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Mark Scheme (Results)

January 2014

International A Level Business Studies/Economics and Business (6BSA1/01)

Unit 1: Developing New Business Ideas

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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International A Level Economics & Business/Business Studies

January 2014 Unit 1: Developing New Business Ideas

Section A Mark Scheme

Question Number	Question	Mark
1 (a)	In January 2012, the UK Government tried to encourage banks to increase lending to small businesses. Which one of the following is true about bank loans given to small businesses? They are Answer – A (often secured against assets)	**1 mark**
1 (b)	• A loan is a method of finance which is repaid over a specific period of time/medium or long term/with interest (1 mark) • Lending to small businesses can be risky (1 mark) • Therefore banks often require security/collateral to reduce the risk (1 mark) Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g. • B is wrong because loans are usually provided from a source outside of the business itself, such as a bank (1 mark) • C is wrong because overdrafts may be repayable on demand (1 mark) • D is wrong because suppliers of stock provide trade credit (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Question Number	Question	Mark
2(a)	James Dyson made 5,126 prototypes when designing his first bagless vacuum cleaner; all of them turned out to be failures. This fact best demonstrates James Dyson's Answer - D (resilience)	**1 mark**
2(b)	• Resilience means not giving up easily/determination to succeed (1 mark) • It is a key characteristic of a successful entrepreneur (1 mark) • Which, given the high number of prototypes – 5,126 – is evident of James Dyson (1 mark) Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g. • A is not correct because ethical stance is a motive rather than characteristic (1 mark) • B is not correct because there is no suggestion that James either sacrificed any finance or employment (1 mark) • C is not correct because initiative relates to doing something without being prompted to do so (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Question Number	Question	Mark
3 (a)	In March 2012 the average price of petrol in the UK increased by 8p per litre, which resulted in higher inflation. This increase in the price of petrol may have had a significant impact on UK businesses, because Answer – C (cost of supplies increased)	**1 mark**
3 (b)	• Inflation is an increase in the average price level/across the economy (1 mark) OR supply is the amount of goods provided or produced in a given time period at a certain price (1 mark) • Increased fuel prices will lead to increased transport costs (1 mark) • Costs of supplies may increase because a business may pass on increased costs of transport (1 mark) Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g. • A is wrong because demand for <u>all</u> goods and services will not fall because inflation is an average measure (1 mark) • B is wrong because inflation is more likely to lead to higher wage demands as workers face an increase in the cost of living (1 mark) • D is wrong because this would imply a fall in petrol prices in March which would reduce inflation (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Question Number	Question	Mark
4 (a)	The Game Group announced the closure of 277 retail stores in March 2012 which led to 2,104 job losses. This was **most likely** due to Answer – A (a decrease in the price of computer games purchased online)	**1 mark**
4 (b)	• Computer games purchased online are a substitute for computer games sold in retail stores (1 mark) • So if they fall in price the online games will face an increase in demand as they represent better value for money (1 mark) • As a result, the demand for games sold in shops may fall causing the sales revenue for the Game Group shops to fall which led to the closures/job losses (1 mark) Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g. • B is wrong because lower opportunity costs are an indication that the current business model is preferable (1 mark) • C is wrong because a lower break-even revenue level suggests that it is more profitable for the Game Group to sell computer consoles in retail stores (1 mark) • D is wrong because a debenture is an external method of raising finance which might prolong the life of the Game Group (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Question Number	Question	Marks
5(a)	Look at the receipts below. In October 2012 the exchange rate was £1 = €1.23. Calculate the combined price in sterling of these receipts. Answer: C (£29.35)	**1 mark**
5(b)	Explain why this answer is correct: • The exchange rate is the price of one currency expressed in terms of another (1 mark) • The total of the spend is €36.10 (1 mark) • Divided by 1.23 = £29.35 (1 mark) **Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.** • It cannot be A because this indicates that the exchange rate is the reverse, i.e. 1 euro = £1.23 (1 mark) • It cannot be B because this is not the total price in Euros (1 mark) • It cannot be D because this is only one of the bills (£25.10/1.23) and not the total (1 mark) **NOTE:** Some candidates will divide each spend first before dividing by 1.23, in which case 2 marks still awardable if complete.	**1-3 marks**

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Question Number	Question	Marks
6 (a)	On 8th August 2011, the Adidas retail store in Birmingham was attacked by rioters. The store was set on fire. Which one of the following leadership styles might have been most appropriate for the store manager to use at the time? Answer – B (Autocratic)	**1 mark**
6 (b)	• An autocratic leadership style is one which entails strict discipline and the following of orders (1 mark) • which would have been particularly appropriate under these dangerous/hazardous circumstances (1 mark) • to get his/her staff and/or customers out of the shop quickly (1 mark) Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g. • A is wrong because democratic implies that the manager would usually involve employees in the decision making (1 mark) which would not be appropriate in this case given the urgency of the situation (1 mark) • C is wrong because leaving workers to decide for themselves what to do in such a crisis could prove fatal (1 mark) • D is wrong because Theory Y attitude to workers assumes that they know what to do themselves which may not be true in the case (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Question Number	Question	Marks
7 (a)	At the Sutton Vintage Trade Fair, held on 1 April 2012, Rebecca Burroughs managed to break-even by selling 40 items of costume jewellery she had made that week. Assuming fixed costs of £60, and an average selling price of £9, which of the following represents Rebecca's variable cost per unit? Answer – D (£7.50)	**1 mark**
7 (b)	• Break-even = Fixed cost (FC)/Selling Price-Average Variable costs, OR Contribution = FC/BE, OR average variable costs are total variable costs divided by output OR variable costs = sales revenue minus FC divided by breakeven OR variable costs are costs which vary with output OR Break-even is the output level where total costs equals total revenue (1 mark) • 40 = £60/£9 - £7.50 (2 marks) *where the first mark is gained for applying data partially, both marks if applied fully in the equation or explained fully using the data.* **Up to two of the marks above can be achieved alternatively by explaining distracters, e.g.** • A is wrong because this is fixed cost divided by sales revenue (1 mark) • B is wrong because this is the value of the contribution made (1 mark) given a selling price of £9 and average variable costs of £7.50 (1 mark) • C is wrong because this is fixed cost divided by selling price (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for formula/calculations if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Question Number	Question	Marks
8 (a)	Sharon Kelly runs Avalon Rescue, a Nottingham based re-homing centre for guinea pigs, as an unpaid volunteer. Sharon is most likely to be motivated by which one of the following reasons? Answer – B (an ethical stance)	**1 mark**
8 (b)	• Motivation is the drive behind doing something (1 mark) • An ethical stance implies that Sharon is motivated by moral and social concerns (1 mark) • In the case the welfare of guinea pigs not pay is what motivates Sharon (1 mark) **Up to 2 of the marks above can be achieved alternatively by explaining distracters, e.g.** • A is wrong because adding value is not a motive but rather a way of gaining competitive advantage (1 mark) • C is wrong because welfare of guinea pigs is more important to Sharon than income (1 mark) • D is wrong because it is a leadership style not an entrepreneurial motive (1 mark) Any acceptable answer which shows selective knowledge/application and/or development **NB** Maximum of 2 additional marks for reason if part (a) is incorrect or if only the wrong answers are focused on in the explanation.	**3 marks**

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Section B Mark Scheme

Question Number	Question	Marks
9.	Analyse why each enterprise is adding value	**6 marks**
	Knowledge 2, Application 2, Analysis 2 **Knowledge and understanding:** up to 2 marks are available for describing what is meant by adding value, e.g. the difference between the price that is charged and the inputs/improving the product itself or its perception (1 mark) in a way that customers see as beneficial/attractive (1 mark) **Application:** up to 2 marks are available by using the context, e.g. African Kitchen provides dishes that are gluten free (1 mark) and the Charles Dickens Museum provides a café (1 mark) **Analysis**: up to 2 marks are available for explaining the above, e.g. in order to boost sales/increase profits/attract customers (1 mark), to increase the number of visitors to the Museum (1 mark) **NB** Limit to 4 marks if only ONE enterprise is referred to.	**1-2 marks** **1-2 marks** **1-2 marks**

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Question Number	Question	Marks
10.	Explain how the principle of opportunity cost applies to Antonio, one of the owners of African Kitchen	**4 marks**
	Knowledge 2, Application 2 Knowledge and understanding: up to 2 marks are available for defining opportunity cost, e.g. the best alternative given up (1 mark) when making a choice between two options (1 mark) Application: up to 2 marks for contextualising answer, e.g. Antonio having to give up employment at the Savoy Hotel (1 mark) for self-employment (1 mark) **NB** no marks for a definition of trade off	**1-2 marks** **1-2 marks**

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Question Number	Question		Marks
11	Assess the likely value of market mapping to African Kitchen		8 marks
Level	**Marks**	**Descriptor**	**Possible content**
1	1-2	Knowledge/understanding of market mapping	e.g. Plotting the position of suppliers or brands against key characteristics of a product, such as price
2	3-4	Application should be present, i.e. the answer must be contextualised **NB** do not accept simply restaurant as a context	e.g. to enable Antonio to compare the menu, prices and dishes with other restaurants
3	5-6	Analysis must be present, i.e. in this case the candidate will explain the costs, causes or consequences of market mapping to African Kitchen **NB** A mark of 5 can be awarded when analysis is not in context	e.g. as the concern for eating foods with preservatives has increased, African Kitchen would have been able to position itself successfully in the market compared to other restaurants e.g. Antonio can monitor the position of African Kitchen compared to other restaurants in London
4	7-8	Evaluation must be present, i.e. the candidate will present arguments for and against the use of market mapping to African Kitchen NB Award a mark of 8 if both arguments are in context	e.g. market mapping is mainly used by new entrants to a market to gain useful ideas on how to distinguish itself from rivals, but African Kitchen has been established since 2003 so it may be of little value.

NB do not accept simply time-consuming as an evaluation point given that any type of market research will be time consuming; candidate must explain why market mapping is time consuming.

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Question Number	Question		Marks
12	Evaluate whether the Charles Dickens Museum (CDM) should aim to make a profit		8 marks
Level	**Marks**	**Descriptor**	**Possible content**
1	1-2	Knowledge/understanding of profit	e.g. total revenue minus total costs
2	3-4	Application should be present, i.e. the answer must be contextualised	e.g. the revenue gained from admission prices charged to tourists over the costs such as the wages of tour guides.
3	5-6	Analysis must be present, i.e. in this case the candidate will explain the value or not of making profit to CDM NB A mark of 5 can be awarded when analysis is not in context	e.g. CDM is a registered charity and should not necessarily aim to make a profit as such because it is meant to provide a service at cost to visitors
4	7-8	Evaluation must be present, i.e. the candidate will present arguments for AND against CDM seeking to make a profit NB Award a mark of 8 if both arguments are in context	e.g. the profits can be used to finance the modernisation of the museum, such as extending the cinema or providing better facilities in the café

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Question Number	Question		Marks
***13a**	Assess whether an increase in interest rates might have an impact on the owners of African Kitchen		**6 marks**
Level	**Mark**	**Descriptor**	**Possible content**
1	**1**	Knowledge/understanding of interest rates *QWC: To achieve a mark of 1, the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing*	e.g. the price of money paid by borrowers/savings increase/borrowing falls/cost of loans increases
2	**2**	Application should be present, i.e. the answer must be contextualised *QWC: To achieve a mark of 2, the candidate will use some business terms but the style of writing could be better/there will be some errors in spg/the legibility of the text could have been better in places*	e.g. Antonio may borrow money to pay for refurbishment of the patio
3	**3-4**	Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to African Kitchen of any increase in interest rates NB A mark of 3 can be awarded when analysis is not in context *QWC: To achieve a mark of 3-4, the candidate will use business terminology quite well/style of writing is appropriate to the question/reasonable to good spg*	e.g. in which case the overhead costs for the restaurant may increase which may lead to a reduction in profits if revenues fail to increase
4	**5-6**	Evaluation must be present, i.e. the candidate will present arguments for AND against why an increase in interest rates might affect African Kitchen *QWC: To achieve a mark of 5-6, the candidate will use business terminology precisely and effectively and will organise the answer to provide a coherent and fluent response/good to excellent spelling, punctuation and grammar*	e.g. but if the refurbishment of the patio is paid for out of retained profits rather than through a bank loan then African Kitchen's overheads will not be affected

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Question Number	Question		Marks
13b	Assess whether an increase in interest rates might have an impact on the visitors to the Charles Dickens Museum (CDM).		**6 marks**
Level	**Mark**	**Descriptor**	**Possible content**
1	1	Knowledge/understanding of interest rates *QWC: To achieve a mark of 1, the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing*	e.g. the price of money paid by borrowers/savings increase/borrowing falls/cost of loans increases
2	2	Application should be present, i.e. the answer must be contextualised *QWC: To achieve a mark of 2, the candidate will use some business terms but the style of writing could be better/there will be some errors in spg/the legibility of the text could have been better in places*	e.g. the disposable income of visitors/students/pensioners/families may fall
3	3-4	Analysis must be present, i.e. in this case the candidate will explain the costs, or consequences to CDM of any increase in interest rates NB A mark of 3 can be awarded when analysis is not in context *QWC: To achieve a mark of 3-4, the candidate will use business terminology quite well/style of writing is appropriate to the question/reasonable to good spg*	e.g. lower disposable income might lead to fewer visits to CDM because of issues relating to affordability for visitors
4	5-6	Evaluation must be present, i.e. the candidate will present arguments for AND against why an increase in interest rates might affect CDM *QWC: To achieve a mark of 5-6, the candidate will use business terminology precisely and effectively and will organise the answer to provide a coherent and fluent response/good to excellent spelling, punctuation and grammar*	e.g. CDM admission prices are so low – the maximum fee is £7 – such that the visit will be affordable in any case e.g. if visitors have no loans then their disposable income will not necessarily fall so pensioners/students/families will continue to visit

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Assessment grid

Spec Ref	Question	K/U	Applic	Analysis	Evaln	Totals
1.3.5a	1	2	1	0	1	4
1.3.1a	2	1	1	1	1	4
1.3.4a	3	3	0	0	1	4
1.3.2b	4	1	1	1	1	4
1.3.4a	5	1	3	0	0	4
1.3.1c	6	1	1	1	1	4
1.3.6b	7	1	3	0	0	4
1.3.1b	8	1	1	1	1	4
1.3.3c	9	2	2	2	0	6
1.3.3e	10	2	2	0	0	4
1.3.3c	11	2	2	2	2	8
1.3.1b	12	2	2	2	2	8
1.3.4a	13a	1	1	2	2	6
1.3.4a	13b	1	1	2	2	6
	TOTAL	**21**	**21**	**14**	**14**	**70**

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