

Business and Enterprise

Level 1/2

Unit **R061/01**: Introduction to Business

Mark Scheme for June 2013

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.















All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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1. Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Context
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Repetition
	Point has been noted, but no credit has been given (big)
	Tick (can also be used to show research)
	Too vague

Question		Answer	Marks	Guidance										
1	(a)	<table border="1"> <thead> <tr> <th>Characteristics</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>The business can trade shares on the stock exchange</td> <td></td> </tr> <tr> <td>A maximum of two shareholders</td> <td></td> </tr> <tr> <td>Limited liability</td> <td>✓</td> </tr> <tr> <td>The business has its own legal identity</td> <td>✓</td> </tr> </tbody> </table>	Characteristics	Tick (✓)	The business can trade shares on the stock exchange		A maximum of two shareholders		Limited liability	✓	The business has its own legal identity	✓	2	<p>One mark for each correct benefit identified up to a maximum of two identifications</p> <p>If crossed out reward if not replaced.</p> <p>Mark from top down – max 2 marks.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
Characteristics	Tick (✓)													
The business can trade shares on the stock exchange														
A maximum of two shareholders														
Limited liability	✓													
The business has its own legal identity	✓													
	(b)	<p>Public limited company (1) This would mean selling shares in the business on the stock exchange (1) which can bring in extra capital (1) and would mean that the business still had limited liability which would encourage investment (1). The company would also still have a separate legal identity which would encourage investment (1).</p> <p>Public limited company(1) This would make the bank more willing to lend them money (1) because they are a more stable company (1).</p>	3	<p>One mark for a correct identification of a form of business ownership, (public limited company).</p> <p>One mark for the way it raises finance eg shares</p> <p>One mark why it is suitable, eg lot of money</p> <p>No context required</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>										

Question		Answer	Marks	Guidance
2	(a)	<ul style="list-style-type: none"> • Profit • Sales • Market share • To provide effective service to the public • Survival • Growth. <p>Exemplar responses:</p> <p>Growth The cinema industry is growing at the moment, especially with 3D technology being introduced in so many cinemas. This technology means that the cinema needs to invest heavily in order to buy new screens (L2) so that it can gain new customers and gain more sales (L3). This is why an objective of growth is appropriate at the moment. However, MIC Ltd may not have the capital to invest and this might make a growth objective unrealistic. It depends on whether or not it has the money (L4).</p> <p>Expansion After a few years businesses should try to expand their business. The business might have to spend some money in order to expand the business. For example Newtown picture house a cinema in my area (research) was not getting much business so it expanded (L2) and re-decorated which made the customers more likely to go there as it looks clean and new. MIC Ltd could expand and re-decorate this would mean that more customers will go. The revenue will therefore go up and so will the profits (L3). Newtown Picture House also added more screens so that more people would come because more films would get shown. Even though it costs the cinema money in the long run it will make them more money (L4).</p>	7	<p>Level 4 – Evaluation (6–7 marks) Recommendation for suitable business objective for MIC Ltd which is fully justified in context. Max 6 marks for evaluation but no reference to local area</p> <p>Level 3 – Analysis (4–5 marks) Analysis of a business objective suitable for MIC Ltd using examples and/or the local area. Max 4 marks for analysis but no ref to local area</p> <p>Level 2 – Application (2–3 marks) Knowledge and understanding of business objectives (how/why)</p> <p>Level 1 – Knowledge (1 mark) Identification/knowledge of business objectives.</p> <p>Default marks:</p> <p>L4 = 7 L3 = 5 L2 = 3 L1 = 1</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p> <p>There needs to be no reference to smart objectives.</p>

Question	Answer	Marks	Guidance
	<p>Increase sales</p> <p>At the moment the cinema is only showing 3 films a day and it is open from 10 am to 11.30 pm and if they are to survive they need to show as many films as possible (L2). Because from the research I have done, I found out that the only cinema in my town, shows about 60 films a day in its 7 screens. This enables them to reduce costs and bring more customers into the cinema (L3). Also there are many other facilities such as a leisure centre which makes it a whole day trip out to the cinema. Even without this bigger range of films they can make better sales by offering better quality films in the area (L4).</p>		

Question		Answer	Marks	Guidance
	(b)	<ul style="list-style-type: none"> • Profit • Growth • Sales • Social benefit • Market share • To provide effective service to the public • Survival. <p>Allow any other valid response relating to MIC.</p>	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Do not reward the business objective identified in 2 (a)</p> <p>Do not accept “Marketing” or “Promotion” as an objective. However you must read underneath so you could pick out the objective from the text underneath.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
3	(a)	<p>Exemplar responses:</p> <p>Break-even is the quantity needed to produce/sell (1) in order to cover all the costs of the business (1)</p> <p>Break-even is the point at which costs (1) equal revenue (1)</p> <p>Point at which neither profit or loss is made (2)</p> <p>Fixed cost/selling price-variable costs Fixed cost/contribution per unit.</p>	2	<p>Up to maximum of two marks 1+1</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
	(b)	<ul style="list-style-type: none"> • Mortgage • Loan • Share Issue • Retained profit • Venture capitalist • Business Angels 	6	<p>One mark for identification of method eg loan One mark for feature of funding method eg loan, interest One mark for suitability of funding method for this large investment.</p> <p>This question is about the expansion of a private limited company eg not selling on stock exchange.</p>

Question	Answer	Marks	Guidance
	<p>Exemplar responses:</p> <p>Mortgage (1). A mortgage is a loan secured on a property (1) and MIC Ltd wants to buy more property (1).</p> <p>Bank loan (1). A bank loan would be quick and easy to set up (no marks) which can be paid back in a long period of time (1). From a bank loan a business can take out a large sum of money and would be beneficial for the business (1).</p> <p>Allow any other valid response</p>		<p>Do not reward “quick and simple”. Overdraft not suitable.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question		Answer		Marks	Guidance	
4			Service (✓)	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p> <p>No marks if ticks in both boxes.</p> <p>If crossed out reward if not replaced.</p>	
		Bags of popcorn				✓
		Minimum wage				
		Showing a film	✓			
		Staff canteen				

Question		Answer	Marks	Guidance
5	(a)	<ul style="list-style-type: none"> • Questionnaires/survey • Interview • Observation eg competition • Testing/Sampling • Focus Groups • Social media eg facebook, twitter • Phone calls • Emailing <p>Exemplar responses:</p> <p>The cinema could give questionnaires (1) to people who do not already come to the cinema (1) in order to find out what they would like to cinema to change (1).</p> <p>The cinema could interview (1) current customers and find out their opinions (1) on what are the best things about MIC Ltd (1).</p> <p>Questionnaire (1). Ask people in the local area (1) what they like about the cinema and dislikes to that they can improve (1).</p> <p>Testing and observation (1). Invite 10 people into the cinema (1) and ask them for their feedback on the cinema and what they could improve (1).</p> <p>The cinema could go to the multiplex cinema and collect data (1) on what the most popular films are (1) so that it would know what types of film people prefer (1).</p>	6	<p>One mark for identification of suitable method</p> <p>One mark for how this method can help attract customers to the cinema</p> <p>One mark for how useful the information is to the cinema</p> <p>If survey implied twice eg quantitative and qualitative then award separately eg paper-based questionnaire and interview/face to face etc.</p> <p>Do not accept questionnaires and surveys/polls as two separate methods</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Marks	Guidance
(b)	<ul style="list-style-type: none"> • Product – films, complimentary products and services (“the experience” eg comfortable seats) • Price – competitor pricing, penetration pricing, etc • Place – distribution methods for tickets, Internet, etc • Promotion – above and below the line. <p>Exemplar response: A marketing mix contains the 4 P’s. For a cinema the product (L1) is the films which it shows. To get more customers they should show the latest films which are popular (L2). I found out that a new Hollywood blockbuster is likely to attract ten times more customers to my local cinema than a film which has been out for more than a month.(R) Having new films will encourage people to go to MIC Ltd rather than to the multi-screen cinema (L3).</p> <p>Exemplar response 2: The price (L1) would have to be cheaper than the multi-screen cinema. In my research I found out that it can cost over £10 per ticket which is a lot of money for two hours of entertainment (L3). If it was cheaper for the same film, then people would choose to go to MIC Ltd. The cinema cannot change the place (L2) where it is located, but it can sell tickets in more places, such as the Internet. Some of the people I asked said that they always book seats through the Internet so that they can get a good seat (R). This might increase the number of customers who would be willing to go to the cinema and increase sales (L3). Films are advertised a lot on TV but it is rare to see a cinema advertised. If MIC Ltd promoted itself more then it might get more customers, because they are aware it is there. However in my area it is much more important to people that the cinema shows new releases and sells good</p>	10	<p>Level 4 – Evaluation (8–10 marks) Evaluation of at least two components of the marketing mix suitable for a cinema using examples from research to support a recommendation. Max 8 marks for no reference to the local area</p> <p>Level 3 – Analysis (5–7 marks) Analysis of at least two components of the marketing mix likely to attract more customers for a cinema using examples from the local area. Max 5 marks for no reference to local area or only one part of the marketing mix with L3 analysis.</p> <p>Level 2 – Application (3–4 marks) Knowledge and understanding of one or more parts of the marketing mix for a cinema.</p> <p>Level 1 – Knowledge (1–2 marks) Knowledge of the marketing mix. One mark for one component and up to two marks for more than one.</p> <p>Default marks: L4 = 9 L3=6 L2=4 L1=2</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Marks	Guidance
	products than the price of the tickets (L4).		

Question		Answer	Marks	Guidance										
6	(a) (i)	<p>The amount of money staff earn per hour, week or month (1)</p> <p>The amount of money that staff are paid for working each month (1)</p> <p>The amount of money paid by the company to workers (1)</p>	1	<p>For one mark candidates must reference the reason for payment</p> <p>Accept “earn”</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit. Do not award marks if candidates re-word the stem.</p>										
	(ii)	<table border="1"> <thead> <tr> <th>Statement</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>Working more than your normal hours</td> <td>✓</td> </tr> <tr> <td>A payment below the minimum wage</td> <td></td> </tr> <tr> <td>A fixed monthly payment</td> <td></td> </tr> <tr> <td>Receiving extra pay for working extra hours</td> <td>✓</td> </tr> </tbody> </table>	Statement	Tick (✓)	Working more than your normal hours	✓	A payment below the minimum wage		A fixed monthly payment		Receiving extra pay for working extra hours	✓	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Award marks from top to bottom if more than 2 boxes ticked and only first two.</p> <p>If crossed out reward if not replaced. No marks if ticks in both boxes.</p> <p>If crossed out reward if not replaced.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>
Statement	Tick (✓)													
Working more than your normal hours	✓													
A payment below the minimum wage														
A fixed monthly payment														
Receiving extra pay for working extra hours	✓													
	(iii)	<p>Advantages to MIC might include:</p> <ul style="list-style-type: none"> • Increased productivity/sales • Savings on recruitment • Savings on training • Longer opening hours/busy times • Motivated staff <p>Exemplar response: An advantage to MIC would be a fall in the cost of training (1) new staff to work for the extra hours in the cinema (1)</p>	2	<p>One mark for a valid advantage plus one further mark for explanation in terms of benefit to MIC Ltd NOT the staff.</p> <p>Award first mark for the advantage. Award second mark for reason.</p> <p>Advantage to the business and not the staff, eg no marks awarded for more money for staff.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>										

Question	Answer	Marks	Guidance
	<p>An advantage is that MIC Ltd will be able to open more (1) and therefore there will be more customers meaning more revenue (1). Also there opening times will be flexible and attractive for customers.</p> <p>It means you would not have to hire more staff (1) and they already know the job so you don't have to train new people (1) also they only work overtime when they need to.</p> <p>One advantage of overtime is in busy times (1) you can ask your workers to work overtime rather than spending (1) more money on recruiting part-time workers.</p>		
(b)	<ul style="list-style-type: none"> • Poster • Newspaper (local) • Supermarket noticeboard • Job centre • Staff noticeboard • MIC website • Internet • Local radio • Local college/university • Local television • Employment agency • Trade magazines <p>Allow any other valid response</p>	1	<p>For one mark for a correct identification.</p> <p>Accept internally and externally.</p> <p>Do not accept television/radio which is not local.</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question		Answer	Marks	Guidance
7		<ul style="list-style-type: none"> • Social – change in tastes/fashions, demographics, trend (downloading films, staying at home), social networks etc • Environmental – recycling, greener working, littering, vandalism, noise pollution etc • Ethical – morals, culture, healthy eating, placement of food, fair treatment of staff, not abiding by the age rating, fair trade etc • Political – planning permission, tax/grant reform, min wage, welfare reforms (benefit), government policy, change of government, government 	4	<p>One mark for each correct identification up to a maximum of four identifications</p> <p>Do not accept legal. Do not accept repeats. Do not accept religion, weather.</p> <p>Identifications do not need to be in context</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

Question	Answer	Marks	Guidance
8	<ul style="list-style-type: none"> • Economic – recession, unemployment, inflation, interest rates • Legal – employment law, illegal downloads/filming, copyright law, new legislation • Technological – 3D technology, digital content, illegal downloads, create app to purchase tickets <p>Exemplar response 1:</p> <p>Economic factors will impact on a cinema because in a recession (L1) people have less disposable income and therefore, do not spend as much money on luxuries (L2). Since the cinema is a luxury to most people, this would have a large effect on a cinema in terms of lost sales. Costs will remain the same in some cases and therefore profit might be reduced (L3 – no research).</p> <p>Legal factors are also important because the cinema will have to pay minimum wage (L1) to its workers and if this changes, this will increase its costs (L3 – no research). However, most cinemas do not employ a large number of staff, so the impact of this may be relatively small (L4 – no research).</p> <p>In terms of technology, many people now download films illegally rather than go to the cinema. This is an ethical issue which could massively affect the number of customers which choose to pay to go to the cinema and, therefore, the profits of a cinema (L3 – no research).</p>	10	<p>Level 4 – Evaluation (8–10 marks) An evaluation of the impact based on an analysis of all 3 external factors in the context of MIC using examples from the local area.</p> <p>Max 9 marks for two external factors evaluated with reference to local area.</p> <p>Max 8 marks for no reference to the local area or only one external factor evaluated.</p> <p>Level 3 – Analysis (5–7 marks) An analysis of one or more of the external factors impacting on MIC using examples from the local area.</p> <p>Max 7 marks for two or three factors analysed including local researched.</p> <p>Max 6 marks for one factor analysed including local research.</p> <p>Max 5 marks for no reference to local area or only one external factor analysed.</p> <p>Level 2 – Application (3–4 marks) Knowledge and understanding of one or more of the external factors.</p> <p>Level 1 – Knowledge (1–2 marks) Knowledge of at least one external factor.</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response 2:</p> <p>Economic factors will affect MIC Ltd significantly because it is a very small business. Newtown Picture houses went through a difficult period of time last year because not many people were going to the cinema because they couldn't afford it. This is because the cost of living is going up such as rent and simple essentials (L2), such as bread. This means that after people have paid their rent they don't have a lot of money left over so they just buy essentials as they haven't got enough for luxury things such as going to the cinema. Also less and less people are going to the cinema these days because of technological factors. Technology has significantly changed and people have got ipads and iphones where they can download illegal and legal movies (L2) so they can watch the new films in the comfort of their own home. This is affecting small cinemas (L3) even more as people are not wanting to spend money when they could watch a film at home for free.</p> <p>Legal factors will also affect MIC LTd. They have the same legal as Newtown Picture House such as copyright and having to pay wage and food safety and hygiene. All of these factors can have a huge impact on MIC Ltd (L2).</p>		<p>Default marks: L4 = 9 L3=6 L2=4 L1=2</p> <p>NR must be given where there is no answer or 0 marks for no answer worthy of credit.</p>

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