



*Rewarding Learning*

**ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
2024**

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## **Business Studies**

**Assessment Unit AS 2**

*assessing*

**Growing the Business**

**[SBU21]**

**FRIDAY 24 MAY, AFTERNOON**

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**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 place element of the marketing mix, using Top Fash as an example.

Place is one of the elements of the marketing mix. It is essential to let customers buy a product in a way and in a location that is convenient to them. The place element must fit well with the other elements of the marketing mix.

Top Fash currently sells its products in a retail store located in Belfast city centre. In the future, the place element may change if a decision is made to sell via e-commerce or over the internet.

- Good, accurate knowledge and detailed explanation of the place element of the marketing mix; **[2]**
- Basic knowledge and explanation of the place element of the marketing mix; **[1]**
- Good use of relevant source material to support explanation of the place element of the marketing mix; **[2]**
- Limited use of relevant source material to support explanation of the place element of the marketing mix; **[1]**

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

**[4]**

**(b) (AO1, AO2, AO3)**

Analyse **two** ways by which Paul might improve his cash flow through relocating his store to outside the city centre.

In order to improve cash flow Paul must increase sales revenue and/ decrease costs.

- Top Fash would have to pay substantially less rent and rates in the new location which would improve the cash-flow position of the business.
- In addition, Top Fash may gain extra revenue through a sale to bring stock levels down to a level more suitable for the new store.
- There may be increased sales revenue if Paul succeeds in encouraging customers to spend more while in the new store.
- Smaller premises so less stock can be held/reduce number of staff/ increased advertising to increase sale and any other valid response related to improving cash flow.

**Level 3 [7]–[8]**

An excellent response demonstrates:

- Well-focused and sound analysis of the two ways by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.
- Comprehensive, relevant and accurate knowledge and understanding of the two ways by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.
- Thorough and detailed use of relevant source material to analyse two ways by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.

**Level 2 [4]–[6]**

A good response demonstrates:

- Focused analysis of up to two ways by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.
- Good accurate knowledge and understanding of up to two ways by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.
- Good use of relevant source material to analyse up to two ways by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.

**Level 1 [1]–[3]**

A basic response demonstrates:

- Basic analysis of one way by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.
- Basic knowledge and understanding of one way by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.
- Limited use of relevant source material to analyse one way by which Paul might improve his cash flow if the proposed relocation of the Top Fash store goes ahead.

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

[8]

**(c) (AO1, AO2, AO3)**

Analyse **one** benefit and **two** drawbacks if Top Fash was to operate only as an e-commerce business.

**Benefits**

- Increased customer base as more customers can be reached than those just coming to a shop – access to a worldwide market.
- Decreased costs as no need to pay expenses for premises – lower transaction costs.
- Sell 24/7 and 365 days a year. It is like a shop that never closes.
- Bypass intermediaries – supply chain links are shortened which therefore increases efficiency.
- Faster communication with customers/quicker growth leading to economies of scale.

**Drawbacks**

- Some customers are reluctant to pay through a website due to security issues.
- Customers may not have the IT facilities to shop online.
- Capital cost of setting it up and then the cost of ensuring it is updated.
- Shipment costs/increased competition/highly effective supply chain/loss of loyal older customers due to technology.

**Level 3 [8]–[10]**

An excellent response demonstrates:

- Well-focused and sound analysis of a benefit and two drawbacks to Top Fash of operating only as an e-commerce business.
- Comprehensive, relevant and accurate knowledge and understanding of a benefit and two drawbacks to Top Fash of operating only as an e-commerce business.

- Thorough and detailed use of relevant source material to analyse a benefit and two drawbacks to Top Fash of operating only as an e-commerce business.
- An excellent quality of written communication.

**Level 2 [4]–[7]**

A good response demonstrates:

- Focused analysis of a benefit and up to two drawbacks to Top Fash of operating only as an e-commerce business.
- Good accurate knowledge and understanding of a benefit and up to two drawbacks to Top Fash of operating only as an e-commerce business.
- Good use of relevant source material to analyse a benefit and up to two drawbacks to Top Fash of operating only as an e-commerce business.
- A good quality of written communication.

**Level 1 [1]–[3]**

A basic response demonstrates:

- Basic analysis of the benefit and drawbacks to Top Fash of operating only as an e-commerce business.
- Basic knowledge and understanding of the benefit and drawbacks to Top Fash of operating only as an e-commerce business.
- Limited use of relevant source material to analyse the benefit and drawbacks to Top Fash of operating only as an e-commerce business.
- A basic quality of written communication.

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

[10]

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

Evaluate the use of a questionnaire as a method of market research for Top Fash.

- Top Fash would be able to ask many relevant questions that would enable the business to plan what products to have in its store, in order to maximise profits.
- Customers might be more likely to give honest answers about things like their age or size. This would enable Top Fash to give customers a better range of products.
- Top Fash would be able to cover a large sample of customers and a wide geographical area quite easily.
- The main market segment for Top Fash could be reached.
- Answers are specific to Top Fash.
- Can ask open and closed questions.
- Can be cost effective if well designed such as using technology/current customers feel valued.
- The respondent might not fully understand a question so replies might be less valid. Top Fash might then make a costly mistake regarding its range of products.
- Results might therefore be less accurate due to bias.
- Questionnaires can be expensive as it is time consuming to complete and analyse.
- Small sample so not representative of population/low response rate.

**Level 4 [14]–[18]**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding and detailed evaluation of a questionnaire as a method of market research for Top Fash.
- Highly appropriate, clear and logical judgement regarding a questionnaire as a method of market research for Top Fash.
- Thorough use of relevant source material to evaluate a questionnaire as a method of market research for Top Fash.
- An excellent quality of written communication.

**Level 3 [10]–[13]**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding and evaluation of a questionnaire as a method of market research for Top Fash.
- An appropriate, clear and logical judgement of a questionnaire as a method of market research for Top Fash.
- Good use of relevant source material to evaluate a questionnaire as a method of market research for Top Fash.
- A good quality of written communication.

**Level 2 [6]–[9]**

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and application of a questionnaire as a method of market research for Top Fash.
- A suitable, appropriate judgement of a questionnaire as a method of market research for Top Fash based on well-focused analysis.
- Satisfactory use of relevant source material to evaluate a questionnaire as a method of market research for Top Fash.
- A good quality of written communication.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding with unfocused evaluation of a questionnaire as a method of market research for Top Fash.
- Basic or no judgement based on limited analysis of a questionnaire as a method of market research for Top Fash.
- Limited use of relevant source material to evaluate the importance of a questionnaire as a method of market research for Top Fash.
- A basic quality of written communication.

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

[18]

40

- 2 (a) (i) Explain what is meant by the term break-even using an example from the case study.

Break-even – this is a situation where neither a profit or loss is made.

It is where total revenue = total costs or where sales volume = total sales revenue.

Current level of Break-even in Chocco is 100 bars. Above this a profit is made and below 100 bars a loss is made. [2]

- (ii) Explain how a 10% increase in fixed costs would impact the break-even point.

If fixed costs increase by 10% this will have the affect of increasing the Break-even point.

More chocolate bars will have to be sold in order to reach the Break-even point.

If fixed costs rise by 10% they rise to £220.00

This means the new Break-even is 110 bars of chocolate. [2]

- (b) (AO1, AO2, AO3)

Analyse **two** implications for Chocco of the chocolate bars being in the introductory stage of their product life cycle.

- Costs would tend to be higher as the chocolate bars are in the introductory stage of their product life cycle. Chocco would need to make customers aware of its new product, particularly as one of its market segments is vegans, so a significant amount would have to be spent on promoting the new product.
- Chocco would have to advertise heavily using both informative and persuasive methods in order to create brand awareness and loyalty. This would impact negatively on cash flow.
- As Chocco would only be producing relatively small outputs to begin with, the business would not be able to take advantage of bulk buying discounts for ingredients so production costs per chocolate bar would tend to be higher. This would impact negatively on cash flow.
- It would be difficult for Chocco to maximise sales revenues while the chocolate bars are still in the introductory stage of their product life cycle. Joan seems to be planning to use a competitor based pricing strategy in order to break into the market. This will keep sales revenue low and put pressure on cash flow.
- Sales revenue will be low to begin with as the product is not well known and it takes time to build up brand awareness. This will put pressure on the cash flow of the business.

However, the cash flow situation should steadily improve as the product moves from the introductory stage of the product life cycle into the growth stage.

AVAILABLE  
MARKS

### Level 3 [7]–[8]

An excellent response demonstrates:

- Well-focused and sound analysis of the implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.
- Comprehensive, relevant and accurate knowledge and understanding of implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.
- Thorough and detailed use of relevant source material to analyse the implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.

### Level 2 [4]–[6]

A good response demonstrates:

- Focused analysis of the implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.
- Good accurate knowledge and understanding of implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.
- Good use of relevant source material to analyse the implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.

### Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.
- Basic knowledge and understanding of the implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.
- Limited use of relevant source material to analyse implications for the cash flow of Chocco of the chocolate bars being in the introductory stage of their product life cycle.

Answers not worthy of credit [0] marks.

[8]

### (c) (AO1, AO2, AO3)

Analyse **three** ways by which Joan might segment the market for the chocolate bars.

Market segmentation involves the splitting up of the market into distinct customer groups. There are a number of ways by which Joan might segment the market for the chocolate bars.

- Children prefer different flavours – different customers will prefer different flavours of chocolate bars. This would have implications for the production method used and also for the packaging of the product.
- Vegans – vegans will choose the chocolate bars because they are made without using any dairy products. This is a very fast growing market segment and may not have the same amount of competitors as other segments just yet.

- Consumer incomes – depending on the price of the chocolate bars, they may appeal to customers of different incomes. The bars are said to be very high quality so this might imply that the longer term goal is to sell them at a premium price.
- Geographic area – the chocolate bars may be sold to customers in a particular region to begin with and then to the whole country as the business grows.
- Lifestyle – consumers have changed to a vegan way of life.
- Packaging that appeals to males and females.
- Segment by gender, this means it appeals to males and females.

**Level 3 [8]–[10]**

An excellent response demonstrates:

- Well-focused and sound analysis of how Joan might segment the market for the chocolate bars.
- Comprehensive, relevant and accurate knowledge and understanding of how Joan might segment the market for the chocolate bars.
- Thorough and detailed use of relevant source material to analyse how Joan might segment the market for the chocolate bars.
- An excellent quality of written communication.

**Level 2 [4]–[7]**

A good response demonstrates:

- Focused analysis of how Joan might segment the market for the chocolate bars.
- Good accurate knowledge and understanding of how Joan might segment the market for the chocolate bars.
- Good use of relevant source material to analyse how Joan might segment the market for the chocolate bars.
- A good quality of written communication.

**Level 1 [1]–[3]**

A basic response demonstrates:

- Basic analysis of how Joan might segment the market for the chocolate bars.
- Basic knowledge and understanding of how Joan might segment the market for the chocolate bars.
- Limited use of relevant source material to analyse how Joan might segment the market for the chocolate bars.
- A basic quality of written communication.

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

[10]

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

Evaluate the usefulness of break-even analysis to Chocco.

- It allows Joan to calculate the scale of weekly output that she would need to make in order to start making a profit. From her estimated figures given in Table 1, Chocco would need to make 100 bars per week to simply break-even.
- It allows Joan to calculate the expected level of profit and margin of safety for Chocco. From the estimated figures given in Table 1, Chocco would make £400 per week. This leaves the business with a Margin of Safety of 500 bars.
- By letting Joan see the level of output required to break-even, it would help her to choose the size of premises needed to make the chocolate

bars. She has based her estimated costs on a particular size of unit / rent which may now turn out to be too small.

- By letting Joan see the level of output required to break-even, it would help her to see the amount of ingredients she has to order and the amount of labour hours necessary. She may need to consider employing someone to help her make the required output level.
- It allows Joan to examine a range of 'what-if' situations which might be very useful to her in setting the selling price for the chocolate bars.
- Margin of safety can be calculated/useful to provide to gain financial support.
  
- It is very simplistic and assumes that variable costs remain the same per chocolate bar for different output levels. In reality, Joan may benefit from discounts for her ingredients if she buys them in bulk.
- It assumes that all output produced will be sold. This may not prove to be the case particularly as Chocco is only starting up and has no brand loyalty built up.
- It is based on estimated costs so Joan may find that things have changed considerably by the time the business actually starts production.
- It may be difficult and time-consuming for Joan to gather up all the data required. She may not have the level of expertise required to fully understand and benefit from break-even analysis when it is completed.

#### **Level 4 [14]–[18]**

An excellent response demonstrates:

- External factors can impact the break even data.
- Comprehensive and relevant, accurate knowledge and understanding and detailed evaluation of usefulness of break-even analysis to Chocco.
- Highly appropriate, clear and logical judgement of the usefulness of break-even analysis to Chocco.
- Thorough use of relevant source material to assess the usefulness of break-even analysis to Chocco.
- 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 break-even analysis to Chocco.
- An appropriate, clear and logical judgement of the usefulness of break-even analysis to Chocco.
- Good use of relevant source material to assess the usefulness of break-even analysis to Chocco.
- A good quality of written communication.

#### **Level 2 [6]–[9]**

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and application of the usefulness of break-even analysis to Chocco.
- A suitable, appropriate judgement of the usefulness of break-even analysis to Chocco.
- Satisfactory use of relevant source material to assess the usefulness of break-even analysis to Chocco.
- A good quality of written communication.

**Level 1 [1]–[5]**

A basic response demonstrates:

- Basic knowledge and understanding with unfocused evaluation of the usefulness of break-even analysis to Chocco.
- Basic or no judgement based on limited analysis of the usefulness of break-even analysis to Chocco.
- Limited use of relevant source material to assess the usefulness of break-even analysis to Chocco.
- A basic quality of written communication.

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

[18]

**Total**

**AVAILABLE  
MARKS**

40

**80**