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BUSINESS STUDIES **0450/23**

Paper 23 Case Study **May/June 2016**

MARK SCHEME

Maximum Mark: 80

Published

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1 (a) Identify four stakeholder groups of DADS from the case study and explain one objective of each stakeholder group. [8]

Application [4 × 1] award one application mark for each stakeholder group

Analysis [4 × 1] award one mark for an explanation of each stakeholder group

Award one mark for each relevant stakeholder group (maximum of four), such as:

- Owners/Danielle and Anthony – invested own savings; make profit
- Customer/parents and children – good class; affordable prices
- Employees/dance teachers/gym instructors – high wages; secure job; good working conditions
- Other business/ballet clothing shops – sell more dance-related goods if the studio does well
- Finance manager – high wages; secure job.

Award a maximum of one additional mark for each explanation of the stakeholder group.

Indicative response:

Owners Danielle and Anthony (k) as they have invested all their own savings into the partnership and therefore want the business to make a profit to give them a return on their investment (ap).

(b) Consider the following three location factors when deciding where to relocate the dance studio. Which do you think is the most important factor for DADS? Justify your answer. [12]

Relevant points might include:

Where customers live	If nearby then more likely to become a customer Most existing customers live nearby to the studio	Present customers travel from a wide area so some customers may be willing to travel
Size of building	Sufficient rooms for all the classes Increased revenue from additional customers More variety of classes may attract different customers	Higher cost of larger premises Increased cost of additional staff May feel less personal as larger rooms
Other businesses in the area	Convenient for customers to purchase clothing and shoes	Encourage more customers Competitors may be nearby

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Knowledge/Analysis/Evaluation – award up to ten marks using the levels-based mark scheme below.

	Knowledge/Analysis/Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified conclusion as to the most important factor compared to the other factors. 7–8 marks for some limited judgement shown in conclusion as to the most important factor.
Level 2	4–6 marks Detailed discussion of advantages and/or disadvantages of each location factor.
Level 1	1–3 marks Advantages and/or disadvantages of each location factor listed.

Level 1 One mark for each L1 statement (max of 3 marks) e.g. If customers live nearby it will be easier to attract them to go to dance classes.

Level 2 One × L2 explanation can gain four marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. If customers live nearby it will be easier to attract them to go to dance classes. This will attract more customers and sales revenue will increase leading to higher profit. If the studio is a long way from where customers live then they may prefer to go to the classes of competitors or just not go to the dance classes and then revenue will fall. (four marks for L2 answer + one application mark for mentioning dance classes).

Level 3 For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which justifies which is the most important location factor and why the other factors are less important.

Award up to 2 additional marks for relevant application.

Possible application marks: qualified teacher of ballet and modern dance; each invested $5 000; rented studio on the edge of town; dance classes for all ages; relocate to larger premises; shops nearby sell dance clothing and shoes; children and adult classes.

There may be other examples in context which have not been included here.

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2 (a) Identify and explain <u>two</u> reasons why well qualified employees are important for this business. [8]

Knowledge [2 × 1] award one mark for each relevant reason
Analysis [2 × 1] award one mark for a relevant explanation for each reason
Application [2 × 2] award two application marks for each reason

Award one mark for each relevant reason (maximum of two), such as:

- Better reputation
- Higher quality classes
- Less likely to be prosecuted for errors

Award a maximum of three additional marks for <u>each</u> explanation – <u>two of which must be applied to this context</u> – of the reason.

Indicative response:

Better reputation [k] because the dance classes will be of a good standard [ap]. This will mean that customers will tell their family and friends and more people will be encouraged to go to the classes therefore increasing revenue [an]. Without well qualified staff classes may not be good and revenue and profit for the partners will be less if the reputation is not good [ap].

Possible application marks: qualified teacher of ballet and modern dance; fitness instructor; dance studio; dance classes for all ages; 3 well qualified dance teachers; gymnasium; 2 well qualified gym instructors; children and adult classes.

There may be other examples in context which have not been included here.

(b) Look at the financial information in Appendix 2. Do you think DADS is in a good financial position? Justify your answer using liquidity ratios. [12]

Relevant points might include:

Current ratio:
2014 = 3
2015 = 1

Acid test ratio:
2014 = 2
2015 = 0.5

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Knowledge/Analysis/Evaluation – award up to ten marks using the levels-based mark scheme below.

	Knowledge/Analysis/Evaluation
Level 3	7–10 marks Well justified conclusion of whether or not the business is in a good financial position.
Level 2	4–6 marks Correct calculation of liquidity ratios.
Level 1	1–3 marks Statements made about the financial information provided but no liquidity calculations.

Level 1 One mark for each L1 statement (max of three marks) e.g. The amount of inventory has been reduced by $200 between 2014 and 2015.

Level 2 One × L2 explanation can gain four marks and a further mark can be awarded for each additional L2 explanation (max six marks) e.g. Current ratio in 2015 is 1. (Four marks for L2 answer).

Level 3 For L3 to be awarded there needs to be at least two L2 marks calculations awarded and then a conclusion which justifies whether or not the business is in a good financial position.

Award up to 2 additional marks for relevant application.

Possible application marks: qualified teacher of ballet and modern dance; fitness instructor; partnership for 5 years; each invested $5 000; dance studio; partners little experience in running a business; finance manager.

There may be other examples in context which have not been included here.

3 (a) Identify and explain one advantage and one disadvantage of delegating marketing tasks to the new manager. [8]

Knowledge	[2 × 1]	award one mark for each relevant advantage/disadvantage
Analysis	[2 × 1]	award one mark for a relevant explanation for each advantage/disadvantage
Application	[2 × 2]	award two application marks for each advantage/disadvantage

Award one mark for each relevant advantage/disadvantage (maximum of two), such as:

- Owner cannot do all jobs themselves
- Managers/owners are less likely to make mistakes if reduced workload
- The manager may not do the task as well as Danielle and Anthony
- Manager is specialised in finance and may not be skilled in marketing.

Award a maximum of three additional marks for each explanation – two of which must be applied to this context – of the advantage/disadvantage.

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Indicative response:

Owners cannot do all the jobs themselves [k]. Danielle and Anthony will want to maximise the profit from their partnership (ap) which will mean that the finance manager will carry out tasks that Danielle and Anthony do not want to do and will do tasks that suit their skills [ap]. This will free up the owners to concentrate on the tasks where their skills are most relevant which will increase the performance of the business [an].

Possible application marks: qualified teacher of ballet and modern dance; fitness instructor; partnership for 5 years; dance studio; dance classes for all ages; gymnasium; partners little experience in running a business; finance manager; children and adult classes; eat less fat and sugar and exercise more.

There may be other examples in context which have not been included here.

(b) Consider the following <u>three</u> methods of market research Danielle could use to find out which classes will be most popular at the new location. Recommend which method she should choose. Justify your answer. [12]

Relevant points might include:

Secondary research on competitors – cheap to collect; may be out of date; gathered for another purpose

Questionnaires given out to existing customers – original data; quantitative data; takes time to collect data

Interviews with parents of children who attend classes – qualitative data; interviewer bias; expensive to collect data.

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Knowledge/Analysis/Evaluation – award up to ten marks using the levels-based mark scheme below.

	Knowledge/Analysis/Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best method of market research to choose and why it is better than the alternatives. 7–8 marks for some limited judgement shown in recommendation as to the best method of market research to choose.
Level 2	4–6 marks Detailed discussion of advantage/disadvantage of each method of market research.
Level 1	1–3 marks Outline of advantage/disadvantage of each method of market research.

Level 1 One mark for each statement (1 mark) e.g. Questionnaires gather quantitative data.

Level 2 Four marks for the first level 2 answer and then one extra mark for each additional level 2 answer up to maximum of 6 marks. e.g. Questionnaires will allow them to gather first-hand information about what customers think and they will find out which classes will be most popular. This will allow Danielle to put on dance classes which will be in most demand and so ensure high revenue. However, they will need to ensure that they ask a representative sample of parents and children or the results will not be accurate and Danielle will put on classes which will not attract many customers.

(Four marks for level 2 answer plus one mark for application as the answers in the context of dance classes and parents and children).

Level 3 For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best method to use and why not the alternative methods.

<u>Award up to two additional marks for relevant application.</u>

Possible application marks: qualified teacher of ballet and modern dance; dance studio; rented studio on the edge of town; dance classes for all ages; 3 well qualified dance teachers; relocate to larger premises; classes full; children and adult classes; healthy living encouraged by the Government; eat less fat and sugar and exercise more.

There may be other examples in context which have not been included here.

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4 (a) The Government wants to encourage people to get fit and become healthier (see Appendix 3). Identify and explain <u>two</u> possible external benefits of an increase in the number of dance studios. [8]

Knowledge	[2 × 1]	award one mark for each relevant external benefit
Analysis	[2 × 1]	award one mark for a relevant explanation for each external benefit
Application	[2 × 2]	award two application marks for each external benefit

Award one mark for each relevant external benefit (maximum of two), such as:

- Jobs will be created
- Businesses will lose fewer days off from employees as they are healthier
- Workers will be more efficient as they are fitter.

Award a maximum of three additional marks for <u>each</u> explanation – <u>two of which must be applied to this context</u> – of the external benefits.

Indicative response:

Jobs will be created [k] because more dance teachers will need to be employed at the dance studios [ap]. This will lead to lower levels of unemployment and will increase spending for other businesses [an]. This will also be true for gym instructors as well as studio/finance managers who will also find it easier to get a job [ap].

Possible application marks: qualified teacher of ballet and modern dance; fitness instructor; dance classes for all ages; 3 well qualified dance teachers; shops nearby sell dance clothing and shoes; children and adult classes; eat less fat and sugar and exercise more; Government grants to support this.

There may be other examples in context which have not been included here.

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(b) Consider the effects of the following <u>three</u> changes in the economy. Which change do you think will have the greatest effect on DADS? Justify your answer. (12)

Relevant points might include:

Reduction in unemployment	• Higher incomes lead to increased spending on dance lessons • Pay higher wages as harder to find suitable employees
Increase in the annual tax paid on buildings used by the business	• Increased costs – may raise prices and so reduce demand • Not much effect as all businesses face higher tax
Increase in the number of children wanting to dance	• Increased demand as more children are interested in dance lessons • There may be an increase in the number of competitors as this is seen as a growing market

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge/Analysis/ Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to which change has the greatest effect on the business and why the others have less effect. 7–8 marks for some limited judgement shown in recommendation as to which change has the greatest effect on the business.
Level 2	4–6 marks Detailed discussion of the effects of each change on the business.
Level 1	1–3 marks Outline of the effects of each change on the business.

Level 1 One mark for each L1 statement (max of three marks) e.g Increase in employment leads to increased income.

Level 2 One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max six marks) e.g. Increase in employment will lead to people with higher incomes. This will allow more people to afford to pay for dance lessons. The increase in demand will allow Danielle to put on more classes and have more people dancing in the classes which will raise revenue and profit. (four marks for L2 answer + one application mark for answering in the context of dance classes).

Level 3 For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which change has the greatest effect on the business.

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Award up to 2 additional marks for relevant application.

Possible application marks: qualified teacher of ballet and modern dance; fitness instructor; dance studio; rented studio on the edge of town; dance classes for all ages; gymnasium; relocate to larger premises; classes full; children and adult classes; healthy living encouraged by the Government; eat less fat and sugar and exercise more; Government grants to support this.

There may be other examples in context which have not been included here.

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