can use promotional activities to encourage customers to buy a new car – e.g. low interest rates may apply leasing agreements or hire purchase agreements, in order to make repayments more affordable for customers;
- Daly's Garage might use other promotional activities to persuade customers to buy a new car, including free upgrades to specification, free or fixed-priced servicing, free insurance, minimal deposits to acquire a new car, manager's specials including specific colours of cars, accessories or other incentive that a customer may require;
- Advertising.

Marking:

Level 4 ([14]–[18])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the use of the marketing mix to Daly's Garage which would enable them to increase sales
- Highly appropriate, clear and logical judgement of the use of the marketing mix to Daly's Garage which would enable them to increase sales, based on well focused and sound analysis
- Thorough use of relevant source material to address the use of the marketing mix to Daly's Garage which would enable them to increase sales
- An excellent quality of written communication.

Level 3 ([10]–[13])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the use of the marketing mix to Daly's Garage which would enable them to increase sales
- An appropriate, clear and logical judgement of the use of the marketing mix to Daly's Garage which would enable them to increase sales, based on well focused analysis
- Good use of relevant source material to address the use of the marketing mix to Daly's Garage which would enable them to increase sales
- A good quality of written communication.

Level 2 ([6]–[9])

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the use of the marketing mix to Daly's Garage which would enable them to increase sales
- A suitable, appropriate judgement of the use of the marketing mix to Daly's Garage which would enable them to increase sales, based on well focused analysis
- A satisfactory quality of written communication.

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MARKS

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the use of the marketing mix to Daly's Garage which would enable them to increase sales
- Basic or no judgement based on limited analysis of the use of the marketing mix to Daly's Garage which would enable them to increase sales
- Limited use of relevant source material to address the use of the marketing mix to Daly's Garage which would enable them to increase sales
- A basic quality of written communication.

Answers not worthy of credit [0] marks.

[18]

18

2 The 4G-Phone Shop

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(a) (i) Calculate the number of mobile phones that the 4G-Phone Shop would need to sell per year in order to breakeven. Show your workings clearly.

Fixed Costs/Contribution per unit (mobile phone)

- $\text{£48 000} \div (\text{£275} - \text{£150})$
- $\text{£48 000} \div \text{£125}$
- = 384 mobile phones

Marking:

[2] statement of correct answer, without supporting workings;

[1] correct calculation of contribution per unit (mobile phone);

[1] correct calculation of breakeven point;

[0] incorrect calculation or incorrect method.

[1] if candidate inserts £ sign by mistake

[2]

2

(ii) Identify the number of mobile phones that Paula would need to sell, in order to obtain a target profit of £24 000. Show your workings clearly. (AO1, AO2)

- $(\text{Fixed Cost} + \text{Desired Profit})/\text{Contribution per unit}$
- $(\text{£48 000} + \text{£24 000}) \div \text{£125}$
- = 576 mobile phones

Marking:

[2] statement of correct answer, without supporting workings;

[1] correct calculation of total amount of costs and profit required;

[1] correct calculation of quantity of sales needed to achieve desired profit;

[1] incorrect calculation of contribution per unit or use of incorrect figure as per part (i) (OFR)

[0] incorrect calculation or incorrect method.

[2]

2

(b) Analyse **two** reasons why Paula should use social media to promote the 4G-Phone Shop. (AO1, AO2, AO3)

- Increase customer awareness of the shop and products/services;
- Increase market share, sales revenue or profits;
- Enhance reputation – customers may recommend the 4G-Phone Shop based on positive experiences;
- Free publicity;
- 24/7 exposure;
- Wider audience;
- Market research opportunity via reviews;
- Hits specific market, i.e. search cookies;
- Speeds up communication with customers.

Marking:**Level 3 ([7]–[8])**

An excellent response demonstrates:

- Well-focused and sound analysis of two reasons why Paula should use social media to promote the 4G-Phone Shop

- Comprehensive and relevant, accurate knowledge and understanding of two reasons why Paula should use social media to promote the 4G-Phone Shop
- Appropriate use of relevant source material to analyse two reasons why Paula should use social media to promote the 4G-Phone Shop
- An excellent quality of written communication.

AVAILABLE
MARKS

Level 2 ([4]–[6])

A good response demonstrates:

- Focused analysis of two reasons why Paula should use social media to promote the 4G-Phone Shop
- Good, accurate knowledge and understanding of two reasons why Paula should use social media to promote the 4G-Phone Shop
- Some use of relevant source material to analyse two reasons why Paula should use social media to promote the 4G-Phone Shop
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of the reasons why Paula should use social media to promote the 4G-Phone Shop
- Basic knowledge and understanding of reasons why Paula should use social media to promote the 4G-Phone Shop
- Limited use of relevant source material to analyse the reasons why Paula should use social media to promote the 4G-Phone Shop
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

The question requires only two reasons why Paula should use social media to promote the 4G-Phone Shop. Any additional reasons will not attract any marks.

[8]

8

(c) Analyse **three** methods that Paula could use to improve her cash flow. (AO1, AO2, AO3)

- Encourage customers to pay quickly through the use of discounts;
- Encourage customers to pay a deposit each time a new phone is ordered;
- Minimise any stockholdings of phone stock purchased;
- Reschedule any bills or outstanding debts to conserve cash flows;
- Lease computer system instead of outright purchase;
- Delay payment of upgrade to computer system;
- Reduce stock/inventory levels;
- Factorising debts;
- Negotiate longer credit periods with suppliers;
- Change supplier to gain improved payment terms.

Other alternatives

- Sell non-current assets no longer in use;
- Have a line of credit, e.g. loan, overdraft facility;
- Delay purchase of new equipment;
- Reduce fixed costs;
- Increase price if market permits;
- Have a sale to attract additional customers;
- Construct a cash flow forecast;
- Use free publicity via social media.

Marking:**Level 3 ([8]–[10])**

An excellent response demonstrates:

- Well-focused and sound analysis of three methods that Paula could use to improve her cash flow
- Comprehensive and relevant, accurate knowledge and understanding of all three methods that Paula could use to improve her cash flow
- An excellent quality of written communication.

AVAILABLE
MARKS

Level 2 ([4]–[7])

A good response demonstrates:

- Focused analysis of up to three methods that Paula could use to improve her cash flow
- Good, accurate knowledge and understanding of up to three methods that Paula could use to improve her cash flow
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of the appropriate methods that Paula could use to improve her cash flow
- Basic knowledge and understanding of the appropriate methods that Paula could use to improve her cash flow
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

The question requires an analysis of only three methods that Paula could use to improve her cash flow. Any additional methods analysed will not attract any marks.

[10]

10

(d) Evaluate the importance of a cash flow forecast to The 4G-Phone Shop. (AO1, AO2, AO3, AO4)

- A cash flow forecast is important, as this would allow Paula to review the cash outflows in order to manage the timing and amount of such payments;
- A cash flow forecast is important, as this would allow Paula to review the cash inflows, in order to encourage customers to engage in the buying decision – once the order is placed, Paula can order the phones;
- A cash flow forecast is important as customer accounts and payments can be managed more effectively, i.e. new customers can be required to pay a deposit each time a new order is placed; existing customers can be followed up to encourage early settlement of outstanding amounts and improve cash flows;
- The cash flow forecast is important as it can allow Paula to plan ahead to avoid cash deficits and minimise any bank charges and thus reduced costs;
- The cash flow forecast is important as it can allow Paula to plan ahead to manage cash surpluses more effectively – these can be reinvested in the business, used to acquire assets, or invested in interest-bearing investments to improve returns on capital;
- A cash flow forecast is time-consuming to prepare and requires knowledge of the internal operations of the business; may be seen as unimportant;

- A cash flow forecast may be based on unrealistic assumptions which may yield inaccurate results – it is difficult to accurately forecast 12 months ahead; therefore unimportant;
- Avoid business failure;
- Compare actual v budget performance;
- Set targets for staff which might motivate them; therefore important;
- Paula may not have sufficient experience in drawing up forecasts and thus may be inaccurate, thus not deemed important;
- To support a financial application to the bank.

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Marking:

Level 4 ([14]–[18])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- Highly appropriate, clear and logical judgement of the importance of a cash flow forecast to a business such as The 4G-Phone Shop, based on well focused and sound analysis
- Thorough use of relevant source material to address the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- An excellent quality of written communication.

Level 3 ([10]–[13])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- An appropriate, clear and logical judgement of the importance of a cash flow forecast to a business such as The 4G-Phone Shop, based on well focused analysis
- Good use of relevant source material to address the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- A good quality of written communication.

Level 2 ([6]–[9])

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and application of the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- A suitable, appropriate judgement of the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- A satisfactory quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- Basic or no judgement based on limited analysis of the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- Limited use of relevant source material to address the importance of a cash flow forecast to a business such as The 4G-Phone Shop
- A basic quality of written communication.

Answers not worthy of credit [0] marks.

[18]

18

Total

80