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BUSINESS STUDIES **7115/12**

Paper 1 Short Answer/Structured Response **October/November 2016**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks
1(a)	**What is meant by 'opportunity cost'?** Clear understanding [2], e.g. next best alternative forgone OR next best alternative given up (by choosing another item) [2] Some understanding [1], e.g. what had to give up OR option not chosen	**2**
1(b)	**Identify <u>two</u> possible external benefits that might result from the new factory.** Application [2 × 1] award one mark per benefit Points might include: • Jobs created/lower unemployment • More choice of chemicals for farmers • higher amount of food possible • Infrastructure/more roads • Increase orders for suppliers • Help attract other (chemical) businesses to area • Taxes paid to government • Increase skills of local people/training • Reduce imports/could increase exports • Assist economic growth • Bring new technology into country	**2**

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Question	Answer	Marks
1(c)	**Identify and explain <u>two</u> advantages to APQ of being a multinational company.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Access to new market/increase sales/market share [k] as people need food [app] • Reduce production costs, e.g. lower labour costs OR lower health and safety costs OR land costs [k] as X is a developing country [app]; • Spread risk [k] when selling chemicals [app] • Easier access to raw materials [k] for all its factories [app] • Avoid barriers to trade [k] • Remain competitive [k] • Reduce transport costs (as can produce goods nearer market) • Economies of scale, e.g. purchasing, finance [k] (only once) • Reduce tax liability/take advantage of favourable tax laws • Access government grants [k]	**4**
1(d)	**Identify <u>two</u> stakeholder groups of APQ. Explain <u>how</u> APQ could act in an ethical way with each stakeholder group.** Knowledge [2 × 1] – award 1 mark for each relevant stakeholder Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Employees/management [k] if set up in developing country [app] should pay fair wages [an] or offer good conditions [an] • Suppliers [k] pay fair price/pay on time [an] for the chemicals [app] • Community [k] • Pressure groups [k] by trying to prevent pollution/environmental damage [an] caused by factory [app] • Government [k] paying its taxes on time/not do tax avoidance [an] • Lenders/bank [k] if borrow $100 m [app] • Owners/shareholders [k] as public limited company [app] • Customers [k] do not exploit them by charging high prices [an] to farmers [app]	**6**

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Question	Answer	Marks
1(e)	**Explain <u>two</u> possible sources of finance that APQ could use. Recommend which source of finance APQ should use for the new factory. Justify your answer.** Knowledge [1] – award up to 1 mark for identification of relevant method(s) Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to which source of finance APQ should use Relevant points might include: • Retained Profits [k] so no need to repay [an] so keeps costs lower [an] • Bank loan [k] as interest rates low [app] but it will increase level of debt [an] OR as multinational [app] banks more likely to lend at lower rates of interest [an] • Government grant/subsidy [k] as helping country develop [app] so may be willing to provide finance [an] • mortgage [k] as cost $100 m [app] so have time to make repayments [an] • Leasing [k] so no large payment at the start [an] • Share issue [k] as it is a public limited company [app] • Debentures [k] • Sale of unused non-current assets [k]	**6**

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Question	Answer	Marks
2(a)	**What is meant by 'marketing strategy'?** Clear understanding [2]: plan to combine the right combination of the 4 elements of the marketing mix to achieve a particular market objective OR Put together the right mix of the 4Ps to increase sales [2] OR A plan for promoting goods to enter a new market [2] Some understanding [1], e.g. how to combine the 4P's OR how to promote a product OR a plan for marketing OR how to increase sales	**2**
2(b)	**What is meant by 'penetration pricing'?** Clear understanding [2]: price is set lower than competitor's prices [1] in order to be able to enter a new market/launch a new product [+1] Some understanding [1], e.g. set low prices	**2**
2(c)	**Identify and explain <u>two</u> possible advantages to $LAND of advertising.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Persuade/attract customers OR increase revenue/sales [k] to buy more food [app] • Build brand loyalty/good image [k] so keep buying from its shops [app] • Inform/raise awareness/become well known [k] for its toys [app] • Maintain market share/remain competitive [k] as in recession [app] • Remind existing customers [k] as sell such a wide range [app] • Able to target different customers/new market segment [k]	**4**

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Question	Answer	Marks
2(d)	**Identify and explain <u>one</u> advantage and <u>one</u> disadvantage to $LAND of buying direct from manufacturers.** Knowledge [2 × 1] – award 1 mark for a relevant advantage and 1 mark for relevant disadvantage Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: Advantages: • Purchasing economies of scale/discounts for bulk buying [k] as buy for all its shops [app] leading to lower **average/unit** costs [an] • Quicker access to products [k] so can offer new products before rivals [an] leading to higher sales of toys [app] OR which is important for food [app] to reduce wastage/increase shelf life [an] • Build relationship with supplier [k] may give preferential delivery times [an] • Offer technical support [k] • Develop products specifically for business [k] • Cut out wholesaler profit [k] • Manufacturer may pay for some of the advertising [k] Disadvantages: • More paperwork [k] as have a wide range of products [app] which takes more time to complete [an] • Have to recruit more people [k] • Extra storage space needed/must purchase minimum quantity [k] increasing storage costs [an] • Risk of wastage [k]	**6**

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Question	Answer	Marks
2(e)	**Do you think that $LAND will be successful in other countries? Justify your answer.** Knowledge [1] – award up to 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether $Land will be successful in other countries Relevant points might include: • Different countries have different tastes [k] so might not like the toys [app] leading to fewer sales [an] • High set up costs [k] as need to open shops [app] • Competition/need to attract customers [k] as customers might be loyal to other companies [an] • Legal/regulations [k] might not be able to sell some of its foods [app] • Strategy has worked in country B [k] as profits increased [app] • Different economic environment [k] as country B is in recession [app] so customers might not want cheaper products [an] • Communication/language problems [k]	**6**

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Question	Answer	Marks
3(a)	**What is meant by 'job production'?** Clear understanding [2]: where a single product is made at a time OR makes one product from start to finish (before starting the next one) OR produce a personalized product individually [2] Some understanding [1]: e.g. identifies one distinctive feature of job such as products are made to the specific customer design; often labour-intensive; highly skilled workers; high quality, single product, flexible	**2**
3(b)	**What is meant by 'quality control'?** Clear understanding [2]: checking that a product meets the required standard OR checking of goods <u>at the end</u> of the production process [2] OR Checking the standard of goods through inspection [2] OR process of reviewing accuracy of work bought in or completed [2] Some understanding [1]: e.g. checking the work	**2**
3(c)	**Identify and explain <u>two</u> possible communication barriers for TKF.** Knowledge [2 × 1] – award 1 mark for each relevant barrier Application [2 × 1] – award 1 mark for each relevant explanation in context Relevant points might include: • Problems with medium, e.g. inappropriate medium used [k] as workers might not always have access to emails [app] • Problems with sender, e.g. language problems/jargon [k] so workers don't understand terms used by the manager [app] • Overload of information [k] which confuses production workers [app] • Problems with receiver, e.g. workers do not read messages [k] as three workers are part-time [app] OR customers do not read letters [k] so don't know about its furniture [app] • Technical issues, e.g. no internet connection [k] without electricity cannot send emails [app] • No opportunity for feedback [k] • Wide span of control [k[as manager responsible for eight [app] • Wrong message sent [k]	**4**

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Question	Answer	Marks
3(d)	**Identify and explain <u>two</u> ways in which good internal communication can help TKF be more efficient.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Clearer instruction/prevent misunderstandings/fewer mistakes [k] prevents need for rework/reduces waste [an] • Increase production/speed up work [k] for furniture orders [app] • Faster decision making/problem solving [k] • Employees aware of objectives [k] so its eight production workers [app] can/might work faster [an] • Better co-ordination between departments [k] if only order wood needed [app] reducing costs of storage [an] • Reduce barriers to communication [k] • Improve relations between employer and employees/better management/improve motivation [k] • More ideas [k]	**6**
3(e)	**Do you think the manager is right to be worried about TKF's cash flow position? Justify your answer.** Knowledge [1] – award up to 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether TKF is right to be worried about its cash flow position Relevant points might include: • Closing balance is positive for two of the three months [k] so can meet all expenditure/bills [an] • Cannot cover outflows in January [k] as net cash flow is (5)/opening balance only three [app] so might damage relationship with suppliers of not able to pay [an] • Inflows vary per month [k] so no guarantee have money to pay costs [an] so suppliers might be reluctant to supply wood [app] so cannot meet all its orders [an] • Cash inflow decreases in January [k] by 15 [app + an] • Cannot predict/rely on regular orders [k] using job production [app] • May be a temporary problem [k] as only have three months data	**6**

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Question	Answer	Marks
4(a)	**Identify <u>two</u> ways to measure the size of a business.** Knowledge [2 × 1] award one mark per way Points might include: • Sales value OR value of output OR revenue, • Market share • Capital employed/value of balance sheet • Number of employees	**2**
4(b)	**Calculate the percentage (%) of businesses in country R which are partnerships.** Good application [2] 10% Some application [1], e.g. number of partnerships/total number of businesses OR 0.5 m/5 m	**2**
4(c)	**Identify and explain <u>two</u> advantages to Moeen and Ali of forming a private limited company.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Application [2 × 1] – award 1 mark for each explanation in context Relevant points might include: • Access to more capital [k] which could help increase their budget/so can afford to create luxury image [app] • Benefit from limited liability [k] if new business fails [app] • Continuity of existence [k] if anything happens to one of them will not have to close hotel [app] • Separate legal identity [k] • Control over who buys shares [k]	**4**

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Question	Answer	Marks
4(d)	**Identify and explain <u>two</u> factors that might influence Ali's choice of location.** Knowledge [2 × 1] – award 1 mark for each relevant factor Application [2 × 1] – award 1 mark if relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Relevant points might include: • Competition [k] from other hotels [app] so might not gain as many customers [an] • Cost of land [k] as has to be city centre [app] which is likely to be more expensive [an] • Availability of suitable land [k] as need a large space [an] OR available space for parking [k] for guests [app] • Close to customers/level of demand [k] • Infrastructure, e.g. water, electricity, internet OR transport links [k] so employees/customers can get there without any difficulty [an] • Image/environment [k] the wrong site might not suggest luxury [app] making it difficult to attract customers [an] • Government regulations [k] could stop them from opening in some locations [an] • Access to suitable employees [k] as need full/part-time [app] to provide customers the right level of service [an] • Close to suppliers [k]	**6**

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Question	Answer	Marks
4(e)	**Do you think it would be better for the business to use full-time or part-time employees? Justify your answer.** Knowledge [1] – award up to 1 mark for identification of relevant points Application [1] – award 1 mark if relevant reference made to this business Analysis [2] – award up to 2 marks for relevant development of point (s) Evaluation [2] – justified decision made as to whether it would be better for the business to use full-time or part-time employees. Relevant points might include: <u>Part-time:</u> • More flexible hours [k] as it is a hotel [app] need staff all the time [an] • Easier to ask workers to work at busy times [k] if more guests [app] more employees are needed [an] • When not working no need to pay wages [k] so is less expensive than full time [an] as which could help this new business [app] • Need to recruit/train more employees [k] so uses up more of budget [app] which will take time [an] • May leave for full time job elsewhere [k] <u>Full-time:</u> • Consistency of service [k] helps its luxury image [app] so could help boost reputation/ attract more customers [an] • Workers likely to be more committed to business [k] • Easy to communicate/update [k] as employees always there [an] • Internal pool of candidates for future promotion [k] • Fewer workers needed [k]	**6**

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