



**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2018**

Business Studies
Assessment Unit AS 2
assessing
Growing the Business
[SBU21]
FRIDAY 25 MAY, AFTERNOON

**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 what is meant by the term e-business using an example from the case study to illustrate your answer.

Method(s) of conducting business using electronic means; examples include:

- Use of website to advertise business/product range;
- Provision of social media facilities (typically found within a website);
- Provision of automated payment facilities to meet customer needs.

Marking:

- [1] basic explanation of the term e-business
- [2] detailed explanation of the term e-business
- [1] basic application of stimulus material
- [2] detailed application of stimulus material
- [0] incorrect explanation and/or application of stimulus material. [4]

(b) (i) (AO1, AO2, AO3)

Calculate the Return on Capital Employed (ROCE) ratio for Bonny's business for March 2017 and March 2018.

	2017	2018
ROCE	$\frac{£58\,444}{£225\,000 - 27\,000}$ $= \frac{£58\,444}{£198\,000}$ $= 29.5\%$ $= 30\%$	$\frac{49\,999}{(271\,710 - 13\,661)}$ $= \frac{49\,999}{258\,049}$ $= 19.4\%$ $= 19\%$

Marking:

- [1] incorrect calculation and annotation of ROCE for 2017 of 30%;
- [1] incorrect calculation and annotation of ROCE for 2018 of 19%;
- [2] correct calculation and annotation of ROCE for 2017 of 30%;
- [2] correct calculation and annotation of ROCE for 2018 of 19%;
- [0] incorrect calculation, method and/or annotation. [4]

(ii) Analyse one reason for the change in Bonny's ROCE from March 2017 to March 2018.

ROCE declines from 30% to 19% possibly due to:

- Increased expenses incurred during financial period 2018 – possibly due to increased interest costs due to taking out the bank loan; or
- A greater than proportionate increase in expenses compared to the increase in sales revenues in the same period (i.e. £395 increase in sales revenues compared to £14 865 increase in expenses, which has disproportionately decreased net profit in the same period)
- Increase in capital employed (£225 000 to £271 710)

Marking:

- [1] basic analysis of change in ROCE in period from 2017 to 2018;

- [2] good analysis of change in ROCE in period from 2017 to 2018;
 [3]–[4] detailed analysis of change in ROCE in period from 2017 to 2018;
 [0] incorrect analysis of changes in ROCE ratio. [4]

AVAILABLE
MARKS

(c) (AO1, AO2, AO3)

Analyse three ways in which Bonny might segment the market for child restraints.

Bonny can segment the market in three ways such as:

- Product type – forward or rearward facing seats;
- Child weight – 0–25kgs;
- Age – 0–12 years;
- Gender – male/female;
- Fabric type/design – colour/fabric/themed cover;
- Price – starting price £35; up to £500+.
- Online/shop
- Geographic
- Income/Socio-economic class

Analysis:

- Bonny can set a price using different pricing ranges, e.g. £0-£34.99; £35-£99.99; £100-£499.99; £500+, to target consumers with different income levels – can use premium pricing strategies and/or penetration pricing strategies to meet consumer preferences;
- Bonny can produce child restraints to match the various categories – e.g. forward or rear facing restraints to match consumer demand and increase sales revenues;
- Bonny can produce child restraints to fit the body size/weight and age of children – this will create sales opportunities to increase market share;

Level 3 [8]–[10]

An excellent response demonstrates:

- Well-focused and sound discussion of three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- Comprehensive and relevant, accurate knowledge and understanding of all three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- Thorough and detailed use of relevant source material to analyse all three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- An excellent quality of written communication.

Level 2 [4]–[7]

A good response demonstrates:

- Focused discussion of up to three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- Good, accurate knowledge and understanding of up to three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- Good use of relevant source material to analyse up to three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- A good quality of written communication.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the appropriate ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- Basic knowledge and understanding of the appropriate ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- Limited use of relevant source material to analyse one, two or three appropriate ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues
- A basic quality of written communication.

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

[10]

The question requires a discussion of only three ways in which Bonny might segment the market for child restraints in order to achieve increased sales revenues. Any additional ways discussed will not attract any marks.

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

Evaluate the usefulness of the information included in the final accounts to Clive in assessing business performance.

- Financial statement information may be useful in that it will summarise key points about the financial position of the business as it is put up for sale by Bonny, i.e. ROCE 19% (based on Net Profit, Assets or summary of other figures), Profits, solvency, total assets and liabilities and other data – this will give Clive an idea of initial purchase price;
- Financial statements are historical in nature and is likely to be out of date by the time Clive decides to proceed with the purchase of Bonny's business;
- Book values contained in the financial statements (£271 710) are estimated figures, and not likely to be truly representative of the current market value of the assets/liabilities of Bonny's business;
- Data may be "window dressed" or subject to seasonal variations in order to present the best aspects of the financial position – this means that Clive may have to undertake an audit of the financial position in order to determine exactly what is included in the purchase price;
- Financial statements represent only a quantitative view of the business and therefore do not disclose qualitative factors which may impact the business. e.g. goodwill, future orders, returns/faulty products which may have an impact on the proposed purchase price to be paid.
- External environment – financial statements don't capture wider economic environmental issues or quality issues.
- Allows corrective actions
- In itself information is limited in its detail (re: financial data)
- Valid alternatives accepted.

Marking:**Level 4 [14]–[18]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business

- Highly appropriate, clear and logical judgement of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business, based on well focused and sound analysis
- Thorough use of relevant source material to address the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- An excellent quality of written communication.

Level 3 [10]–[13]

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- An appropriate, clear and logical judgement of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business, based on well focused analysis
- Good use of relevant source material to address the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- A good quality of written communication.

Level 2 [6]–[9]

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- A suitable, appropriate judgement of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business, 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 the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- Basic or no judgement based on limited analysis of the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- Limited use of relevant source material to address the usefulness of Bonny's financial statements to Clive when deciding whether or not to buy Bonny's business
- A basic quality of written communication.

Answers not worthy of credit [0] marks.

[18]

40

2 (a) (AO1, AO2)

Explain the term market size using the hotel sector in the city of Belfast as an example.

- Market size represents the total number of participants/sales volume/revenues in a market;
- Regarding the city of Belfast, there are a total of 32 hotel properties operating in the city, across a variety of star grades as detailed in Table 1.

Marking:

- [1] basic explanation of the term market size
- [2] detailed explanation of the term market size
- [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. [4]

(b) (AO1, AO2, AO3)

Analyse **two** ways in which the predicted market growth of tourism might impact on the growth of the Bullitt Hotel.

- Increased number of customers
- Increased costs

Increased revenues

- Revenues may increase as customers become familiar with the hotel facilities and feel that it meets their needs, from the types of rooms available, to the vibrant ground floor facilities;

Increased market share

- Market share may increase, as it is a 4* hotel, and the owners identified it within the growing hotel sector in the city of Belfast – therefore this facility represents 1/9th of the market segment;
- Facilitate strategic development

Security of employment

- The Bullitt Hotel provides employment for staff (full time/part time) across a number of disciplines, and they must be able to provide excellent levels of customer service and product to customers in order to ensure repeat custom and thus increase chances of job security in the future; 1 500 more rooms needed, staff needed to support this.

Profitability

- The tourism market can be sub-divided into business tourism and leisure tourism which enables the hotel to meet customer needs in each market segment, and coupled with high occupancy and profitability rates would allow it to take advantage of increased customer demand.
- Increased competition from rivals
- Attracts investors

Level 3 [7]–[8]

An excellent response demonstrates:

- Well-focused and sound analysis of two ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel

- Comprehensive and relevant, accurate knowledge and understanding of two ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- Thorough and detailed use of relevant source material to analyse two ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- An excellent quality of written communication.

Level 2 [4]–[6]

A good response demonstrates:

- Focused analysis of two ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- Good use of relevant source material to analyse two ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- A good quality of written communication.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- Basic knowledge and understanding of ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- Limited use of relevant source material to analyse the ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel
- A basic quality of written communication.

Answers not worthy of credit [0] marks.

[8]

The question requires only two ways in which the predicted growth of the tourism market might impact on the growth of the Bullitt Hotel. Any additional points stated will not attract any marks.

(c) (AO1, AO2, AO3)

Analyse one benefit to the Bullitt Hotel of undertaking each of the three market research methods discussed in the case study.

Test Marketing

- Enables management to undertake product development – test marketing may indicate to management that no consumers are likely to use the roof garden in adverse weather conditions or if a smoking area is located nearby.

Interview

- Collect information on consumer/tastes preferences, i.e. interviews may provide information on food preferences, room decor.

Surveys

- Use of government surveys would enable setting of Sales Prices – surveys may indicate the prices consumers are willing to pay, e.g. consumers may be willing to pay £99 for a room, compared to £100, as £99 is perceived to be cheaper.

- Government publications provide data on income levels, trade statistics, inflation and employment data as a way of allowing management of hotel to make decisions

Level 3 [8]–[10]

An excellent response demonstrates:

- Well-focused and sound analysis of three reasons why management would undertake research
- Comprehensive and relevant, accurate knowledge and understanding of all three factors reasons why management would undertake research
- Thorough and detailed use of relevant source material to analyse all three reasons why management would undertake research
- An excellent quality of written communication.

Level 2 [4]–[7]

A good response demonstrates:

- Focused analysis of up to three reasons why management would undertake research
- Good, accurate knowledge and understanding of up to three reasons why management would undertake research
- Good use of relevant source material to analyse up to three reasons why management would undertake research
- A good quality of written communication.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the appropriate reasons why management would undertake research
- Basic knowledge and understanding of the appropriate reasons why management would undertake research
- Limited use of relevant source material to analyse one, two or three reasons why management would undertake research
- A basic quality of written communication.

Answers not worthy of credit [0] marks.

[10]

The question requires an analysis of only three reasons why management would undertake research. Any additional reasons analysed will not attract any marks.

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

Evaluate the usefulness of completing a marketing plan to the management team of the Bullitt Hotel.

A marketing plan is a summary of the marketing activities which the hotel might undertake in order to achieve its business objectives. This is useful as it allows the Bullitt Hotel's management team to:

- State a clear strategic direction (i.e. set objectives/targets) regarding how management intend to attract and retain customers – 43 bedrooms are available, in addition to the anticipated footfall in vibrant ground floor, using the ski lodge and other facilities;
- Competently develop brand awareness in the sector – customers will be attracted to the hotel for a number of reasons including: its name/

movie theme (Bullitt Hotel and movie heritage), location (city centre location), 4* rating (customers want 5* facilities, without 5* status/price), opportunities can be identified within the corporate/business and leisure tourism market segments;

- Successfully sell their products/services – customers may be attracted to the Bullitt Hotel by product/services available, including: excellent food, traceable food, home-made cookies, Asador Grill, best beds; money can buy, roof-top garden, unique welcome message in the lifts;
- Address and identify potential problems (e.g. in external environment) – management will gain a better understanding of the potential demand in the sector – industry experts predict that an additional 1500 rooms are needed by 2020, which would enable Bullitt Hotel management team to plan ahead and see how it can maximise space and ensure property is operating efficiently in order to take advantage of potential demand, whilst at the same time it allows managers to agree resources required to meet operational business requirements, e.g. staff numbers required, promotional activities required to increase brand awareness and so on;
- Identification of new opportunities - industry experts report that the hotel sector is an attractive investment opportunity – it offers high levels of occupancy rates and profitability rates;
- A marketing plan may be inaccurate, since it is based on estimates and the assumptions may be unrealistic, thus any targets set may be too difficult to achieve and as a consequence may demotivate the members of the management team.
- Facilitates comparisons
- Reduce risk of failure
- Assist financial planning
- Help gain Competitive Advantage
- Motivation
- Integral part of business plan, e.g. used to secure additional funds
- Valid alternatives accepted

Marking:

Level 4 [14]–[18]

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of completing a marketing plan to the management team of the Bullitt
- Highly appropriate, clear and logical judgement of completing a marketing plan to the management team of the Bullitt Hotel, based on well focused and sound analysis
- Thorough use of relevant source material to address completing a marketing plan to the management team of the Bullitt Hotel
- An excellent quality of written communication.

Level 3 [10]–[13]

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of completing a marketing plan to the management team of the Bullitt Hotel
- An appropriate, clear and logical judgement of completing a marketing plan to the management team of the Bullitt Hotel, based on well focused analysis
- Good use of relevant source material to address completing a marketing plan to the management team of the Bullitt Hotel
- A good quality of written communication.

Level 2 [6]–[9]

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and application of completing a marketing plan to the management team of the Bullitt Hotel
- A suitable, appropriate judgement of completing a marketing plan to the management team of the Bullitt Hotel
- A satisfactory quality of written communication.

Level 1 [1]–[5]

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of completing a marketing plan to the management team of the Bullitt Hotel
- Basic or no judgement based on limited analysis of completing a marketing plan to the management team of the Bullitt Hotel
- Limited use of relevant source material to address completing a marketing plan to the management team of the Bullitt Hotel
- A basic quality of written communication.

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

[18]

Total

**AVAILABLE
MARKS**

40

80