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MARK SCHEME

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Question	Answer	Mark
1(a)	**Calculate the decrease in footfall between 2014 and 2018. Show your working.** Correct answer 150 000 (2) Method 350 000 – 200 000 (1)	**2**
1(b)	**State <u>two</u> features of a multiple store.** • At least ten or more stores • Generally owned by a public limited company • Specialist or variety chain store • Self-service • Have the same logo / staff uniforms • Have the same goods / same prices • One manager for each store • Controlled by head office / prices fixed by head office • Centralised buying • Losses by one store can be compensated for by another store • Stock can be transferred between stores • Standard store layout / same shopfronts • Located in town centres	**2**
1(c)	**Explain <u>two</u> advantages to the franchisee of running a franchised food outlet.** • The franchisee has bought an established product/service (1) which may already enjoy widespread brand name recognition / less advertising needed (1) • It gives the franchisee the benefit of a ready-made market (1) which would normally take years to establish (1) • A franchise increases the chance of business success/profits (1) because of association with proven products / methods / quality of food is trusted (1) • Less risky (1) no need to establish brand (1) • The franchisee is offered support/expertise (1) e.g. location/design/ finance/grand opening (1) • Some initial costs may be paid by the franchisor (1) e.g. advertising (1) • Training may be provided by franchisor (1) less investment needed by franchisee (1) • Easier to obtain finance (1) as there is less risk to lender/bank (1) • Supplies may be cheaper (1) if provided by the franchisor who buys in bulk for all franchises (1) • Other benefits from economies of scale (1) as part of a large organisation (1) • No prior experience needed (1) as franchisor gives managerial support (1) • Certain standard of food/hygiene (1) as detailed in the franchise agreement (1) • Will have exclusive rights in an area (1) as the franchisor will not sell another franchise in the same area (1)	**4**

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Question	Answer	Mark
1(d)	Reusing plastic coffee cups from food outlets is known as **recycling.** A person that delivers fast food to people's homes is known as a **courier.**	**2**
1(e)	**At a meeting of Copentown retailers, they proposed two solutions to stop the decrease in footfall:** • Have a sale on the last weekend of each month offering 20% off all goods • Design a new website to advertise the retailers and the town. **Discuss both of these solutions. Recommend a course of action. Give reasons for your answer.** **End of month weekend sale:** Likely to generate an increase in sales More people will be attracted to visit at the end of each month/payday Might lead to customers buying non-sale goods as well Profit margins will be cut People may just decide to focus their spending at the end of the month leaving retailers with less sales during the rest of the month Costly advertising will be needed to promote the sale **New website:** More people have access to the internet to see advertisements / or not Likely to increase sales, not just for the sale period Can access a much wider market than just Copentown Other retailers are doing it Cost / skill of designing/maintaining a website If people are looking at adverts on the internet they may buy similar goods from an online retailer and/or cheaper/delivered **Evaluation:** If all the local Copentown retailers are working together so all shops have an end of month sale that may increase the footfall but just for one weekend per month when the retailers will be offering big discounts so not charging as much then, and may sell less for the rest of the month. So a more general approach to boost the whole town would be better in the long term, to attract more people to visit more regularly, rather than become known as a cut-price/cheap location.	**8**

Question	Answer	Mark
2(a)	**Identify the <u>two other</u> sectors of industry that tertiary activity supports.** • Primary • Secondary	**2**
2(b)	**Describe what is meant by social media.** Online / mobile app / channel / platform (1) e.g. Facebook/Twitter (1) used to share / post / exchange content (1) such as pictures/videos/opinions (1) via the internet (1)	**2**
2(c)	**Should businesses expect to benefit from expenditure on advertising? Give reasons for your answer.** **No** – an increase in the level of advertising does not necessarily lead to an increase in sales (1) because it may be giving information (1) e.g. contains vitamins / times of opening (1) the advertisement does not work (1) making it very costly (1). Advertising alone will not change sales that much (1) the product needs to be effective (1) affordable (1) easily available (1) targeting the right market (1). Not everyone has access to the media (1) e.g. do not own a television (1). **Yes** – if a product is launched without advertising it would not become known (1) advertising provides information / persuades people (1) more people buy product (1) can lead to brand loyalty (1) increased market share (1) giving it a competitive edge (1) increasing sales/profits (1). Advertising is important to remind consumers that a business and its products are still around/operating (1) to maintain its presence in the public eye (1) to continually attract new customers (1) even some who may not have been interested in the product when it first came out (1).	**4**

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Question	Answer	Mark
2(d)	**Cost is a major factor when advertising products. Describe <u>two other</u> factors that a toy business needs to consider when using television as an advertising medium. Explain which is the <u>more</u> important factor. Give reasons for your answer.** • Target market/audience – the age of the children the advertiser wishes to reach • Coverage/channels/frequency – how many children can be reached / where • Type of toy – some toys may need detailed information/demonstration • Brand loyalty – to develop brand names to stick in children's minds • Using more than one medium – so as to reinforce the message • Competitor's use of TV – the need to match/beat the competition • Impact required – is the toy suited to being on television • Flexibility – more difficult/expensive to change a television advertisement • Advertising laws/morality – is it legal/morally to make a child want toys that parents may not be able to afford • Timing – best to do the advertising during children's programmes • Length of advertisement/life-span – usually less than a minute to make an impression and becomes outdated relatively quickly • Method of appeal – e.g. bright colours, fast-moving images and music ***Example of Evaluation:*** *The cost of a TV advert is high so it is important the toy business get the advert right so that it does increase sales or it will have wasted its money. It is also important for the advert to be legal/moral or the business can be fined and lose customers instead of gaining them. I think being legal and moral is most important because otherwise the advert will not be aired so the business wasted money making it.*	**8**

Question	Answer	Mark
3(a)(i)	**Sales revenue** = $50 000 (2) Method $50 000 × $1 (1)	**2**
3(a)(ii)	**Gross Profit** = $30 000 (2) Method $50 000 – $5000 – $15 000 (1)	**2**
3(a)(iii)	**Profit for the year** = $28 000 (2) Method $30 000 – $2000 (1)	**2**
3(b)	**State <u>two</u> features of being a sole trader.** • One owner • Controlled by owner / own boss • Unlimited liability • All profits to owner • Owner bears all losses • No legal requirements to set up /easy to set up / no legal status • Low capital requirement / cheap to set up • No publication of accounts • In private sector	**2**
3(c)	**Nadia already has motor insurance. Should she take out insurance to cover other risks? Give reasons for your answer.** **Yes**: Insurance will give Nadia with a sense of security (1) she will be protected from loss (1) e.g. consequential loss (1) would allow Nadia to continue her operations (1) while the damage is being repaired (1) e.g. hiring freezers for the ice cream (1). Public liability is needed (1) if a customer makes a claim because of Nadia's negligence (1) she would not suffer financial loss (1) because the insurance company would compensate the customer (1). Theft (1) so the insurance company will provide a replacement if assets are stolen (1) so she can continue to sell ice cream (1). Fire (1) so the insurance company will repair/replace assets (1). **No**: It is only a small business (1) it will add to her costs (1) reduce her profits (1) because she already has motor insurance (1) which is likely to include theft and fire protection (1) extra costs for insurance are not essential (1) she may not be able to afford it (1) the risk may not be very likely to will happen (1).	**4**

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Question	Answer	Mark
3(d)	**Nadia would like to buy a new van. She will need a source of finance to buy this van. Evaluate the <u>most</u> suitable source of finance that Nadia could use to buy her new van.** **Sources of finance would include:** • Self-finance (own savings/retained earnings/selling assets) – no interest – readily available – if she has enough after paying herself • Hire purchase – spread payments – can use the van while paying for it • Leasing – updated at regular intervals – servicing contract – under personal contract purchase (PCP) can buy the van at the end of leasing contract • Loan – specified purpose – fixed rate of interest – collateral may be required • Overdraft – is Nadia able to repay it quickly enough – to avoid high charges ***Example of Evaluation**:* *The cheapest and easiest method is to pay for the van herself if Nadia has enough money but as it is a new business it would be much easier for her to lease a van and know that she will not have any unexpected service /breakdown costs that could cause her cash flow problems so that the business might fail.*	**6**

Question	Answer	Mark
4(a)	**Name and describe <u>one</u> method of payment used in international trade.** • Letter of credit / documentary credit (1) guarantee of payment via bank (1) • Electronic/wire/online transfer (1) speedy transfer of funds (1) • Bill of exchange (1) unconditional order from the person owed the money (1) • Bank draft (1) cheque drawn on bank not individual/firm (1) • International money order (1) payment for a pre-specified amount of money (1) • Credit card (1) buy goods now but defer payment to card company until later (1) • Debit card (1) pay for goods with money from current account (1)	**2**
4(b)	**Using examples, explain how the insurance principle of indemnity affects an importer.** E.g. if goods are lost at sea (1) the importer cannot insure for more than the goods are worth, otherwise the importer will make a profit. E.g. a fire in a (bonded) warehouse (1) the importer cannot claim for more than the warehouse is worth (1) E.g. if an aircraft is insured with more than one company (1) each insurance company will share the amount of loss (1) E.g. if a truck is written-off in an accident (1) the truck becomes the property of the insurance company (1) E.g. if goods are stolen at the airport (1) the importer will receive compensation (1) E.g. if an importer insures goods with two companies (1) each insurance company will share the compensation (1)	**4**

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Question	Answer	Mark
4(c)	**Discuss whether or not a country should abolish tariffs.** **Give reasons for your answer.** • Tariffs act as a tax on imported goods, causing the price of imported goods to rise, leading to a fall in demand as consumers buy cheaper domestic goods instead – it they are available. • Tariffs have a favourable effect on the balance of payments of the importing country – they reduce imports and increase the export surplus so can improve a deficit in the balance of payments, putting a country in a stronger financial position. • Tariffs protect domestic industry from foreign competition so an infant industry can grow into an economically strong industry which can fully compete in the world market. This helps the country's economy to grow as more jobs/wealth will be created. • Tariffs provide revenue to the government which can be spent on e.g. infrastructure, education or healthcare to improve a country's economy and standard of living. • If tariffs were abolished, trade would be easier and cheaper for importers and consumers and there would be greater access to a wider choice of goods, as well as all the benefits of international trade. Evaluation: Putting tariffs on products protects against foreign competition, but it does not increase international trade / globalisation / market size / people's standard of living so it will depend on what the country/government most wants to achieve. Some countries without resources are unable to produce goods and services so have to depend entirely on expensive imports, so they will have a harder time with high prices even for necessities.	**6**

<table>
<tr><th>Question</th><th>Answer</th><th>Mark</th></tr>
<tr><td>5(a)</td><td>Identify X.

Consumer or customer</td><td>1</td></tr>
<tr><td>5(b)</td><td>State <u>two</u> services provided by a wholesaler to a retailer.

• Breaking bulk
• Variety of goods
• Advice/information
• Display
• Storage
• Preparing goods for sale / packing / branding / grading / blending / bottling
• Delivery/transport
• Acting as a stock reservoir / keeping seasonal goods
• Risk bearing
• Credit
• Advertising
• Convenient location
• Trade discount offered</td><td>2</td></tr>
<tr><td>5(c)</td><td>Explain <u>two</u> reasons for the trend towards some wholesalers being eliminated from chains of distribution.

• Cost savings for the retailer / wholesalers increase selling price (1) large-scale retailers buy direct from manufacturers (1) as they have the working capital to buy in bulk / or manufacture their own goods (1) and provide the wholesaler services themselves (1) by delivering to their own shops via RDCs (1)
• Better value for money for consumers (1) many manufacturers sell branded goods (1) direct to consumers through the internet / mail order / own shops (1) no need to use sales representatives (1) as these goods are easily recognised / do not have to be marketed (1)
• Growth of online selling (1) by individuals selling their goods from home (1) at cheaper prices (1) as they do not have overheads (1)
• Greater efficiency for the retailer (1) reduces the amount of logistics and transportation (1) where manufacturers can skip wholesalers and more quickly replenish retailers with stock (1)
• Environmental impact (1) as it minimises the number of trucks / travel / time moving goods (1) reducing air pollution (1)</td><td>4</td></tr>
<tr><td>5(d)</td><td>Which of these statements about documents used between wholesalers and retailers are TRUE and which are FALSE?

<table><tr><th></th><th>TRUE</th><th>FALSE</th></tr><tr><td>A quotation is sent by the buyer to the seller</td><td></td><td>✓</td></tr><tr><td>A credit note is used when goods have been overcharged</td><td>✓</td><td></td></tr><tr><td>A bill of lading is used in rail transport</td><td></td><td>✓</td></tr></table></td><td>3</td></tr>
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Question	Answer	Mark
5(e)	**Discuss how important cash and carry warehouses are in home trade. Give reasons for your answer.** • Cash and carry warehouses are used by small-scale retailers because the warehouses are close to where the retailer sells its goods. • Most wholesalers are self-service so quick and easy for a retailer to use. • Retailers pay cash for larger / small bulk quantities of goods and arrange their own transport, then sell the goods on in smaller quantities at a profit. **Analysis**: • Lower prices – goods are not delivered and no credit is offered, no help with loading goods and no use of salespersons or invoicing. This means wholesalers reduce their expenses so can sell to small-scale retailers at cheaper rates. • Saving time – retailers can have immediate access, no waiting for goods to arrive, especially if there is an increase in demand for particular goods the retailer can get them quickly, no time spent on purchasing procedures. **Evaluation**: • Many small-scale retailers, including pedlars, market stall holders and street vendors could not be in business at all without cash and carry warehouses so they are very important to domestic trade in many cities because they provide a service to local people and an income/employment for the retailer which contributes to economic growth.	**6**

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