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MARK SCHEME

Maximum Mark: 80

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1 (a) (i) Any two advantages × 1 mark [2]

- Higher productivity/output
- Reduced cost per unit/economies of scale
- Better quality pizzas
- Less waste
- Easier to recruit/train new workers
- Enables greater use of machinery
- Less time is wasted by workers moving from job to job
- Increases skill of workers in one task

Accept any other relevant points

(ii) One mark each for explanation of primary and secondary production. Up to a further two marks for an explanation of their interdependence. [4]

- Primary production consists of activities which involve the extraction of raw materials from the earth or the growing of food (1)
- Secondary production consists of manufacturing which transforms raw materials into finished goods (1)
- Secondary production is dependent on the raw materials produced in primary production (1) in order to make the goods (1) Allow an allow an example (1)
- Without these raw materials there would not be any secondary production (1) and without secondary production there would be no need to extract the raw materials to produce anything (1)

Accept any other relevant points

(iii) 1 mark for each of two ways Pizza Perfect adds value. [2]

- Special toppings
- Packaging
- Delivery
- Shape dough into pizza base

Accept any other relevant points

(b) (i) 1 mark for relevant point and 1 further mark for development [2]

- Immediate access to cash (1) no period of withdrawal (1)
- Can be used for making deposits (1) and making payments (1) e.g. cheque, credit transfer standing order or direct debit (1)
- Use night safe (1) which allows cash deposits when bank is closed (1)
- Use of ATM (1) to withdraw money (1)
- Sometimes interest (1) if in credit (1)
- Use of other services e.g. telephone banking, overdraft

Accept any other relevant points

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(ii) 1 mark for each credit card benefit and a further 2 marks for explaining the benefit of Pizza Perfect accepting them. [4]

- Reduces security risks (1) as less cash on premises (1)
- The payment to Perfect Pizza will be assured (1) as it made by the credit card company (1) who will then collect the money from the consumer (1)
- Perfect Pizza will increase business/sales revenue (1) by accepting credit cards since customers who have no cash can still buy a pizza (1)

Accept any other relevant points

(c) Level 2 (4–6 marks) [6]

Has discussed whether or not the brothers should change from being a partnership to being a private limited company and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)

Has made some comments on partnerships and/or private limited companies with/without an opinion

- Partnership is easy to set up but has no legal identity of own.
- Partners have unlimited liability.
- Capital introduced by partners.
- Profits and losses shared by partners.
- Accounts do not have to be published.
- Limited company has separate legal identity.
- Shareholders have limited liability.
- Shares can be sold to raise capital.
- Continuity of existence.
- The brothers could retain control of the business by owning most of the shares.
- It will cost more to set up a Limited Company than a partnership.
- Some financial details have to be published.
- The main advantages of a Limited company are limited liability and the ease of raising capital.

Accept any other relevant points

2 (a) (i) Any two points × 1 mark [2]

- A multinational is a large business (1) that has its head office in one country (1) and factories/offices/outlets in other countries (1) and moves goods/capital/labour between countries (1) *allow an example*, such as Nike (1)

Accept any other relevant points

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(ii) 1 mark for each factor to a maximum of two factors [2]

- Ease of transport
- Availability of land/size of land/cost of land
- Availability of labour
- Competition
- Government influence
- Nearness to suppliers
- Potential markets
- Currency
- Political
- Culture

Accept any other relevant points

(b) Level 2 (4–6 marks) [6]
Has discussed whether or not a government should encourage multinational retailers to locate in their country and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)
Has commented on a multinational expanding into another country with/without an opinion

- Retailers will expand into countries where they believe there is a gap in the market and the necessary infrastructure is already present or can be easily created
- The reason for expansion is to increase sales revenue and ultimately profits
- The country will benefit from increased employment and a wider range of shops, as long as the result is not the closing down of shops owned by the local population
- Government are always looking for new areas of employment
- Government will collect taxes from the multinational
- The locally-owned supermarkets will face new competition. This may make them more competitive to the benefit of the local population
- However, it may drive the local supermarkets out of business to the detriment, eventually, of competition

Accept any other relevant points

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(c) (i) One mark for outlining a benefit and a further one mark for explaining the benefit, to a maximum of two benefits [4]

- Regional distribution centres are centralised warehouses (1) allowing Lowprice to supply all the company's shops in that region (1)
- As they are close to the branches (1) they can ensure constant supplies to branches (1) so that they do not run out of stock (1)
- The supermarket will have more control over what is delivered to the stores (1) and stock levels can be more closely controlled (1)
- Suppliers costs will be minimised (1) since they only deliver to the regional distribution centres (1) and this should be reflected in the price charged to Lowprice (1)
- Lowprice's transport costs should be minimised (1) since many different products can be delivered in one truck to an individual store (1)
- Saves renting out someone else's warehouse (1) reducing Lowprice's costs (1)
- Flexible (1) no need to have timetable (1)

Accept any other relevant points

(ii) 1 mark for an outline of a reason and 2 marks for a fully explained reason to a maximum of two reasons 2 × 2 [4]

- Road transport offers door-to-door delivery (1) without the need to use any other form of transport (1)
- Roads are accessible everywhere (1) unlike other forms of transport (1)
- Can make return loads (1) making it more economical (1)
- Road transport is fast over short distances (1) can make use of motorways (1)
- Routes can be varied (1) if traffic or weather problems are present (1)
- Many supermarket products are perishable (1) so speed is essential (1)

Accept any other relevant points

(iii) 1 mark for each purpose stated to a total of two purposes [2]

- A delivery note is a copy of the invoice
- It is sent with the goods to the buyer
- Has description of goods
- It acts as a receipt/the buyer signs the delivery note after inspecting the goods
- A copy is kept by the buyer

Accept any other relevant points

3 (a) (i) Any two points × 1 mark [2]

- Organisations in the public sector are nationalised (1) owned by the state/national government/local government (1)
- Financing for public sector organisations usually comes from government (1) through tax (1)
- They are often run on a non-profit basis (1) allow an allow an example, such as the police (1)

Accept any other relevant points

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(ii) 1 mark for identifying the percentage unemployed
1 mark for applying that percentage to the total working population
1 mark for correctly calculating the number of people unemployed [3]

Percentage unemployed	= 100 – (35 + 55) = 10%
Total working population	= 43 million
Number of unemployed	= 43 million × 10% = 4.3 million

(b) (i) 1 mark for each activity stated [2]

- Farming
- Mining
- Oil drilling
- Fishing
- Forestry
- Quarrying

Accept any other relevant points

(ii) Any four points and up to 3 marks for a well-developed point [4]

From the bar graph, 60% of employment is in the primary sector (1) providing jobs for people (1) this shows that more people are employed in the primary sector than in the other two sectors combined (1) the country will rely on farming and fishing to feed the population (1) and it may rely on mining and oil drilling to export products (1) to earn foreign currency (1) The country is less developed (1) so less dependent on tertiary sector/aids to trade (1) for its production (1) and to develop economically (1)

Accept any other relevant points

(iii) Any three points and up to 2 marks for a well-developed point [3]

- The country is possibly less developed (1) with poor infrastructure (1) lacking education/technology (1) so less dependent on tertiary sector/aids to trade (1) for its production (1)
- Low incomes (1) due to poor education (1) unable to pay for tertiary services (1)

Accept any other relevant points

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(c) Level 2 (4–6 marks) **[6]**

Has discussed whether or not a franchise is a good way of setting up a business for a franchisee and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.) [6]

Level 1 (1–3 marks)

Has commented on franchising with/without a decision

A franchise is where the owner of a business, producing a product or service, allows individuals to sell that product or service in a certain geographical area for payments, usually consisting of an up-front fee plus a percentage of gross sales.

Advantages to the Franchisee

- Access to product or service that has already been proved successful
- Expert assistance is received
- Reduces risk
- Some advertising support
- Economies of scale when purchasing
- May have local monopoly

Disadvantages to the Franchisee

- Loss of control – cannot act completely independently
- Payments to franchisor
- Usually tied to buy most supplies from franchiser

Reasons for decision

- If product well established and payments reasonable, then it is a good way to start a new business
- Franchisee must have had some business experience
- If product not established and/or payments such as royalties are high, then it is not a good idea

Accept any other relevant points

4 (a) (i) Any two points × 1 mark **[2]**

- Mail order refers to shopping by post (1) The purchaser orders after seeing a newspaper advertisement or catalogue (1) or use of agents (1) and either posts an order or fills in an order online (1)
- The product is posted or couriered to the purchaser (1) The purchaser does not meet the seller or visit his premises (1)

Accept any other relevant points

(ii) One mark for each of 2 advantages stated **[2]**

- Customers do not have to leave their home to purchase the goods (1)
- Usually a very wide range of goods is available (1)
- Goods are usually sent on approval/customer can examine them at leisure (1)
- The customer can return goods if not suitable (1)

Accept any other relevant points

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(b) Any four points and up to 3 marks for a well-developed point [4]

- Brands are distinct names or trademarks put on products (1) to distinguish them from their competitors (1)
- Businesses try to establish brands with attributes such as high quality/value for money (1) so customers trust what they are buying (1)
- Easybuy will want to be associated with well-known, successful brands because their good reputation will enhance Easybuy's reputation (1)
- Well-known brands will be easier to sell (1) and will therefore increase sales revenue (1) and hence profit (1)
- Adds value to the products (1) creating brand loyalty (1) with customers always wanting to buy Easybuy's clothing (1)

Accept any other relevant points

(c) (i) Up to 2 marks for identifying electronic methods of communication. Up to a further 2 marks for explaining how Easybuy's customers might use them [4]

- Telephone/Mobile phone/smartphone
- E-mail
- Website
- Telex
- Pagers
- Fax

Accept any other relevant points

(ii) One mark for each method identified [2]

- Oral/face-to-face/telephone
- Visual/photographs/videos
- Written/letters/Leaflets/brochures/notices/press releases/newsletters

Accept any other relevant points

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(d) Level 2 (4–6 marks) **[6]**

Has discussed both advantages of buying directly rather than from wholesalers and has given a reasoned decision. (If a candidate has discussed only advantages or disadvantages award 4 marks max).

Level 1 (1–3 marks)

Has commented on advantages and/or disadvantages with/without a decision

Advantages

- Buying directly from the manufacturer will probably cut the cost of the products to Easybuy
- Easybuy may influence the design of the products that the manufacturer is making
- Easybuy may be able to obtain goods quicker if they sell out

Disadvantages

- The manufacturer may not want to cut out the wholesaler because of the increased transport costs
- The wholesaler breaks bulk and Easybuy may lose the ability to buy small quantities
- Easybuy may not have experience of customs procedures which were previously handled by the wholesaler

Evaluation and Decision

- Easybuy must calculate whether the savings in the cost of goods offsets the additional administrative costs
- Easybuy must decide whether they want closer links with the overseas manufacturers
- They must also be careful to maintain a business relationship with the wholesaler as they may want to buy other brands from them

Accept any other relevant points

5 (a) (i) One mark for each difficulty **[2]**

- Arranging all the documents needed/increased paperwork
- Trade barriers/quotas/tariffs
- Language problems
- Different tastes
- Will require knowledge of export markets
- Because of distance, transport/communication may become difficult.
- Extra costs will be faced to pay for market research/insurance/packaging
- Different methods of payment
- Currencies/exchange rates
- Competition
- Different laws
- Different weights and measures

Accept any other relevant points

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(ii) Up to 2 marks for each explanation to a maximum of two explanations [4]

- Woodside will want to expand their markets (1) in order to increase sales revenue/profits (1)
- They may want to diversify (1) spread the risk over many different markets (1)
- They may want to extend the life of a product (1) by finding new markets for it (1)
- Low sales in the home market (1) more favourable conditions abroad (1)

Accept any other relevant points

(b) (i) Award 1 mark per point [2]

- A free port is a geographical area within a country (1) where no customs duties are charged (1) on goods entering the area (1) *allow an example*, such as Singapore (1)

Accept any other relevant point

(ii) Up to 2 marks for a well-developed explanation [2]

- The importer can bring goods from overseas and leave them in the freeport (1) area where he does not have to pay any import duty (1) reducing their costs (1)
- The importer can find a buyer for the goods (1) and the buyer will pay the duty (1)

Accept any other relevant points

(c) 1 mark for each risk identified and a further mark for each explanation up to a maximum of two risks. [4]

- Public liability (1) protects Woodside against claims by the public for injuries on Woodside's premises (1)
- Employer's liability (1) protects Woodside against claims from employees for injuries while working for Woodside (1)
- Product liability (1) protects Woodside against claims by customers that they were injured as a result of a fault in a product made by Woodside (1)
- Fidelity guarantee (1) protects against dishonesty of employees (1)
- Buildings (1) protects against flood/damage
- Consequential loss (1) protects against loss of revenue for business interruption (1)
- Motor (1) third party/comprehensive (1)
- Air/Marine (1) loss of exported goods (1)
- Natural disasters (1) earthquake (1)

Accept any other relevant point

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(d) Level 2 (4–6 marks) **[6]**

Has discussed whether or not using containers is the best way of sending its goods to the importer and has given a reasoned opinion (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)

Has commented on the use of containers with/without an opinion

- Containers are standard-size boxes that are loaded with the goods
- They are usually not opened again after Woodside has filled them until they reach their final destination at the importer's premises
- Their use speeds up the loading and unloading at docks where specialised equipment is used
- Alternative forms of transporting the goods include by truck if the neighbouring countries have a land border
- Another alternative would be air freight although this may involve special containers and may be considerably more expensive as the garden furniture has a low value compared to its weight
- Transporting by ship not using containers would be possible, but would risk theft and be uncommon for this type of goods
- Containers are a safer, more secure means of transporting the goods if a sea crossing is involved

Accept any other relevant points

6 (a) (i) One mark for each of two ways identified **[2]**

- Shown as 'Special trial price'
- Shown as 'You will not be disappointed'
- Shown as 'Buy and Try'
- Shown as 'Clean and fresh laundry'

(ii) 1 mark for identifying normal and trial price. 1 mark for correct answer. **[2]**

Normal price of two boxes =	$9.00
Trial price =	$6.30
Savings	$2.70

(iii) 1 mark for identifying original and new price and placing in formula. Further 1 mark for correct percentage **[2]**

(Normal price minus Special price) divided by Normal price x 100

$\frac{\$4.50 - \$3.15}{\$4.50} \times 100 = \frac{1.35}{4.50} \times 100 =$ **30%**

(b) (i) Any two points **[2]**

- An invoice is a bill (1) when goods purchased on credit (1) sent by the manufacturer to the wholesaler detailing the goods sold/prices (1) and shows the total amount due (1)

Accept any other relevant point

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(ii) Any two points **[2]**

- A statement of account is a document sent at regular intervals (1) to buyers purchasing on credit (1) giving details of all transactions during a set period/monthly (1) it gives the total owing (1) asking for payment (1) and would be used by the wholesaler to check that all invoices had been correctly summarised (1)

Accept any other relevant points

(c) (i) Up to 2 marks for each explanation to a maximum of two explanations **[4]**

- Helps to increase sales (1) so increasing profits (1)
- Can be informative (1) and advises the consumers that products are available (1)
- Can be persuasive (1) and try to attract consumers to buy products (1)
- To remind consumers (1) that their products still exist (1)
- To create a brand name/image (1) creating brand loyalty (1)

Accept any other relevant points

(ii) Level 2 (4–6 marks) **[6]**
Has discussed whether or not using national newspapers is the best method of promoting ZAPPO, and has given a reasoned opinion. (If a candidate has presented a one-sided argument, award 4 marks max.)

Level 1 (1–3 marks)
Has commented on the use of national newspapers/other advertising methods with/without an opinion

- National newspaper advertising has a wide coverage at a reasonable cost
- Different national newspapers will have different type of readership, so Zappo can choose the target audience to a certain extent
- The disadvantages include a short life span, falling readership numbers and not standing out from other advertisements in the newspaper
- The main alternatives would be broadcast media (radio and television) and magazines
- Magazine advertising could be directed at the target audience more precisely.
- Radio advertising would be mainly informative
- Television advertising is much more expensive, but would be ideal with audio and visual effects. Again the audience could be targeted by choosing specific programmes to advertise in between
- The final decision may depend on Zappo's advertising budget, but television would be more effective than national newspapers if they can afford it

Accept any other relevant points.

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7 (a) Any two points [2]

- The mark-up is the profit margin (1) on a product offered for sale (1)
- It is the cash difference between the cost price of the product (1) and its selling price (1)
- The difference is usually expressed as a percentage (1) of the cost price (1)

Accept any other relevant points

(b) Up to 4 marks for assessing the extent Mr Akhtar is involved in trade [4]

- Trade is the buying and selling of goods and services (1) to make a profit (1) the exchange of money has to be involved (1)
- Mr. Akhtar is buying (1) computers from the manufacturers - this is trade
- Mr. Akhtar is selling (1) the computers for a profit - this is trade.
- Therefore, Mr. Akhtar is extensively involved in trade (1)

Accept any other relevant points

(c) Up to 2 marks for each explanation to a maximum of two explanations [4]

- Mr. Akhtar must ensure that the goods he sells are safe (1) will not harm consumers (1) electrical safety would be particularly important with the computers (1)
- The computers must also perform the tasks claimed (1) and be of merchantable quality (1)
- Computers should be adequately described (1) not misleading (1) Trades Description Acts (1)
- Mr Akhtar should not charge higher prices (1) against some national laws (1)

Accept any other relevant points

(d) (i) One mark for each service identified [2]

- He might offer to set-up the computers for the customer
- He must offer a 12 month warranty/maintain the computers, whether this is backed up by the computer manufacturer or not
- Home delivery
- Care plan – dealing with breakdowns
- Recycle old computers
- He might offer a helpline to assist customers with their problems. This could be free for a period and then he could charge for it

Accept any other relevant points

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(ii) One mark for a point and an extra mark for the explanation **[2]**

- Providing a good after-sales service improves the chance of repeat business from the customer (1) leading to increased sales (1)
- One way to compete with other retailers (1) giving a competitive edge (1)
- Fees charged (1) bring in more income (1)
- Customers will see after-sales as a benefit to make their life easier (1) more likely to make the sale because it is given (1)
- Some after-sales service, such as warranty work (1) is required by law (1)

Accept any other relevant points

(e) Level 2 (4–6 marks) **[6]**
Has discussed both sources of finance and has given a reasoned recommendation. (If a candidate has discussed only one source of finance, award 4 marks max).

Level 1 (1–3 marks)
Has commented on one or both sources of finance options with/without recommendation

- An overdraft is a debit balance on a bank account that has been agreed beforehand. The bank is lending money by allowing an overdraft
- Retained earnings are profits that have been left in the business and may have accumulated over several years
- Overdrafts must be agreed by Mr. Akhtar's bank and they will require copies of his financial accounts and projections prior to agreeing it. They will charge interest on the overdraft and Mr. Akhtar must ensure the cost of the overdraft is less than the amount being saved by bulk buying
- If Mr. Akhtar has sufficient retained earnings then this will be the cheapest source of finance. He must ensure that he has enough in reserve for emergencies. Otherwise an arranged overdraft may be possible

Accept any other relevant points

8 (a) (i) Any two points **[2]**

- Commerce is the distribution of goods (1) and services (1)
- It includes trade (1) and aids to trade (1) allow an examples (1)

Accept any other relevant points

(ii) One mark for each aid to trade **[2]**

- Communications
- Advertising
- Transport
- Warehousing

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(iii) Up to 4 marks for explaining the importance [4]

- Banking and finance is concerned with receiving money (1) from goods sold (1)
- Making payments (1) to raw materials/stock bought (1)
- Banks store the balances in accounts (1) and Ali will have to open one or more bank accounts to keep money safe (1)
- Ali may also need finance in the form of loans/overdrafts (1) to help purchase assets/increase his working capital (1)
- Ali could not trade without some banking and finance service (1)

Accept any other relevant points

(b) (i) Any two points [2]

- Trade credit is selling goods or services and allowing the purchaser to pay for them on credit (1) after an agreed period of time (1)
- The credit period will allow the buyer to sell the goods (1) and so pay for them from the proceeds of the sale (1)
- The credit period given may vary (1) and depend on the creditworthiness of the customer (1)

Accept any other relevant points

(ii) Up to 4 marks for identifying reasons why or why not Ali should or not give credit to Retailers [4]

- Giving trade credit will increase Ali's sales (1) since many customers will not want, or be able to pay cash for the toys (1)
- It will decrease Ali's cash flow (1) and may cause liquidity problems (1) if Ali is owed too much on trade credit (1)
- The final decision on whether to give trade credit to an individual retailer depends on the credit worthiness of the retailer (1) If Ali has dealt with the retailer for many years with no payment problems, then he is more likely to grant trade credit (1)
- New customers will have to be credit checked before granting trade credit (1)

Accept any other relevant points

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(c) Level 2 (4–6 marks) **[6]**

Has discussed at least two insurance principles and has given a reasoned opinion on their importance (If a candidate has discussed only one insurance principle, award 4 marks max).

Level 1 (1–3 marks)

Has commented on one or more insurance principles with/without opinion

Insurance deals with risk and Ali has insured against fire as a risk.

- The principles are indemnity, insurable interest, subrogation, contribution, utmost good faith and proximate cause
- Indemnity is important since it states that the insured should be no better or worse off than before. The insurance company will only pay Ali for repairs or re-building to the previous specifications
- Ali must have a financial interest in the building, therefore, he must either own it or lease it so that the contents are covered
- Ali cannot be compensated for property and keep the rights to it
- Ali cannot claim from more than one insurance company for an insured risk
- Utmost good faith means Ali must have told the truth when applying for the insurance. If he stores large quantities of inflammable substances on the premises and has not told the insurance company then they will decline the claim
- Proximate cause means the event causing the loss must be directly connected.
- Of these four principles it could be argued that indemnity and utmost good faith are most important to Ali

Accept any other relevant points

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