



General Certificate of Secondary Education  
2017

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## **Business Studies**

Unit 1

Business Start Up

**[GBS11]**

**WEDNESDAY 24 MAY, MORNING**

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**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.

## GCSE BUSINESS STUDIES – 2017

## UNIT 1 MARK SCHEME

AVAILABLE  
MARKS

- 1 (a) A **sole trader** [1] is one person setting up and running a business. This type of business ownership has **unlimited** [1] liability, meaning debts of the business can extend to personal possessions. LTD stands for **private limited company** [1]. This type of business ownership has **limited** [1] liability and allows finance to be raised by selling **shares** [1] to **family and friends** [1].  
(6 × [1]) [6]
- (b) **Apart from profit**, suggest one reason why someone might want to start up a business:
- To have a good standard of living and be able to afford a nice lifestyle
  - To fill a gap in the market – their product is new and innovative
  - To be their own boss and make all their own decisions about running the business
  - The owners had a hobby that could make them money/profit
  - The owners had spare capital and used it to start a business
  - Have been made redundant/unemployed
- (1 × [2]) [2]
- (c) **Enterprising** means to:
- Take risks
  - Make decisions
  - Be innovative in business
  - Spot a gap in the market
- (1 × [2]) [2]
- (d) **Two** reasons why the government encourages enterprise:
- To help to create employment
  - To encourage business to export and to put the country on the world stage
  - To create a flexible workforce and create motivation
  - To help to increase the standard of living in the country
  - To encourage competition in the market
  - To gain more tax which can be spent on other services
  - Money into economy, create better economy/tourism
- (2 × [2]) [4]

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2 (a)

Business	Aim	Stakeholder
JJ Preston Ltd	growth	employees
McDonalds	profit/image/healthier food customer satisfaction [1]	customers [1] franchise shareholders
Tesco	image/profit/environmental [1]	suppliers
Belfast Zoo	survival	vets/competitors/ local council/ government/ environmental groups/visitors/ tourists/ customers [1]

(4 × [1])

[4]

(b) Moral and ethical issues might impact on business aims:

- To ensure all staff are treated fairly means paying a higher wage and having good working conditions – this is costly to the business and reduces profit
- To be environmentally friendly means it may cost more and less profit might be made
- To not discriminate against any stakeholder means to treat everyone fairly and have policies for good practice in place
- To make sure the business is honest and does not make any decisions that might break the law

(2 × [2])

[4]

(c) Two benefits of the business becoming a plc.:

- Increased capital available through selling shares to the public
- Easier to source additional finance as the business is considered to be less risky
- Increased corporate image due to increase in size
- Easier to benefit from economies of scale by reducing costs of production
- Increased power and market influence

(2 × [2])

[4]

(d) Decision making might change within the business if it becomes a plc.:

- The business would be run by a Board of Directors on behalf of the shareholders who would have very little say on the day-to-day running of the business
- Shareholders could attend the AGM but in reality many do not
- The shareholders would no longer make the day to day decisions for the company
- More delegation would make control more difficult

(2 × [2]) or (1 × [4])

[4]

AVAILABLE  
MARKS

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3 (a) Use of the factors of production:

- **Land** [1] CW Drinks need land to build its factory [1]
- **Labour** [1] CW Drinks need people to work in the factory [1]
- **Capital** [1] CW Drinks need money to buy all the assets and run the business [1]
- **Enterprise/enterprising** [1] CW Drinks needs to be enterprising to take risks and make decisions to coordinate all the activities in the business [1]

(4 × [2])

[8]

(b) **Batch production** is using the same labour and equipment to produce a range of different products [2]

Effective because:

- Same labour and equipment can be used for different products
- Workers may specialise to some degree
- Production is faster as several of the same product are made at the same time
- Increased output results in increased profit
- Can take advantage of economies of scale (2 × [2])
- Motivation due to switching products
- Better quality because of equipment
- Can appeal to market segments

(1 × [2]) + (2 × [2])

[6]

(c) **Two social and environmental** considerations related to the location of a new factory for CW Drinks:

- Traffic congestion – how close the business is to local houses
- Noise pollution from delivery vehicles and the hours the business will be open
- Environmental impact, e.g. on wildlife
- Area of natural beauty planning permission would not be allowed
- Job creation – area of high unemployment

(2 × [2])

[4]

AVAILABLE  
MARKS

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- 4 (a) (i) vanilla [1]
- (ii) café latte [1]
- (b) Secondary/desk [1]  
It is obtained by using information that has been previously collected such as reports, newspapers and government publications. It is cheap and easy to obtain and available immediately [2]  
(1 × [1]) + (1 × [2]) [3]
- (c) Use this market research information:
- To identify the best selling products and make sure they have the coffees and ice cream flavours in stock
  - To help with stock control
  - To see what is not popular and consider alternative flavours of ice cream and coffee
  - To use to advertise the flavours available to customers
- (2 × [2]) or ([1] × 4) [4]
- (d) Other information that might be useful to CafeICE:
- Information on closest competitors and their menus/prices/opening hrs
  - Information on flavour toppings for ice cream
  - Information on favourite cakes and pastries etc
  - Information gathered from primary sources
  - Time of the year sales at highest
- (1 × [2]) or ([2] × 1) [2]
- (e) **Market segmentation** is dividing the total market for a product or service into different groups that have similar wants and desires, e.g. age, income etc [2]  
(1 × [2]) [2]
- (f) **Competitor based pricing** – Allows the business to take into account competitors' prices and set theirs accordingly. [2]  
**Skimming** – This means initially the product will be released at a high price and after a period of time the price will be lowered [2]  
(2 × [2]) [4]

AVAILABLE  
MARKS

(g) **Two** strategies the CafeICE could use to manage its competition:

- **Increase advertising** [1] – this will help to increase awareness at the expense of competition and should lead to an increase in sales but will cost the business money  
(2 × [2])
- **Reduce the price** [1] – this will encourage customers to buy the product as they feel they are getting a bargain and again lead to increased sales and profit but the business will lose out on some profit  
(2 × [2])
- **Increase the quality/develop the brand** [1] – this helps to set the product aside from the competition but it will take time and money to develop a good brand image  
(2 × [2])
- **Offer a delivery service to local business** [1] – this will lead to increased sales but might be expensive to set up as they may need additional staff  
(2 × [2])
- **Introduce promotional offers/loyalty schemes** [1] which will encourage increased sales and repeat custom but will cost money to set up  
(2 × [2])
- **Expand the range of goods or develop new products** [1] offer different product, e.g. frozen yoghurt, special pastries etc this will keep them ahead of the competition but will take time to source
- Opening a new outlet
- Merger/takeover
- Added value
- Carry out market research  
(2 × [2])

**Not:** destroyer pricing

#### **Level 1 ([1]–[3])**

Candidate demonstrates little knowledge and understanding of strategies to manage competition. Candidate correctly identifies one or two strategies or one strategy backed up with a weak evaluation. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

#### **Level 2 ([4]–[7])**

Candidate demonstrates adequate knowledge and understanding of strategies to manage competition. Candidate correctly identifies one strategy with good evaluation or two less developed strategies with good evaluation. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

#### **Level 3 ([8]–[10])**

Candidate demonstrates excellent knowledge and understanding of strategies to manage competition. Candidate correctly identifies two valid strategies with detailed evaluation. Candidate displays good accuracy in the use of spelling, punctuation and grammar.

(2 × [5])

[10]

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**Total**

**75**

AVAILABLE  
MARKS