



GCE A LEVEL MARKING SCHEME

SUMMER 2018

**A LEVEL
BUSINESS – COMPONENT 1
A510U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2018 examination. It was finalised after detailed discussion at the examiners' conference by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS A LEVEL - COMPONENT 1
BUSINESS OPPORTUNITIES AND FUNCTIONS
SUMMER 2018 MARK SCHEME
SECTION A

Q.		Total
1	<p>Give one example of a business using batch production and describe two benefits of this method of production.</p> <p>Award 1 mark for an appropriate example. AO1: 1 mark</p> <p>Indicative content:</p> <p>A baker making loaves of bread; a clothing manufacturer making batches of a particular garment; a paint manufacturer making batches of a particular colour paint.</p> <p>Credit any valid example</p> <p>Award up to 2 marks for describing the benefits of batch production AO1: 2 marks</p> <p>Indicative content:</p> <p>Batch production allows groups of items to be made together</p> <p>This can be cheaper than producing by job production (lower unit costs) Quality should be more or less consistent Production can be faster than job production Provides more choice for customers Lower capital costs than flow production</p> <p>Any other valid point.</p>	3

Q.		Total
2 (a)	<p>Outline the meaning of the term <i>external economies of scale</i>.</p> <p>Award 1 mark for each valid point that explains external economies of scale. AO1: 2 marks</p> <p>Indicative content:</p> <p>External economies of scale occur outside of a business (1) and benefit the whole industry (1) <u>resulting</u> in lower average unit costs (1).</p> <p>Reference to lower average unit costs (resulting from external economies of scale) needed for second mark.</p>	2
2 (b)	<p>Suggest two ways in which an IT company can benefit from external economies of scale.</p> <p>Award up to 2 marks for each benefit correctly explained. AO1: 2 marks</p> <p>Award up to 2 marks for application to an IT company. AO2: 2 marks</p> <p>Indicative content:</p> <p>There may be numerous suppliers, which means that a business will find it easy to obtain the necessary supplies of computer equipment.</p> <p>There is likely to be a pool of skilled labour so that a business will find it easy to recruit well-trained staff with the necessary programming skills.</p> <p>There may be a college or university nearby that specialises in teaching relevant IT skills.</p> <p>There may be appropriate infrastructure, e.g. good transport links, communications, which make it easier for goods to be transported.</p> <p>There may be a wide customer base, as customers will know that this is the place to go to purchase what they are looking for.</p> <p>Any other valid suggestion and application</p>	4

Q.		Total
3 (a)	<p>Using the diagram: AO2: 3 marks</p> <p>(i) State the lead time</p> <p>One week [1]</p> <p>(ii) Identify the minimum stock level</p> <p>100 or 100 rolls [1]</p> <p>(iii) Calculate the reorder quantity in weeks 1 to 10</p> <p>400 or 400 rolls [1]</p> <p>Allow 2000 (total reorder quantity over 10 week period) [1] Allow 200 (average weekly reorder quantity) [1]</p> <p>NB: 'rolls' not needed for mark to be credited</p>	3
3 (b)	<p>With reference to the diagram, explain what happened during week 11 and explain its possible cause.</p> <p>Award 1 mark for using the diagram correctly AO2: 1 mark</p> <p>Award 1 mark for correct explanation AO3: 1 mark</p> <p>Indicative content:</p> <p>In week 11 the company ran out of stock (stock levels fell to zero)</p> <p>This may have been because they had received more orders than expected</p> <p>Production may have been switched to some other product so that more stock was used up than usual</p> <p>Any other valid explanation</p>	2

3 (c)	Explain why it is important for Twinkly Toys to carefully control its stock. [4]	
Band	AO1	AO3
	2 marks	2 marks
2	2 marks Good understanding of the importance of controlling stock	2 marks Good analysis of the reasons for controlling stock
	1 mark Limited understanding of the importance of controlling stock	1 mark Limited analysis of the reasons for controlling stock
0	0 marks No understanding of the importance of controlling stock	0 marks No analysis of the reasons for controlling stock

Indicative content:

If a company has too much stock it will cost them money. This may cause cash flow problems.

If there is too much stock it might get damaged in the warehouse. Or there may be security issues with the possibility of stock being stolen. Warehousing costs are likely to be expensive.

If there is too little stock a business will have to stop production, this will result in orders being fulfilled late and customers getting angry and possibly switching to other suppliers.

Stock may be controlled as part of JIT.

Any other valid point

4 (a)	Identify one source of finance that would be suitable for Ella's business and one source of finance that would not be suitable, stating the reason why in each case. [4]	
Band	AO1	AO2
	2 marks	2 marks
2	2 marks	2 marks
	The learner identifies two sources of finance, one suitable and one unsuitable	The learner fully applies the suitability of both sources of finance to Ella's business
1	1 mark	1 mark
	The learner identifies one source of finance, either one suitable or one unsuitable	The learner attempts to apply the suitability of at least one source of finance to Ella's business
0	0 marks	0 marks
	No appropriate/inappropriate sources of finance identified	No application to Ella's business

Indicative content:

Suitable sources might include: borrowing from family and friends – this would not be expensive and she could pay them back with interest when she started to make a profit from the new factory.

She could take out a bank loan, this would be for a fixed period of time and could be at a fixed rate of interest so that she would know exactly what she would have to pay back each month.

Ella could lease the equipment rather than buying it outright.

Grants – if these are available to her, for instance from the local council.

Crowd funding – it may be possible to raise money this way through social media in return for a share in the profits

Unsuitable sources might include: selling shares in her business, she is not a limited company, so she is not able to do this.

An overdraft – this is not really appropriate for a capital project as the costs are high and it is likely that she will not be able to pay it off in the short run, so the borrowing costs will be extortionate. Use of a credit card – the interest rates would be prohibitive.

Sale of assets – it does not appear that her business at this stage has any assets that she could dispose of.

Venture capital – it is possible but unlikely that a venture capitalist would invest in a business of this size.

Mortgage – can be taken out to purchase the factory

Do not allow retained profit as Ella has already exhausted this source of finance.

Any other valid suggestion

Q.		Total
4 (b)	<p>Calculate her breakeven output per month (show your workings).</p> <p>Award 1 mark for correct formula AO1: 1 mark</p> <p>Breakeven = Fixed cost / (selling price – variable cost)</p> <p>Award 1 mark for correct answer AO2: 1 mark</p> <p>= £1.15 – £0.65</p> <p>= £1 800/£0.50</p> <p>= 3 600 or 3 600 units per month</p> <p>If correct answer is given in £ then allow 1 mark</p> <p>Award 2 marks for correct answer without workings</p>	2
4 (c)	<p>Calculate her estimated profit or loss for next year.</p> <p>Award 1 mark for each correct calculation AO2: 3 marks</p> <p>Award 2 marks for calculating contribution $50\,000 \times (\pounds 1.15 - \pounds 0.65) = \pounds 25,000$</p> <p>Alternatively:</p> <p>Contribution = Total Revenue – Total Variable Costs</p> <p>$(\pounds 57\,500 - \pounds 32\,500) = \pounds 25\,000$ [2 marks]</p> <p>Award 1 mark for calculating fixed costs $(12 \times \pounds 1\,800)$</p> <p>= $\pounds 25\,000 - \pounds 21\,600$</p> <p>Alternatively:</p> <p>Total Revenue $(\pounds 50\,000 \times \pounds 1.15 = \pounds 57\,500)$ [1 mark] – Total Variable Costs $(\pounds 50\,000 \times 0.65 = \pounds 32\,500)$ [1 mark] – Fixed Costs $(12 \times \pounds 1\,800 = \pounds 21\,600) = \pounds 3\,400$</p> <p>Award 1 mark for calculating profit $\pounds 3\,400$ profit</p> <p>If correct answer is without £ sign then award 2 marks</p> <p>Apply OFR where relevant</p> <p>Award 3 marks for correct answer without workings</p>	3

SECTION B

5	Discuss the ways in which social enterprises differ from other private sector businesses.		
	[7]		
Band	AO1	AO3	AO4
	2 marks	2 marks	3 marks
2	2 marks Good knowledge and understanding of social enterprises and other private sector businesses	2 marks Good analysis of the similarities/differences between social enterprises and other private sector businesses Key characteristics well developed	3 marks Good evaluation of the similarities and differences between social enterprises and other private sector businesses Well-balanced, supported judgement
1	1 mark Limited knowledge and/or understanding of social enterprises and other private sector businesses	1 mark Limited analysis of the similarities/differences between social enterprises and other private sector businesses Superficial comments and limited development	1-2 marks Limited evaluation of the similarities/differences between social enterprises and other private sector businesses One-sided, superficial discussion
0	0 marks No knowledge of social enterprises or other private sector businesses	0 marks No analysis of the differences between social enterprises and other private sector businesses	0 marks No evaluation of the differences between social enterprises and other private sector businesses

Indicative content:

Social enterprises consist of a wide range of different organisations whose activities range from recycling furniture to making chocolate.

The main aim is not to make a profit and social enterprises do not have shareholders. However social enterprises still need to make a surplus in order to fund their activities, but they do not necessarily aim to maximise profit, especially if this conflicts with their other aims. A social enterprise tries to maximise the amount of social good it creates balanced against its financial goals.

Social enterprises have some type of social aim, such as to provide support for local communities, protect the environment or to give jobs to unemployed young people.

On the whole social enterprises are more concerned with ethics than for-profit businesses. They are concerned about the environment, the working conditions of workers, the plight of poor communities etc. Whilst for-profit businesses may also be concerned with ethical issues, it is not their primary concern and, it could be argued that for them, when there is a conflict between profit and ethics, ethics takes the back seat.

Social enterprises are often co-operatives that are owned by and operated for the benefit of all of their members. Customer might share the same values as the business.

In some ways they are the same: both provide goods/services, might employ people, meet needs/wants, but in other ways they are different.

Any other valid point.

6 (a)	With reference to the information in the chart describe the main features of an oligopoly. [4]	
Band	AO1	AO2
	2 marks	2 marks
2	2 marks Good understanding of oligopoly	2 marks Good use of the information provided
1	1 mark Limited knowledge or understanding of oligopoly	1 mark Limited use of the information provided
0	0 marks No understanding of oligopoly	0 marks No use of the information provided

Indicative content:

An oligopoly market is one in which a few large companies dominate the market in terms of sales revenue/market share as well as which there may be many small firms.

In the case of the airline industry it is clear that the top five airlines, Ryanair, Monarch, Jet2, EasyJet and Flybe have over 50% of the market between them and the top eight companies have over 70% of the market.

Provide largely homogenous or slightly differentiated products/services.

Large firms have significant influence on price.

Significant barriers of entry might exist.

Larger firms might engage in price wars.

6 (b)	Discuss the ways that the various airlines might compete with each other apart from cutting their prices. [8]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	2 marks Good knowledge of the ways in which oligopolies can compete with each other The learner suggests at least two appropriate strategies	2 marks Good application of oligopoly strategy to airline businesses	2 marks Good analysis of the methods of competition	2 marks Good evaluation of the methods of competition Well-balanced evaluation of one or two oligopoly strategies that might be used by an airline business
	1 mark Limited knowledge of the ways in which oligopolies can compete with each other The learner suggests one appropriate strategy	1 mark Limited application of oligopoly strategy to airline businesses	1 mark Limited analysis of strategies that might be used by airline businesses	1 mark Limited evaluation of oligopoly strategy One-sided evaluation of strategies that might be used by an airline business
0	0 marks No appropriate strategies suggested	0 marks No application to airline businesses	0 marks No analysis attempted of strategies that might be used by airline businesses	0 marks No evaluation attempted of strategies that might be used by an airline business

Indicative content:

There are various ways in which the airlines might compete. They might offer greater choice, in terms of where and when they fly to and from. If an airline has a greater number of destinations it stands to reason that it will attract a greater number of passengers as long as the destination is a popular one. If it proves to be unpopular the airline can always stop offering the service. Similarly, if an airline offers customers the choice of more embarkation points they are more likely to attract customers. If an airline only flew from London it would be unlikely to attract passengers from the north of England or Scotland.

They might offer better service. This might include better quality food or more comfortable seats. Some passengers will be willing to pay more for better service, although the evidence is that this is more of a niche market and that the mass market is for the no-frills airlines that offer little in the way of service and have even threatened to charge people for using the toilets on a plane! They might offer other extras such as a bigger luggage allowance.

An airline might introduce loyalty schemes such as airmiles/avios.

An airline might do a marketing campaign emphasising its USP.

Any other valid point.

7	Evaluate the impact of equal opportunities legislation on employers and employees in the UK. [8]		
Band	AO1	AO3	AO4
	4 marks	2 marks	2 marks
3	3-4 marks Excellent knowledge of equal opportunities legislation. (Reference to particular Acts is not required) Learners must show knowledge of more than just equal pay		
	2 marks Good knowledge of equal opportunities legislation	2 marks Good analysis of the impact of equal opportunities legislation on both employers and employees	2 marks Good evaluation of the impact of equal opportunities legislation on both employers and employees
1	1 mark Limited knowledge of equal opportunities legislation	1 mark Limited analysis of the impact of equal opportunities legislation on employers/employees	1 mark Limited evaluation of the impact of equal opportunities legislation on employers/employees
0	0 marks No knowledge of equal opportunities legislation	0 marks No analysis of the impact of equal opportunities legislation	0 marks No evaluation of the impact of equal opportunities legislation

Indicative content:

Equal opportunities legislation exists to ensure that there is no discrimination against individuals or groups on the basis of their gender, sexual orientation, ethnicity, religion, age or physical disability.

For example men and women doing the same work must, by law, be paid the same and have the same chances of employment and promotion (except in exceptional circumstances, where it is appropriate to employ either a man or a woman).

The legislation has some costs to employers as they will need to be more careful in the way that they advertise jobs and carry out their recruitment and promotion processes in order to ensure that they are not discriminating in any way. If they are found to have discriminated they may be taken to an employment tribunal and end up having to pay a fine. This could damage the reputation of the business.

Businesses may have to adapt their premises to cater to the needs of disabled people, for example by installing ramps for wheelchair access and fitting braille signs in a lift for visually impaired employees. This will involve some expense for employers.

Equal pay may result in an overall higher wage bill for an employer.

On the other hand an equal opportunities policy will mean that employers have a wider choice of potential employees. It will also mean that they are likely to bring the best out of their existing employees, who will be happier in an atmosphere free from discrimination.

The reputation of a business may improve if it is seen to positively discriminate in favour of minority groups. For this reason many companies declare that they are equal opportunity employers.

For employees who previously faced discrimination the results of legislation are likely to be mostly positive. They will have access to better paid jobs, better training and better prospects in the future.

However, in some cases an employer may feel that they are unable to bear the costs of complying with the legislation and, as a result, cut back on employment overall.

Employees might become more motivated and satisfied in their job, leading to higher levels of productivity.

Equal opportunities/legislation is likely to lead to more positive than negative impacts, but this is perhaps dependent on whether rights are enforced by the relevant parties and the culture within the organisation.

Any other valid point.

8 (a) With the aid of a diagram, describe the relationship between a product's life cycle and its cash flow. [4]

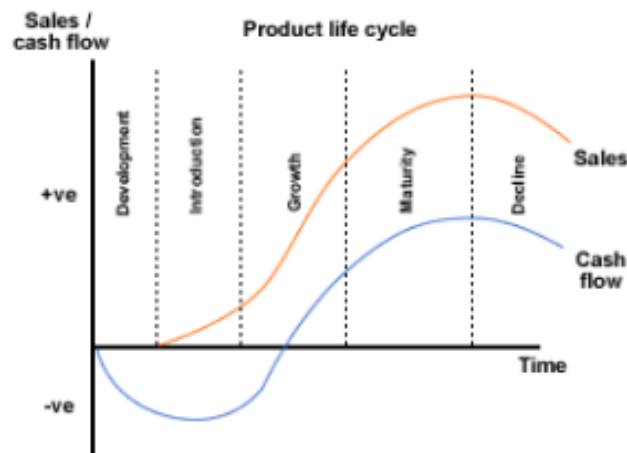
AO1: 4 marks

Award 2 marks for correct diagram, 1 mark for partially correct diagram

Award 2 marks for full understanding of the relationship between product life-cycle and cash flow

Award 1 mark for partial understanding of the relationship between product life-cycle and cash flow

Indicative content:



During the development stage cash flow is negative, because development costs are being incurred before any revenue is achieved.

Once the product is introduced cash flow starts to increase although there may still be costs associated with the launch of the product, cash flow could remain negative.

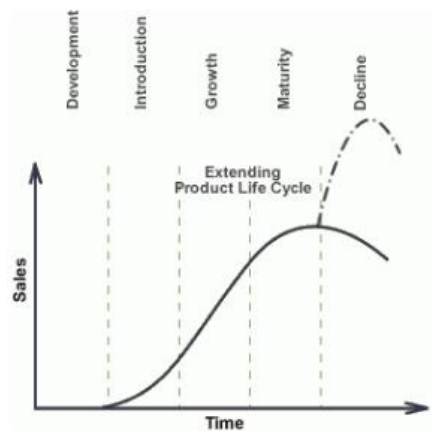
As sales grow, cash flow increases and continues to increase until the product reaches maturity.

Once product sales go into decline cash flow also begins to fall.

8 (b)	Discuss the importance of extension strategies in the lifecycle of Polo mints. [10]		
Band	AO2	AO3	AO4
	2 marks	4 marks	4 marks
3		<p style="text-align: center;">4 marks</p> <p>Excellent analysis of the importance of extension strategies in the life cycle</p> <p>The analysis is balanced, detailed and developed in context</p>	<p style="text-align: center;">4 marks</p> <p>Excellent evaluation of the importance of extension strategies in the life-cycle</p> <p>The evaluation focuses on the key impact of extension strategies</p> <p>Clear reference is made to Polo mints to support their judgement</p> <p>Relevant judgements are made with qualifying statements</p>
2	<p style="text-align: center;">2 marks</p> <p>Good application of the importance of extension strategies to polo mints</p> <p>Clear reference to Polo mints</p>	<p style="text-align: center;">2-3 marks</p> <p>Good analysis of the importance of extension strategies in the life cycle.</p> <p>At least one valid impact is analysed meaningfully</p>	<p style="text-align: center;">2-3 marks</p> <p>Good evaluation of the importance of extension strategies in the life cycle</p> <p>Clear judgement is made with some attempt to make supporting statements</p>
1	<p style="text-align: center;">1 mark</p> <p>Limited application of the importance of extension strategies to polo mints</p> <p>The response is mainly theoretical</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the importance of extension strategies in the life cycle</p> <p>Superficial discussion of the impact of extension strategies</p>	<p style="text-align: center;">1 mark</p> <p>Limited evaluation of the importance of extension strategies in the life cycle</p> <p>Judgements are underdeveloped and lacking depth.</p> <p>Unsupported statements are made</p>
0	<p style="text-align: center;">0 marks</p> <p>No application to Polo mints</p>	<p style="text-align: center;">0 marks</p> <p>No analysis of the importance of extension strategies in the life cycle</p>	<p style="text-align: center;">0 marks</p> <p>Irrelevant or no evaluation is given</p>

Indicative content:

An extension strategy is shown in the diagram below. The strategy can prevent the decline of sales and actually increase them.



Extension strategies can affect life-cycle in various ways. The product can be repackaged or it can be altered slightly and relaunched. In the case of Polos, the contents have been changed to make them more natural and hence to appeal to more health conscious consumers. Sometimes a new product is introduced using the same brand name.

Repackaging can be effective as it is eye catching. Consumers may have become accustomed to the old packaging and consider the product itself to be old-fashioned. On the other hand the packaging still has to be recognisable or else loyal customers might not be able to find it on shop shelves. Polo's packaging has remained relatively unchanged despite changes in the product itself. A product that is relaunched is likely not only to retain its current customers and attract some new customers it may also attract back some customers that it used to have but has lost.

With some products new uses can be found, for example Lucozade used to be sold as a medical product but then it was relaunched as an energy drink. By finding new ways to promote the product new customers can be found.

There have also been other products launched such as extra strong polos. The strategy of launching new associated products has proved successful for many products. Customers who are loyal to the brand are likely to try it and new customers, who haven't tried it, may be tempted to for its novelty value.

Without extension strategies Polos, would enter into the decline stage of their life cycle and, at some point, would have to be withdrawn from the market.

Any other valid point.

9	Discuss the view that flexible working will benefit both employers and employees. [12]		
Band	AO1	AO3	AO4
	4 marks	4 marks	4 marks
3	4 marks Excellent knowledge and understanding of flexible working Learners must show knowledge and understanding of more than just home working	4 marks Excellent analysis of the benefits of flexible working to both employers and employees The analysis is balanced, detailed and developed in context A clear understanding of the impact on employers and employees	4 marks Excellent evaluation of flexible working and its benefits to both employers and employees Well-reasoned and balanced evaluation Lines of evaluation are well-developed and informed judgements are made May offer an overall judgement
	2-3 marks Good knowledge and understanding of flexible working	2-3 marks Good analysis of the benefits of flexible working to employers/employees A clear understanding of the impact on employers or employees The analysis may be unbalanced	2-3 marks Good evaluation of flexible working and its benefits to employers/employees Reasonably well-balanced evaluation with some development on both sides of the argument Judgments made with some attempt to support the answer
1	1 mark Limited knowledge of flexible working	1 mark Limited analysis of the benefits of flexible working to employers/employees Superficial discussion of the impact of flexible working	1 mark Limited evaluation of flexible working and its benefits One sided evaluation including unsupported comments Judgements are superficial
0	0 marks No knowledge of flexible working	0 marks No analysis of the benefits of flexible working to both employers and employees	0 marks No evaluation of flexible working and its benefits

Indicative content:

Flexible working means that there is some flexibility as to when and where employees work. It might include flexi-time, where workers can choose which hours they work, so long as they work their quota of hours. Sometimes the flexibility will be limited to certain times of day.

Flexible working might also involve working from home, or hot-desking, so that instead of having a permanent office desk, employees can use whatever office space is available.

Flexible working will benefit employees because it gives them a say in when they work and, in some cases, where they work. It means that they can achieve a better work-life balance.

Employers also stand to benefit in various ways. Employees are likely to be happier and more motivated if they have some say over their hours and place of work. It is likely to lead to better industrial relations.

Employers may also benefit from home working and hot-desking as they will not need such large offices to accommodate their staff. This may reduce their overhead costs and lead to greater profits.

Employers might benefit from attracting and retaining talented staff if they are able to accommodate their working preferences, which could lead to a competitive advantage.

However there is a danger that employees will take advantage of the employer when they are not being supervised.

From the employees point of view it might be more difficult to work at home because there are distractions and they may miss the social aspect of working with others (Maslow's social needs).

The consequences of zero hours contracts, which tend to benefit employers more than employees, although some employees are happy with the flexibility that it gives them to work when they want to.

Lines of evaluation might include the nature of the job the operational needs of the business.

Any other valid point.