



NCFE Level 1/2 Technical Award in Business and Enterprise (603/2955/5)

Unit 01 Introduction to business and enterprise

P002028

June 2022

Mark Scheme

This mark scheme has been written by the Assessment Writer and refined, alongside the relevant questions, by a panel of subject experts through the external assessment writing process and at standardisation meetings.

The purpose of this mark scheme is to give you:

- examples and criteria of the types of response expected from a learner
- information on how individual marks are to be awarded
- the allocated assessment objective(s) and total mark for each question.

Marking guidelines

General guidelines

You must apply the following marking guidelines to all marking undertaken throughout the marking period. This is to ensure fairness to all learners, who must receive the same treatment. You must mark the first learner in exactly the same way as you mark the last.

- The mark scheme must be referred to throughout the marking period and applied consistently. Do not change your approach to marking once you have been standardised.
- Reward learners positively, giving credit for what they have shown, rather than penalising them for what they might have omitted.
- Utilise the whole mark range and always award full marks when the response merits them.
- Be prepared to award zero marks if the learner's response has no creditworthy material.
- Do not credit irrelevant material that does not answer the question, no matter how impressive the response might be.
- The marks awarded for each response should be clearly and legibly recorded in the grid on the front of the question paper.
- If you are in any doubt about the application of the mark scheme, you must consult with your Team Leader or the Chief Examiner.

Guidelines for using extended response marking grids

Extended response marking grids have been designed to award a learner's response holistically and should follow a best-fit approach. The grids are broken down into levels, with each level having an associated descriptor indicating the performance at that level. You should determine the level before determining the mark.

When determining a level, you should use a bottom up approach. If the response meets all the descriptors in the lowest level, you should move to the next one, and so on, until the response matches the level descriptor. Remember to look at the overall quality of the response and reward learners positively, rather than focussing on small omissions. If the response covers aspects at different levels, you should use a best-fit approach at this stage and use the available marks within the level to credit the response appropriately.

When determining a mark, your decision should be based on the quality of the response in relation to the descriptors. You must also consider the relative weightings of the assessment objectives, so as not to over / under credit a response. Standardisation

materials, marked by the Chief Examiner, will help you with determining a mark. You will be able to use exemplar learner responses to compare to live responses, to decide if it is the same, better or worse.

You are reminded that the indicative content provided under the marking grid is there as a guide, and therefore you must credit any other suitable responses a learner may produce. It is not a requirement either, that learners must cover all of the indicative content to be awarded full marks.

Assessment objectives

This unit requires learners to:

AO1	Recall knowledge and show understanding.
AO2	Apply knowledge and understanding.
AO3	Analyse and evaluate knowledge and understanding.

The weightings of each assessment objective can be found in the qualification specification.

Qu	Mark scheme	Total marks
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Section 1

Total for this section: 8 marks

1	<p>Which one of the following is a reason for providing good customer service?</p> <p>A Improving business reputation B Improving efficiency C Increasing the need to advertise D Reducing recruitment costs</p> <p>Answer: A (Improving business reputation)</p>	<p>1</p> <p>AO1 – 1</p>
2	<p>Which one of the following is a change a business could make to its marketing mix?</p> <p>A Collecting both qualitative and quantitative data B Conducting telephone interviews with customers C Researching government reports D Selling its products online</p> <p>Answer: D (Selling its products online)</p>	<p>1</p> <p>AO1 – 1</p>
3	<p>Which one of the following is not an external influence on a business?</p> <p>A Changes in fashion and trends B Employee engagement C Interest rates D The level of employment</p> <p>Answer: B (Employee engagement)</p>	<p>1</p> <p>AO1 – 1</p>
4	<p>Which one of the following describes a psychological pricing strategy?</p> <p>A A high price when the product is launched B A low price when the product is launched C A price set just below a whole number, eg £19.99 D A price similar to, or slightly lower than, a competitor's price</p> <p>Answer: C (A price set just below a whole number, eg £19.99)</p>	<p>1</p> <p>AO1 – 1</p>

<p>5</p>	<p>Which one of the following is a feature of a market-oriented business?</p> <p>A High levels of market research B Low levels of customer engagement C Low levels of market research D Only focuses on improving quality</p> <p>Answer: A (High levels of market research)</p>	<p>1</p> <p>AO1 – 1</p>
<p>6</p>	<p>Which two of the following are internal challenges of growth?</p> <p>A Changes in local taxes B Diseconomies of scale C Local cultural sensitivities D Local legislation E Maintaining customer service levels</p> <p>Answer: B (Diseconomies of scale) and E (Maintaining customer service levels)</p>	<p>2</p> <p>AO1 – 2</p>
<p>7</p>	<p>Which one of the following will be the result of a business choosing to delayer?</p> <p>A The business’s profits will decrease B The business will have a shorter chain of command C The number of layers in the business’s hierarchy will increase D The span of control will decrease</p> <p>Answer: B (The business will have a shorter chain of command)</p>	<p>1</p> <p>AO1 – 1</p>

Section 2

Total for this section: 51 marks

8	<p>State one financial aim or objective that a business may have.</p> <p>Award one AO1 mark for correctly stating a financial aim or objective.</p> <p>Eg:</p> <ul style="list-style-type: none"> • to break even • increasing profitability • increasing revenue • profit maximisation. • Increase market share 	<p>1</p> <p>AO1 – 1</p>
9	<p>Identify one feature of a sole trader.</p> <p>Award one AO1 mark for identifying one feature of a sole trader.</p> <p>Eg:</p> <ul style="list-style-type: none"> • unlimited liability • unincorporated • lacks continuity • few legal formalities • easy to set up • does not have to publish accounts / privacy • pays income tax on profits • easy to close the business down. • Owned by one individual • Usually small in size 	<p>1</p> <p>AO1 – 1</p>
10	<p>A business recently launched a new chocolate bar. The chocolate bar is in the introduction stage of the product lifecycle.</p> <p>Identify one feature of the introduction stage of the product lifecycle.</p> <p>Award one AO1 mark for a correctly identified feature of the introduction stage of the product lifecycle.</p> <p>Eg:</p> <ul style="list-style-type: none"> • lack of customer knowledge / awareness • low sales/ slow growth • advertising costs are high / high level of advertising • profit is low or a loss is being made • low market share. 	<p>1</p> <p>AO1 – 1</p>
11	<p>A business is deciding on a location.</p> <p>Identify two factors the business should consider.</p>	<p>2</p> <p>AO1 – 2</p>

	<p>Award one AO1 mark for each correctly identified factor that a business should consider when deciding on its location, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • customer location / proximity to target market / population of location/ amount of people (BOD) • location of raw materials • transport and infrastructure links (including internet access) • availability of staff / level of employment or unemployment • competitor location / number of competitors • rent / cost of premises • average income of customers in chosen area/location • The area's income • Availability of parking • Area with lots of footfall 	
<p>12</p>	<p>A business manufactures light bulbs.</p> <p>The business uses a system of quality control to maintain the quality of its light bulbs.</p> <p>Explain one disadvantage for the business of using a system of quality control to maintain the quality of its light bulbs.</p> <p>AO1</p> <p>Award one AO1 mark for identifying a disadvantage of using a system of quality control to maintain the quality of its light bulbs.</p> <p>Eg:</p> <ul style="list-style-type: none"> • not all light bulbs / products are tested • faulty light bulbs / products can still go on sale • faulty light bulbs / products will need to be reworked / thrown away • it is reactive. • only checked at end of production <p>AO2</p> <p>Award one AO2 mark for explaining the identified disadvantage.</p> <p>Eg:</p> <ul style="list-style-type: none"> • not all light bulbs / products are tested (AO1) so faulty products can still go on sale (AO2) • faulty light bulbs / products can still go on sale (AO1) which can damage the business reputation / brand image (AO2) • faulty light bulbs / products will need to be reworked / thrown away (AO1) which will increase costs (AO2) • it is reactive (AO1): it does not prevent quality problems but deals with them after they occur (AO2). 	<p>2</p> <p>AO1 – 1 AO2 – 1</p>

	<ul style="list-style-type: none"> only checked at end of production (AO1) so increased waste / not fixed during manufacturing (AO2) 	
13 (a)	<p>Identify how the change in market supply has affected the equilibrium price. Refer to Figure 1.</p> <p>Award one AO2 mark for the correct answer:</p> <ul style="list-style-type: none"> the (equilibrium) price has increased increased / risen / gone up / up by 30p risen from £1.50 to £1.80. 	<p>1</p> <p>AO2 – 1</p>
13 (b)	<p>Calculate the change in the market quantity supplied at the new equilibrium price. Refer to Figure 1.</p> <p>Award one AO2 mark for the correct answer:</p> <ul style="list-style-type: none"> 0.2 million 0.2m 200 000 <p>Answers do not need a minus or plus sign, or to include units (kilos/Kg). If present, ignore.</p> <p>Do not award answers that do not include (m) or million unless answer stated is 200 000.</p>	<p>1</p> <p>AO2 – 1</p>
14	<p>Perry is a successful entrepreneur who owns a florist shop. He sells flowers for weddings, funerals and other special occasions.</p> <p>Explain two characteristics or skills that Perry may have needed to become a successful entrepreneur.</p> <p>AO1</p> <p>Award one AO1 mark for each valid characteristic or skill Perry may have needed to become a successful entrepreneur, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> confident risk taker motivated determined results focused initiative decision making analytical ability communication innovative 	<p>4</p> <p>AO1 – 2</p> <p>AO2 – 2</p>

	<ul style="list-style-type: none"> • Ambitious • Financial skills • Risk taker (1) as if he/she fails then may make large losses / face bankruptcy (1) <p>AO2</p> <p>Award one AO2 mark for each explanation of why the identified skill or characteristic is important or an example of when it is important, to a maximum of two marks.</p> <p>NB The answer “to make decisions” can be awarded against more than one BP answer, but only award ONCE</p> <p>Eg:</p> <ul style="list-style-type: none"> • Perry needed to be confident (AO1) in order to convince potential investors that his business would be a success (AO2) • Perry needs to be a risk taker (AO1) as many businesses do not survive first year of trading (AO2) • Perry needed to be motivated (AO1) so he continued to work hard, even when he didn't feel like it (AO2) • Perry needed to be determined (AO1), to be able to overcome any initial problems (AO2) • Perry needed to be results focused (AO1) so he could plan effectively to meet his goals (AO2) • Perry needed to have initiative (AO1), as new ideas could help him be competitive (AO2) • Perry needed to have decision making skills (AO1), as good choices would minimise any waste of resources (AO2) • Perry needed analytical ability (AO1) to help him make correct decisions (AO2) • Perry needed good communication skills (AO1) to persuade suppliers to give him a 'good deal' / to provide good customer service (AO2). • Perry needed to be innovative (AO1) so that he can beat the competition (AO2) 	
<p>15 (a)</p>	<p>Perry uses job production to complete customer orders. Every order is different.</p> <p>Explain why Perry has chosen to use job production.</p> <p>Award up to two AO2 marks for a valid explanation of why Perry has chosen to use job production.</p> <p>Eg:</p> <ul style="list-style-type: none"> • can meet the customers' specific / different needs (AO2) so Perry is more likely to get repeat orders (AO2) 	<p>2</p> <p>AO2 – 2</p>

	<ul style="list-style-type: none"> • completed orders are more likely to be of high quality (AO2), which allows Perry to remain competitive (AO2) • he needs to create specialised products /bespoke products (AO2) as gets a variety of orders (AO2) • his service is not suitable for automation (AO2) as every order is different (AO2). 	
15 (b)	<p>Customers can only order flowers from Perry in person or over the phone. Perry is considering updating his website so that customers can also order flowers online.</p> <p>Explain one benefit for customers of being able to order the flowers online.</p> <p>AO1</p> <p>Award one AO1 mark for identifying one benefit to the customers of being able to order online.</p> <p>Eg:</p> <ul style="list-style-type: none"> • can order at any time / more accessible • will have a record of their order • saves customer time / more convenient • could save the customer money- • no need to leave house / flowers will be delivered <p>AO2</p> <p>Award one AO2 mark for explaining why this benefits the customer.</p> <p>Eg:</p> <ul style="list-style-type: none"> • can order at any time (AO1) which makes ordering more convenient (AO2) • will have a record of their order (AO1) which they can use if there is a disagreement over whether the completed order is correct (AO2) • it could save the customer money (AO1) as there are no travel or phone call costs (AO2). • no need to leave house / flowers will be delivered (AO1) which is more convenient / saves travel expenses (AO2) <p>Do not award answers that explain benefits to the business.</p>	<p>2</p> <p>AO1 – 1 AO2 – 1</p>
16	<p>Perry wants to expand his business quickly. He is worried that expansion will increase risk and have a negative impact on the business's finances. Perry decides to expand his business by selling franchises rather than opening more flower shops himself.</p> <p>Explain two benefits for Perry from selling franchises rather than opening more flower shops.</p>	<p>4</p> <p>AO2 – 2 AO3 – 2</p>

	<p>Award one AO3 mark for each explanation of a benefit to Perry of selling franchises, up to a maximum of two marks.</p> <p>Award one AO2 mark for each application of the stimulus to assessing benefits, up to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Perry will receive a share of the revenue / profit (AO3) improving Perry's cash flow (AO2) • franchisee has to pay an initial franchise fee / cost of expansion is reduced (AO3) so reducing the risk to Perry (AO2) • franchisee is likely to be highly motivated (as profits belong to them) (AO3), so is likely to work hard to make the franchise work / increase the chance of success (AO2) • it is easier to open more than one shop at the same time (AO3), so Perry can achieve his aim of expanding quickly (AO2). 	
17 (a)	<p>Name the missing categories shown as Box 1 and Box 2 in Figure 2.</p> <p>Award one AO1 mark for the correct labelling of each category.</p> <ul style="list-style-type: none"> • Box 1: Problem Child / Question Mark • Box 2: Cash Cow 	<p>2</p> <p>AO1 – 2</p>
17 (b)	<p>Name the correct Boston Matrix category for TLBV Original.</p> <p>Award one AO2 mark for correctly naming TLBV Original as a Cash Cow.</p>	<p>1</p> <p>AO2 – 1</p>
17 (c)	<p>Name the correct Boston Matrix category for TLBV Pro.</p> <p>Award one AO2 mark for correctly naming TLBV Pro as a Problem Child / Question Mark.</p>	<p>1</p> <p>AO2 – 1</p>
18	<p>TLBV Ltd's factory is in Northern Ireland. Its cat food products are sold directly to pet shops only in Northern Ireland.</p> <p>TLBV Ltd now wants to sell its cat food products in England. It is considering two channels of distribution for selling to the English market:</p> <p>Channel 1: sell to wholesalers Channel 2: sell directly to pet shops.</p> <p>Analyse each channel of distribution. Which one of these channels should TLBV Ltd choose?</p> <p>Justify your answer.</p> <p>AO1</p>	<p>6</p> <p>AO1 – 2 AO2 – 2 AO3 – 2</p>

Award one AO1 mark for correctly identifying an advantage or disadvantage of selling to wholesalers.

Eg:

- wholesalers will buy in bulk from TLBV Ltd
- wholesalers will reduce numerous small deliveries to retailers
- wholesalers will pay less per item than a retailer
- wholesalers will enable TLBV Ltd's products to reach more retailers.

AO2

Award one AO2 mark for valid analysis of the identified advantage or disadvantage of selling to wholesalers.

Eg:

- wholesalers will buy in bulk from TLBV Ltd (AO1) which reduces the number of orders that TLBV Ltd must process / reduces administration costs (AO2)
- wholesalers will reduce numerous small deliveries to retailers (AO1) which reduces TLBV Ltd's transport costs (AO2)
- wholesalers will pay less per item than a retailer (AO1) which reduces TLBV Ltd's profit margins / sales revenue (AO2)
- wholesalers will enable TLBV Ltd's products to reach more retailers (AO1) which will increase TLBV Ltd's sales (AO2).

AO1

Award one AO1 mark for correctly identifying an advantage or disadvantage of selling directly to pet shops.

Eg:

- pet shops cut out the middleman
- pet shops can ensure products reach customers / increase product availability
- pet shops will increase the number of orders that need to be delivered
- pet shops will increase the number of orders that need to be processed.

AO2

Award one AO2 mark for valid analysis of the identified advantage or disadvantage of selling to pet shops.

Eg:

- pet shops cut out the middleman (AO1) which will enable TLBV Ltd to charge a higher price / increase its profit margin (AO2)
- pet shops can ensure products reach customers (AO1) which will increase TLBV Ltd's sales (AO2).

	<ul style="list-style-type: none"> • pet shops will increase the number of orders that need to be delivered (AO1) which will increase transport costs (AO2) • pet shops will increase the number of orders that need to be processed (AO1) which will increase administration costs (AO2) <p>The same AO2 mark eg will increase sales, cannot be awarded twice for answers that explain the advantages or disadvantages of using a wholesaler or a retailer.</p> <p>AO3</p> <p>Award one AO3 mark for a justified recommendation for using the chosen method.</p> <p>Award a second AO3 mark for a developed explanation of the justification. Learners need to produce an evaluation in context.</p> <p>Eg:</p> <ul style="list-style-type: none"> • as TLBV Ltd has no experience of selling its cat food in England TLBV Ltd will find it simpler to use a wholesaler (AO3), as the wholesaler will take responsibility for stocking the cat food and making it available to retailers (AO3) • TLBV Ltd should not use a wholesaler as it cannot be sure that the cat food will be promoted by the wholesaler (AO3). As this is a new product in England it may go unnoticed by pet shops, and therefore if TLBV Ltd chooses a wholesaler sale could be low (AO3) • TLBV Ltd should sell directly to pet shops. Although selling directly to shops may require the use of salespersons to get initial orders, so increasing costs (AO3), the new product will be introduced to English pet shop owners and is more likely to generate orders (AO3). 	
<p>19</p>	<p>TLBV Ltd will need to raise awareness of their cat food products in England.</p> <p>Identify two methods of advertising that TLBV Ltd could use.</p> <p>Explain how each of these two methods could raise awareness of TLBV Ltd’s cat food products amongst cat owners.</p> <p>AO1</p> <p>Award up to two AO1 marks for identifying methods of advertising that TLBV Ltd may use to raise awareness of their cat food products amongst cat owners.</p> <p>Eg:</p> <ul style="list-style-type: none"> • TV • radio • (national) newspapers • magazines 	<p>4</p> <p>AO1 – 2 AO2 – 2</p>

	<ul style="list-style-type: none"> • leaflets • posters • social media / online / internet • billboards. <p>Do not award methods of promotion, eg special offers, test marketing, samples.</p> <p>AO2</p> <p>Award up to two AO2 marks for explaining why the chosen methods are appropriate.</p> <ul style="list-style-type: none"> • TV (AO1), as advertisements can be placed in between programmes watched by cat owners (AO2) • radio (AO1), as this will reach a wide audience which will include cat owners (AO2) • newspapers / magazines (AO1), as the advertisements can be updated regularly (AO2) • leaflets (AO1) can contain / provide lots of information for consumers / can be kept and referred to in the future (AO2) • posters (AO1) in vet waiting rooms, as cat owners are likely to visit the vet / reaches the target market (AO2) • social media / online / internet (AO1), as this is cost effective / reaches a very wide audience / can be updated quickly / is available 24/7 / can reach their target market (AO2). <p>Do not award the same AO2 development point twice.</p>	
<p>20 (a)</p>	<p>The UK government has decided to increase the rate of corporation tax next year from 20% to 25%.</p> <p>TLBV Ltd’s forecast net profit before tax for next year is £50 million.</p> <p>Analyse one possible impact of this change in the rate of corporation tax on TLBV Ltd.</p> <p>Award up to two AO3 marks for analysing an impact on TLBV Ltd from the change in the rate of corporation tax.</p> <p>Eg:</p> <ul style="list-style-type: none"> • TLBV Ltd will have less finance to work with / less retained profit / less net profit / less available for reinvesting / less to distribute to shareholders (AO3) as (after tax) profits will fall to £37.5, (AO3) • TLBV Ltd’s net / retained profit will be reduced to £37.5 million rather than £40 million (AO3). However, this is a relatively small impact as the business will remain (very) profitable (AO3). 	<p>2</p> <p>AO3 – 2</p>
<p>20 (b)</p>	<p>Analyse one possible impact of this change in the rate of corporation tax on TLBV Ltd’s shareholders.</p>	<p>2</p>

	<p>Award up to two AO3 marks for analysing an impact on TLBV Ltd’s shareholders of the change in the rate of corporation tax.</p> <p>Eg:</p> <ul style="list-style-type: none"> shareholders may receive a lower rate of return / income from their shares (AO3) and this may cause some shareholders to sell their shares (AO3) shareholders may find the value of their investment in TLBV Ltd has fallen (AO3), as TLBV Ltd’s share price may have decreased because other shareholders have sold their TLBV Ltd shares (AO3). 	<p>AO3 – 2</p>
<p>21</p>	<p>TLBV Ltd’s factory in Northern Ireland cannot produce the additional cat food needed for the English market.</p> <p>TLBV Ltd is considering outsourcing to increase production. TLBV Ltd has identified a business in England that is able to produce these cat food products.</p> <p>Explain two benefits for TLBV Ltd from choosing outsourcing as a way of increasing production for the English market.</p> <p>AO1</p> <p>Award one AO1 mark for each identified benefit to TLBV Ltd of choosing outsourcing to increase production for the English market, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> reduced transport costs no need to expand existing factory / quicker than expanding existing factory Saves on labour costs has flexibility enables Lily and Marco to focus on other issues. have expertise / are specialists cheaper / less expensive <p>AO2</p> <p>Award one AO2 mark for an explanation of each identified benefit, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> reduced transport costs (AO1). As the factory is in England (rather than Northern Ireland) it is closer to English pet shops (AO2) no need to expand the existing factory (AO1) which enable TBLV to quickly supply the English market (AO2) has flexibility (AO1). If TLBV cat food products are unpopular in England, then the contract does not have to be renewed (AO2) 	<p>4</p> <p>AO1 – 2 AO2 – 2</p>

	<ul style="list-style-type: none"> enables Lily and Marco to focus on other issues (AO1) such as the marketing of the cat food products, as these are new to the English market (AO2). cheaper / less expensive (AO1) than having to expand current factory / build another one (AO2) high / higher quality cat food (AO1) as they will choose an outsourcer that specialises in cat food (AO2) 	
22	<p>TLBV Ltd is facing challenges:</p> <ul style="list-style-type: none"> ingredient costs are increasing competitors are introducing new products it has had to lower prices to remain competitive. <p>Analyse two possible impacts on TLBV Ltd from introducing Kaizen into its factory.</p> <p>Award up to two AO3 marks for each analysis of a possible impact on TLBV Ltd of introducing Kaizen into its factory, up to a maximum of four marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> introducing Kaizen may increase the efficiency of the factory (AO3), reducing cost per unit, which is important as the cost of raw materials is increasing (AO3) introducing Kaizen may reduce waste (AO3), which will improve profit margin, allowing TLBV Ltd to reduce prices (AO3) introducing Kaizen may improve the quality of the products the business produces (AO3), enabling the business to keep pace with new products being introduced by TLBV Ltd’s competitors (AO3) introducing Kaizen may enable a continuous improvement in the way the business operates (AO3) to make up for its declining profit margin (AO3) introducing Kaizen will require employee training (AO3), which will increase costs (AO3) employees may be resistant to change (AO3) so time and money spent on Kaizen’s introduction will be wasted (AO3). 	<p>4</p> <p>AO3 – 4</p>
23	<p>TLBV Ltd’s owners are considering changing the business from a private limited company to a public limited company (PLC).</p> <p>Explain one advantage and one disadvantage for the owners, or for the business, of TLBV Ltd becoming a PLC.</p> <p>AO1</p> <p>Award one AO1 mark for identifying an advantage to Lily and Marco, or to the business, of changing TLBV Ltd from a private limited company to a PLC.</p> <p>Eg:</p>	<p>4</p> <p>AO1 – 2</p> <p>AO2 – 2</p>

- increased capital for the business
- increased prestige for the business
- Lily and Marco may become wealthy.

Do not award 'limited liability' as this is also true of the current business structure.

Award one AO1 mark for identifying a disadvantage to Lily and Marco, or to the business, of changing TLBV Ltd from a private limited company to a PLC.

Eg:

- the business may be taken over
- Lily and Marco lose control over business direction
- will need to use an underwriter / employ professionals to organise the conversion to a PLC.

AO2

Award one AO2 mark for each explanation of the identified advantages, up to a maximum of two marks.

Eg:

- increased capital (AO1) which can be used to further develop the business (AO2)
- increased prestige (AO1), which may increase the number of shops willing to stock TLBV Ltd's products (AO2)
- Lily and Marco may become wealthy (AO1) as they can sell some of their shares on the stock exchange (AO2).

Award one AO2 mark for each explanation of the identified disadvantages, up to a maximum of two marks.

Eg:

- the business may be taken over (AO1), so Lily and Marco lose control over their own business (AO2)
- Lily and Marco lose control over business direction (AO1) as other shareholders can influence strategic decision making (AO2)
- will need to use an underwriter / employ professionals to organise the conversion to a PLC (AO1), which will increase costs (initially) (AO2).

Section 3

Total for this section: 21 marks

24	<p>Elitent is a tent manufacturer. It has 60 employees who make the tents. The employees:</p> <ul style="list-style-type: none"> • are managed by three supervisors • are well paid, and are paid more than employees doing similar jobs in other factories • have very limited promotion prospects. <p>The directors of Elitent want to improve the motivation of all 60 employees who make the tents. The directors are considering two options:</p> <p>Option 1: offering each of the 60 employees a wage rise Option 2: promoting employees when supervisor vacancies arise.</p> <p>Explain the effects of each of these two options on the motivation of Elitent’s 60 employees. Use either Maslow’s hierarchy of needs or Herzberg’s two-factor theory.</p> <p>Which option would you recommend?</p> <p>Justify your answer.</p> <p>DNA answers that make no use of theory and simply give a reason why a method will work:</p> <p>AO1 Award up to 2 marks</p> <p>Learners can get up to two (AO1) mark for showing good understanding of Maslow and / or Herzberg.</p> <p>Learners can get 1 AO1 mark for stating why the method won’t work</p> <p>Eg Option 1 (Pay rise)</p> <ul style="list-style-type: none"> • will not work, because they are already well paid • will not work, as they are paid more than employees doing similar jobs in other factories <p>Eg Option 2 (Promotion)</p> <ul style="list-style-type: none"> • will not work, as not everyone is motivated by the offer of more responsibility • will not work, as cannot promote everyone <p>AO2</p> <p>Award answers that accurately explain why the method will work if linked to Maslow or Herzberg.</p>	<p>6</p> <p>AO1 – 2 AO2 – 2 AO3 – 2</p>
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	<p>Option 1 (pay rise) :</p> <ul style="list-style-type: none"> • One of Maslow’s levels is esteem (AO1) . A pay rise will make employees feel that they are valued by the business, increasing their self-esteem (AO2) • One of Maslow levels is physiological needs (AO1). A pay rise will improve an employee’s ability to afford their needs (and wants) AO2) • According to Herzberg an increase in pay only works (AO1) if it makes employees feel that they are valued / have increased status / contributions are recognised (AO2) <p>Option 2 (promotion)</p> <ul style="list-style-type: none"> • One of Maslow’s levels is esteem (AO1). :Promotion can improve an employee’s status / self-esteem as it shows that the business has recognised their value to the business (AO2) • learn new skills / be given responsibility is a Herzberg motivator (AO1) and promotion will provide opportunities to an employee to demonstrate these skills / show they can handle increased responsibility (AO2) <p>AO3</p> <p>Award one AO3 mark for a justified recommendation for using the chosen method. Award a second AO3 mark for a developed explanation of the justification.</p> <p>AO3 marks cannot be awarded unless explicit and accurate use is made of either Herzberg’s two-factor theory in the body of the candidate’s answer.</p> <p>Learners need to produce an evaluation in context. They do not need to look at both methods in their conclusion.</p> <p>Eg:</p> <ul style="list-style-type: none"> • I recommend that the directors should offer a pay rise, This may , have a short-term effect on motivation (AO3) as employees soon get used to the pay rise meaning that Elitent may have to increase wages every year (AO3) • I recommend that all the supervisors should be recruited internally This may only improve the motivation of some of the 60 employees as there will only be few opportunities for promotion (AO3), especially if the existing (three) supervisors do not leave (AO3). 	
<p>25</p>	<p>Three years ago, Elitent’s directors launched a tent targeted at families, but sales were very disappointing. Elitent did not carry out any market research.</p>	<p>6</p> <p>AO1 – 2 AO2 – 2</p>

<p>Explain one method of primary market research and one method of secondary market research that the directors could have used.</p> <p>Which one of these two methods of market research would have been of more benefit to the business?</p> <p>Justify your answer.</p> <p>AO1</p> <p>Award one AO1 mark for each valid method identified, to a maximum of two marks.</p> <p>Primary, eg:</p> <ul style="list-style-type: none"> • questionnaires / surveys • focus groups • telephone interviews • observation. • consumer trials <p>Secondary, eg:</p> <ul style="list-style-type: none"> • government reports • news articles / specialist magazines • competitors' annual reports • research papers. <p>AO2</p> <p>Award one AO2 mark for each explanation of each of the identified methods.</p> <p>Eg:</p> <ul style="list-style-type: none"> • questionnaires / surveys (AO1) provide detailed information on what families who go camping want in a tent (AO2) • focus groups (AO1) allow for in-depth discussion / participants can give opinions on tent design (AO2) • telephone interviews (AO1) allow Elitent to carry out a number of interviews in a short space of time (AO2) • observation (AO1) helps to eliminate bias (AO2) • consumer trials (AO1) provide detailed information on the tents from potential customers (AO2) • government reports (AO1) are likely to be reliable as they are officially produced / use very large sample sizes (AO2) • news articles / specialist magazines (AO1) are readily available and can provide information on trends in tent design (AO2) • competitor annual reports (AO1) give an insight into what competitors are planning / what is successful for the competition (AO2) 	<p>AO3 – 2</p>
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	<ul style="list-style-type: none"> research papers (AO1) provide a great deal of detail (AO2). <p>AO2 marks can also be awarded for general advantages of primary or secondary methods of research.</p> <p>Eg:</p> <ul style="list-style-type: none"> primary research is up-to-date and specific and competitors have no access to the data. Secondary research is more readily available, low cost and relatively easy to carry out. <p>AO3</p> <p>To be awarded AO3 marks, learners must justify their answer as to which of the two explained methods of market research is better for the business.</p> <p>Award up to two AO3 marks for a valid contextualised justification.</p> <p>Eg:</p> <ul style="list-style-type: none"> I think the directors should have chosen focus groups as these could have been arranged quickly (AO3) and would not have been as expensive as other methods of primary research, both of which were priorities of the directors (AO3) I think the directors should have used the competitors' annual reports as this information could have been accessed quickly (AO3) and may have helped them identify gaps in the tent market not filled by competitors (AO3). 	
<p>26</p>	<p>Elitent also make a tent targeted at people who go to music festivals. This tent is called the Festival. The directors have decided to replace the Festival tent with a new, more modern tent.</p> <p>The new tent will not go into production for another 18 months. The directors have therefore decided to extend the maturity stage of the Festival tent.</p> <p>The budget for the extension strategy for the Festival tent is £10 000.</p> <p>The Festival tent is:</p> <ul style="list-style-type: none"> sold using competitive pricing targeted at people aged between 16 and 25 who go to music festivals sold through shops that sell camping equipment not sold on the Elitent website only sold in the UK. <p>Discuss two extension strategies that Elitent could use for the Festival tent.</p> <p>Recommend which strategy the directors should choose.</p>	<p>9</p> <p>AO1 – 2 AO2 – 4 AO3 – 3</p>

Justify your recommendation.

Level	Marks		Description
3	7–9	9	A choice is made with a fully developed contextualised justification.
		8	A choice is made with some developed justification in context.
		7	A choice is made with limited justification for the choice.
2	4–6	6	Good understanding of two appropriate extension strategies.
		5	Some understanding of two appropriate extension strategies.
		4	Limited understanding of two appropriate extension strategies.
1	1–3	3	Good understanding of one appropriate extension strategy OR Names two appropriate extension strategies and a limited understanding of one appropriate strategy If learner shows knowledge and understanding of only one appropriate extension strategy mark is capped at 3.
		2	Names two appropriate extension strategies OR Limited understanding of one appropriate strategy
		1	Names one appropriate extension strategy.
	0		No awardable material.

Indicative content

Methods could include:

- increase advertising / named advertising method
- sell the tent at significantly below the price of competitors / use promotional pricing to target a new market (such as schools or youth groups who undertake Duke of Edinburgh award / go camping) / an older age group, eg 26–40
- Sell at Music Festivals
- sell through other outlets, eg supermarkets
- sell in other countries
- sell on Elitent’s website and other online outlets.

Advantages:

- increasing advertising will raise awareness and reinforce brand recognition amongst potential customers and so, when they come to buy a tent, they will remember the name Festival and be more likely to buy it
- reducing the price will make the tent more affordable which could be important as the target market are not likely to be high income earners as they are young
- using promotional pricing can make the tents more competitive as they will be selling at a cheaper price than the competition rather than at the same price, so customers will choose Festival rather than a competitor
- selling through additional outlets, such as supermarkets, means that the Festival is more readily available than just selling through camping shops, increasing the chances that sales will improve
- selling online will widen the number of potential customers who have access to buying the tent, even beyond the UK
- selling to a new market will mean there are more potential customers who will buy the product.

Disadvantages:

- advertising successfully may cost more than the £10 000 available, so Elitent may not be able to afford it. Staying within the budget may mean that revenue generated through sales does not cover the cost
- reducing the price may reduce sales revenue if sales do not increase, which may be the case if price is not a major factor when customers choose their tent
- promotional pricing will only work for the period of the offer and therefore may not significantly increase sales, so overall revenue is reduced
- selling to a new market will require a significant amount of money; it is unlikely that £10 000 would be enough
- selling through supermarkets may be very difficult as they have limited shelf space and may only agree to sell the tents if there is a large discount on price
- selling online would require a huge investment as the website would have to be upgraded, and there would be an increase in warehousing and distribution costs. This could also take some time to organise.

“I think that Elitent should sell their tents online rather than use promotional pricing. Selling online allows the tent to be available to many more potential customers, not only in the UK, but across the world, which is likely to stimulate sales. Elitent already have a website so updating this to allow for purchases to be made should be within budget. Setting up additional warehousing will add to the costs, as will the additional distribution, but this should not increase the price to the customer as there is no camping shop with their own profit margin. If successful, selling online can be extended so that all of Elitent’s

products are available to buy online, which will have long-term benefits.”

“Promotional pricing may make the price of the tent more competitive as they are cheaper than the competitor, as currently they sell at the same price, so customers are more likely to buy the Festival increasing sales. However, the increase in sales may not cover the reduction in price so less revenue is generated. Promotional pricing will only have an impact as long as it is available whereas selling online has long-term benefits, not only for the Festival but for Elitent’s whole product range.”

Assessment Objective Grid

Question	AO1	AO2	AO3	Total
1	1			1
2	1			1
3	1			1
4	1			1
5	1			1
6	2			2
7	1			1
8	1			1
9	1			1
10	1			1
11	2			2
12	1	1		2
13 (a)		1		1
13 (b)		1		1
14	2	2		4
15 (a)		2		2
15 (b)	1	1		2
16		2	2	4
17 (a)	2			2
17 (b)		1		1
17 (c)		1		1
18	2	2	2	6
19	2	2		4
20 (a)			2	2
20 (b)			2	2
21	2	2		4
22			4	4
23	2	2		4
24	2	2	2	6
25	2	2	2	6
26	2	4	3	9
Total	33	28	19	80