



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education**

Business Studies

Assessment Unit AS 2

assessing

Growing the Business

[SBU21]

Assessment

**MARK
SCHEME**

General Marking Instructions

Introduction

The main purpose of the mark scheme is to ensure that examinations are marked accurately, consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidates' responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for GCE Business Studies.

Candidates should be able to:

- AO1** Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
- AO2** Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
- AO3** Analyse issues within a business, showing an understanding of the impact on individuals and organisations of external and internal influences.
- AO4** Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17 or 18-year-old which is the age at which the majority of candidates sit their GCE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 17 or 18-year-old GCE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error. To avoid a candidate being penalised, marks can be awarded where correct conclusions or inferences are made from their incorrect calculations.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement.

The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is good.

Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Basic): The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a satisfactory selection and use of an appropriate form and style of writing. Relevant material is organised with some degree of clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are satisfactory enough to make meaning clear.

Level 3 (Good): The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

Level 4 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning very clear.

1 (a) (AO1, AO2)

Explain the difference between cash and profit in Mr McCool's business, using **one** example. [4]

Cash is the cashflow in and out of the business, whereas profit is calculated as the difference between all revenues and costs (cash and non-cash expenses) incurred by the business. The differences could arise from one of the following:

- Payment for VR system costing £51,000 paid for in cash which does not affect profit levels, as it is a non-current asset.
- Timing differences between payments/receipts (e.g. accruals/prepayments);
- Accounting adjustments (e.g. inclusion of non-cash expenses in the income statement – depreciation, provision for bad debts);
- Inventory balances which remain unsold at financial year end which are capitalised and transferred to following financial period.
- Cash in bank 2019 £–11,000 2018 £40,000
- Profits 2019 £118,800 2018 £37,200

Marking:

[1] basic explanation of the difference between cash and profit.

[2] detailed explanation of the difference between cash and profit.

[1] basic application of stimulus material

[2] detailed application of stimulus material

[0] incorrect explanation and/or application of stimulus material.

Total [4]

(b) (AO1, AO2, AO3)

Analyse **two** ways in which Mr McCool effectively uses the physical environment element of the marketing mix to attract customers.

Physical environment element – refers to use of showroom upgrades to increase sales in order to achieve increased market share/revenues:

- Enables Mr McCool to meet changing consumer tastes by displaying product range and accessories (e.g. soft furnishings).
- Customers prefer the face-to-face/direct contact with professional staff when buying/selling properties.
- The upgraded showroom has a larger display area enabling more properties to be effectively displayed to customers coupled with the new VR facilities.
- The upgraded showroom will provide access to lounge-style waiting areas, free wi-fi and a coffee bar.

Level 3 ([7]–[8])

An excellent response demonstrates:

- Well-focused and sound analysis of **two** ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- Comprehensive and relevant, accurate knowledge and understanding of two ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- Thorough and detailed use of relevant source material to analyse two ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- An excellent quality of written communication.

Level 2 ([4]–[6])

A good response demonstrates:

- Focused analysis of up to **two** ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- Good use of relevant source material to analyse up to **two** ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of up to **two** ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- Basic knowledge and understanding of up to **two** ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- Limited use of relevant source material to analyse up to **two** ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

[8]

The question requires only two ways in which Mr McCool could effectively use the physical environment element of the marketing mix in order to attract customers. Any additional points stated will not attract any marks.

(c) (AO1, AO2, AO3)

Analyse **three** reasons why Mr McCool would use market research in his business.

Reasons for the use of market research:

- Increase sales revenues beyond £1,980,000 by understanding changing consumer preferences, e.g. houses, apartments.
- Increase sales revenues above £1,980,000 by assessing likely demand for properties, e.g. houses, apartments, detached, semi-detached.
- Increase sales revenues by improving the experience for customers (e.g. VR facilities, dedicated customer sales staff, sales area).
- Increase sales revenues by meeting customer needs in relation to the visitor experience which might encourage sales of properties.
- Increase sales revenues – Mr McCool can attract repeat custom from existing customers – positive experiences usually lead to repeat purchases.

Level 3 ([8]–[10])

An excellent response demonstrates:

- Well-focused and sound discussion of **three** reasons why Mr McCool would use market research in his business.
- Comprehensive and relevant, accurate knowledge and understanding of all **three** reasons why Mr McCool would use market research in his business.

- Thorough and detailed use of relevant source material to analyse all **three** reasons why Mr McCool would use market research in his business.
- An excellent quality of written communication.

Level 2 ([4]–[7])

A good response demonstrates:

- Focused discussion of up to **three** reasons why Mr McCool would use market research in his business.
- Good, accurate knowledge and understanding of up to **three** reasons why Mr McCool would use market research in his business.
- Good use of relevant source material to analyse up to **three** reasons why Mr McCool would use market research in his business.
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of up to **three** reasons why Mr McCool would use market research in his business.
- Basic knowledge and understanding of up to **three** reasons why Mr McCool would use market research in his business.
- Limited use of relevant source material to analyse one, two or three appropriate reasons why Mr McCool would use market research in his business.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

[10]

The question requires a discussion of only three reasons why Mr McCool would use market research in his business. Any additional reasons discussed will not attract any marks.

(d) (AO1, AO2, AO3, AO4)

Evaluate Virtual Properties' business performance for the period 2018–2019, using the accounting ratios stated in **Table 1**.

- Return on Capital Employed – sales revenues have risen, hence increase in ROCE from 3% to 9% – this will have a positive effect on the business and must be maintained if the business is to continue to grow, perhaps through increased sales prices or cost reductions.
- Net Profit – business expenses may have decreased (e.g. wages, marketing, stationery), hence increase in net profit margin from 2% to 6% or a simple increase in profits by £81,600 in the year.
- Current Ratio – a decline from 2:1 to 0.8:1, which indicates a reduction in cash balances due to payment of VR equipment or reduction in current liabilities, however the cash balance has decreased over the accounting period from £40,000 to £11,000; this is not good for the business as it may not be able to repay its short term debts. This is concerning.
- Gearing – an increase from 30% to 60% indicating an increase in debt levels, which suggests that Mr McCool has taken on additional loans/ debts (to pay for the new VR system); this will not benefit the business as it increases financial instability and the showroom upgrades yield positive benefits.

Final Judgement – Mr McCool’s business performance has improved, however, the cash balance is a problem which must be addressed, and business gearing levels must improve.

AVAILABLE
MARKS

Marking:

Level 4 ([14]–[18])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of Mr McCool’s business performance using the accounting ratios stated in Table 1.
- Highly appropriate, clear and logical judgement of Mr McCool’s business performance using the accounting ratios stated in Table 1, based on well focused and sound analysis.
- Thorough use of relevant source material to address Mr McCool’s business performance using the accounting ratios stated in Table 1.
- An excellent quality of written communication.

Level 3 ([10]–[13])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of Mr McCool’s business performance using the accounting ratios stated in Table 1.
- An appropriate, clear and logical judgement of Mr McCool’s business performance using the accounting ratios stated in Table 1, based on well focused analysis.
- Good use of relevant source material to address Mr McCool’s business performance using the accounting ratios stated in Table 1.
- A good quality of written communication.

Level 2 ([6]–[9])

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of Mr McCool’s business performance using the accounting ratios stated in Table 1.
- A suitable, appropriate judgement of Mr McCool’s business performance using the accounting ratios stated in Table 1, based on well focused analysis.
- A satisfactory quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of Mr McCool’s business performance using the accounting ratios stated in Table 1.
- Basic or no judgement based on limited analysis of Mr McCool’s business performance using the accounting ratios stated in Table 1.
- Limited use of relevant source material to address Mr McCool’s business performance using the accounting ratios stated in Table 1.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

[18]

40

2 (a) (AO1, AO2)

Explain the role of **budgeting** to Harbour Car Hire when making decisions, using an example from the case study.

A budget is a plan, expressed in financial terms, for a future specified time period, and this will allow Jenny to make effective decisions, plan and control costs.

Example – Profits reported were £10,000. Control of costs is required to increase profits (e.g. wages, car cleaning costs)

Marking:

[1] basic explanation of the role of budgeting

[2] detailed explanation of the role of budgeting

[1] basic application of stimulus material to support definition

[2] detailed application of stimulus material to support definition

[0] incorrect explanation and/or application of stimulus material.

Total

[4]

(b) (AO1, AO2, AO3)

Analyse **two** ways in which Harbour Car Hire's manager can segment the market for car hire.

- Location – 2 branches, Belfast and Larne.
- Gender – male/female.
- Age – younger customers may use internet/older customers visit offices/ minimum age of 21 years.
- Product – vehicle type – SUV, sports, economy.
- Booking channel – office/online.
- Socio-economic/Price – customers may book on the basis of price, as influenced by family/personal income levels – The Bell family, Mr R Jones.

Level 3 ([7]–[8])

An excellent response demonstrates:

- Well-focused and sound analysis of two ways in which the manager can segment the car hire market.
- Comprehensive and relevant, accurate knowledge and understanding of two ways in which the manager can segment the car hire market.
- Thorough and detailed use of relevant source material to analyse two ways in which the manager can segment the car hire market.
- An excellent quality of written communication.

Level 2 ([4]–[6])

A good response demonstrates:

- Focused analysis of up to two ways in which the manager can segment the car hire market.
- Good use of relevant source material to analyse up to two ways in which the manager can segment the car hire market.
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of up to two ways in which the manager can segment the car hire market.

- Basic knowledge and understanding of up to two ways in which the manager can segment the car hire market.
- Limited use of relevant source material to analyse up to two ways in which the manager can segment the car hire market.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks. [8]

The question requires only two ways in which the manager can segment the car hire market. Any additional points stated will not attract any marks.

(c) (AO1, AO2, AO3)

Analyse **three** ways in which the market share of Harbour Car Hire can be improved.

- Price – review prices – currently 5.5% cheaper than rivals – if this was increased to say, 7%, this might increase sales/market share to 5%.
- Advertise – an expensive advertising campaign is planned to increase customer awareness of the business and service provided, which may increase market share beyond 3%.
- Internet/E-business – increasing use of this will increase sales/market share, e.g. online check-in.
- Market Research – the findings will allow resources to be matched to customer needs, e.g. availability of SUVs; cheaper prices/offers; additional extras sold. This may improve market share beyond 3%.

Level 3 ([8]–[10])

An excellent response demonstrates:

- Well-focused and sound analysis of three ways in which the market share of HCH can be improved.
- Comprehensive and relevant, accurate knowledge and understanding of all three ways in which the market share of HCH can be improved.
- Thorough and detailed use of relevant source material to analyse all three ways in which the market share of HCH can be improved.
- An excellent quality of written communication.

Level 2 ([4]–[7])

A good response demonstrates:

- Focused analysis of up to three ways in which the market share of HCH can be improved.
- Good, accurate knowledge and understanding of up to three ways in which the market share of HCH can be improved.
- Good use of relevant source material to analyse up to three ways in which the market share of HCH can be improved.
- A good quality of written communication.

Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of up to three ways in which the market share of HCH can be improved.
- Basic knowledge and understanding of up to three ways in which the market share of HCH can be improved.
- Limited use of relevant source material to analyse one, two or three ways in which the market share of HCH can be improved.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks. [10]

The question requires an analysis of only three ways in which the market share of HCH can be improved. Any additional ways analysed will not attract any marks.

AVAILABLE
MARKS

(d) (AO1, AO2, AO3, AO4)

Evaluate the use of the internet by Harbour Car Hire as it seeks to increase market share.

- Advertising – Harbour Car Hire can increasingly use the internet to advertise rentals to customers including promotions – this will increase market share beyond 7% – this can be done using emails/texts/social media – a customer has posted a positive customer review; this will benefit the business and enable them to attract new customers and encourage repeat custom from existing customers and aimed at increasing market share in a highly competitive car rental market.
- Market Research – Harbour Car Hire can increasingly use the internet to manage all aspects of customer bookings and ensure that vehicles are available for rental at all times – this includes ensuring that the correct vehicles are available for customers, e.g. power steering, sat-nav's, automatic/manual gearbox, sports/SUV/economy vehicles are available – all aimed at increasing market share in a highly competitive car rental market.
- Sales Channels – Table 3 indicates that car rentals are increasingly being made using 'online' channels – up from 60% to 90% and also reduced number of visits to the office; thus Harbour Car Hire can use the internet to ensure that it can increase its market share in a highly competitive car rental market.
- Reduced operating costs – Harbour Car Hire can reduce operating costs through the use of e-business as it contains its website and management information system which can be interlinked to increase efficiency and hence allow additional resources to be diverted towards promotional activity which can increase market share.
- Global market – Harbour Car Hire operates in an international market and also draws customers from a global market – tourists/business users of different nationalities (e.g. European, American, Middle/Far Eastern origin) rent cars from Harbour Car Hire.
- Other valid responses: lower transaction costs; 24/7 availability; avoid intermediaries in the business transaction – accepted only if supported with appropriate examples from stimulus.
- Customers ignore promotions and advertisements.
- Technical viewing problems.
- Expensive advertisements pricing.
- Can distract customers.
- Too many websites.

Final Judgement: increasing use of the internet is useful to Harbour Car Hire as it is increasingly dependent upon it for increasing profitability. This is supported by industry data forecasting that use of the online sales channel is growing (to 90% in 2019).

Marking:

Level 4 ([14]–[18])

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- Highly appropriate, clear and logical judgement of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability, based on well focused and sound analysis.
- Thorough use of relevant source material to address the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- An excellent quality of written communication.

Level 3 ([10]–[13])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- An appropriate, clear and logical judgement of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- Good use of relevant source material to address the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- A good quality of written communication.

Level 2 ([6]–[9])

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and application of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- A suitable, appropriate judgement of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- A satisfactory quality of written communication.

Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- Basic or no judgement based on limited analysis of the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- Limited use of relevant source material to address the increasing use of the internet by Harbour Car Hire as it seeks to increase profitability.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

[18]

Total

**AVAILABLE
MARKS**

40

80