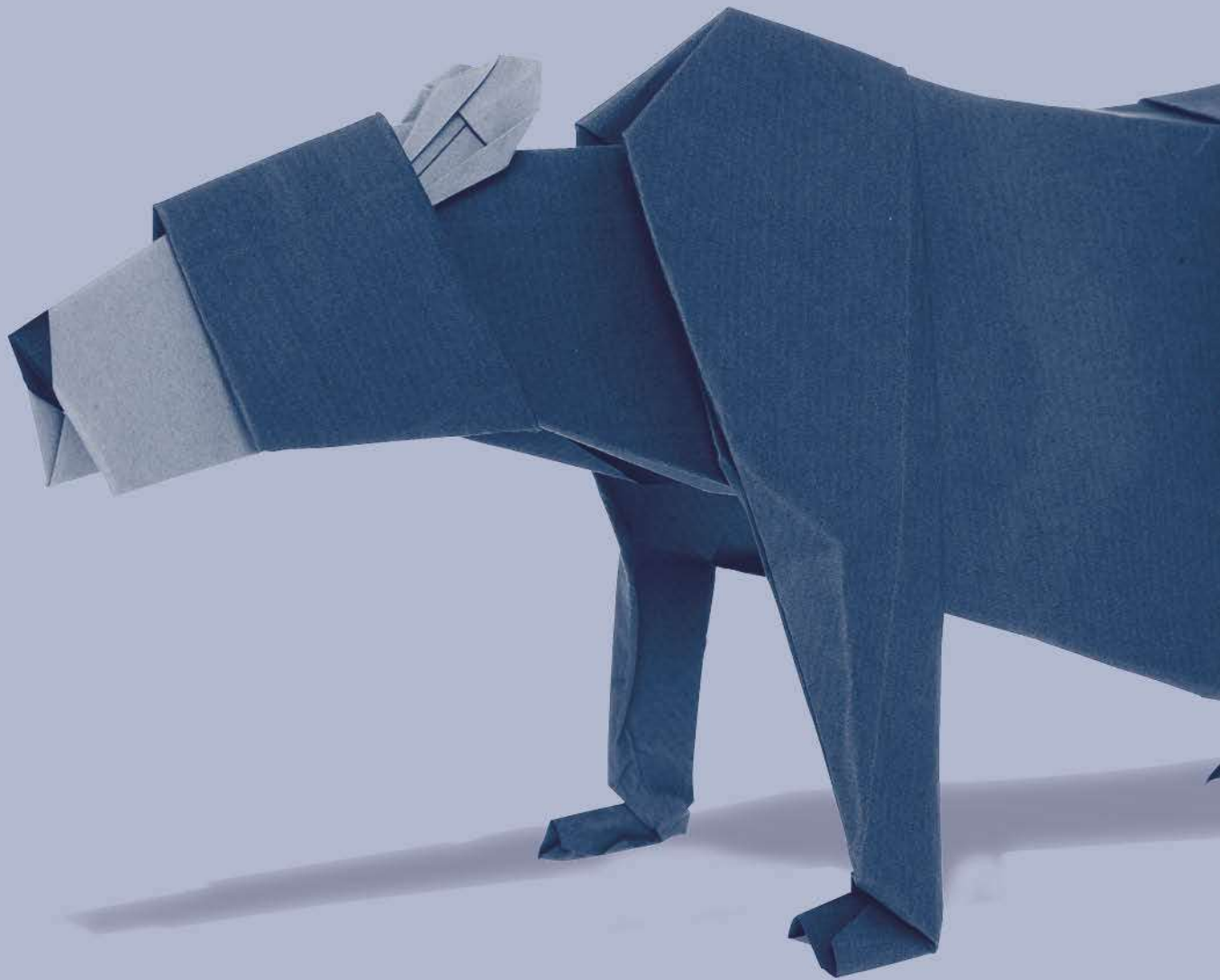


# A Level Business



## MOCKS MARKING TRAINING

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Delegate Booklet

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# A level Business: Delegate booklet

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## Explain (4 marks)

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These questions require a multi-stage definition relating to context and include analysis.

In terms of graphs, the questions require manipulation.

These questions require students to convey understanding by making a point and linking the point with a justification or illustration.

### Question

This question is taken from the A level specimen paper 2, question 1a.

#### Extract A

##### Crowdcube

Crowdcube is the world's leading investment crowdfunding platform. It enables anyone to invest alongside professional investors in businesses wanting to start-up, are in their early stage and those wanting to expand. There is a 160,000 strong crowd looking for more interesting investments. Crowdcube is free, quick and has no obligations for potential investors.

5

One business seeking investment is HAIRCVT. It is attempting to revolutionise the £10bn hairdressing industry in the UK and France by providing an online marketplace for hairdressers to showcase themselves and for consumers to find and book them. HAIRCVT aims to take a significant share of online hair bookings over the next 5 years. It hopes to raise £200,000 in return for 10% of the company's shares.

10

(Source adapted from: [https://www.crowdcube.com/?utm\\_source=bing&utm\\_medium=cpc&utm\\_campaign=Crowd%20Funding&utm\\_term=crowd%20funding%20business](https://www.crowdcube.com/?utm_source=bing&utm_medium=cpc&utm_campaign=Crowd%20Funding&utm_term=crowd%20funding%20business))

- 1 (a) Explain how crowdfunding might help HAIRCVT raise £200 000.

(4)

## Sample 1

As Crowdfunding is free, easy & has no obligations it encourages all types of people to invest. Also as HAIRCUT is a new up coming innovation & crowdfunding holds over 160,000 investors looking for these kinds of investments, it will advertise Haircut's 10% equity for £200,000's deal, encouraging investors. This means that not only professional investors can invest, but so can others such as housewives keen for the HAIRCUT platform to arise, or even consumers to invest.

## Sample 2

With a Crowdfunding website HAIRCUT will have access to a great number of people willing to invest in new businesses such as themselves. This would not be possible simply through personal contact. The potential investors will be able to view HAIRCUT's business and plans and make a decision on how much they're willing to invest. It could be as little as £5 meaning even ordinary people can help. The funding will be in return for shares

## Mark scheme

Question Number	Answer	Mark
1 (a)	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>Knowledge: 1 mark</b> for understanding of crowdfunding e.g funding a business venture by raising small amounts of money from a large number of people, typically via the internet.</p> <p><b>Application: 2 marks</b> for answers in the context of HAIRCVT, e.g</p> <ul style="list-style-type: none"> <li>• Access to 160,000 potential investors who are members of Crowdcube</li> <li>• Hopes to raise £200,000 in return for 10% of the shares.</li> </ul> <p><b>Analysis: 1 mark</b> for answers that explain the a benefit of using crowdfunding to raise finance e.g</p> <ul style="list-style-type: none"> <li>• A relatively cheap way to raise finance which is an important factor for a small business</li> <li>• An alternative to borrowing from banks who are often reluctant to lend to small businesses Only have to give up a small proportion of shares so can retain control.</li> </ul>	<b>(4)</b>

## Assess (10 marks)

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These questions require a contextualised and balanced answer with connectives. Students should carefully consider factors or events that apply (awareness of competing arguments) and identify which are the most important or relevant. These questions require students to make an informed judgement or provide a contextualised conclusion on the importance of something.

### Question

This question is taken from the A level specimen paper 1, question 1c.

#### Extract C

##### PureNet

PureNet Limited is based in York and has 43 highly skilled employees. It is an e-commerce specialist business which designs or adapts websites for a wide range of clients including B2B wholesalers and B2C global corporations. It has ambitious expansion plans and will need to recruit new employees.

Director Paul Doherty said: "We have a commitment and flair for innovation and have achieved returns on investments for our clients. We are extremely proud of the e-commerce and digital marketing solutions we produce." 5

(Source: adapted from <http://www.yorkpress.co.uk/business/awards/profiles/11427676.PureNet/>)

(c) Assess the reasons for PureNet Limited remaining as a Private Limited Company. (10)

## Sample 1

Since Purenet is a rather small company (with only 43 employees) it seems rather suitable, as they are not as large or well known it may be difficult for them to float themselves on the stock market. They also need £50,000 worth of capital in order to start to set it up. However if Purenet does start to grow more this may be more achievable - as well as a necessity in order to grow further as a business. Becoming a partnership or sole trader is out of the question as it would cause problems for both management as well as communication - it is simply too large to do this. Staying as a private limited company also provides security to its owner - as his/her possessions cannot be used if the business becomes bankrupt, but also if something happens to the owner there is little to no risk for the business either. It does limit how capital can be raised as shareholders can only be family or friends, unlike a public limited company where shares can be sold to anyone but the business is more susceptible to takeovers.

## Sample 2

A private limited company is usually a business run by family, friends & relatives. There is a minimum of two shareholders & a maximum of 50. Also the shareholders (owners) of the company are covered by limited liability, so their personal assets are protected & not at risk of seizure by creditors. If the company was to experience financial distress. Also shares cannot be sold to the public.

Currently it is suitable for Purnet to operate as an LTD as it gives them more control over the business & its operations, so it is likely to continue to operate as the business is not affected by the status of the owner.

However looking forward, Purnet state that they are looking to make huge expansions, this means, continuing as a LTD will not be suitable as the growth will be limited as there is only a maximum of 50 shareholders & as well as this they may not be able to gain finance as easily, to support the expansions, as the option of selling shares publicly is not there, as LTD's cannot sell shares to the public. So they may have to apply for a loan, which will incur interest, making it more costly for the business, unless they change to a public limited company.



## Mark scheme

Question Number	Indicative content	Mark
1 (c)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• A private limited company indicates that new shares can only be issued to others directly known to the current shareholders; current shareholders invite new investment</li> <li>• The inability to issue shares on the stock-market can limit the ability of a business to raise finance</li> <li>• Purenet's possible limited access to share finance could limit growth into mobile platforms which is what their customers demand.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Compared to sole traders or partnerships this type of ownership provides limited liability to the owners</li> <li>• Other sources of finance such as bank debt will still be available to a successful, growing business like Purenet</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• For Purenet to remain as a Ltd instead of a PLC this gives Paul Doherty the ability to control new investment and therefore limits the scope for a hostile takeover</li> <li>• Remaining as a LTD could limit Purenet's ability to raise the finance for their expansion plans.</li> </ul>	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.