



**General Certificate of Secondary Education
January 2013**

Business Studies

413001

(Specification 4133)

Unit 1: Setting up a Business

Mark Scheme

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1

Total for this question: 21 marks

1 (a) Explain **one** benefit to Chris of targeting his home-based IT service at a gap in the market. (2 marks)

One mark for identifying benefit, one mark for explaining benefit to Chris's business. No additional mark if the benefit is applied to the customer. No mark for just restating a gap in the market.

Possible answers include:

- less competition/customer loyalty
- charge higher price
- more customers/more revenue.

Example:

If there is a gap in the market Chris will have less competition (1) so will be able to charge a higher price (1).

1 (b) Explain **two** reasons why Chris wants to start his own business. (4 marks)

Possible answers include:

- dissatisfied with current job
- spotted a gap in the market
- wants control of his own business
- could earn good money
- flexible hours.

Level 2 answer:

Chris can make more money (1) as he is currently in a poorly paid job and he can earn more by repairing computers in people's homes (1).

Level	Descriptor	Marks	Assessment Objective
2	Explains reason as how it will affect Chris.	2	AO2
1	Identifies possible reason.	1	AO1
0	No valid response.	0	

Apply twice.

1 (c) Explain **two** ways in which Chris could reduce the risks of setting up his business. (6 marks)

Possible answers include:

- write a business plan (components of a business plan, such as research and cash flow can be rewarded as separate ways).
- choose to be a limited company
- save up rather than borrow money
- get more information/market research
- start as a franchise
- get advice
- find a partner.

Example

Chris could choose to set up as a limited company (Level1). This would mean selling shares and being set up as a company (Level 2). This would reduce the risk as he would be protected by limited liability (Level 3).

Level	Descriptor	Marks	Assessment Objective
3	Explains how way would reduce risks for Chris's business.	3	AO2
2	Describes way of reducing risk.	2	
1	Identifies way of reducing risk.	1	AO1
0	No valid response.	0	

Apply twice.

1 (d) *In order to buy a small van Chris will need to choose between having a bank loan for £10 000, or selling shares in which his friends and family could invest.*

*Advise Chris which is likely to be the better option. Give reasons for your advice.
(9 marks)*

Possible areas for discussion include:

Bank loan:

- more expensive/pay interest
- regular repayments
- depends on approval
- keeps independence.

Shares:

- cheaper as optional dividend
- set up costs
- don't need to repay
- may lose control if he does not hold a majority of the shares.

Example

Selling shares would be a cheaper option as he does not have to pay interest (level 2). However, most of the funds would come from family and friends as he has very little money and so he may lose the control of the business that he wants (level 3).

Level	Descriptor	Marks	Assessment Objective
3	Analyses benefit(s)/drawback(s) of option(s).	4–3	AO3
2	Describes benefit/drawback of option.	2	AO2
1	States relevant point.	1	AO1
0	No valid response.	0	

In addition, and separately, award marks for evaluation using the grid below.

Students are evaluating why the option is better for Chris. They may just evaluate one option which can earn full marks.

Possible evaluation in context:

- he wants control of the business so bank might be best
- he should go for the cheaper option as he has limited funds
- shares would provide limited liability
- short term repayments vs long term profits.

Note: AO3 also assesses candidates' quality of written communication. When deciding on the AO3 mark to be awarded within the level, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
2	Offers judgement with clear justification. Ideas are communicated with structure and use of technical terms. There are occasional errors in accepted convention.	5–3	A03
1	Offers judgement with limited support (2 marks) Ideas are communicated in a simplistic way with limited use of technical terms. Errors in accepted conventions are noticeable.	2–1	

2

Total for this question: 19 marks

2 (a) Explain **one** example of how Trading Fair’s shopping bags must be fit for the purpose sold. (2 marks)

One mark for understanding ‘fit for purpose’ or valid example, one mark for explanation. Just “reasonable quality” or similar equals one mark. Allow “reusable” as a feature of a shopping bag.

Example:

If you buy a shopping bag then it must be suitable to carry shopping (1 mark), i.e. the shopping bag handles must not drop off when you carry your shopping home (1 mark).

2 (b) Trading Fair currently sells 1000 products a week at an average price of £8 per product. It spends £5000 a week on importing these products, and the packaging and labelling costs are 50p per product.

Calculate the weekly profit. (4 marks)

Correct answer: 2500 (4 marks).

Revenue = £8 x 1000 = £8000 (1 mark).

Costs = 50p x 1000 = £500 (1 mark) + £5000 = £5500 (1 mark).

£8000 - £5500 = £2500 (1 mark)

Own figure rule can apply.

2 (c) Explain why raising the price of jewellery might not be a good idea. (4 marks)

Possible argument(s):

- quantity sold will decrease – not essential goods
- quality may need to increase which may increase costs and cancel out extra revenue.
- lose customers, competitors may be cheaper.

Example

Customers might buy less as they will not buy if the goods are expensive (L1). This would mean that Trading Fair’s revenue might fall (L2, 3 marks).

Level	Descriptor	Marks	Assessment Objective
2	Explains effect on <i>Trading Fair</i> .	4–3	AO2
1	States valid point(s).	2–1	AO1
0	No valid response.	0	

2 (d) *Trading Fair is considering whether it should introduce an online service selling its products through a website.*

Advise Trading Fair whether or not this is a good idea. Give reasons for your advice. (9 marks)

Possible arguments for:

- raise more money
- avoids competition
- cheap to run
- new home based customers.

Possible arguments against:

- not all members agree
- start-up costs
- distribution costs
- becomes a big business
- risky.

Example

The website would mean that the enterprise might become too big upsetting the volunteers. (L2). If they then had to pay more workers instead they would raise less funds (L3).

Level	Descriptor	Marks	Assessment Objective
3	Analyses arguments for and/or against.	4–3	AO3
2	Describes argument for or against.	2	AO2
1	States relevant point.	1	AO1
0	No valid response.	0	

In addition and separately award marks for evaluation using the grid below.

Students are evaluating whether it is a good idea to sell through a website.

Possible evaluation in context:

- aim is to help producers so the more sales the better
- enterprise wants to raise money so most profitable the better
- some of the group of friends do not want to expand.

Note: AO3 also assesses candidates' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
2	Offers judgement with clear justification. Ideas are communicated with some structure and use of technical terms. There are occasional errors in accepted convention.	5–3	AO3 and Quality of Written Communication
1	Offers judgement plus limited support. Ideas are communicated in a simplistic way with limited use of technical terms. Errors in accepted conventions are noticeable.	2–1	

3

Total for this question: 20 marks

3 (a) List **two** possible non-monetary or fringe benefits that Cook and Serve Ltd could offer its staff. (2 marks)

Possible answers include:

- free uniform
- discounted shopping
- facilities (leisure/social e.g. staff parties)
- subsidised transport (NOT company car)
- childcare.
- free meals
- healthcare
- additional holidays.

1 mark for each valid answer.

3 (b) Describe **two** ways in which Cook and Serve Ltd could try to remain competitive. (4 marks)

Possible answers include:

- cut costs (staff, overheads, ingredients)
- increase productivity (motivate staff, mass production)
- decrease price
- sales promotion e.g. BOGOF, loyalty cards
- new product ranges
- additional services e.g. free delivery
- maintain or improve product quality/service.

Example

It could replace the staff who have left with cheaper workers (L1). This would mean that they would lower their costs of production (L2).

Level	Descriptor	Marks	Assessment Objective
2	Explains how the way would help Cook and Serve Ltd remain competitive.	2	AO2
1	Identifies possible way.	1	AO1
0	No valid response.	0	

Apply twice.

3 (c) Explain why *Cook and Serve Ltd* uses batch production to produce the meals.
(5 marks)

Possible answers include:

- reduces unit costs
- allows consistent quality
- can still have variety
- allows more use of technology
- staff can specialise
- production can take place more quickly.

Example

Batch production means that they can produce a quantity of one meal and then a quantity of another (L1). This means that they can have some of the advantages of producing in bulk such as lower costs due to specialisation (L2), but still have a variety of meals (L2).

Level	Descriptor	Marks	Assessment Objective
2	Explains reason(s) why <i>Cook and Serve Ltd</i> uses batch production.	5–3	AO2
1	Identifies feature(s) of batch production or reason(s) for using it.	2–1	AO1
0	No valid response.	0	

3 (d) Several hourly paid staff have left Cook and Serve Ltd to work at the supermarket.

Recommend the best methods that Cook and Serve Ltd could use to prevent any more staff from leaving. (9 marks)

Methods could include:

- paying staff more (change hourly rate to piece rate)
- introducing more fringe/non-monetary benefits
- other motivational methods, e.g. responsibility, positive feedback, job rotation.

Analysis/Evaluation Issues include:

- need to be competitive with the supermarket
- trouble recruiting staff but existing staff like working for them
- cost of options – they cannot afford high pay but some methods don't cost anything
- workers are mostly local, while the supermarket isn't.

Example

Cook and Serve could introduce fringe benefits (L1) as staff are leaving to work in the supermarket, as they offer better benefits (L2). However, if this increased their costs then they may no longer be competitive and lose customers to the supermarket (L3).

Level	Descriptor	Marks	Assessment Objective
3	Analyses benefit(s) of method(s) to Cook and Serve Ltd.	4–3	AO3
2	Describes method.	2	AO2
1	States relevant method.	1	AO1
0	No valid response.	0	

In addition and separately award marks for evaluation using the grid below.

Students are evaluating whether or not the method(s) will stop staff leaving.

Note: AO3 also assesses candidates' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
2	Offers judgement with clear justification. Ideas are communicated with some structure and use of technical terms. There are occasional errors in accepted convention.	5–3	AO3 and Quality of Written Communication
1	Offers judgement plus limited support. Ideas are communicated in a simplistic way with limited use of technical terms. Errors in accepted conventions are noticeable.	2–1	