



# **NCFE Level 1/2 Technical Award in Business and Enterprise (603/7004/X)**

Examined Assessment

Paper Number: **Sample Assessment**

Date: **Sample 2022**

## **Mark Scheme**

v1.0 Pre-Standardisation

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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 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:

<b>AO1</b>	<p><b>Recall knowledge and show understanding.</b> The emphasis here is for learners to recall and communicate the fundamental elements of knowledge and understanding.</p>
<b>AO2</b>	<p><b>Apply knowledge and understanding.</b> The emphasis here is for learners to apply their knowledge and understanding to real-world contexts and novel situations.</p>
<b>AO3</b>	<p><b>Analyse and evaluate knowledge and understanding.</b> The emphasis here is for learners to develop analytical thinking skills to make reasoned judgements and reach conclusions.</p>

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

Qu	Mark scheme	Total marks
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**Section A**

**Total for this section: 19 marks**

<b>1</b>	<p>Select which <b>one</b> of the following is a reason why a sole trader would choose to become a private limited company.</p> <p><b>A:</b> It will involve less paperwork  <b>B:</b> Its shares can be sold on the stock exchange  <b>C:</b> The owner will have unlimited liability  <b>D:</b> The risk of losing personal assets is reduced</p> <p><b>Answer: D</b> (The risk of losing personal assets is reduced)</p>	<p><b>1</b></p> <p><b>AO1=1</b></p>
<b>2</b>	<p>Select which <b>one</b> of the following is <b>not</b> a characteristic or a skill needed by an entrepreneur.</p> <p><b>A:</b> Confident  <b>B:</b> Hard working  <b>C:</b> Popular  <b>D:</b> Results focused</p> <p><b>Answer: C</b> (Popular)</p>	<p><b>1</b></p> <p><b>AO1=1</b></p>
<b>3</b>	<p>The diagram below shows the market for umbrellas after a very wet spring. Demand has increased and this is shown by the new demand curve (Demand 2).</p> <p>Select which <b>one</b> of the following is the <b>new</b> equilibrium price.</p> <p><b>A:</b> £5  <b>B:</b> £8  <b>C:</b> £10  <b>D:</b> £15</p> <p><b>Answer: D</b> (£15)</p>	<p><b>1</b></p> <p><b>AO1=1</b></p>

<p><b>4</b></p>	<p>VegSup Ltd manufactures powders that provide additional vitamins and supplements for vegetarians.</p> <p>It only used secondary market research before launching its products in 2015.</p> <p>State <b>two</b> methods of secondary market research that VegSup Ltd may have used.</p> <p>Award <b>one</b> mark for each correct method identified up to a maximum of <b>two</b> marks:</p> <ul style="list-style-type: none"> <li>• government reports (1)</li> <li>• news articles (1)</li> <li>• competitor data (1)</li> <li>• reports produced by market research agencies (1)</li> <li>• trade journals (1)</li> <li>• social media (1)</li> <li>• online forums (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>2</b></p> <p><b>AO1=2</b></p>
<p><b>5</b></p>	<p>Explain <b>one</b> disadvantage to VegSup Ltd from using only secondary market research.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for stating a disadvantage:</p> <ul style="list-style-type: none"> <li>• may be out of date (1)</li> <li>• may not fit the needs of the business (1)</li> <li>• information may be available to rivals (1).</li> </ul> <p><b>AO2</b></p> <p>Award <b>one</b> mark for explaining the disadvantage to VegSup:</p> <ul style="list-style-type: none"> <li>• VegSup may make incorrect decisions as tastes have changed (1)</li> <li>• information may not have been specifically about the powders that VegSup manufactures (1)</li> <li>• does not provide VegSup Ltd with data that can give it a competitive advantage (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>2</b></p> <p><b>AO1=1</b></p> <p><b>AO2=1</b></p>

<p><b>6</b></p>	<p>Identify <b>two</b> items of information that VegSup Ltd would want to obtain from secondary market research.</p> <p>Award up to <b>two</b> marks for items of information that VegSup would want to obtain:</p> <ul style="list-style-type: none"> <li>• the price consumers may be prepared to pay for VegSup powders (1)</li> <li>• the number of consumers who identify as vegetarians in the country (1)</li> <li>• how many consumers currently purchase vegetarian supplements (1)</li> <li>• the main producers of rival vegetarian supplements (1)</li> <li>• trends in purchasing of vegetable supplements (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>2</b></p> <p><b>AO2=2</b></p>
<p><b>7</b></p>	<p>VegSup Ltd products are stocked by 80 health food shops across the UK.</p> <p>VegSup Ltd are considering the use of e-commerce as an additional method of distribution.</p> <p>Explain <b>two</b> advantages to VegSup Ltd if it sells its products using e-commerce as well as to health food shops.</p> <p><b>AO1</b></p> <p>Award up to <b>two</b> marks for stating an advantage:</p> <ul style="list-style-type: none"> <li>• it will increase the reach of products (1)</li> <li>• may increase profit margins (1)</li> <li>• may increase brand awareness (1)</li> <li>• may speed up cash flow (1).</li> </ul> <p><b>AO2</b></p> <p>Award up to <b>two</b> marks for explaining an advantage to VegSup:</p> <ul style="list-style-type: none"> <li>• currently, VegSup is only on sale in 80 shops so it will become available all over the county (1)</li> <li>• retailers will pay less per item than consumers (1)</li> <li>• VegSup Ltd's products can be seen online/recommended in online forums (1)</li> <li>• online customers must pay immediately/retailers will expect trade credit (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>4</b></p> <p><b>AO1=2</b></p> <p><b>AO2=2</b></p>

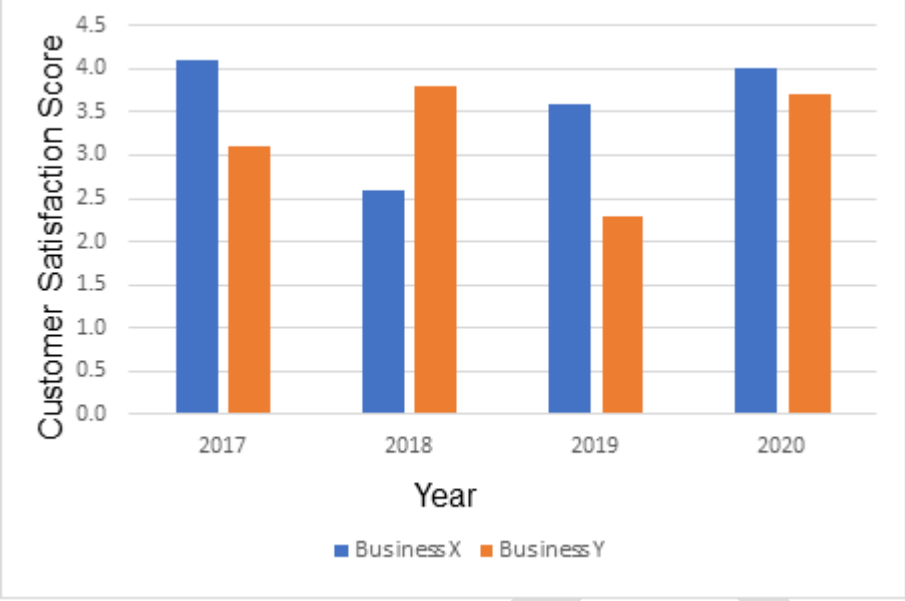
<b>8</b>	<p>Analyse whether a business such as VegSup Ltd should use price skimming or penetration pricing when launching a new product.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for recalling knowledge of price skimming:</p> <ul style="list-style-type: none"> <li>• charge a high price initially (1)</li> <li>• high price suggests high quality (1).</li> </ul> <p>Award <b>one</b> mark for recalling knowledge of penetration pricing:</p> <ul style="list-style-type: none"> <li>• charge an initial low price (1)</li> <li>• low price may suggest low quality (1).</li> </ul> <p><b>AO3</b></p> <p>Award up to <b>four</b> marks for analysis of price skimming and penetration pricing.</p> <p>Price skimming:</p> <ul style="list-style-type: none"> <li>• a business can use price skimming if their product is considered to be a premium product, then this can be used as customers will be willing to pay the higher price (1). This revenue can then be used to pay for the research and development cost of the new product (1).</li> </ul> <p>Penetration pricing:</p> <ul style="list-style-type: none"> <li>• a business can use penetration pricing if the market they are entering has lots of competition (1). By setting the price low, then they will gain customers who will hopefully stay with the business for the long-term (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>6</b></p> <p><b>AO1=2</b></p> <p><b>AO3=4</b></p>
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**Section B**

**Total for this section: 21 marks**

<p><b>9</b></p>	<p>A business has a vacancy for a full-time employee.</p> <p>Select which <b>one</b> of the following recruitment documents will contain the details of the salary and type of contract they will offer this new employee.</p> <p><b>A:</b> Application form  <b>B:</b> CV  <b>C:</b> Job description  <b>D:</b> Person specification</p> <p><b>Answer: C</b> (Job description)</p>	<p><b>1</b> <b>AO1=1</b></p>
<p><b>10</b></p>	<p>Select which <b>one</b> of the following statements best describes job enrichment.</p> <p><b>A:</b> Addition of extra, similar tasks to a job role  <b>B:</b> Increasing the range and complexity of tasks for an employee  <b>C:</b> Movement of employees through a range of jobs of similar skill level  <b>D:</b> Providing the employee with additional fringe benefits</p> <p><b>Answer: B</b> (Increasing the range and complexity of tasks for an employee)</p>	<p><b>1</b> <b>AO1=1</b></p>
<p><b>11</b></p>	<p>Two businesses, X and Y, use customer satisfaction scores to measure their customer service levels.</p> <p>Both businesses ask their own customers to rate the business customer service using a scale of 1 to 5.</p> <p>A score of 1 = excellent  A score of 5 = poor</p> <p>The graph below shows X and Y's average customer satisfaction scores for the years 2017 to 2020.</p>	<p><b>1</b> <b>AO2=1</b></p>



	 <p>Customer Satisfaction Score</p> <p>Year</p> <p>Business X Business Y</p> <p>Select which <b>one</b> of the following years did business Y have its best average customer satisfaction score.</p> <p><b>A:</b> 2017  <b>B:</b> 2018  <b>C:</b> 2019  <b>D:</b> 2020</p> <p><b>Answer: C (2019)</b></p>	
<p><b>12</b></p>	<p>ZPA is a UK based manufacturer of golf clubs. In 2020, ZPA produced 75,000 golf clubs. Clubs are made in different sizes for adults and children. They are also made in left-handed and right-handed versions.</p> <p>Demand for ZPA's golf clubs has increased significantly over the past 5 years and the business is growing in size.</p> <p>Explain the most appropriate production method that ZPA should use in its factory.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for the method of production:</p> <ul style="list-style-type: none"> <li>• batch (production) (1).</li> </ul> <p>Do not award: job, flow production, mass customisation or lean production.</p>	<p><b>2</b></p> <p><b>AO1=1</b></p> <p><b>AO2=1</b></p>

	<p><b>AO2</b></p> <p>Award <b>one</b> mark for an explanation of how ZPA could use this method:</p> <ul style="list-style-type: none"> <li>it will need to alter the settings on machinery to produce left-handed or right-handed golf clubs/clubs for children or adults (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	
<p><b>13</b></p>	<p>ZPA has decided to create a new quality control department. A manager will be needed for this department.</p> <p>The business wants to use an external method of recruitment for this new vacancy.</p> <p>Explain <b>one</b> appropriate method ZPA can use to advertise this vacancy.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for vacancy advertising method:</p> <ul style="list-style-type: none"> <li>newspapers (1)</li> <li>job websites (1)</li> <li>own business website (1)</li> <li>headhunting (1)</li> <li>job centre (1).</li> </ul> <p>Do not award internal methods or methods not suitable for this vacancy.</p> <p><b>AO2</b></p> <p>Award <b>one</b> mark for an explanation of how ZPA could use this method:</p> <ul style="list-style-type: none"> <li>(newspapers) can be used to reach a large number of candidates with the necessary specialist skills (1)</li> <li>(their own website) is a cost-effective method so ZPA can use this money on gold club production (1)</li> <li>(headhunting) takes the responsibility off ZPA so they can focus on selling the gold clubs (1)</li> <li>(job centres) can attract local candidates which would mean that ZPA can recruit quickly and therefore improve quality quickly (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>2</b></p> <p><b>AO1=1</b></p> <p><b>AO2=1</b></p>

<b>14</b>	<p>ZPA's new quality control department was created following complaints from customers about faulty golf clubs they had purchased.</p> <p>Explain <b>one</b> advantage and <b>one</b> disadvantage of using a system of quality control.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for advantage of quality control:</p> <ul style="list-style-type: none"> <li>• checks on quality at the production stage/at different stages of the production process (1)</li> <li>• complaints from customers should be reduced (1).</li> </ul> <p>Award <b>one</b> mark for disadvantage of quality control:</p> <ul style="list-style-type: none"> <li>• only checks a sample at the end of the production process (1)</li> <li>• faulty products identified from checking will need to be thrown away (1).</li> </ul> <p><b>AO2</b></p> <p>Award <b>one</b> mark for explaining advantage of quality control:</p> <ul style="list-style-type: none"> <li>• which can help the business to achieve its aim of making sure consumers receive quality golf clubs in a crowded market (1)</li> <li>• which may increase the business' reputation/increase repeat purchases which is important as the market is competitive (1).</li> </ul> <p>Award <b>one</b> mark for explaining disadvantage of quality control:</p> <ul style="list-style-type: none"> <li>• faulty product can still reach consumers which means customer could be lost to one of the many competitor club manufacturers (1)</li> <li>• faulty products increase the business cost which would mean that customers are lost to one of the many competitors (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>4</b></p> <p><b>AO1=2</b></p> <p><b>AO2=2</b></p>
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<p><b>15</b></p>	<p>ZPA buys components from China to manufacture its golf clubs.</p> <p>ZPA plans to introduce a just-in-time (JIT) system of stock control.</p> <p>Explain <b>one</b> advantage and <b>one</b> disadvantage to ZPA from introducing JIT stock control.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for advantage of JIT:</p> <ul style="list-style-type: none"> <li>• a system of JIT will mean less stocks is held (1)</li> <li>• less cash will be tied up in stock (1).</li> </ul> <p>Award <b>one</b> mark for disadvantage of JIT:</p> <ul style="list-style-type: none"> <li>• shortages of raw material may arise (1)</li> <li>• may not be able to cater for sudden increases in demand (1).</li> </ul> <p><b>AO2</b></p> <p>Award <b>one</b> mark for explaining advantage of JIT:</p> <ul style="list-style-type: none"> <li>• this will reduce the space needed for storage and therefore the business can spend money on developing new golfing products (1)</li> <li>• this will improve the business' liquidity which could be a problem for a business like ZPA which has lots of competition (1).</li> </ul> <p>Award <b>one</b> mark for explaining disadvantage of JIT:</p> <ul style="list-style-type: none"> <li>• there could be delays in delivery from suppliers in China due to distance (1)</li> <li>• stocks only sufficient for forecasted demands so if there is a spike in demand due to a national figure winning a gold tournament, they would not be able to satisfy this (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>4</b></p> <p><b>AO1=2</b></p> <p><b>AO2=2</b></p>
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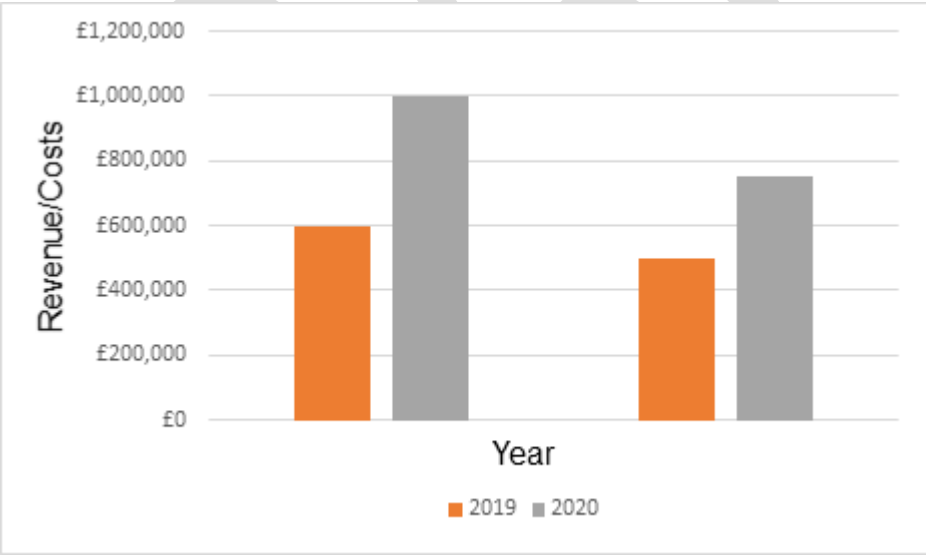
<p><b>16</b></p>	<p>In 2022, ZPA plans to make changes within its UK factory. Two changes are being considered:</p> <ul style="list-style-type: none"> <li>• provide employees with 1 week’s training per year</li> <li>• introduce job rotation – every 3 months, employees will work in a different part of the manufacturing process.</li> </ul> <p>Explain the potential impact of these two changes on employee productivity.</p> <p>Which change would you recommend? Justify your choice.</p> <p><b>AO2</b></p> <p>Award <b>one</b> mark for explaining how training might impact productivity:</p> <ul style="list-style-type: none"> <li>• productivity will fall because ZPA’s employees will be absent from the new factories while attending training (1)</li> <li>• training will make the employee better at their job which will increase productivity, which is important when ZPA sets up the new factories (1).</li> </ul> <p>Award <b>one</b> mark for explaining how job rotation might impact productivity:</p> <ul style="list-style-type: none"> <li>• whilst adapting/learning this new job, they are likely to be less productive so productivity will fall which is a problem as the factories are new and need to be productive as quickly as possible (1)</li> <li>• training will make the employee better at their job which will increase productivity, which is important when ZPA sets up the new factories because they would need to pay back this investment (1).</li> </ul> <p><b>AO3</b></p> <p>Award up to <b>four</b> marks for a justified recommendation:</p> <ul style="list-style-type: none"> <li>• ZPA should choose training. Production and therefore productivity will only fall for 1 week per employee per year (1). The employee, once trained, is likely to be more skilled and/or better motivated (1) which will result in an increase in productivity for the other 51 weeks of the year (1), which would result in more revenue and therefore more profit for the business (1)</li> <li>• ZPA should not choose job rotation as this will affect employee productivity 4 times a year (1) and if it takes an employee a week to get up to speed in the new job, then productivity can be affected for 4 weeks a year (1), whereas training only has</li> </ul>	<p><b>6</b></p> <p><b>AO2=2</b></p> <p><b>AO3=4</b></p>
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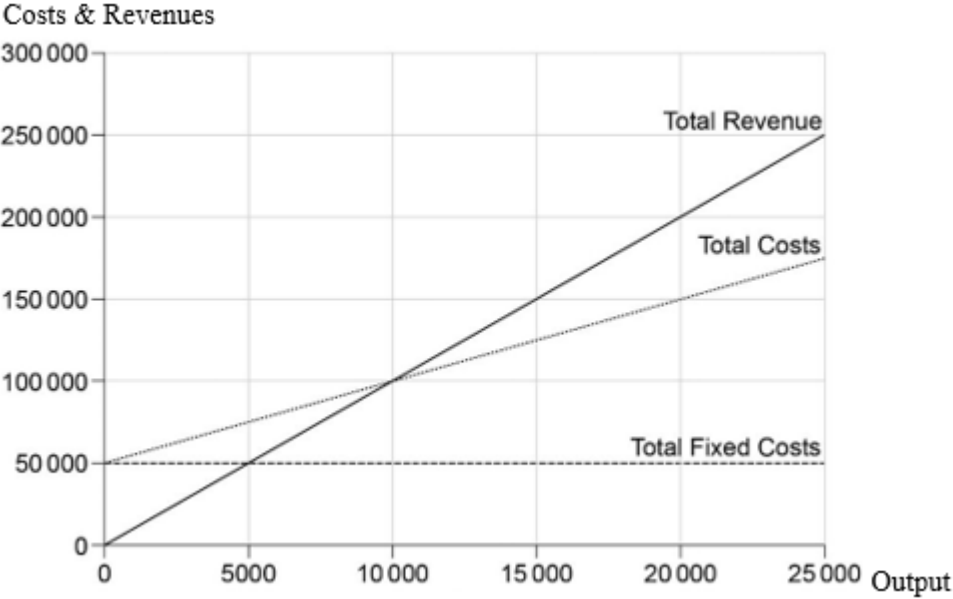
	<p>a 1 week effect (1) and therefore job rotation will affect the business' revenue in a more negative way (1).</p> <p><b>Accept any other suitable response</b></p>	
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**Section C**

**Total for this section: 22 marks**

<p><b>17</b></p>	<p>Select which <b>one</b> of the following would <b>not</b> be found in a cash flow forecast.</p> <p><b>A:</b> Closing balance  <b>B:</b> Opening balance  <b>C:</b> Net cash flow  <b>D:</b> Net profit</p> <p><b>Answer: D</b> (Net profit)</p>	<p><b>1</b></p> <p><b>AO1=1</b></p>
<p><b>18</b></p>	<p>Select which <b>one</b> of the following is an example of an external change that may impact a business.</p> <p><b>A:</b> An increase in absenteeism amongst the business' workforce  <b>B:</b> An increase in VAT  <b>C:</b> The business changes to a flatter organisational structure  <b>D:</b> The business creates a new logo</p> <p><b>Answer: B</b> (An increase in VAT)</p>	<p><b>1</b></p> <p><b>AO1=1</b></p>
<p><b>19</b></p>	<p>The graph below shows the total revenue and total costs for a business for 2019 and 2020.</p>  <p>Select which <b>one</b> of the following is the profit made by the business in 2020.</p> <p><b>A:</b> £100,000  <b>B:</b> £150,000  <b>C:</b> £250,000  <b>D:</b> £500,000</p> <p><b>Answer: C</b> (£250,000)</p>	<p><b>1</b></p> <p><b>AO2=1</b></p>

<p><b>20</b></p>	<p>Describe <b>one</b> benefit to a business from producing a business plan.</p> <p>Award up to <b>two</b> marks for describing a benefit:</p> <ul style="list-style-type: none"> <li>• helps in raising finance (1) as a bank will want to see a business plan as part of the application process for a loan or overdraft (1)</li> <li>• informs potential investors (1) which may enable the business to raise finance through a share issue (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	<p><b>2</b></p> <p><b>AO1=2</b></p>
<p><b>21</b></p>	<p>A business manufactures aluminium water bottles for hikers. The business rents its factory. It has produced a break-even chart for next year.</p>  <p>The business has forecast sales for next year of 25,000 bottles. Shortly after producing this break-even chart the business discovered:</p> <ul style="list-style-type: none"> <li>• the annual rent for its factory would increase by £5,000 next year</li> <li>• the aluminium supplier is raising its prices by 20%.</li> </ul> <p>Explain how the increase in the rent of the factory <b>and</b> the increase in aluminium prices will affect the break-even chart the business has produced.</p>	<p><b>3</b></p> <p><b>AO2=3</b></p>



	<p>Award up to <b>three</b> AO3 marks for an explanation as to how the two factors will affect break-even:</p> <ul style="list-style-type: none"> <li>the increase in rent will increase the total fixed costs by £5,000 to £55,000 (1) shifting the total cost line upwards (1)</li> <li>the increase in aluminium prices will increase the cost of making a bottle (1) and therefore the total costs will become steeper/have an increased gradient (1)</li> <li>the increases in total costs will increase the break-even level of output from its current level of 10,000 units (1) and reduce its margin of safety from 15,000 units (1).</li> </ul> <p><b>N.B.</b> Learners can be awarded two marks for explanation of either point and further mark for explanation of the second point. If only one point considered a maximum of two marks can be awarded.</p> <p><b>Accept any other suitable response.</b></p>	
<p><b>22</b></p>	<p>Explain <b>one</b> advantage and <b>one</b> disadvantage of external growth.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for knowledge of identifying an advantage of external growth:</p> <ul style="list-style-type: none"> <li>external growth is likely to be quicker (1)</li> <li>there may be an existing customer base in the business taken over (1).</li> </ul> <p>Award <b>one</b> mark for knowledge of identifying a disadvantage of external growth:</p> <ul style="list-style-type: none"> <li>finance will need to be raised (1)</li> <li>some of the businesses taken over may have different values or objectives (1).</li> </ul> <p><b>AO3</b></p> <p>Award <b>one</b> mark for explaining the stated advantage of external growth:</p> <ul style="list-style-type: none"> <li>a business can take over other businesses, change their brand name and have them operating quickly (1)</li> <li>external growth will reduce the advertising expenditure needed to create awareness (1).</li> </ul> <p>Award <b>one</b> mark for explaining the stated disadvantage of external growth:</p>	<p><b>4</b></p> <p><b>AO1=2</b></p> <p><b>AO3=2</b></p>

	<ul style="list-style-type: none"> <li>• a business may not have retained profits to provide the funds for a takeover of a rival (1)</li> <li>• if a business takes over another, there could be a culture clash which would reduce efficiency (1).</li> </ul> <p><b>Accept any other suitable response.</b></p>	
<b>23</b>	<p>In the UK, Cinema View PLC has four regional directors. In France, there is one regional director. Managers of each cinema report to their regional manager. Cinema View PLC advertises on television and on social media.</p> <p>Explain two economies of scale that Cinema View PLC could benefit from if it increases in scale from 100 to 140 cinemas.</p> <p><b>AO1</b></p> <p>Award up to two marks for identifying economies of scale:</p> <ul style="list-style-type: none"> <li>• purchasing economies (1)</li> <li>• marketing economies (1)</li> <li>• financial economies (1)</li> <li>• technical economies (1).</li> </ul> <p><b>AO2</b></p> <p>Award up to two marks for explaining economies of scale:</p> <ul style="list-style-type: none"> <li>• buying in larger amounts of confectionary will allow the business to receive a discount which will reduce the unit costs (1)</li> <li>• will not necessitate any increase in advertising expenditure as the new cinemas will be covered by existing TV advertising and advertisements on social media (1)</li> <li>• as a bigger business, Cinema View PLC may be able to negotiate more favourable interest rates on any loans/overdrafts it takes out, which reduces finance costs (1)</li> <li>• the business online booking system can be used to take bookings for the extra cinemas (1).</li> </ul> <p><b>Award any other suitable response.</b></p>	<p><b>4</b></p> <p><b>AO1=2</b></p> <p><b>AO2=2</b></p>
<b>24</b>	<p>Cinema View PLC has 90 cinemas in the UK and 10 in France.</p> <p>The directors of Cinema View PLC have identified two challenges the business faces:</p> <ol style="list-style-type: none"> <li>1. a significant increase in the use of streaming by households using services such as Netflix, Amazon Prime and BBC iPlayer</li> <li>2. a rival cinema chain in France has closed its cinemas in the cities in which Cinema View PLC operates.</li> </ol>	<p><b>6</b></p> <p><b>AO1=2</b></p> <p><b>AO2=2</b></p> <p><b>AO3=2</b></p>

	<p>Analyse the potential impact on Cinema View PLC from these two challenges.</p> <p>Which challenge is likely to have the most impact on Cinema View PLC?</p> <p>Justify your choice.</p> <p><b>AO1</b></p> <p>Award <b>one</b> mark for knowledge of the impact of the increase in the use of streaming:</p> <p>a fall in demand for cinema tickets (1)          increased price competition within the cinema industry (1)          the closure of some Cinema View PLC cinemas (1).</p> <p>Award <b>one</b> mark for knowledge of the impact of the closure of a rival cinema chain in France:</p> <p>increased sales for Cinema View PLC’s cinemas in those 10 cities (1)          may enable Cinema View PLC to raise its prices (1).</p> <p><b>AO2</b></p> <p>Award <b>one</b> mark for explaining the identified impact on Cinema View PLC:</p> <p>could be a reduction in Cinema View PLC’s sales revenue/reduction in business profit (1)          rival cinemas may cut prices to increase ticket sales which Cinema View PLC may also have to adopt (1)          some cinemas may become uneconomic/loss-making (1).</p> <p>Award <b>one</b> mark for explaining the identified impact on Cinema View PLC:</p> <p>there could be an increase in the sales revenue from the French region overall (1)          there could be an improvement in the profit margins in Cinema View PLC’s French cinemas (1).</p> <p><b>AO3</b></p> <p>Award up to <b>two</b> marks for analysis and a justified recommendation:</p> <p>increased streaming will have the greater impact as this will affect all of Cinema View PLC’s cinemas in the UK (1) and is likely to result in a significant fall in tickets sales. The change in the French market,</p>	
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	<p>whilst welcome, will only affect 10 Cinema View PLC cinemas, not the 90 in the UK, and is unlikely to offset the fall in revenue in the UK (1).</p> <p><b>Accept any other suitable response.</b></p>	
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DRAFT

**Section D**

**Total for this section: 18 marks**

<p><b>25</b></p>	<p>Clodagh Ltd is a sign writing business. It employs eight highly skilled graphic designers.</p> <p>The graphic designers are employed on full-time, permanent contracts.</p> <p>Clodagh Ltd operates in a very competitive market. Sales are increasing year on year.</p> <p>Clodagh Ltd plans to recruit two additional graphic designers later this year.</p> <p>Two options are being considered for the contracts for these two new posts:</p> <p>option 1: fixed-term contracts – the finance director favours this option option 2: permanent contracts – the HR directors favour this option.</p> <p>Analyse the options available to Clodagh Ltd and recommend to Board of Directors which option should be taken.</p> <p>Justify your recommendation.</p>	<p><b>9</b></p> <p><b>AO1=3</b> <b>AO2=3</b> <b>AO3=3</b></p>						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%; text-align: center;">Marks</th> <th style="text-align: center;">Description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: top;"> <p><b>7–9</b></p> </td> <td> <p><b>AO3: Excellent</b> analysis of employment contracts that is <b>comprehensive</b> and <b>highly relevant</b>. Supported with <b>excellent</b> justifications that are <b>comprehensive</b> and <b>highly detailed</b>.</p> <p><b>AO2: Excellent</b> application of knowledge and understanding of how employment contract choices can affect Clodagh Ltd that is <b>comprehensive</b> and <b>highly detailed</b> and <b>highly relevant</b> to the question.</p> <p><b>AO1: Excellent</b> recall of knowledge and employment contracts that is <b>comprehensive</b>. Subject specific terminology is used <b>consistently</b> throughout.</p> </td> </tr> <tr> <td style="text-align: center; vertical-align: top;"> <p><b>4–6</b></p> </td> <td> <p><b>AO3: Good</b> analysis of employment contracts that is <b>detailed</b> and <b>mostly relevant</b>. Supported with <b>good</b> justifications that are <b>detailed</b>.</p> <p><b>AO2: Good</b> application of knowledge and understanding of how employment contract choices can affect Clodagh Ltd that is <b>detailed</b> and <b>mostly relevant</b> to the question.</p> <p><b>AO1: Good</b> recall of knowledge and understanding of employment contracts that is <b>mostly detailed</b>. Subject specific terminology is used, but not always consistently.</p> </td> </tr> </tbody> </table>			Marks	Description	<p><b>7–9</b></p>	<p><b>AO3: Excellent</b> analysis of employment contracts that is <b>comprehensive</b> and <b>highly relevant</b>. Supported with <b>excellent</b> justifications that are <b>comprehensive</b> and <b>highly detailed</b>.</p> <p><b>AO2: Excellent</b> application of knowledge and understanding of how employment contract choices can affect Clodagh Ltd that is <b>comprehensive</b> and <b>highly detailed</b> and <b>highly relevant</b> to the question.</p> <p><b>AO1: Excellent</b> recall of knowledge and employment contracts that is <b>comprehensive</b>. Subject specific terminology is used <b>consistently</b> throughout.</p>	<p><b>4–6</b></p>	<p><b>AO3: Good</b> analysis of employment contracts that is <b>detailed</b> and <b>mostly relevant</b>. Supported with <b>good</b> justifications that are <b>detailed</b>.</p> <p><b>AO2: Good</b> application of knowledge and understanding of how employment contract choices can affect Clodagh Ltd that is <b>detailed</b> and <b>mostly relevant</b> to the question.</p> <p><b>AO1: Good</b> recall of knowledge and understanding of employment contracts that is <b>mostly detailed</b>. Subject specific terminology is used, but not always consistently.</p>
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<p><b>1–3</b></p>	<p><b>AO3: Limited</b> analysis of employment contracts. Supported with <b>limited</b> justifications that have <b>minimal detail</b> and are <b>mostly superficial</b>.</p> <p><b>AO2: Limited</b> application of knowledge and understanding of how employment contract choices can affect Clodagh Ltd that has <b>minimal detail</b> and are <b>mostly superficial</b>, with <b>minimal relevance</b> to the question.</p> <p><b>AO1: Limited</b> recall of knowledge and understanding of employment contracts that has <b>minimal detail</b>. Subject specific terminology is often <b>inappropriate</b>, and a lack of understanding is evident.</p>	
<p><b>0</b></p>	<p>No relevant material.</p>	

**It is not a requirement that the learner formulate a response specifically against each assessment objective as laid out in the indicative content (IC).**

**A learner’s demonstration of recall (AO1) and application (AO2) of knowledge and understanding can be implied through the learner’s ability to analyse the question topic required of AO3.**

**Indicative content**

**AO1**

**Learners will recall knowledge and understanding of employment contracts that may include the following:**

- fixed-term contracts have the benefit that when the term is complete, the business can decide not to renew the contract
- can be useful if the rise in demand for the business products has not been maintained.

**AO2**

**Learners will apply knowledge and understanding of how Clodagh Ltd could recruit a new staff member that may include the following:**

- it also allows the business to consider how well the designer had performed
- it allows them to hire a better prospect for the future if they were at all dissatisfied with designer’s work
- permanent contracts avoid this issue but reduce the business flexibility
- as the business is operating in a very competitive market, it will need the best designers it can attract, and the best candidates may only apply if permanent contracts are on offer.

	<p><b>AO3</b></p> <p><b>Learners will analyse and evaluate employment contracts that may include the following:</b></p> <ul style="list-style-type: none"> <li>• under fixed-term contracts, there would be no redundancy costs payable to the designer(s), which reduces financial expenditure</li> <li>• by offering fixed-term contracts rather than permanent contracts, the business may find the pool of applicants is reduced</li> <li>• highly skilled designers may want permanent contracts as they want security. If that is the case, the business may not get the highest calibre of candidates and have to appoint a designer with less skills</li> <li>• permanent contracts put more pressure on the HR department to recruit a capable candidate as taking disciplinary measures against permanent contract holders can be costly and time consuming</li> <li>• if the business is confident that the increase in sales can be maintained, then permanent contracts may be the better option</li> <li>• all designers will then be treated the same and so there should not be any feelings within the design teams of unfairness of treatment</li> <li>• if the business has real doubts about future sales, then fixed-term contracts are a more sensible short-term solution. In 2 years' time, the future may be more positive and either the fixed-term contract employees can be offered permanent contracts or new vacancies can be advertised on a permanent basis.</li> </ul> <p><b>Accept any other suitable response.</b></p>	
<p><b>26</b></p>	<p>Clodagh Ltd will report this year's profit figures in 8 weeks' time.</p> <p>Clodagh Ltd's Board of Directors plan to upgrade the business' printing equipment.</p> <p>New printing equipment is available which would speed up production, improve print quality and reduce ink costs. The equipment cost £80,000 to purchase.</p> <p>Clodagh Ltd has:</p> <ul style="list-style-type: none"> <li>• a gearing ratio of 45%</li> <li>• reduced the prices it charges for signs due to increased competition</li> <li>• been profitable for the last 5 years</li> <li>• retained net profits of £50,000</li> <li>• predicted net profits for this year of £45,000</li> <li>• plans to upgrade the rest of its computer network in another years' time at a cost of £75,000.</li> </ul> <p>Clodagh Ltd is considering two options to pay for the new printing equipment:</p> <ul style="list-style-type: none"> <li>• a bank loan for £80,000 to be repaid over 3 years</li> <li>• use its retained profits.</li> </ul>	<p><b>9</b></p> <p><b>AO1=3</b></p> <p><b>AO2=3</b></p> <p><b>A03=3</b></p>

Evaluate these two options.

Recommend which option Clodagh Ltd should choose.

Justify your recommendation.

Marks	Description
7–9	<p><b>AO3: Excellent</b> evaluation of sources of business finance with <b>excellent</b> justifications that are <b>comprehensive</b> and <b>highly detailed</b>.</p> <p><b>AO2: Excellent</b> application of knowledge and understanding of sources of business finance that is <b>comprehensive</b> and <b>highly detailed</b> and <b>highly relevant</b> to the question.</p> <p><b>AO1: Excellent</b> recall of knowledge and understanding of sources of business finance that is <b>comprehensive</b>. Subject specific terminology is used <b>consistently</b> throughout.</p>
4–6	<p><b>AO3: Good</b> evaluation of sources of business finance that is <b>detailed</b> and <b>mostly relevant</b>. Supported with <b>good</b> justifications that are <b>detailed</b>.</p> <p><b>AO2: Good</b> application of knowledge and understanding of sources of finance that is <b>detailed</b> and <b>mostly relevant</b> to the question.</p> <p><b>AO1: Good</b> recall of knowledge and understanding of sources of business finance that is <b>mostly detailed</b>. Subject specific terminology is used, but not always consistently.</p>
1–3	<p><b>AO3: Limited</b> evaluation of sources of business finance. Supported with <b>limited</b> justifications that have <b>minimal detail</b> and are <b>mostly superficial</b>.</p> <p><b>AO2: Limited</b> application of knowledge and understanding of sources of business finance that has <b>minimal detail</b> and are <b>mostly superficial</b>, with <b>minimal relevance</b> to the question.</p> <p><b>AO1: Limited</b> recall of knowledge and understanding of sources of business finance that has <b>minimal detail</b>. Subject specific terminology is often <b>inappropriate</b>, and a lack of understanding is evident.</p>
0	No relevant material.

**It is not a requirement that the learner formulate a response specifically against each assessment objective as laid out in the indicative content (IC).**

**A learner’s demonstration of recall (AO1) and application (AO2) of knowledge and understanding can be implied through the learner’s ability to evaluate the question topic required of AO3.**



<p><b>Indicative content</b></p> <p><b>AO1</b></p> <p><b>Learners will recall knowledge and understanding of sources of finance that may include the following:</b></p> <ul style="list-style-type: none"> <li>• retained profit is a cheaper option</li> <li>• with retained profit, no interest charges need to be paid and the business gearing ratio will not increase</li> <li>• a bank loan would allow the equipment to be bought more quickly as the loans should be able to be arranged quickly.</li> </ul> <p><b>AO2</b></p> <p><b>Learners will apply knowledge and understanding of how Clodagh Ltd can purchase new machinery that may include the following:</b></p> <ul style="list-style-type: none"> <li>• it will be 8 weeks before this year's profit figures are reported, until then the business has insufficient retained profits (£50,000) leaving a £30,000 shortfall</li> <li>• the business also needs to consider its gearing ratio which is already quite high at 45% and further bank loans may push it over 50%.</li> </ul> <p><b>AO3</b></p> <p><b>Learners will evaluate how sources of finance can be used to purchase assets that may include the following:</b></p> <ul style="list-style-type: none"> <li>• the predicted profits, if the predictions are correct, will allow the full purchase price to be met and still leave £15,000 net profits that can be distributed as dividends or retained for further internal uses</li> <li>• the savings the new equipment will make in terms of operating costs may help offset the interest charges should a bank loan be decided upon</li> <li>• a bank loan could lead to the business being 'highly geared'. This label can make it more difficult to raise further external finances as lenders may see it as too risky to lend to or decide to charge higher rates of interest</li> <li>• the business needs to consider the future. In 12 months' time, it wants to replace the rest of the computer network, costing £75,000. Unless profits increase next year, then there would not be enough profit to pay for this and a bank loan might not be needed</li> <li>• I would therefore recommend a split with £40,000 coming from retained profits and a bank loan of £40,000, which will help moderate the increase in the gearing ratio and puts less pressure on the retained profits. This would also allow for the planned replacement of the rest of the computer network at a cost of £75,000 to be met from retained profits.</li> </ul> <p><b>Accept any other suitable response.</b></p>
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### Assessment Objective Grid

#### Section A

Question	AO1	AO2	AO3	Total
1	1*			1
2	1*			1
3	1			1
4	2*			2
5	1	1		2
6		2		2
7	2	2		4
8	2		4	6
<b>Total required</b>	<b>8–10</b>	<b>5–7</b>	<b>3–5</b>	
<b>Total</b>	<b>10</b>	<b>5</b>	<b>4</b>	<b>19</b>
<b>*Kil</b>	<b>5</b>			

#### Section B

Question	AO1	AO2	AO3	Total
9	1*			1
10	1*			1
11		1		1
12	1	1		2
13	1	1		2
14	2	2		4
15	2	2		4
16		2	4	6
<b>Total required</b>	<b>8–10</b>	<b>7–9</b>	<b>4–6</b>	
<b>Total</b>	<b>8</b>	<b>9</b>	<b>4</b>	<b>21</b>
<b>*Kil</b>	<b>2</b>			

### Section C

Question	AO1	AO2	AO3	Total
17	1*			1
18	1*			1
19		1		1
20	2*			2
21		3		3
22	2*		2	4
23	2	2		4
24	2	2	2	6
<b>Total required</b>	<b>8–10</b>	<b>7–9</b>	<b>4–6</b>	
<b>Total</b>	<b>10</b>	<b>8</b>	<b>4</b>	<b>22</b>
<b>*Kil</b>	<b>6</b>			

### Section D

Question	AO1	AO2	AO3	Total
25	3	3	3	9
26	3	3	3	9
<b>Total</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>18</b>
<b>Kil</b>	<b>0</b>			

### Overall

Question	AO1	AO2	AO3	Total
<b>Range</b>	<b>32–36</b>	<b>28–32</b>	<b>16–20</b>	<b>80</b>
<b>Total</b>	<b>34</b>	<b>28</b>	<b>18</b>	<b>80</b>