

**GCE**

**Applied Business**

Unit: **F242**: Understanding the Business Environment

Advanced Subsidiary GCE

**Mark Scheme for June 2015**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.




Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

© OCR 2015

### Annotations

These are the annotations used in the detailed Mark Scheme (to include abbreviations and subject-specific conventions)

Annotation	Meaning
	Unclear
<b>BOD</b>	Benefit of doubt
	Cross
<b>L1</b>	Level 1
<b>L2</b>	Level 2
<b>L3</b>	Level 3
<b>L4</b>	Level 4
<b>NAQ</b>	Not answered question
<b>OFR</b>	Own figure rule
<b>REP</b>	Repeat
<b>SEEN</b>	Noted but no credit given
	Tick
<b>NUT</b>	No use of text

**Testing of QWC**

In this external assessment the assessment of QWC will take place in Question 3b which is a levels of response question and carries 12 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 3b.

**Level 4:**

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response].

**Level 3:**

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

**Level 2:**

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

**Level 1:**

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Question		Answer	Mark	Guidance	
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Profit/loss</li> <li>• Cash flow</li> <li>• Available funds/money to spend</li> <li>• Debt/money owing</li> <li>• Budget figures</li> <li>• Costs</li> <li>• Revenue</li> <li>• Sales</li> <li>• Purchases</li> <li>• Credit agreements</li> <li>• Profit and Loss</li> <li>• Balance Sheet</li> <li>• Final accounts/financial statement</li> <li>• Tax</li> <li>• Legal requirements</li> </ul> <p>Exemplar responses:</p> <p>Eg Inaccurate sales figures <b>(1)</b> will not allow business performance to be assessed properly. This might lead to the wrong decision being made <b>(+1)</b>.</p> <p>Eg Inaccurate financial records will not allow business performance to be assessed properly <b>(0)</b>. This might lead to the wrong decision being made <b>(0)</b>.</p> <p>Eg It is a legal obligation for businesses to keep accurate financial records <b>(1)</b>, failure to do so might lead to prosecution <b>(+1)</b>.</p>	4	<p><b>AO1: 2 AO2 2</b></p> <p>One mark for each correct identification of financial information type up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Do <b>not</b> accept answers referring to lack of financial records.</p> <p>Do <b>not</b> award consequence unless financial information type is specifically identified.</p> <p>Accept tax and legal obligations as data types.</p>	
1	(b)	(i)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Produce a cash flow forecast</li> <li>• Produce a breakeven chart/analysis</li> </ul>	2	<p><b>AO1: 2</b></p> <p>One mark for each correct identification up to a maximum of two identifications.</p>

Question			Answer	Mark	Guidance
			<ul style="list-style-type: none"> <li>• Preparing budgets/variance analysis</li> <li>• Prepare financial accounts/statements</li> <li>• Profit and loss account (income statement)</li> <li>• Balance sheet</li> <li>• Record costs/sales</li> <li>• Produce an invoice</li> <li>• Stock control</li> <li>• Breakeven analysis</li> </ul>		<p>Do not award vague answers eg do not award 'keep accurate financial records'.</p> <p><b>NB Must be uses, not benefits.</b></p>
1	(b)	(ii)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Keep customer data (buyers and sellers)</li> <li>• Keep supplier data</li> <li>• Order records</li> <li>• Employee records/payroll</li> <li>• Use for mailmerge</li> <li>• Stock records</li> </ul>	2	<p><b>AO1: 2</b></p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Do <b>not</b> accept answers referring to financial records.</p> <p><b>NB Must be uses, not benefits.</b></p>
1	(c)	(i)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Formulas can be used</li> <li>• Accounts produced automatically</li> <li>• Data transferred automatically</li> <li>• Automatically updates figures</li> <li>• Editable</li> </ul> <p>Exemplar response:</p> <p>Eg Formulas <b>(1)</b> can be used for calculations reducing human errors to improve accuracy <b>(1)</b>.</p>	2	<p><b>AO1: 1 AO2: 1</b></p> <p>One mark for identification, plus one mark for explanation.</p> <p>Explanation must be about accuracy and <b>not</b> presentation.</p> <p>Answers must refer to 'features' of accounts software to gain marks. Do <b>not</b> award benefits if no feature stated.</p>
1	(c)	(ii)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Font style/size</li> <li>• Background design</li> <li>• Images</li> </ul>	2	<p><b>AO1: 1 AO2:1</b></p> <p>One mark for identification, plus one mark for explanation.</p>

Question		Answer	Mark	Guidance
		<ul style="list-style-type: none"> <li>• Colour</li> <li>• Formatting eg tables/text boxes</li> <li>• Templates</li> </ul> <p>Exemplar response:</p> <p>Eg IT packages have different font style <b>(1)</b> to suit different purposes <b>(1)</b>.</p> <p>Templates <b>(1)</b> are available to make documents look more professional improving the reputation of the business <b>(1)</b>.</p>		<p>Explanation must be about presentation and <b>not</b> accuracy.</p> <p>Answers must refer to 'features' of a word processor to gain marks. Do <b>not</b> award benefits if no feature stated.</p> <p>Not grammar/spell check as these are not for presentation.</p>
1	(d)	<p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• speed</li> <li>• multiple recipients</li> <li>• cost saving</li> <li>• reliability</li> <li>• spell check facility</li> <li>• recorded</li> <li>• convenience</li> <li>• easier to edit</li> <li>• at any time</li> <li>• no need to travel</li> <li>• additional channels of communication</li> <li>• not bound to location</li> </ul> <p>Exemplar response:</p> <p>Eg Emails are a quick way of communicating with stakeholders <b>(L1)</b>. The sellers of jewellery <b>(CONT)</b> can be informed as soon as the goods have been received <b>(L2)</b>. This will reassure sellers about the trustworthiness of <i>talesofgems.com</i> <b>(L3)</b>.</p>	9	<p><b>AO1: 3 AO2: 3 AO3: 3</b></p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer <b>max</b> Level 1.</p> <p>L2: Must contain more context than just name-dropping, e.g. new venture, (work)shop, jewellery, online.</p> <p><b>Level 3</b> Candidate analyses the benefit of using IT for external communication with context. <b>L3:[8-9 marks]</b> Candidate analyses <b>more than one</b> benefit from using IT for external communication. <b>L3:[7 marks]</b> Candidate analyses <b>one</b> benefit from using IT for external communication.</p> <p><b>Level 2</b> Candidate applies knowledge and understanding of</p>

Question	Answer	Mark	Guidance
	<p>Likewise, buyers could be informed straight away with email as soon as their payment has been received <b>(L2)</b>. This ensures good customer service which may lead to repeat business <b>(L3)</b>.</p> <p>Laura could save the communication that she has received from her customers regarding payment for their jewellery <b>(CONT)(L2)</b> so that she has a record of what has taken place that she could refer to in the future to enable the smooth running of the business <b>(L3)</b>.</p>		<p>the benefit(s) of using IT for external communication with context.  <b>L2:[5-6 marks]</b>  Candidate applies knowledge and understanding of <b>more than one</b> benefit of using IT for external communication. <b>[4 marks]</b> Candidate applies knowledge and understanding of <b>one</b> benefit of using IT for external communication.</p> <p><b>Level 1</b> Candidate identifies the benefit(s) of using IT for external communication with no context.  <b>L1:[2-3 marks]</b>  Candidate identifies <b>more than one</b> benefit of using IT for external communication with no context.  <b>[1 mark]</b> – candidate identifies <b>one</b> benefit of using IT for external communication with no context.</p> <p>Answer <b>must</b> be about external e-communication eg email, social media, Skype, text message. Do <b>not</b> accept answers referring to e-commerce or using IT to produce promotional materials.</p> <p><b>NB Must be benefits, not disadvantages.</b></p>
2	<p>Indicative content:</p> <p>Strengths</p> <ul style="list-style-type: none"> <li>• Online presence</li> <li>• Free listing for sellers</li> <li>• Retained profit</li> <li>• Customer base increasing</li> <li>• Excellent customer service</li> <li>• USP</li> </ul> <p>Weaknesses</p> <ul style="list-style-type: none"> <li>• Past financial record keeping</li> <li>• Small budget for marketing</li> <li>• Advertisement not professional</li> </ul>	8	<p><b>AO1: 4 AO2: 4</b></p> <p>One mark for each identification up to a maximum of four identifications plus a further mark for each of four expansions.</p> <p>SWOT has to be for <i>talesofgems.com</i>, not <i>Precious Pips</i>. Must be about current market position eg do <b>not</b> award 'Pippa is a qualified gemmologist'.</p> <p>Factor needs to be correct to award its impact.</p>

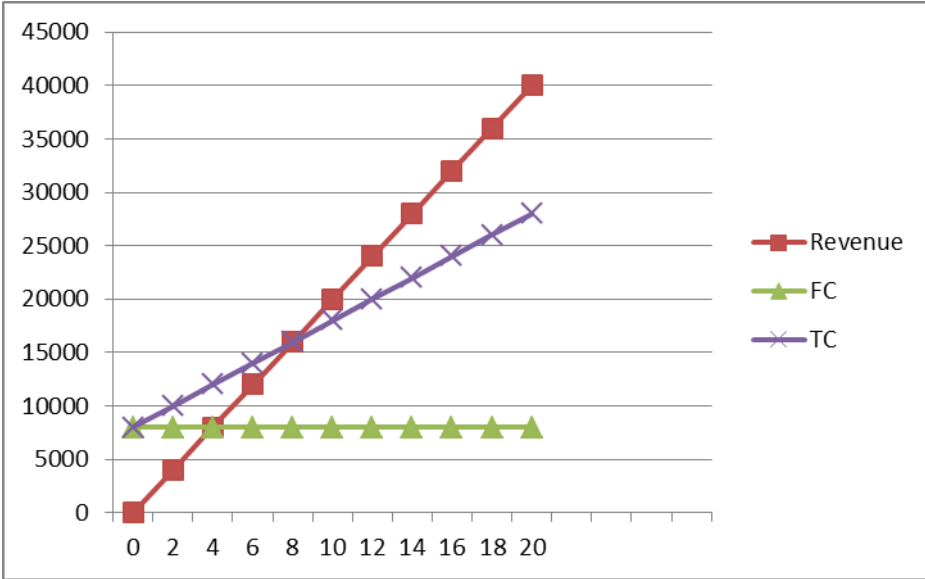


Question			Answer	Mark	Guidance										
			<ul style="list-style-type: none"> <li>Reliance on IT</li> </ul> <p>Opportunities</p> <ul style="list-style-type: none"> <li>Use of social media</li> <li>Consumer trend</li> <li>Growing demand for personalised gifts</li> </ul> <p>Threats</p> <ul style="list-style-type: none"> <li>Competition</li> <li>Economic factors</li> <li>Political factors</li> </ul> <p>Exemplar response:</p> <table border="1"> <tr> <td>Strength</td> <td>Free listing for sellers (1) so more likely to attract sellers to website (1).</td> </tr> <tr> <td>Weakness</td> <td>Small budget for marketing (1) so difficult to increase awareness of business (1).</td> </tr> <tr> <td>Opportunity</td> <td>Use of social media to increase awareness (1) thus increasing customer base (1).</td> </tr> <tr> <td>Threat</td> <td>Competitors such as ebay offering similar service (1) leading to lower sales (1)</td> </tr> <tr> <td></td> <td></td> </tr> </table>	Strength	Free listing for sellers (1) so more likely to attract sellers to website (1).	Weakness	Small budget for marketing (1) so difficult to increase awareness of business (1).	Opportunity	Use of social media to increase awareness (1) thus increasing customer base (1).	Threat	Competitors such as ebay offering similar service (1) leading to lower sales (1)				
Strength	Free listing for sellers (1) so more likely to attract sellers to website (1).														
Weakness	Small budget for marketing (1) so difficult to increase awareness of business (1).														
Opportunity	Use of social media to increase awareness (1) thus increasing customer base (1).														
Threat	Competitors such as ebay offering similar service (1) leading to lower sales (1)														
3	(a)	(i)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>Overdraft</li> <li>Trade credit</li> <li>Credit card</li> <li>Hire purchase</li> <li>Leasing</li> <li>Loan- bank/friends and family (term required (1 year or less))</li> <li>Debt factoring</li> <li>Owners' savings</li> </ul>	2	<p><b>AO1: 2</b></p> <p>Up to two marks.</p> <p>One mark for each correct identification up to a maximum of two identifications.</p>										

Question		Answer	Mark	Guidance
		<ul style="list-style-type: none"> <li>Retained profit</li> <li>Sell assets</li> <li>Gift</li> </ul>		
3	(a) (ii)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>Bank loan/peer to peer loan</li> <li>(commercial) mortgage</li> <li>Share capital</li> <li>Debenture</li> <li>Venture capital/business angels</li> <li>Hire-purchase (term required – greater than 1 year)</li> <li>Leasing (term required – greater than 1 year)</li> <li>Sale and lease back</li> </ul>	2	<p><b>AO1: 2</b></p> <p>Up to two marks.</p> <p>One mark for each correct identification up to a maximum of two identifications.</p>
*3	(b)	<p>Use level of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>Pay monthly</li> <li>Do not need to pay back</li> <li>No negative effect on cash flow</li> <li>Pay in instalments/small amounts</li> <li>No interest to pay</li> <li>No loss of control</li> <li>Long term/short term</li> <li>Large amount of funds available.</li> </ul> <p>Exemplar response:</p> <p>Eg An advantage of a bank loan is that potentially a substantial amount of money can be accessed <b>(L1)</b>. Laura and Pippa should be able to borrow £20000 <b>(CONT)</b> to secure a suitable location for their new venture <b>(L2)</b>. They can repay the loan in small instalments easing cash flow <b>(L3)</b>.</p>	12	<p><b>AO1: 3 AO2: 3 AO3: 3 AO4: 3</b></p> <p>Marks are embedded within this question for assessing the quality of written communication.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer <b>max</b> Level 1.</p> <p>L2: Must contain more context than just name-dropping e.g. new venture, (work)shop, jewellery, shop frontage, retained profit, turn into Ltd.</p> <p><b>Level 4 Candidate</b>  <b>L4:[11-12 marks]</b>  Candidate <b>fully</b> justifies the recommended source(s) of finance with context.</p>

Question	Answer	Mark	Guidance
	<p>Venture capital is interest free (L1) but Laura and Pippa might lose total control of their business (L1). They will also have to share the profit made on the sale of jewellery (CONT) (L2) which will in turn restrict their ability to expand in the future (L3).</p> <p>Grants are offered by the government but they are often of a small amount (L1).</p> <p>Bank loan is the most suitable source of finance as <i>talesofgems.com</i> is already an established (CONT) business and is therefore likely to get it (L4). They will retain full control of the business which is important if they were to maintain their ethical values (L4).</p>		<p><b>L4:[10 marks]</b> Candidate justifies the recommended source(s) of finance with context.</p> <p><b>Level 3</b> Candidate analyses the benefit(s)/drawback(s) of source(s) of finance with context.</p> <p><b>L3:[8-9 marks]</b> Candidate analyses <b>more than one</b> benefit/drawback of source(s) of finance.</p> <p><b>L3:[7 marks]</b> Candidate analyses <b>one</b> benefit/drawback of source(s) of finance.</p> <p><b>Level 2</b> Candidate applies knowledge and understanding of the benefit(s)/drawback(s) of source(s) of finance with context.</p> <p><b>L2:[5-6 marks]</b> Candidate applies knowledge and understanding of <b>more than one</b> benefit/drawback of source(s) of finance with context.</p> <p><b>[4 marks]</b> Candidate applies knowledge and understanding of <b>one</b> benefit/drawback of source(s) of finance with context.</p> <p><b>Level 1</b> Candidate identifies benefit/drawback of source(s) of finance with no context.</p> <p><b>L1:[2-3 marks]</b> Candidate identifies <b>more than one</b> benefit/drawback of source(s) with no context.</p> <p><b>[1 mark]</b> – candidate identifies <b>one</b> benefit/drawback of source(s) of finance with no context.</p> <p>Do <b>not</b> award answers relating to inappropriate sources of finance e.g. do not award answers relating to mortgage, leasing, hire purchase, debt factoring or sale of assets.</p>

Question	Answer	Mark	Guidance
			<p>Do <b>not</b> award a bank loan being quick or immediate.</p> <p><b>NB Whilst drawbacks of methods can be awarded they are not required for top marks as the question asks for a recommendation rather than evaluation.</b></p>

Question	Answer	Mark	Guidance																																																
4 (a) (i)	<p>Indicative content:</p> <p>Cost/revenue</p>  <table border="1" data-bbox="367 341 1288 922"> <caption>Data points from the Cost/Revenue graph</caption> <thead> <tr> <th>Quantity</th> <th>Revenue</th> <th>FC</th> <th>TC</th> </tr> </thead> <tbody> <tr><td>0</td><td>0</td><td>8000</td><td>8000</td></tr> <tr><td>2</td><td>4000</td><td>8000</td><td>12000</td></tr> <tr><td>4</td><td>8000</td><td>8000</td><td>16000</td></tr> <tr><td>6</td><td>12000</td><td>8000</td><td>20000</td></tr> <tr><td>8</td><td>16000</td><td>8000</td><td>24000</td></tr> <tr><td>10</td><td>20000</td><td>8000</td><td>28000</td></tr> <tr><td>12</td><td>24000</td><td>8000</td><td>32000</td></tr> <tr><td>14</td><td>28000</td><td>8000</td><td>36000</td></tr> <tr><td>16</td><td>32000</td><td>8000</td><td>40000</td></tr> <tr><td>18</td><td>36000</td><td>8000</td><td>44000</td></tr> <tr><td>20</td><td>40000</td><td>8000</td><td>48000</td></tr> </tbody> </table>	Quantity	Revenue	FC	TC	0	0	8000	8000	2	4000	8000	12000	4	8000	8000	16000	6	12000	8000	20000	8	16000	8000	24000	10	20000	8000	28000	12	24000	8000	32000	14	28000	8000	36000	16	32000	8000	40000	18	36000	8000	44000	20	40000	8000	48000	8	<p><b>AO1: 3 AO2: 5</b></p> <p>Two marks each for accurately drawn SR and TC lines. Else, one mark for each of SR and TC lines +/- 1 small square.</p> <p>One mark for correct FC line drawn.</p> <p>One mark for each label.</p>
Quantity	Revenue	FC	TC																																																
0	0	8000	8000																																																
2	4000	8000	12000																																																
4	8000	8000	16000																																																
6	12000	8000	20000																																																
8	16000	8000	24000																																																
10	20000	8000	28000																																																
12	24000	8000	32000																																																
14	28000	8000	36000																																																
16	32000	8000	40000																																																
18	36000	8000	44000																																																
20	40000	8000	48000																																																
4 (a) (ii)	<p>Indicative content:</p>	3	<p><b>AO1: 1 AO2: 2</b></p> <p>One mark each for shading areas of profit and loss and one mark for labelling the break-even point.</p> <p>OFR applies – use candidate’s breakeven point ie the intersection of the labelled revenue and total cost lines (in the <b>absence of correct labelling</b> award the intersection of the two upward sloping</p>																																																

Question	Answer	Mark	Guidance
			<p>diagonal lines, one of which starts from the origin and the other starting at fixed cost).</p>
<p>4 (b) (i)</p>	<p>Indicative content:</p> <p>Break even = fixed costs/ unit contribution (1) or FC/SP-VC (1)            FC = 8000 + 20000 = £28000            Break even = <math>\frac{£28000}{£1000}</math> (1) = 28 (1)</p>	<p>3</p>	<p><b>AO1: 1 AO2: 2</b></p> <p>Up to three marks for the correct calculation.</p> <p>Award three marks for correct answer irrespective of workings.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award marks as shown up to a maximum of two marks.</p>
<p>4 (b) (ii)</p>	<p>Indicative content:</p> <p>VC = 1000 + 200 = £1200</p>	<p>3</p>	<p><b>AO1: 1 AO2: 2</b></p> <p>Up to three marks for the correct calculation.</p>

Question	Answer	Mark	Guidance
	Break even = $\frac{\pounds 8000}{\pounds 800} = 10$		Award three marks for correct answer irrespective of working.  Workings should only be marked if the final answer is incorrect. In which case: award <b>two</b> marks if £800 seen or max <b>one</b> mark if £1200 seen.
4 (c)	Use level of response criteria. Indicative content: <ul style="list-style-type: none"> <li>• Economic factors eg exchange rates, unemployment rate</li> <li>• Political factors</li> <li>• Legal factors</li> <li>• Environmental factors</li> <li>• Technological factors</li> <li>• Competition</li> <li>• Consumer trends e.g. ethics, nouveau niche, personalised gifts</li> </ul> Exemplar response:  Eg Economic factors can have a big impact on the success of a business <b>(L1)</b> . If unemployment rate is high, <i>Precious Pips</i> is likely to have fewer customers because jewellery <b>(CONT)</b> is a luxury item <b>(L2)</b> . In response to this the business can lower its selling price <b>(L3)</b> thus increasing the break-even point.  Competition is likely to affect the selling price of <i>Precious Pips</i> jewellery <b>(CONT)(L2)</b> . If the selling price is lowered to remain competitive, the break-even point will increase <b>(L3)</b> .  Exchange rates affect <i>Precious Pips</i> because it imports gem stones <b>(CONT)</b> from Africa. If sterling is weak then it will become more expensive to import the materials <b>(L3)</b> thus increasing the break-even	12	<b>AO1: 3 AO2: 3 AO3: 3 AO4: 3</b>  Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.  Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.  Non-contextual answer <b>max</b> Level 1.  L2: Must contain more context than just name-dropping e.g. new venture, (work)shop, jewellery.  <b>Level 4</b> Candidate evaluates external factor(s) with context. <b>L4:[11-12 marks]</b> Candidate evaluates after analysing <b>more than one</b> external factor. <b>L4:[10 marks]</b> Candidate evaluates after analysing <b>one</b> external factor.  <b>Level 3</b> Candidate analyses external factor(s) with context. <b>L3:[8-9 marks]</b> Candidate analyses <b>more than one</b> external factor.

Question	Answer	Mark	Guidance
	<p>point.</p> <p>Overall, the most important external factor that could affect <i>Precious Pips</i> is the state of the economy. If consumer loses confidence in the economy then they are less likely to spend on jewellery <b>(CONT)</b>. This is a factor which is completely outside the control of the jewellery <b>(CONT)</b> business <b>(L4)</b>.</p>		<p><b>L3:[7 marks]</b> Candidate analyses <b>one</b> external factor.</p> <p><b>Level 2</b> Candidate applies knowledge and understanding of external factor(s) with context. <b>L2:[5-6 marks]</b> Candidate applies knowledge and understanding of <b>more than one</b> external factor with context. <b>[4 marks]</b> Candidate applies knowledge and understanding of <b>one</b> external factor with context.</p>



Question		Answer	Mark	Guidance
				<p>Note: L2 must be awarded to factors specific to <i>Precious Pips</i> eg the increased demand for ethical jewellery.</p> <p><b>Level 1</b> Candidate identifies external factor(s) with no context.  <b>L1:[2-3 marks]</b>  Candidate identifies <b>more than one</b> external factor with no context.  <b>[1 mark]</b> – candidate identifies <b>one</b> external factor with no context.</p> <p><b>NB Two factors need to have been considered in order for Level 4 to be considered.</b></p>
5	(a)	<p>Indicative content:  Legal responsibility – required by law, statutory, mandatory, legislation  Ethical responsibility – guided by morals, not legally bound, optional, must not be unfair, doing the right thing</p> <p>Exemplar response:  A legal responsibility is one that is required by law (1).  An ethical responsibility is guided by morals (1).</p>	2	<p><b>AO1: 2</b></p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Candidates cannot use 'legal' to define 'legal' responsibility, same for 'ethical'.</p> <p>Accept examples eg 'follow the Trade Descriptions Act', 'to operate as an environmentally friendly business'.</p>
5	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Improve reputation</li> <li>• Increase sales</li> <li>• Increase customers</li> <li>• Increase popularity</li> <li>• Target new markets</li> <li>• Positive publicity</li> <li>• Competitive advantage/increase competitiveness</li> </ul>	4	<p><b>AO1: 2 AO2: 2</b></p> <p>One mark for each identification up to a maximum of two identifications plus a further mark for each of two explanations.</p>

Question	Answer	Mark	Guidance
	<ul style="list-style-type: none"> <li>• May be able to charge more/price skimming</li> <li>• Increase profit margin/profitability</li> <li>• Satisfy stakeholder needs</li> </ul> <p>Exemplar responses:</p> <p>Eg Being ethical improves a business' reputation <b>(1)</b>. This will lead to increased sales of its jewellery as consumers are more likely to buy expensive items from a business that has a good reputation <b>(1)</b>.</p> <p>Eg If the gem stones were ethically sourced then customers will be more satisfied <b>(1)</b> and more likely to repeat purchase or recommend <i>talesofgems.com</i> <b>(1)</b>.</p>		
5	(c) <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Protest</li> <li>• Lobbying</li> <li>• Spread bad publicity</li> </ul> <p>Exemplar response:</p> <p>Eg Pressure group could lobby the government <b>(1)</b> to stop the import of unethical goods <b>(1)</b>. This would prevent unethically mined gem stones from being imported into this country and jewellers will have no choice but to source them ethically <b>(1)</b>.</p> <p>Eg Pressure groups could protest outside a business exposing its unethical acts <b>(1)</b>. In order to protect its reputation the business may change its unethical behaviour <b>(1)</b> to prevent loss of customers <b>(1)</b> affecting its long-term survival <b>(1)</b>.</p>	4	<p><b>AO1: 2 AO2: 2</b></p> <p>One mark for each correct point of explanation up to a maximum of four such explanation points, but allow development marks.</p> <p>Accept generic context.</p>

Question		Answer	Mark	Guidance
6	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Profit/loss divided equally</li> <li>• Jointly responsible for all debt</li> <li>• Dissolution of partnership upon death or bankruptcy of any partners</li> <li>• Disagreements/conflict/arguments</li> <li>• The Partnership Act will apply</li> </ul> <p>Exemplar responses:</p> <p>Eg Profit/loss will be divided equally among all partners (1) irrespective of contribution/involvement (1).</p> <p>Eg If one partner incurs a debt on behalf of the partnership (1), all partners may be sued individually for the recovery of the whole debt (1).</p>	4	<p><b>AO1: 2 AO2 2</b></p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Do <b>not</b> award 'illegal' or 'unofficial' or 'the business does not legitimately exist'.</p>
6	(b)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <p>Partnership:</p> <p>Advantages:</p> <ul style="list-style-type: none"> <li>• More access to capital</li> <li>• Shared responsibilities</li> <li>• Shared expenses/lower running costs</li> <li>• Share equipment eg computer</li> <li>• Share knowledge and skills</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>• Share profit</li> <li>• Joint responsibility for all debt</li> <li>• Lose some control</li> <li>• Possible disagreement</li> </ul> <p>Sole trader:</p>	12	<p><b>AO1: 3 AO2: 3 AO3: 3 AO4: 3</b></p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer max Level 1.</p> <p><b>L2:</b> Must contain more context than just name-dropping e.g. new venture, (work) shop, jewellery, share premises.</p> <p><b>Level 4</b> Candidate evaluates ownership chosen with context.</p> <p><b>L4:[11-12 marks]</b></p> <p>Candidate evaluates after analysing <b>both</b> types of ownership.</p>

Question	Answer	Mark	Guidance
	<p>Advantages:</p> <ul style="list-style-type: none"> <li>• Keep all profit</li> <li>• Total control</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>• Responsible for all debt</li> <li>• More difficult to raise funds</li> </ul> <p>Exemplar responses:</p> <p>Eg Partners can have more access to sources of finance <b>(L1)</b>, this is important for the new business <b>(CONT)</b> as Laura and Pippa need capital to expand <b>(L2)</b>. This allows them to raise funds to secure the new premises <b>(CONT)</b> without having to pay interest <b>(L2)</b>. As a result, profit could be higher <b>(L3)</b>.</p> <p>Being sole traders they will not to be held responsible for any inappropriate action incurred by the other <b>(L2)</b>. Laura and Pippa have not worked with each other before <b>(CONT)</b> so forming a partnership might have a higher risk of failure <b>(L3)</b>.</p> <p>I would recommend forming a partnership to reduce the need to borrow money to fund the new venture <b>(CONT)</b> <b>(L4)</b>. This will lower the running costs as well as the risks involved and profits will be higher <b>(L4)</b>.</p>		<p><b>L4:[10 marks]</b> Candidate evaluates after analysing <b>one</b> type of ownership.</p> <p><b>Level 3</b> Candidate analyses the advantages/disadvantages of ownership with context.</p> <p><b>L3:[8-9 marks]</b> Candidate analyses <b>both</b> types of ownership.</p> <p><b>L3:[7 marks]</b> Candidate analyses <b>one</b> type of ownership.</p> <p><b>Level 2</b> Candidate applies knowledge and understanding of the advantages/disadvantages of types of ownership with context.</p> <p><b>L2:[5-6 marks]</b> Candidate applies knowledge and understanding of the advantages/disadvantages of <b>both</b> types of ownership with context.</p> <p><b>[4 ma]</b> Candidate applies knowledge and understanding of the advantages/disadvantages of <b>one</b> type of ownership with context.</p> <p><b>Level 1</b> Candidate identifies advantage(s)/disadvantage(s) of ownership with no context.</p> <p><b>L1:[2-3 marks]</b> Candidate identifies the advantages/disadvantages of <b>both</b> types of ownership with no context.</p> <p><b>[1 mark]</b> – candidate identifies the advantages/disadvantages of <b>one</b> type of ownership with no context.</p>

**OCR (Oxford Cambridge and RSA Examinations)**  
**1 Hills Road**  
**Cambridge**  
**CB1 2EU**

**OCR Customer Contact Centre**

**Education and Learning**

Telephone: 01223 553998

Facsimile: 01223 552627

Email: [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

[www.ocr.org.uk](http://www.ocr.org.uk)

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored