



Rewarding Learning

**General Certificate of Secondary Education
2019**

Business Studies

Unit 2

Developing a Business

[GBU21]

TUESDAY 4 JUNE, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are intended to ensure that the GCSE examinations are marked consistently and fairly. The mark schemes provide markers with an indication of the nature and range of candidates' responses likely to be worthy of credit. They also set out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for Business Studies.

Candidates must:

- AO1** recall, select and communicate their knowledge and understanding of concepts, issues and terminology;
- AO2** apply skills, knowledge and understanding in a variety of contexts and in planning and carrying out investigations and tasks; and
- AO3** analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

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 16-year-old which is the age at which the majority of candidates sit their GCSE 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 16-year-old GCSE 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.

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

Tasks and questions requiring candidates to respond in extended writing are marked in terms of 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 good.

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

Level 3 (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 clear.

1 (a) AO1, AO2

When recruiting new members of staff, Toyland uses a Person Specification. Explain one purpose of this document.

Any **one** purpose of a Person Specification from the following:

- To show the skills and qualifications required by the applicant
- To show the personal qualities desirable in the applicant
- To show the desirable level of previous experience
- To help with selection of the most suitable candidate/find the ideal candidate
- To help with design of other recruitment documents
- To assist with shortlisting

Valid alternative responses will be credited.

[1] for a brief explanation of one purpose

[2] for a detailed explanation of one purpose

[2]

(b) AO1, AO2

Explain two roles of the Equality Commission for Northern Ireland in relation to recruitment which Tony must be aware of.

Any **two** roles of the Equality Commission from the following:

- It works to eliminate unlawful discrimination and encourages good practice
- It promotes equality of opportunity
- It promotes good relations between people of different racial groups
- It keeps employment laws under review
- It gives advice and information to people who feel they have been treated unfairly
- It arranges legal representation if legal action is necessary

Valid alternative responses will be credited.

[1] for a brief explanation of one role

[2] for a detailed explanation of one role **or** brief explanation of two roles

[3] for a detailed explanation of one role and a brief explanation of a second role

[4] for a detailed explanation of two roles

[4]

(c) AO1, AO2, AO3

Discuss two roles of Social Media in the recruitment of employees in Toyland.

Any **two** discussed roles of Social Media from the following:

- It advertises widely the employment opportunities in Toyland
- It enables Toyland to get enquiries from people interested in work
- It can match suitable applicants with available jobs
- **Not** advantage
- To check candidate's profile
- Allows candidates to access/view recruitment information

Valid alternative responses will be credited.

[1] for a brief discussion of one role

[2] for a detailed discussion of one role **or** brief discussion of two roles

[3] for a detailed discussion of one role and a brief discussion of a second role

[4] for a detailed discussion of two roles

[4]

(d) AO1, AO2

Explain the legal controls on recruitment in Toyland affecting the following:

Gender:

- Male and female applicants must be given equal opportunities in recruitment
- Advertisements for jobs must not exclude either men or women
- Working conditions and terms such as pensions must be equal for males and females
- Females cannot be discriminated against because of pregnancy
- Males and females must be given equal pay for equally demanding work

Disability:

- Disabled people must be given the same opportunities as other people in recruitment
- Adjustments to property must be made to facilitate disabled employees/ applicants
- Job advertisements must not exclude disabled applicants

Marital Status:

- It is unlawful to discriminate against an applicant because he/she is single, married, divorced, widowed, separated, in a same-sex relationship or marriage
- All above groups must be given equal opportunities in recruitment, pay and conditions

Valid alternative responses will be credited.

[1] for a brief explanation of one legal control

[2] for a detailed explanation of one legal control **or** brief explanation of two controls

[3] for a detailed explanation of one control and one brief explanation **or** three brief explanations

[4] for a detailed explanation of two legal controls

[5] for a detailed explanation of two controls and a brief explanation of a third control

[6] for a detailed explanation of three controls

[6]

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(e) AO3

Toyland selects members of staff using application forms. Evaluate this method of selection.

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Evaluation of application forms as a method of selection:

Positive points:

- It contains the exact information required by Tony
- It allows Tony to compare applicants more accurately
- It helps with shortlisting
- It shows Tony how well the applicants have organised the information
- It is easier to compare/quicker

Negative points:

- Does not prove how good the applicant will be at the job
- Takes time to sift through the information
- The form may be completed by another person
- The form may contain false information, e.g. qualifications
- Does not show the applicant's appearance
- It is not suitable for all types of work

Conclusion:

- Application Forms are useful as an initial method of selection but need to be followed by an interview for further information

Valid alternative responses will be credited.

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of application forms. Candidate gives a limited evaluation of either a positive or negative point. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

Level 2 ([3]–[5])

Candidate demonstrates good knowledge and understanding of application forms. Candidate gives a detailed evaluation of both positive or negative points. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

Level 3 ([6])

Candidate demonstrates detailed knowledge and understanding of application forms. Candidate gives a detailed evaluation of both positive or negative points and draws a conclusion. Candidate displays good accuracy in the use of spelling, punctuation and grammar.

(f) AO1, AO2, AO3

Tony has decided to provide off-the-job training for Toyland's ten salespersons. Evaluate off-the-job training for Toyland.

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Evaluation of off-the-job training:

Positive points:

- The training would be provided by specialists
- Salespersons may exchange views with staff from other organisations and get new ideas
- Staff may be introduced to new machinery/technology
- Training is away from the pressures/demands of the shop
- It is usually higher quality

Negative points:

- Off-the-job training is expensive for Toyland
- The training may not meet Toyland's needs exactly
- Salespersons' work has to be covered by other staff during the training

Conclusion:

- Off-the-job training is suitable for Toyland as it brings the staff up to date but it may be costly to send all ten members of sales staff for training.

Valid alternative responses will be credited.

Level 1 ([1]–[3])

Candidate demonstrates little knowledge and understanding of off-the-job training. Candidate gives a limited evaluation of either a positive or negative point. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

Level 2 ([4]–[7])

Candidate demonstrates good knowledge and understanding of off-the-job training. Candidate gives a detailed evaluation of both positive and negative points. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

Level 3 ([8])

Candidate demonstrates detailed knowledge and understanding of off-the-job training. Candidate gives a detailed evaluation of both positive and negative points and draws a conclusion. Candidate displays good accuracy in the use of spelling, punctuation and grammar.

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2 (a) AO1

Identify three signs of failure which may be found in Play Things.

Any **three** signs of failure identified from the following:

- Loss of profit
- Poor cash flow
- Loss of customers/demand/sales/market share
- Unfavourable customer reviews
- High employee turnover
- Staff redundancies

Valid alternative responses will be credited.

[1] for identification of one appropriate sign of failure

[2] for identification of two appropriate signs of failure

[3] for identification of three appropriate signs of failure

[3]

(b) AO1

A takeover is a form of external growth. Explain the term 'takeover'.

Explanation of takeover:

Takeover is the buying of the control of another business.

Valid alternative responses will be credited.

[1] for a brief explanation of takeover

[2] for a detailed explanation of takeover

[2]

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(c) AO1, AO2, AO3

Evaluate a merger as another method of external growth which Toyland might have used.

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Evaluation of Merger

Positive Points:

- The joining of the businesses is voluntary and therefore there will be no hostility
- Savings are made because fewer resources are likely to be required
- Duplication is eliminated
- Toyland would benefit from economies of scale
- Competition is reduced
- Market share would improve
- Quick method of growth

Negative Points:

- May result in staff redundancies
- Consumers have less choice
- Possibility of lack of staff motivation
- Toyland may have to change its name and signage
- There may be disagreements in management
- Increased difficulties of co-ordination and communication in the business
- It is an expensive form of growth

Conclusion:

A merger is an easier method to organise. It is less hostile and could be seen as a marriage between the two businesses.

Valid alternative responses will be credited.

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of a merger. Candidate gives a detailed evaluation of either a positive or negative point. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

Level 2 ([3]–[5])

Candidate demonstrates adequate knowledge and understanding of a merger. Candidate gives a detailed evaluation of either positive and negative points. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

Level 3 ([6])

Candidate demonstrates excellent knowledge and understanding of a merger. Candidate gives a detailed evaluation of both positive or negative points and draws a conclusion. Candidate displays good accuracy in the use of spelling, punctuation and grammar.

(d) AO2, AO3

Discuss three factors which could limit Toyland's growth.

Any **three** discussed limitations of growth from the following:

- Lack of finance
- Lack of entrepreneurial skills/expertise
- Lack of knowledge of toys/toy market
- Increased competition
- Changes in consumer trends and tastes
- Poor communication with all aspects of the market
- Lack of market demand due to factors such as recession/unemployment
- Lack of promotion
- More difficult economic climate/spiralling costs
- Poor corporate image/quality

Valid alternative responses will be credited.

[1] for a brief discussion of one limitation

[2] for a detailed discussion of one limitation **or** identification of two limitations

[3] for a detailed discussion of one limitation and identification of a second limitation

[4] for a detailed discussion of two limitations

[5] for a detailed discussion of two limitations and identification of a third limitation

[6] for a detailed discussion of three limitations [6]

(e) AO3

Apart from economies of scale, analyse one possible advantage of growth for Toyland.

Analysis of **one** possible advantage from the following:

- Increased profits
- Greater market influence
- Increased reputation/corporate image

Valid alternative responses will be credited.

[1] for identification of one advantage

[2] for a brief analysis of one advantage

[3] for a detailed analysis of one advantage [3]

(f) AO1

Explain the meaning of the term 'economies of scale'.

Economies of scale is the saving in average cost of production or unit costs achieved by increased levels of production.

[1] for a brief explanation of economies of scale

[2] for a detailed explanation of economies of scale [2]

(g) AO1

Explain the following four types of economies of scale.

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Technical:

- Technical economies of scale are gained when a business can cut its production costs by introducing up-graded technology or by altering its production methods

Financial:

- Financial economies of scale are gained when a business can borrow money more cheaply or easily because of its larger size and greater security

Marketing:

- Marketing economies of scale are gained when a business can save on expenses associated with marketing such as advertising or distribution not discount of advertising

Purchasing:

- Purchasing economies of scale are gained when larger companies can purchase goods in bulk thereby reducing the unit costs

Valid alternative responses will be credited.

Level 1 ([1]–[2])

Candidate demonstrates little knowledge and understanding of economies of scale. One type is explained. Candidate displays limited accuracy in the use of spelling, punctuation and grammar.

Level 2 ([3]–[6])

Candidate demonstrates adequate knowledge and understanding of economies of scale. Two to three types are explained. Candidate displays satisfactory accuracy in the use of spelling, punctuation and grammar.

Level 3 ([7]–[8])

Candidate demonstrates excellent knowledge and understanding of economies of scale. Four types are explained. Candidate displays good accuracy in the use of spelling, punctuation and grammar.

[8]

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3 (a) AO1, AO2

(i) **Explain one advantage of using internal sources of finance and identify two internal sources.**

Any **one** explained advantage of internal sources from the following:

- No interest has to be paid
- Tony's affairs are kept private
- Does not have to be repaid

Any **two** internal sources from the following:

- Debt collection/trade receivables
- Sale of fixed assets
- Sale of inventory
- Tony's own investment
- Retained profits

(ii) **Explain one advantage of using external sources of finance and identify two external sources.**

Any **one** explained advantage of external sources from the following:

- Larger amounts of money are available
- The money is usually available more quickly
- Has use of the new premises while paying for them
- Broader/wider availability

Any **two** external sources from the following:

- Bank Loan
- Take in an additional partner
- Leasing
- Mortgage
- Hire purchase
- Government grants
- Trade credit
- Bank overdraft

Valid alternative responses will be credited.

[1] for brief explanation of one advantage **or** identification of one suitable source

[2] for detailed explanation of one advantage **or** identification of two sources

[3] for detailed explanation of one advantage and identification of one source

[4] for detailed explanation of two advantages **or** detailed explanation of one advantage and identification of two sources

[5] for detailed explanation of two advantages and identification of one source **or** detailed explanation of one advantage and identification of three sources

[6] for detailed explanation of two advantages and identification of two sources **or** detailed explanation of one advantage and identification of four sources

[7] for detailed explanation of two advantages and identification of three sources

[8] for detailed explanation of two advantages and identification of four sources

[8]

- (b) AO1
Complete the Statement of Financial Position showing the figures for the following:

Fixtures and Fittings	£15,000
Total Current Assets	£57,020
Capital	£100,000
Total Equity	£133,750
Trade Payables.	£20,270
Total Equity and Liabilities	£184,020

[1] for each correct figure [6]

- (c) AO2
Explain one reason why it is important for Tony to prepare a Statement of Financial Position.

Explanation of **one** reason for the importance of the Statement of Financial Position from the following:

- It shows the accurate value of the business on any given date/health
- It shows the total assets – current and non-current
- It shows the total liabilities – current and non-current
- It shows Tony’s capital and drawings
- Show to banks/investors
- Can compare figures from previous years

Valid alternative responses will be credited.

[1] for a brief explanation
[2] for a detailed explanation [2]

- (d) AO1
Complete the following formula to calculate the Return on Capital Employed (ROCE).

Calculation of Return on Capital Employed:

$$\begin{aligned} \text{Return on Capital Employed} &= \frac{\text{Net Profit}}{\text{Capital Employed}} \times 100 \\ &= \frac{45\,750}{163\,750} \times 100 \\ &= 27.93\% - 28\% \end{aligned}$$

[1] for correct substitution of figures and correct answer without percentage sign
[2] for correct final answer including percentage sign [2]

(e) AO3

Analyse the information which your calculation of Return on Capital Employed gives to Tony about the performance of the business.

Analysis of Calculation of Return on Capital Employed about business performance:

- Return on Capital Employed informs Tony of the profitability of the business
- This result of 27.93% is high and shows that the business is performing very well
- Tony should continue with the planned expansion
- When compared to the profit Tony would have made in other shares or in the bank it compares very favourably

*(If the candidate calculates the Return on Capital Employed incorrectly in 3(d) then the **own figure rule** must apply as per general marking instructions. 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.)*

Valid alternative responses will be credited.

[1] for a brief statement of the information the Return on Capital Employed gives on performance

[2] for a brief analysis of the information the Return on Capital Employed gives on performance

[3] for a satisfactory analysis of the information the Return on Capital Employed gives on performance

[4] for a detailed analysis of the information the Return on Capital Employed gives on performance [4]

(f) AO1, AO2, AO3

The Working Capital Ratio for Toyland is calculated at 2.8:1. Explain what the Working Capital Ratio measures in a business and comment on its performance in Toyland.

Explanation of Working Capital Ratio:

- Working Capital Ratio measures the relationship between Toyland's current assets and current liabilities

Comment on business performance:

- In this case the Working Capital Ratio is 2.8:1 which is very good as a ratio between 1.5 and 2.1 is said to be good
- This result shows that Toyland is very capable of paying its debts/liquidity
- May be seen to be too high/almost double the 1.5 accepted standard

Valid alternative responses will be credited.

[1] for a brief explanation of Working Capital Ratio **or** a brief comment on its performance in Toyland

[2] for a detailed explanation of Working Capital Ratio **or** a detailed comment on its performance in Toyland

[3] for a detailed explanation of Working Capital Ratio and a brief comment on its performance in Toyland

[4] for a detailed explanation of Working Capital Ratio and a detailed comment on its performance in Toyland [4]

(g) AO2, AO3

Distinguish between fixed and variable costs and give one example of each which is likely to be found in Toyland.

Distinction between Fixed and Variable Costs:

Fixed costs remain the same and are not affected by the volume of sales in the shop. Variable costs change according to the amount of usage.

Any **one** example of likely fixed costs in Toyland from the following;

- Rent
- Rates
- Salaries

Any **one** example of likely variable costs in Toyland from the following:

- Heating
- Electricity
- Telephone
- Stationery
- Purchases/supplies
- Wages/labour

not raw material

Valid alternative responses will be credited.

[1] for a brief distinction between fixed and variable costs **or** one example of **either** a fixed **or** variable cost

[2] for a detailed distinction between fixed and variable costs **or** two examples of costs

[3] for detailed distinction between fixed and variable costs and appropriate example of one cost

[4] for detailed distinction between fixed and variable costs and appropriate examples of two costs [4]

Total

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30

90