



# Marking activity

## Example 1: Assess

Reference materials: AS Sample Assessment Materials:

- Paper 1, Section B
- Page 12 for the extracts
- Page 15 for question (2e)
- Pages 31-32 for mark scheme

### Question

Assess the benefits of government intervention to restrict the location of takeaway outlets.

(12 marks)



## Response 1

- (e) Assess the benefits of government intervention to restrict the location of takeaway outlets.

(12)

Extract C shows how takeaway restaurants near schools may be leading to obesity in children as their food is over produced and over consumed. On the one hand, government intervention to restrict the location of takeaway outlets may improve social costs such as litter and pollution in the area around the takeaways and schools. Government intervention would reduce the production and consumption of takeaway food in order to reduce these associated social costs. By restricting the location of takeaway outlets, it could reduce obesity in children as they then may be encouraged to eat healthier food from the school canteens for example. There are also external ~~costs~~ costs of obesity such as the cost to the NHS through preventing diseases associated with obesity. External costs would also include absences from school and work due to these diseases. On the other hand, by restricting the location this could cause reduced sales and profit for the takeaway restaurant owner as the school children and parents could have been their main business. The government intervention is an example of the government trying to reduce the problem of children becoming obese. However, there are certain consequences such as derelict premises around schools and increasing unemployment as ~~schools~~ takeaways close down. In conclusion, children may still travel further to use the restaurants or even use technology such as the Just Eat app to get takeaway food delivered to the school.



## Response 2

(e) Assess the benefits of government intervention to restrict the location of takeaway outlets.

(12)

takeaways can be over-sumed by children leading to obesity especially near schools which is an example of market failure where the free market misallocates resources. Government intervention is intended to correct market failure where

external costs of obesity creates costs to the NHS through preventable diseases associated with obesity as well as absences from school eg. gastric band and heart disease. Also obesity in children could lead to depression in younger people and less self confidence ~~also~~ ~~leads~~ leads to mental health issues.

However it could lead to children travelling longer distances to get to takeaways (leading to more petrol being used).



## Example 2: Evaluation

Reference materials: AS Sample Assessment Materials:

- Paper 2, Section C
- Page 18 for the extract
- Page 19 for question (3)
- Pages 33-35 for mark scheme

### Question

Evaluate the importance of credit for an entrepreneur such as Julie Deane of the Cambridge Satchel Company.

(20 marks)



## Response 1

- 3 Evaluate the importance of credit for an entrepreneur such as Julie Deane of the Cambridge Satchel Company.

(20)

Credit enables an entrepreneur like Julie to start to sell a product/service in the market by paying the initial capital before generating revenues and profits. On one hand, credit is important because if the CSC wants to expand from internet business into the <sup>physical</sup> retail market, it will require a large amount of money and will therefore need credit from ~~the~~ a venture capital firm like Index Ventures or a bank as such large amounts (£12.7m) ~~can~~ <sup>can</sup> not be ~~readily~~ generated from internal sources of finance. Furthermore, given the current low interest rates, CSC ~~to~~ would benefit from obtaining a bank loan as the cost of borrowing for expansion would not be so high, and CSC would then pay back the money over a long period of time. Also, obtaining credit from a venture capital would mean that CSC can benefit from the knowledge and expertise of the venture capitalists as well as gaining finance. ~~However~~ However if sales revenue is ~~low~~ depending on the cost of developing the new retail stores, credit may not be that important if most of the costs can be covered by the retained profits from the sales revenue. Also, obtaining credit from the venture capitalist would mean that the venture capitalist would want a share of the profits of the lucrative business, and CSC may therefore lose some autonomy over the business as more power may



be taken by index ventures. Furthermore, if the interest rates are set to rise in the future, this may be disadvantageous to CSE, as they would have to pay ~~his~~ more money back in interest and this therefore increases the cost of taking this credit to improve their website and build the retail stores. In conclusion I think CSE should use a combination of credit and retained profits to finance its expansion. This would minimise both risks of, <sup>perhaps</sup> not being able to pay back a large bank loan in the future if the retail expansion is ~~business~~ unsuccessful and it would make sure that all the retained profits are not used up on the management team and the expansion, so it could be used on things like advertising instead, making sure demand remains high.





## Response 2

- 3 Evaluate the importance of credit for an entrepreneur such as Julie Deane of the Cambridge Satchel Company.

(20)

Credit allows an entrepreneur to bring an idea to market by paying for the initial capital investment before the enterprise is able to generate revenues.

An advantage is that the credit will be needed if there are no internal sources of funds. Using retained profit from the £12m of sales would mean that the CSC would not need credit such as bank loans/mortgages and would therefore save on interest. Credit is raised from outside the business such as bank loans, mortgage, venture capital, crowd funding. CSC will need ~~to~~ credit to expanding from online to the high-street.

A disadvantage of credit as it is unclear how much retained profit CSC has or if this will, in fact, be sufficient to fund a large-scale retail expansion. CSC ~~could~~ ~~instead~~ use a ~~combination of retained profits and external sources such as a bank loan to fund~~



In conclusion, CSC has used venture capital rather than credit to input more finance and this has the advantage of not only giving finance but the expertise of the venture capitalist. However, the use of venture capital will dilute ownership.