



GCSE

Business Studies

413013 Business Start Up

Mark scheme

4131 (Short Course)

June 2015

Version 1.0: Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

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1

1 (a) State **two** organisations that Chloe could have contacted to get help and support for setting up and financing her new business. **[2 marks]**

Possible answers include:

- high street banks
- the government
- government organisations such as the RDA
- the start-up loan company
- charitable organisations.

One mark for each organisation.

2x1

1 (b) Explain **two** ways in which Chloe tried to reduce the risks involved in starting her business. **[4 marks]**

Possible answers include:

- she carried out market research
- she produced a detailed business plan
- she took advice from friends and family members
- she opted to purchase second hand machinery.

Level	Descriptor	Marks	Assessment Objective
2	Explains a way Chloe reduced the risk of starting her business.	2	AO2
1	Identifies a way Chloe reduced the risk of starting her business.	1	AO1
0	No valid response.	0	

Apply grid twice.

Level 2 answer:

Chloe reduced the risk by buying second hand machinery. **(1)** This meant she did not invest so much money in the business **(2)**– thus reducing what she was risking.

1 (c) Explain **one** advantage and **one** disadvantage for Chloe's business of using batch production.

[6 marks]

Possible answers include:

Advantages:

- groups of identical products can be made at the same time
- different designs and styles can be made in different batches, eg different football teams t-shirts
- costs are reduced as producing in volume is more efficient
- production is faster.

Disadvantages:

- investment in specialist machinery may be significant
- very small batches may prove uneconomical
- some customers may be missed if a minimum batch size is required.

Level	Descriptor	Marks	Assessment Objective
3	Explains an advantage/disadvantage to Chloe of using batch production.	3	AO2
2	Explains an advantage/disadvantage of using batch production.	2	
1	Identifies a possible advantage/disadvantage of using batch production.	1	AO1
0	No valid response.	0	

Apply grid twice – one for advantage one for disadvantage.

Level 3 answer:

The cost of each T-shirt will be lower **(1)**. This is because there is no need to re-set equipment after every unit **(2)**, and this will help Chloe's fragile finances **(3)**.

1 (d) *Chloe is considering how to improve her cash flow and has come up with two options:*

- *ask customers to pay in advance for their products*
- *reduce her advertising expenditure.*

Recommend the best way for Chloe to improve her cash flow.

[9 marks]

Possible answers include:

Asking customers to pay in advance:

Advantages

- speeds up cash inflows
- allows her to cover the costs incurred by the order with the cash it earns.

Disadvantages

- customers may be put off
- some may demand a discount.

Reduce advertising expenditure:

Advantages

- reduces a major outflow, which would be paid up front
- current level appears high at 1/3 of total outflows.

Disadvantages

- may lead to even fewer orders as awareness fails to rise.

Other possible solutions are acceptable, such as negotiating credit terms with T-shirt suppliers.

Level	Descriptor	Marks	Assessment Objective
3	Analyses how the relevant point could improve Chloe's cash flow.	4–3	AO3
2	Describes how the relevant point could improve sales/cash flow.	2	AO2
1	States relevant advantage/disadvantage of either option.	1	AO1
0	No valid response.	0	

In addition, and separately, award marks for evaluation using the grid below.

Evaluation is of the best way to improve cash flow.

Possible evaluation in context:

- until reputation of the business is known there may be short term cash flow problems
- Chloe is probably facing a test of nerve – keep advertising at a high rate and orders may start to come in once a certain level of awareness is reached – but will she run out of money before that happens?
- worries about payment up front costing customers may be irrelevant as she has so few.

Notes: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement with clear justification. Ideas are communicated with structure and use of technical terms. There are occasional errors in accepted convention.	5–3	AO3 and Quality of Written Communication
E1	Offers judgement with limited support. Ideas are communicated in a simplistic way with limited use of technical terms. Errors in accepted conventions are noticeable.	2–1	

2

2 (a) State **two** features of a niche market.

[2 marks]

Possible answers include:

- specialist product
- differentiated product
- has a specific target audience
- low volume of sales
- high costs
- high prices.

One mark for each feature.

2 (b) Explain **one** reason why Jackie might have set business objectives when Great Hair Ltd first opened.

[2 marks]

Possible answers include:

- gives a business direction
- makes a business strive to improve
- helps a business set budgets
- helps a business monitor its progress
- enables a business to make adjustments.

Level	Descriptor	Marks	Assessment Objective
2	Explains how the reason could help the business (Great Hair Ltd).	2	AO2
1	Identifies possible reason why a business may set objectives.	1	AO1
0	No valid response.	0	

2 (c) Explain **two** benefits to Great Hair Ltd of having motivated staff.

[6 marks]

Possible answers include:

- increases output
- increases quality of service
- increases sales
- increases profit
- reduces costs
- lowers staff turnover.

Level	Descriptor	Marks	Assessment Objective
3	Explains the benefits to 'Great Hair Ltd' of having motivated staff.	3	AO2
2	Explains the benefits of having motivated staff.	2	AO2
1	Identifies possible benefits of having motivated staff.	1	AO1
0	No valid response.	0	

Apply grid twice.

Level 3 answer:

Motivated staff can increase the quality of the service offered (1), because they want to do their job well they will always offer a friendly service to customers (2). Benefits Great Hair Ltd as they are known for their high quality styling and it can help boost their reputation even more (3).

2 (d) Jackie thinks that the most effective way to boost sales is to introduce new services such as tanning and nail services. Advise Jackie on whether this is the best way for her to improve the marketing of the business. Give reasons for your advice. **[9 marks]**

Possible answers include:

- new services added to the ‘product’ element of the mix may generate extra sales from existing customers
- new services added to the ‘product’ element of the mix may attract new customers who had not been interested in their hairdressing.
- pie charts seem to support proposed changes to services offered
- a £30 000 investment looks substantial for a business of this size (turnover around £80 000), with stalled sales growth – may need external finance
- increased promotional spending could help to fight off the rise in competition
- reducing prices may attract an influx of new customers switching from new rivals, if they are sensitive to changes in price.

Level	Descriptor	Marks	Assessment Objective
3	Analyses method of boosting sales in context of Great Hair Ltd.	4–3	AO3
2	Describes method of boosting sales.	2	AO2
1	States valid method of boosting sales.	1	AO1
0	No valid response.	0	

In addition, and separately, award marks for evaluation using the grid below.

Possible evaluation in context:

- Finance may be short and hard to raise externally if the business is not doing well – this could prevent Jackie’s proposed changes
- Without changing services offered, Great Hair Ltd will need to fight off competition – they are currently failing to do so
- Cutting prices may undermine the ‘high quality’ image of Great Hair Ltd.

Notes: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
E2	Offers judgement with clear justification. Ideas are communicated with structure and use of technical terms. There are occasional errors in accepted convention.	5–3	AO3 and Quality of Written Communication
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