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BUSINESS STUDIES **7115/12**

Paper 1 Short Answer/Structured Response **October/November 2017**

MARK SCHEME

Maximum Mark: 80

Published

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Question	Answer	Marks	Guidance
1(a)	**What is meant by 'tertiary sector'?** Clear understanding [2]: e.g. business or industry which provides OR sells services [1] to consumers OR other sectors of the economy Some understanding [1] e.g. provide services	**2**	**Do not** award examples on own e.g. delivery business, accountant, shops as does not explain the term. **Do not** award names of shops
1(b)	**Calculate the revenue gained from an average flight on route 2.** Good Application [2] Correct answer 6 600 ($ not needed) Some application e.g. Method [1] Price × number of passengers OR 110 × 60	**2**	

Question	Answer	Marks	Guidance
1(c)	**Identify and explain two ways in which break-even information could help FlyAway.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each explanation in context Possible points might include: • Shows the expected level of profit OR loss at different levels of output [k] to show which routes to expand or cut [app] • Shows the margin of safety [k] if sell over 70 OR 90 tickets [app] • Helps planning OR forecasting OR decision making [k] about passenger numbers [app] • Can see what will happen if costs OR prices change [k] to see if should close its (ticket) shops [app] • Help apply for finance [k]	**4**	Application marks may be awarded for appropriate use of the following: • passengers • (ticket) shops OR website OR e-commerce • routes • extra for luggage and food • airlines • flights OR trip • correct use of numbers • competitive market • bookings or tickets • low cost (airline) **Do not** award points such as shows costs OR sales OR revenue OR profit on own as too vague. **Do not** award show break even output or examples such as know how many tickets to sell as this information is already known. Question is asking why it is used.

Question	Answer	Marks	Guidance
1(d)	**Identify and explain two ways in which FlyAway could improve customer service.** Knowledge [2 × 1] – award 1 mark for each way identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Possible points might include: • Training [k] so that employees know what to do [an] in case of any problems on route [app] • Seek feedback e.g. carrying out surveys [k] about the airline [app] to help improve customer loyalty [an] • Set OR enforce clear standards OR use Quality Assurance [k] to ensure that employees provide a consistent service [an] • Recruit suitable OR knowledgable employees [k] to work in its shops [app] so can provide a quicker service to customers [an] • Treat employees well OR motivate employees [k] so want to help its passengers [app] • Handle complaints OR queries quickly [k] • Open more outlets in cities [k] to sell tickets [app] so more convenient to buy for customers [an] • better communication [k] e.g. text if flights are delayed [app]	**6**	Application marks may be awarded for appropriate use of the following: • passengers • (ticket) shops OR website OR e-commerce • routes • airlines • flights OR trip • correct use of numbers • competitive market • bookings or tickets • break-even • low cost (airline) **Do not** award suggestions of better products/services e.g. free food, new routes, no charges for luggage, better planes as these relate to better service/product NOT customer service

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Question	Answer	Marks	Guidance
1(e)	**Do you think FlyAway should use only e-commerce? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant points (s) Application [1] – award 1 mark for 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 FlyAway should use only e-commerce. Relevant points might include: • Less labour OR rent needed [k] so reduced costs [an] which lower break-even [app] • Will need **more** employees with technical skills [k] to run website [app] which will add to recruitment costs [an] • Security issues e.g. risk of fraud OR hacking OR problems if system does not work [k] • Not everyone has access to internet or is willing to use internet [k] • Cannot attract passing trade [k] without a shop [app] • Harder to stand out against competitors [k] as it is a competitive market [app] so less able to attract potential customers [an] • Most people prefer to buy via internet [k]	**6**	Application marks may be awarded for appropriate use of the following: • passengers • (ticket) shops OR website • routes • extra for luggage and food • airline • flights OR trip • correct use of numbers • competitive market • bookings or tickets • break-even • low cost (airline) Points must be from viewpoint of business **not** employees or customers e.g. customer convenience [TV] unless explain how this is a benefit (or not) to the business **Do not** award answers such as wider target market OR high set up cost OR 24 hours OR can be used to advertise other services OR easy to update OR detailed information as already has a website

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Question	Answer	Marks	Guidance
2(a)	**Identify two advantages of specialisation.** Knowledge [2 × 1] – award 1 mark for each relevant advantage Points might include: • Increased output OR quicker production OR increased productivity OR higher efficiency • lower **unit** cost OR economies of scale • Workers become expert OR more skilled OR focus on what they are good at • Improved accuracy OR better quality OR fewer mistakes OR reduced waste • Help improve competitiveness	**2**	**Do not** award answers related to a niche market, e.g. able to charge higher price as this is not necessarily true of specialisation in general. **Do not** award answers such as motivate, better reputation, specialised as too vague **Do not** award reduced training costs on its own unless explained
2(b)	**What is meant by 'external cost'?** Clear understanding [2] impact paid for by the rest of society [1] as a result of business actions [+1] OR Costs or disadvantages that fall on third parties that is one not directly involved in the production process [2] Some understanding [1] costs society has to pay	**2**	**Do not** award examples on own as does not explain the term Some understanding plus example can be awarded two marks **Do not** award 'harms environment' as this is too vague

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Question	Answer	Marks	Guidance
2(c)	**Identify and explain two ways in which CGM could try to protect the environment.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each explanation in context Possible points might include: • Create less waste [k] by changing way make shoes [app] • Change materials used OR use sustainable resources [k] so reduce external costs [app] • Use less materials OR less packaging [k] • Use less energy OR renewable energy [k] by buying new technology [app] • Buy local [k] reducing distance travelled for raw materials [app] • Dispose of waste responsibly [k] • Recycle [k] any leftover leather [app] • Raise awareness of environmental issues [k] • Develop environmentally friendly products [k] • Use environmentally friendly machinery OR production methods OR examples e.g. fit filters or create less smoke or create less noise [k] • Reuse [k]	**4**	Application marks may be awarded for appropriate use of the following: • shoes • raw materials or examples such as leather or sewing or dye or laces • specialisation • external cost • job production • niche market • new technology • High quality (product) Buy new technology is [app] and cannot be awarded as [k] **Do not** award ‘reduce pollution’ as this is too vague. Must explain a way that this could be achieved e.g. reduce noise

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Question	Answer	Marks	Guidance
2(d)	**Identify and explain one advantage and one disadvantage to CGM of using job production.** Knowledge [2 × 1] – award 1 mark for one advantage and one disadvantage identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Possible points might include: Advantages: • Meet exact customer demands OR unique [k] so able to charge higher price [an] in a niche market [app] • Flexible [k] which can help them remain competitive [an] in the shoe market [app] • More varied work leads to higher motivation [k] leading to fewer workers leaving OR less absenteeism [an] • Skilled workers are less likely to make mistakes [k] Disadvantage: • Skilled labour costs more [k] as employ 30 employees [app] which increases labour OR training costs [an] • Production can take longer [k] for a high quality product [app] which reduces (potential) output [an] • No economies of scale possible [k] when buying raw materials [app] leading to higher costs [an] • Costs are higher as it is often labour intensive [k] • Products are made to order so mistakes can be expensive to correct [k]	**6**	Application marks may be awarded for appropriate use of the following: • shoes • raw materials or examples such as leather or sewing or dye or laces • specialisation • external cost • niche market • new technology • want to increase profit • 30 or 26 employees • $30 000 • High quality (product)

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Question	Answer	Marks	Guidance
2(e)	**Do you think CGM should introduce new technology into the production process? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant points (s) Application [1] – award 1 mark for 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 CGM should introduce new technology into the production process Relevant points might include: • High cost of equipment or retraining [k] at $30 000 [app] which business might not be able to afford [an] • Ensure **consistent** quality [k] as machines do not need to rest [an] • Using cheaper raw materials puts quality at risk [K+APP] • Increased output OR quicker production OR increased productivity [k] reducing unit costs [an] so able to increase profit [app] • Impact on motivation of employees [k] e.g. as jobs will go from 30 to 26 [app] as work could become less interesting [an] • workers may struggle to adapt OR resist new training [k] slowing production OR decreasing productivity [an] • Risk to reputation [k] in this niche market [app] could lead to fewer sales [an] • Risk of job insecurity [k] could lead to other workers leaving as well [an] • Fewer employees needed [k] as 4 less [app + an] so lower labour costs [an]	**6**	Application marks may be awarded for appropriate use of the following: • shoes • **cheaper** raw materials or examples such as leather or sewing or dye or laces • specialisation • external cost • job production • niche market • **want to** increase profit • 30 or 26 employees • $30 000 • High quality (product) Note: Points can refer to business or employees Note productivity can be K or An, but do not award twice **Do not** award answers which discuss different production methods

Question	Answer	Marks	Guidance
3(a)	**Identify two <u>main</u> parts (other than finance) of a business plan** Knowledge [2 × 1] award one mark per part Points might include: • Executive summary • Business aims OR targets OR vision statement • Marketing OR any element of mix e.g. pricing, product, place or promotion • Market research OR Competition • Human resources OR number of employees OR skills needed • Production details OR break even • Organisational and management details e.g. structure, type of business, name and location of business	**2**	**Do not** award answers such as sales, wages, costs, number of resources as these are too vague
3(b)	**What is meant by 'non-current assets'?** Clear understanding [2]: e.g. resources owned by business to use for more than one year Some understanding [1]: e.g. things that are owned OR last for more than a year	**2**	Some understanding plus example e.g. buildings can gain 2 marks **Do not** award 'fixed asset' as this is an alternative term for non-current assets **Do not** award examples on own as does not explain the term **Do not** award long time/long term as too vague
3(c)(i)	**Calculate the current ratio as at 30 September 2017.** Good application [2]: Correct answer 1.5 (times) OR 1.5:1 OR 3:2 Some understanding [1] correct formula OR 60/40	**2**	

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Question	Answer	Marks	Guidance
3(c)(ii)	**Explain what the two current ratio results show about Yanis's business.** Good application [2] improved OR increased [1] so better able to repay short term liabilities [1] Some understanding [1] improved OR has more current assets to repay debts Increased OR improved by 0.3 [1]	**2**	**Do not** award statements such as 'good' liquidity as subjective comment For 2nd mark must explain what the result shows e.g. better able to repay current liabilities OFR rule does apply

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Question	Answer	Marks	Guidance
3(d)	**Identify two possible problems for Yanis if he expands his business. Explain what he might do to overcome each problem.** Knowledge [2 × 1] – award 1 mark for each problem identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant solution to the problem identified Possible points might include: • Access to finance [k] so could ask the bank for a loan to help purchase [an] his new restaurant [app] • Cash flow problems OR lack of working capital [k] as need to buy additional ingredients [app] so try to arrange higher credit limit [an] • Need to recruit more workers [k] so needs to decide on a suitable way to advertise vacancies [an] such as catering magazines [app] • Communication problems [k] could hold regular meetings to keep everyone informed OR involved [an] with his chefs or serving staff [app] • Competition or lack of demand [k] so could use promotions [an] • Government OR legal controls [k] so may ask for legal advice to check he is not breaking any laws [an] when selling food [app] • Ability to manage or control two locations [k] so could recruit a manager [an] to oversee the second restaurant [app] • Having a consistent quality [k]	**6**	Application marks may be awarded for appropriate use of the following: • kitchen • restaurant • correct use of numbers • 4 (chefs) or 6 workers or 10 in total • skilled • many workers leave • no bonuses • part time contract, • high hourly rate • business plan • city centre **Do not** award solutions without an appropriate problem having been identified in the response **Do not** award effects of the problem – answer must focus on how to overcome the problem **Note:** Problems must refer to expansion not his current situation e.g. his current workers leave

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Question	Answer	Marks	Guidance
3(e)	**Do you think Yanis should change the way he motivates his chefs? Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant points (s) Application [1] – award 1 mark for 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 Yanis should change the way he motivates his chefs Relevant points might include: • Depends on reason why people are leaving [k] as only a part-time contract [app] • Little incentive with current method to work harder [k] as no bonuses [app] • May not be able to afford alternative methods [k] as planning to open another restaurant [app] • Workers may expect high wages [k] as skilled [app] • Current system offers flexibility to employees [k] • Could offer bonuses [k] which increases costs [an] so may not be able to afford to expand [an] • Increase hours [k] • Offer job rotation [k] so there is more variety [an]	**6**	Application marks may be awarded for appropriate use of the following: • kitchen • restaurant, • correct use of numbers • 4 (chefs) • skilled • many workers leave • **no** bonuses • part time (contract) • high **hourly** rate **Do not** award **chefs** as application as stated in question. Can discuss other ways to motivate chefs e.g. performance related pay, training but evaluation must focus on whether he should change the way he motivates his chefs. **Do not** award answers which discuss advantages of motivated workforce, e.g. increased productivity, work harder, better quality as this is not the question set.

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Question	Answer	Marks	Guidance
4(a)	**Identify two reasons why markets can become more competitive.** Knowledge [2 × 1] award 1 mark for each reason identified Points might include: • globalisation • developments in technology such as internet, social media • improvements in transport links • lower barriers to entry e.g. government intervention or changes to legal controls OR free trade • more businesses enter the market OR more products	2	**Do not** award answers which explain ways of competing e.g. more competitive prices, more advertising
4(b)	**Identify two methods of training that a business might use.** Knowledge [2 × 1] award 1 mark for each method identified Possible methods are: • on-the-job, • off-the-job • induction	2	**Do not** award descriptions of methods e.g. watching someone do the work

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4(c)	**Identify and explain two ways in which higher taxation might affect VIS.** Knowledge [2 × 1] – award 1 mark for each relevant way Application [2 × 1] – award 1 mark for each explanation in context Possible points might include: • Reduced demand OR lower sales [k] for insurance [app] • Increased costs OR lower profit [k] so less money for training [app] • May have to increase prices [k] leading to more customer complaints [app] • Might decide to relocate or stop selling some products [k] especially as some markets have become more competitive [app] • Delay plans to expand [k]	**4**	Application marks may be awarded for appropriate use of the following: • insurance • more competitive market, • retained profits decrease • customer complaints • need training **Do not** award cars or electrical products as app as they do not sell these products

Question	Answer	Marks	Guidance
4(d)	**Identify and explain two advantages to VIS of changing its organisational structure.** Knowledge [2 × 1] – award 1 mark for each advantage identified Application [2 × 1] – award 1 mark for each relevant reference made to this business Analysis [2 × 1] – award 1 mark for each relevant explanation Possible points might include: • Improved communication [k] could reduce (customer) complaints [app] leading to better reputation OR as fewer levels in hierarchy [an] • Lower labour costs [k] as fewer regional managers [app] reducing its expenses [an] • Managing Director OR Senior managers are less remote [k] so more aware of issues [an] which may be helpful in competitive market [app] • Increased (opportunities for) delegation [k] can improve employee motivation leading to better productivity [an] OR managers have more time to focus on other things [an] • Quicker decision making [k]	**6**	Application marks may be awarded for appropriate use of the following: • insurance • retained profit decrease • customer complaints increased • regional managers or regional directors • shorter chains of command **Do not** award cars or electrical products as app as they do not sell these products Note: efficiency can only be awarded as [an] if there is a clear explanation of what might happen to lead to an increase in efficiency

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Question	Answer	Marks	Guidance
4(e)	**Recommend the best method of communication VIS should use to inform employees about the changes to its organisational structure. Justify your answer.** Knowledge [1] – award 1 mark for identification of relevant method(s) Application [1] – award 1 mark for 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 the best method of communication for VIS to use to inform employees about the changes to its organisational structure Relevant methods might include: • Letter [k] which can be kept for future reference [an] • Meeting [k] as able to ask questions [an] but some might not go [an] • Email [k] can be sent to everyone at the same time [an] but some people may not read it [an] • Phone call [k] as it allows feedback [an] • Text (SMS) [k] OR mobile phone [k] • Notice on office board [k] • Notice on website [k] OR social media [k]	**6**	Application marks may be awarded for appropriate use of the following: • insurance • retained profit decrease, • customer complaints increased • regional managers or regional directors • shorter chains of command **Do not** award cars or electrical products as app as they do not sell these products **Do not** award verbal or written or visual communication, or face to face as not classed as a method. **Do not** award answers relating to cost or speed as [an] unless explained Candidates can discuss one method in detail or compare different methods

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