

Delegate Booklet
Mock Marking Training for GCSE (9-1) in
Business
18BAB04



Pearson

About this event:

Course Title: Mock Marking Training for GCSE (9-1) in Business

Course Code: 18BAB04

Aims and Objectives of the event:

- Understand the assessment requirements of the new specification.
- Explore the paper structure and new types of questions.
- Review student responses to questions and understand how to accurately apply the mark scheme.
- Understand how we can support you.
- Be able to ask questions and share good practice.



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Agenda:

Time	Item
10.00 - 10.10	Introductions & welcome
10.10 - 10.40	Structure of exam paper
10.40 – 11.35	Points-based marking & marking activity 1
11.35 – 11.45	Coffee break
11.45 – 12.30	Points-based marking & marking activity 2
12.30 – 1.15	Lunch
1.15 – 2.45	Levels-based marking & marking activity 3
2.45 – 3.00	Coffee break
3.00 – 3.45	Marking activity 4
3.45 - 4.00	Support and final questions



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'Explain one' Exemplar 2 (Slide 40):

(c) Explain **one** benefit to a small business of carrying out market research.

(3)

It means you can identify a gap in the market therefore the product can have a USP therefore they can charge a premium for their product therefore they can have a larger profit margin.

My mark	
Actual mark	

Mark Scheme:

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>Market research can help a business to understand what types of product its customers want (1). It can then produce products that it knows will be demanded by customers (1) and as a result will increase sales and revenue (1).</p> <p>Market research enables a business to identify key features of competitors (1) which allows the business to spot a gap in the market (1) so they can produce goods and services that help the business to stand out (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>



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'Explain one' Exemplar 3 (Slide 41):

(c) Explain **one** benefit to a small business of carrying out market research.

(3)

A business will be able to adapt their product or service to customer needs. As a result, consumers are more likely to buy the product because it meets their needs. Therefore sales will increase which will lead to higher sales revenue.

My mark	
Actual mark	

Mark Scheme:

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>Market research can help a business to understand what types of product its customers want (1). It can then produce products that it knows will be demanded by customers (1) and as a result will increase sales and revenue (1).</p> <p>Market research enables a business to identify key features of competitors (1) which allows the business to spot a gap in the market (1) so they can produce goods and services that help the business to stand out (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>



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Marking Activity 1: Rank the Responses

Exemplar 1:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

business
if a ~~benefit~~ uses just in time stock it means that they will save money because they don't have to pay to store the product. leading to the business having less outflows and more money to spend on advertising the product or service. therefore the business will have improved net cash flow forecast and the ability to compete against rivals.

(Total for Question 1 = 8 marks) Q01_Total

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>



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Exemplar 2:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

one benefit to a business is that if the stock is just in time then they are not wasting any stock. If the stock comes just in time then only the amount of stock that is actually needed is used leading to them not losing any money as they do not have to pay for more storage, therefore better quality of products and an increase in profit.

(Total for Question 1 = 8 marks) Q01_Tot

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>



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Exemplar 3:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

Just in Time stock control means the business has less ~~costs~~ costs because they aren't paying for warehouses for stock to be held. This means that they have more retained profit which they can use as a source of finance, therefore they ~~have less~~ are able to invest in market research or advertising.

(Total for Question 1 = 8 marks) Q01_Total

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>



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Exemplar 4:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

Using just in time is easy for stock control because if the item runs out the staff ~~will~~ would tell the customer when the new stock will come which will bring repeat purchase to the business.

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2



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Exemplar 5:

Explain **one** benefit to business of using Just In Time (JIT) stock control.

(3)

A benisit to a bussiness ~~woud~~ that are using JIT woud be that they woud not be wasting money on over usage of stock. And just getting the right amount. And also they can continue to update product's with out running out of money and having to get rid of old stock to get new. This means (Total for Question 1 = 8 marks) Q01_Total that they can maintain profits and also customer needs.

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>



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Exemplar 6:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

One benefit to a business of using Just In Time (JIT) stock control is that it reduces the costs of the business. This is because with JIT stock control, the business holds no stocks. This means that less money has to be spent on storing stocks.

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2



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Exemplar 7:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

JIT means that no cash is tied up in stock, therefore cash is more readily available to pay debt, ~~Having no cash tied up also results in a hi~~ this means that a healthier relationship can be created by the business and the bank. ~~Therefore the bank will be more willing to issue loans to the business in the future.~~
of greater value

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2



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Exemplar 8:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

JIT is where a business orders stock once needed so there is no spare stock. A benefit of using JIT is that once stock is ordered there is no spare/wasted stock ~~no there is~~ within the business.

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2



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Exemplar 9:

Explain **one** benefit to business of using Just In Time (JIT) stock control. **(3)**

One advantage is that JIT stock control can save money. This is because no excess stock is stored and so cannot be wasted and the rent does not need to be paid on a premises to store the stock this cuts cost and so it can be considered an advantage. Insurance would also not need to be paid as there would be no stock stored.

Number of words	
Mark	
Words per mark	

Mark Scheme:

Question number	Answer	Mark
Exemplar	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>The business does not need a warehouse. Thus, fixed costs fall (1). Therefore, the business will gain increased profits (1).</p> <p>The business will now hold less stock (1). Therefore, less cash is tied up in stock (1). As a result, the net cash flow of the business will improve (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2



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Marking Activity 2: Efficient Exemplars

‘Explain **one** impact on a small business from operating in a competitive environment.’

(3)

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Number of words	
Mark	
Words per mark	



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Frog Bikes case-study:



In 2012 Jerry and Shelley Lawson started a new business – *Frog Bikes*. The aim was to produce lightweight and affordable children's bikes. The company's bikes were designed for children using the latest technology. The bikes are produced in a Chinese factory and sold in the UK and other countries.

The business quickly became successful. By 2016 its bikes were sold in over 700 shops in the UK. It faces competitors such as JE James which sell similar bikes in the UK.

Frog Bikes uses social media to promote its bikes. Figure 2 shows a competition run on the *Frog Bikes* Twitter account. To enter the competition people needed to follow the business on Twitter.

As a manufacturer and retailer, *Frog Bikes* has to comply with a large amount of legislation. All bikes meet ISO (International Standards Office) standards. This ensures they are safe for children. Rules include the need for all bikes to be fitted with a chain guard, and for handlebars to be safety checked.

In 2016 Jerry and Shelley decided to increase production to meet the growing demand. They considered expanding the company's Chinese factory, or building a new factory in the UK.



Figure 2

(Source: adapted from <http://startups.co.uk/startups-100/2016/8-frog-bikes/>)



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'Outline' Exemplar 2 (Slide 54):

- 4 (a) Outline **one** market segment that *Frog Bikes* targets with its products.

(2)

From Frog Bikes targets the children's segment, this means the average variable cost per bicycle is lower.

My mark	
Actual mark	

Mark Scheme:

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable market segment for <i>Frog Bikes</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Parents of young children (1) are a market segment because the bikes produced by <i>Frog Bikes</i> are designed specifically for children (1).</p> <p>Children (1) are a market segment because the bikes produced by <i>Frog Bikes</i> are designed specifically for children (1).</p> <p>Do not accept market segments that would not be appropriate for <i>Frog Bikes</i>. For example, pensioners.</p>	<p>(2) AO2</p>



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'Outline' Exemplar 3 (Slide 55):

4 (a) Outline **one** market segment that *Frog Bikes* targets with its products.

(2)

They target the british children market with cheap bicycles.

My mark	
Actual mark	

Mark Scheme:

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable market segment for <i>Frog Bikes</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Parents of young children (1) are a market segment because the bikes produced by <i>Frog Bikes</i> are designed specifically for children (1).</p> <p>Children (1) are a market segment because the bikes produced by <i>Frog Bikes</i> are designed specifically for children (1).</p> <p>Do not accept market segments that would not be appropriate for <i>Frog Bikes</i>. For example, pensioners.</p>	(2) AO2



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'Discuss' Exemplar 2 (Slide 62):

(e) Discuss the benefit to a business of using e-commerce.

(6)

A business could benefit from using e-commerce as it allows them to reach a ~~much~~ much wider audience, typically most of the world as most forms of e-commerce are using the internet through websites. However, the use of e-commerce can also restrict the customer base of a business, as many forms of online transactions can be made only by linking a bank account, alienating cash buyers such as children and ~~technophiles~~ technophobes.

(Total for Question 3 = 15 marks)

	Level 0	Level 1	Level 2	Level 3
Understanding (AO1b)				
Analysis (AO3a)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 20



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'Discuss' Mark Scheme (Question 3(e)):

Question number	Indicative content	Mark
3(e)	<p>Marks are awarded for discussion of at least two benefits for a business of using e-commerce.</p> <ul style="list-style-type: none">• Costs are lower as there is less need for retail outlets (AO1b).• Increased reach of the business - can sell beyond the immediate locality (AO1b).• This increases the potential profitability of the business as it will not have to pay rent on shops and other premises (AO3a).• This will lead to higher sales and therefore higher revenue. Providing costs do not increase by more, profits will increase (AO3a).	(6) AO1b=3 AO3a=3
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none">• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	<ul style="list-style-type: none">• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	<ul style="list-style-type: none">• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).



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'Discuss' Exemplar 3 (Slide 64):

(e) Discuss the benefit to a business of using e-commerce.

A business using e-commerce as their sales platform means that they have a larger market to sell to as opposed to a 'bricks and mortar' store. Therefore the business will have larger economies of scale. As a result ATC falls & thus increasing profit margins per item.

Another benefit of a business using E-commerce as their sales platform is that there is no need for a high street location. Therefore, fixed costs are lower. Therefore less contribution is required to break even so margin of safety increases.

	Level 0	Level 1	Level 2	Level 3
Understanding (AO1b)				
Analysis (AO3a)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 20



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Marking Activity 3: Consider the Context

Context around Frog Bikes:

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Most obscure context:

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'Analyse' Exemplar 2 (Slide 79):

(c) Analyse the impact on *Frog Bikes* of the legislation it has to comply with when producing and selling its bikes.

(6)

One impact of following these (mainly Safety) regulation is the added costs it carries. For example, Frog Bikes will have to pay employees to check the safety of the bikes; and added material and processing costs for such things as chain guards will contribute to the businesses' total spending and have a profoundly negative impact. On the other hand, the knowledge that the business' products are completely safe could bring peace of mind to customers, and increase sales, thus having a positive impact on the business.

(Total for Question 5 = 10 marks)

	Level 0	Level 1	Level 2	Level 3
Application (AO2)				
Analysis (AO3a)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 24



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‘Analyse’ Mark Scheme (Question 5(c)):

Question number	Indicative content	Mark
5(c)	<ul style="list-style-type: none">• The owners of <i>Frog Bikes</i> operate in a competitive market, with rivals such as Halfords, and sticking to legislation will reassure potential customers who are looking to buying a child's bike (AO2).• By having to meet all safety requirement due to government legislation, <i>Frog Bikes</i>' costs will be higher than they would be without such rules (AO2).• This will mean that <i>Frog Bikes</i> will establish a strong reputation with its market segments that will choose its bikes knowing they have the latest safety features. This will potentially lead to higher sales, which may lead to higher profits if other costs do not increase due to implementing the requirements of the legislation (AO3).• As a result of these higher costs, prices of its bikes may have to rise. Prices for a small business like <i>Frog Bikes</i> are likely to be higher than some of the larger producers. The price of the bikes may be more important than the safety features for parents, and as a result sales revenue may fall (AO3).	(6) A02=3 A03a=3
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none">• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	<ul style="list-style-type: none">• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	<ul style="list-style-type: none">• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).



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'Analyse' Exemplar 3 (Slide 81):

- (c) Analyse the impact on *Frog Bikes* of the legislation it has to comply with when producing and selling its bikes.

(6)

Frog Bikes will not have much freedom and will be restricted on their ~~the~~ bicycle designs. This means that less people would want to buy ~~a~~ their bicycle from Frog Bikes. This is because it makes Frog Bikes' cycles look more similar to their competitors such as JE Games. As a result, Frog Bikes is less differentiated in the ~~the~~ childrens bicycle market. This means that Frog Bikes' ~~the~~ cycle selling revenue will decrease as less bikes may be sold. As a result, the total revenue of Frog Bikes will decrease. In conclusion, their profits will decrease.

	Level 0	Level 1	Level 2	Level 3
Application (AO2)				
Analysis (AO3a)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 24



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'Justify' Exemplar 1:

Frog Bikes is considering two options to produce more bikes:

Option 1: Build a new factory in the UK.

Option 2: Expand production at the existing Chinese factory.

(c) Justify which **one** of these two options Frog Bikes should choose.

(9)

Frog Bikes should expand production at the existing Chinese factory. This is because at the Chinese factory the labour costs are lower which results in lower fixed costs than if they produce their bicycles at a factory in the UK. Therefore, Jerry and Shelley Lawson at Frog Bikes will make higher profits due to the total costs being low whilst selling more bicycles and cycling equipment. Also expanding production in the Chinese factory is faster than building a new factory so they will get the bicycles quicker so they can be sold e.g. in time for the summer season.

However, ethically, many consumers might prefer to have the bikes and gear manufactured in the UK where there are strict employee rights policies. Therefore parents might go to competitor cycling brands to buy their child's bike who manufacture in the UK. This means less sales will be made and Jerry and Shelley Lawson's profits might drop.

In conclusion, it depends how ethically moral the majority of parents are in relation (Total for Question 6 = 12 marks)

TOTAL FOR SECTION B = 30 MARKS

to whether they buy from Frog Bikes or a competitor. As most don't worry where the bicycles are sourced then the Lawsons will probably make a profit. Option 2 is cheaper allowing them to reinvest and add value.



S 5 7 6 0 1 A 0 1 5 2 0

15

Turn over

	Level 0	Level 1	Level 2	Level 3
Application (AO2)				
Analysis (AO3a)				
Evaluation (AO3b)				
Overall Level				
Mark Awarded				

‘Justify’ Mark Scheme (Question 6(c)):

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4–6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7–9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).



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Good & Proper Tea case-study:



Good and Proper Tea was founded in 2012 by Emilie Holmes. The business website states:

'We source our teas from around the world, from Kenya to India, Japan to China and many more places in between. It is important to us that we know exactly where each tea comes from and who is responsible for harvesting the leaves we buy. We will always share this information with our customers.'

The business started when Emilie converted an old Citroën van (pictured right) into a mobile brew bar. Emilie wanted to expand the business. To achieve this she needed finance.

She decided to raise finance using crowdfunding through the Kickstarter website. 372 individual backers each provided between £1 and £1000. *Good and Proper Tea* was launched. The first cup of tea was brewed and sold in Shoreditch, London, in 2012.



The success of the mobile business led Emilie to plan to open a shop selling the same high-quality teas. Once again she decided to use crowdfunding as her source of finance. This time, using the Crowdcube website, she successfully raised £140,000. The shop was opened in 2016 and is very successful.

As *Good and Proper Tea* imports its most important ingredient, it is affected by changes in the exchange rate. Recent changes in the value of the pound mean that its costs have increased.

(Source: adapted from <http://www.stylist.co.uk/stylist-network/work-life/work-life-emilie-holmes-founder-good-and-proper-tea>)



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'Justify' Exemplar 2:

To reduce the impact of its rising costs, Good and Proper Tea is considering two options:

Option 1: Buying cheaper ingredients from different suppliers.

Option 2: Charging higher prices for its tea.

(d) Justify which **one** of these two options Good and Proper Tea should choose.

(9)

I think that Good and Proper Tea should charge higher prices for each tea. This is because ~~charging~~ people will not mind paying extra for a good quality tea. A USP of Good and Proper Tea is that the teas are sourced internationally from Kenya or India and this appeals to the tea consumer so a few more pounds wouldn't mean much for the product they are receiving.

Buying cheaper ingredients from different suppliers will damage Good and Proper Tea's brand as the teas are no longer high-quality teas. Emile will suffer a huge loss in sales revenue from teas as less people would want to buy low quality. As a result ~~profits~~ total revenue decreases. Therefore profits decrease.

In conclusion, Good and Proper Tea should choose option 2 as the mobile business will not lose its reputation as badly as option 1.

	Level 0	Level 1	Level 2	Level 3
Application (AO2)				
Analysis (AO3a)				
Evaluation (AO3b)				
Overall Level				
Mark Awarded				

‘Justify’ Mark Scheme (Question 7(d)):

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).



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'Justify' Exemplar 3:

To reduce the impact of its rising costs, *Good and Proper Tea* is considering two options:

Option 1: Buying cheaper ingredients from different suppliers.

Option 2: Charging higher prices for its tea.

(d) Justify which **one** of these two options *Good and Proper Tea* should choose.

(9)

Erilie should charge higher prices. This is because her USP is the fact that her tea is imported from various global locations various for tea, and stopping imports from India for cheaper British suppliers will damage her brand, decreasing sales and leading to less revenue and profit. Losing her USP would mean Erilie's customer base may go to other tea businesses such as Yorkshire Tea. Charging higher prices for her hot drinks would not have too much of a negative effect on sales because Kenyan imported tea would not be targeted at people of a low income (ie people with less available cash) and so higher wealth customers will not be worried about being charged a premium for their beverage, leading to Erilie's mobile tea bar having increased revenue and profits.

	Level 0	Level 1	Level 2	Level 3
Application (AO2)				
Analysis (AO3a)				
Evaluation (AO3b)				
Overall Level				
Mark Awarded				

‘Justify’ Mark Scheme (Question 7(d)):

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).



Pearson

'Evaluate' Exemplar 1:

- (e) Evaluate whether crowdfunding is an effective source of finance for Good and Proper Tea. You should use the information provided as well as your knowledge of business.

(12)

Crowdfunding is a way of raising capital, usually online, through people investing for something in return e.g. products or shares.

Emillie should use crowdfunding to raise money for her tea business as this method is a fast way to raise finance with no upfront fees. This means she can invest the money e.g. to get more flavours of tea from exotic places like Sri Lanka or renovate the Citroën tea van, without worrying about having to face any immediate costs as you would when borrowing from a bank. Moreover, crowdfunding can be part of a marketing scheme so Emillie can market her drinks without the typical price of marketing on the crowdfunding website. In addition the people who invest can offer feedback on how to improve the business which could lead to higher revenues. She could offer a share of the profits and half price teas as an incentive to invest.

However, if Emillie set up her crowd-fund page and didn't reach the target of money to raise she wouldn't get any so a lot of time and money would have been wasted in launching the page. As well as losing time and money through this the tea van idea could be stolen and recreated. This could become competition and if the other drinks business



Pearson

manages to have cheaper prices than Emille might sell less and this could result in a drop in revenue. Her profits would consequently drop. She might have to increase the prices of the beverages to make up for the loss of customers which in the long-term could drive more people away to buy cheaper drinks.

In conclusion, I think crowdfunding is an effective way of raising finance as selling drinks in a Citroën van is a unique idea investors would appreciate and invest in. Also when she used Crowdfunder in 2016 raising £140,000 it was successful and allowed her to build the business so it would probably work again.

(Total for Question 7 = 25 marks)

	Level 0	Level 1	Level 2	Level 3
Understanding (AO1b)				
Application (AO2)				
Analysis (AO3a)				
Evaluation (AO3b)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 35



Pearson

‘Evaluate’ Mark Scheme (Question 7(e)):

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none">• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).• Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).
Level 2	5–8	<ul style="list-style-type: none">• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).• Draws a conclusion based on sound evaluation of business information and issues (AO3b).
Level 3	9–12	<ul style="list-style-type: none">• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).• Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).



Pearson

'Evaluate' Exemplar 2:

- (e) Evaluate whether crowdfunding is an effective source of finance for *Good and Proper Tea*. You should use the information provided as well as your knowledge of business.

(12)

Crowd Funding is a source of finance
Emilie could ~~use~~ use which involves
members of the public donating money
in return for something eg products or
shares.

~~This is an effective source beca~~

	Level 0	Level 1	Level 2	Level 3
Understanding (AO1b)				
Application (AO2)				
Analysis (AO3a)				
Evaluation (AO3b)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 35



Pearson

'Evaluate' Exemplar 3:

- (e) Evaluate whether crowdfunding is an effective source of finance for Good and Proper Tea. You should use the information provided as well as your knowledge of business.

(12)

Crowdfunding is an external, long term source of finance through a website. Investors can invest in the business and in return they receive shares of or free/discounted products.

Crowdfunding is ineffective source of finance for the mobile brew bar as it doesn't increase the risk profile of the ^{drinks} business. This is because there is no interest that needs to be paid on the source of finance so ~~that~~ therefore fixed costs stay the same and therefore the brew bar won't have to sell more cups of tea to generate contribution. Therefore sales ^{of tea} won't have to increase to maintain the profit level, thus they will not make losses.

However retained profit may be a better source of finance in the long term as you don't have to give investors of the drinks shop part of Emile's business thus you have more control over the business ^{therefore you can make more choices} i.e. what type of tea leaves to use.

~~Therefore~~

In conclusion it depends whether the business is looking for a long term or short term finance and whether it has retained profit that it can use if not crowdfunding may be better.

	Level 0	Level 1	Level 2	Level 3
Understanding (AO1b)				
Application (AO2)				
Analysis (AO3a)				
Evaluation (AO3b)				
Overall Level				
Mark Awarded				

Mark Scheme is on page 35



Pearson

Marking Activity 4: Marking the Mock

SECTION A

Answer **ALL** questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 (a) Which **one** of the following is a financial aim for an entrepreneur when starting a new business?

Select **one** answer.

(1)

- ☐ A Personal satisfaction
- ☐ B Independence
- ☒ C Market share
- ☐ D Challenge

- (b) Which **one** of the following best defines the term stakeholder?

Select **one** answer.

(1)

- ☐ A An owner of a private limited company
- ☐ B Someone with an interest in the success of a business
- ☐ C Any individual who takes decisions within a business
- ☒ D An individual who owns shares in a business

- (c) Explain **one** risk an entrepreneur takes when starting a new business.

(3)

An entrepreneur takes a risk with the capital they have invested into their business. If the business fails they will lose it all.



Pearson

- (d) Explain **one** benefit to a small business of using social media as a method of communicating with customers.

(3)

Social media allows the business to contact large number of potential customers through Facebook. As a result it is more likely that the business can establish its brand leading to more potential customers.

(Total for Question 1 = 8 marks)



Pearson

2 (a) Which **two** of the following are examples of the role of entrepreneurship?

Select **two** answers.

(2)

- ☒ **A** Make a profit
- ☒ **B** Organise resources
- ☒ **C** Adapt existing products
- ☒ **D** Make business decisions
- ☒ **E** Produce a business plan

(b) Which **two** of the following are possible impacts on a small business of lower interest rates?

Select **two** answers.

(2)

- ☒ **A** Higher fixed costs
- ☒ **B** Lower insurance premiums
- ☒ **C** Customers more likely to purchase using credit
- ☒ **D** Lower costs of borrowing money
- ☒ **E** Increased variable costs due to higher loan repayments



Pearson

Table 1 contains information about the number of new business start-ups in four cities in the UK in 2016.

City	Number of new start-ups
London	205 320
Birmingham	17 473
Leeds	7 645
Liverpool	4 915

Table 1

- (c) Using the information in Table 1, calculate, to 2 decimal places, the number of new start-ups in Birmingham as a percentage of the number of new start-ups in London. You are advised to show your workings.

(2)

$$\frac{17\,473}{205\,320} \times 100$$

8.5 %

- (d) Explain **one** impact on a small business of a reduction in government taxation.

(3)

By lowering taxes, consumers will get to keep more of the money they earn. Therefore they will be able to purchase more of the businesses products. This will allow the business to make more sales revenue.



Pearson

(e) Explain **one** reason why a business could use a market map.

(3)

They could use it to assess the products offered by rival businesses. This will allow them to spot any gaps in the market. Therefore the business could find a potentially profitable opportunity.

(Total for Question 2 = 12 marks)



Pearson

3 (a) Which **one** of the following is a benefit of starting a business as a franchise?

Select **one** answer.

(1)

- ☐ A Lower variable costs
- ☒ B Support from the franchisor
- ☐ C Higher interest rates for borrowing
- ☐ D Franchisees pay lower tax

Figure 1 shows a break even diagram for a business.

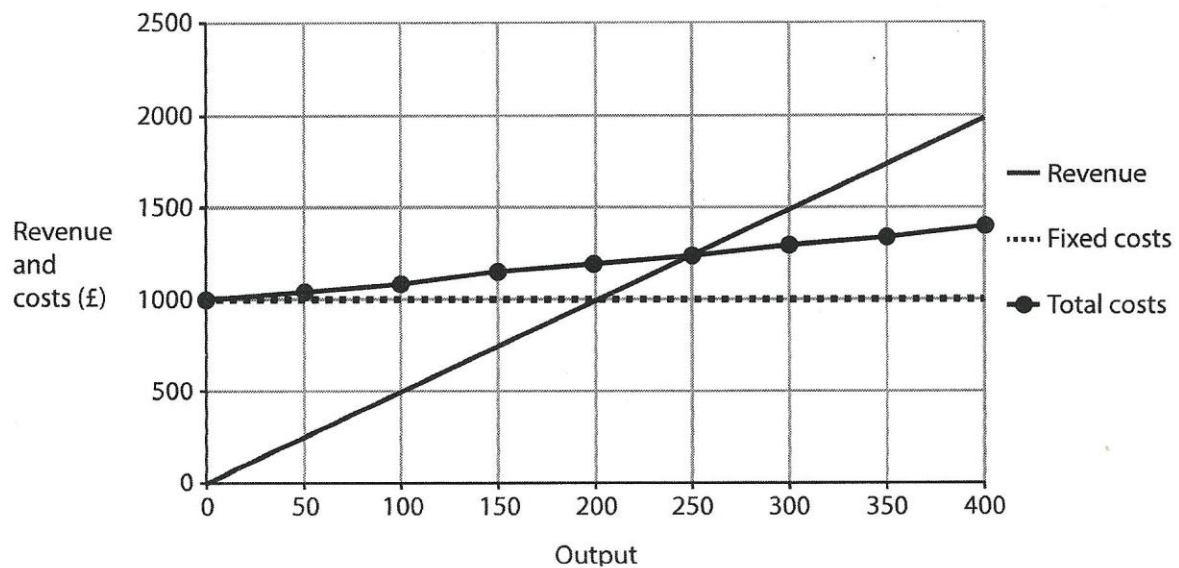


Figure 1

The business produces 400 units of output.

(b) Using the information in Figure 1, calculate the margin of safety.

(2)

$$400 - 250 = 150$$

150 units



Pearson

(c) Explain **one** disadvantage to a small business of using an overdraft as a source of finance.

(3)

Overdrafts are very expensive forms of finance. This is because they are short-term. Therefore the bank will charge higher interest. As a result the business will face higher overdraft repayments.

(d) Explain **one** benefit to employees of employment law.

(3)

Employment law gives rights to employees. As a result employees cannot be exploited by their bosses. This may result in better working conditions which reduce the risk of accidents.



Pearson

(e) Discuss the impact on a business of having limited liability.

(6)

Limited liability reduces the risk faced by investors. This is because an investor cannot lose their personal possessions. This means an investor is much more likely to buy shares in the company. This means that the business will be able to raise finance to expand more easily.

However, limited liability may make it harder to get bank loans. This is because banks know they cannot seize possessions of the owners. Thus, banks may refuse to lend the business money. As a result they may be forced to rely on share capital.

(Total for Question 3 = 15 marks)

TOTAL FOR SECTION A = 35 MARKS

SECTION B

Answer ALL questions.

Read the following extract carefully and then answer Questions 4, 5 and 6.

Write your answers in the spaces provided.



Zoe Sugg, known to her fans as Zoella, is an entrepreneur and a star of YouTube. She has enjoyed success with her fashion and lifestyle vlog (video log) and has become a celebrity as well as an entrepreneur. After starting her lifestyle blog, 'Zoella', in 2009, she soon had thousands of followers. Zoe extended the blog to a YouTube channel and by 2015 had 7.5 million subscribers.



In September 2014 Zoe launched her own brand bath and beauty range, called *Zoella Beauty*. The brand logo is shown in Figure 2. *Zoella Beauty* products are stocked by major retailers, including Superdrug and Boots. The business also uses e-commerce to sell its product range.

Figure 2

In 2014 *Zoella Beauty* earned revenue of £400 000. However, the competitive environment for beauty products aimed at younger females is becoming more crowded. Rivals include retailers such as Lush.

(Source: adapted from <http://startups.co.uk/young-entrepreneurs-zoe-sugg-zoella/>)



Pearson

4 (a) Outline **one** way that Zoella Beauty could use digital communication.

(2)

It could use Snapchat to let people know about new lipsticks. Therefore they are likely to find customers by the new lipstick faster than with normal adverts.

Zoella Beauty adds value to its product range through branding.

(b) Analyse the benefit to Zoella Beauty of adding value.

(6)

If Zoella Beauty adds value it will be able to increase the difference between price and variable costs. As a result contribution per unit will rise. This will allow them to pay off fixed costs faster. This would mean that Zoella's break-even point would fall.

However, adding value can be hard to do. It involves re-designing the product to make it more attractive and this costs money. There is also no guarantee of success since you could spend a lot but consumers may not want to pay more.

(Total for Question 4 = 8 marks)



Pearson

- 5 A retailer selling *Zoella Beauty* products has three shops, A, B and C. Financial information for the three shops in the month of June is shown in Table 2.

	Shop A	Shop B	Shop C
Receipts	£17 300	£23 200	£25 000
Total payments	£11 200	£18 200	£16 800
Opening balance	£5 100	£3 500	£2 100
Closing balance	£11 200	£8 500	£10 300

Table 2

- (a) Using the information in Table 2, outline why Shop C has the most favourable net cash flow position.

(2)

Its net cash flow is better because its cash receipts are the highest at £25,000

- (b) Using the information in Table 2, calculate the average closing balance. You are advised to show your workings.

(2)

$$£11,200 + £8,500 + £10,300 = £30,000$$

$$£30,000 / 3 = £10,000$$

£ 10,000



Pearson

(c) Analyse the impact on *Zoella Beauty* of changes in what consumers want.

(6)

The cosmetics market is very dynamic. This is because trends change all the time. For instance Katy Perry wears black lipstick, therefore lots of young kids will also want it. This means that Zoella Beauty need to change their stock. This could be expensive and have consuming. By the time Zoella have released black lipstick celebrities may have moved onto new looks.

(Total for Question 5 = 10 marks)



Pearson

6 (a) State **one** impact on *Zoella Beauty* of using e-commerce to sell its products.

(1)

It is cheaper than using a shop.

(b) Outline **one** way that *Zoella Beauty* meets customer needs.

(2)

It finds out what celebrities like and then makes similar products cosmetics that young people are likely to want to buy.



Pearson

Zoella Beauty is considering two options to develop the marketing mix of its beauty product line:

Option 1: Increase promotion of the brand.

Option 2: Reduce prices to compete with rival products.

(c) Justify which **one** of these two options Zoella Beauty should choose.

(9)

Option 1 is the best option. This is because Zoella is a celebrity and YouTube vlogger. Therefore, young girls will purchase her cosmetics and not worry so much about the price, therefore branding will allow Zoella to charge even higher prices.

However, reducing prices will not work. This is because it means profits on each lipstick sold will be lower and as a result she will make less money. Also it may make her make-up look cheap compared to rivals.

In conclusion Option 1 is by far the best, this is because option 2 has lots of drawbacks which option 1 does not have.

SECTION C

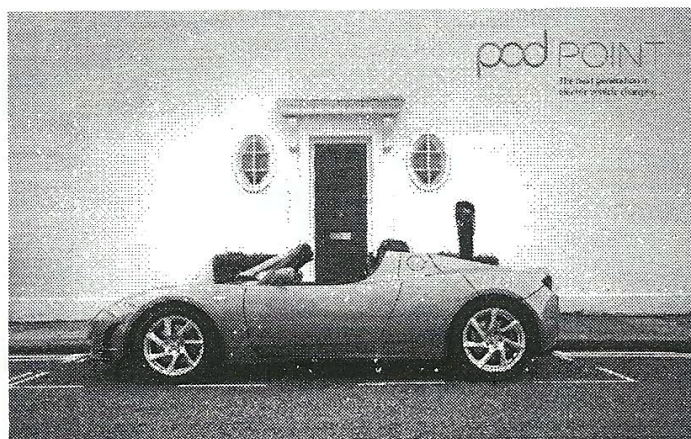
Answer ALL questions.

Read the following extract carefully and then answer Question 7.

Write your answers in the spaces provided.

Erik Fairbairn started *POD Point* in 2009. Based in the UK, the business builds and supplies charging systems for electric cars. Erik felt that the demand for such cars was going to grow and saw a business opportunity. *POD Point* is a way of charging an electric car at home.

Sales were promising and the business decided to expand. In 2014 *POD Point* raised £1.5 million through the crowd funding site Seedrs. In 2017 it raised a further £1.5 million using CrowdCube website.



By 2017 the business had over 25,000 customers, many of whom are in other countries. For example, 20% of revenue comes from exports to Norway. The business is affected when the exchange rate changes.

The business uses market research data that suggests that the demand for electric cars will continue to rise. Figures 3 and 4 show examples of market research in the car industry.

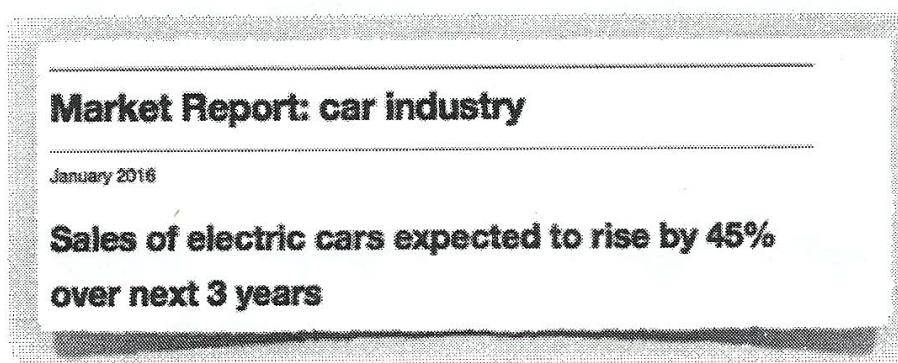


Figure 3

(Source: adapted from <http://startups.co.uk/the-entrepreneur-erik-fairbairn-pod-point/>)



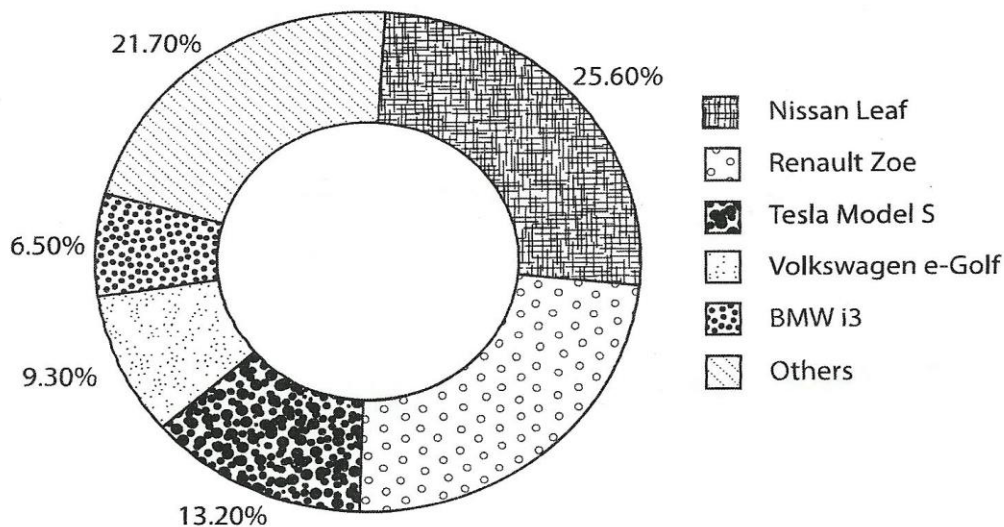
Pearson

- 7 (a) State **one** variable cost that *POD Point* may have to pay.

(1)

Raw materials and wages

Figure 4 shows the market share of models of electric cars in selected European countries in 2016.



(Source: adapted from <https://cleantechnica.com/2016/05/30/top-electric-cars-uk-norway-netherlands-germany-france/>)

Figure 4

- (b) Using Figure 4, calculate the percentage market share of the Renault Zoe in 2016. You are advised to show your workings.

(2)

$$100 - 25.6 - 13.2 - 9.3 - 6.5 - 21.7$$
$$= 23.7$$

%

- (c) State **one** impact on *POD Point* of using crowd funding as a source of finance.

(1)

They will raise capital which will allow the business to expand rapidly.



Pearson

The UK economic climate is important for *POD Point*. It is considering two options to reduce the impact of falling UK consumer incomes on sales:

Option 1: Focus on selling to foreign customers.

Option 2: Cut costs of production.

(d) Justify which **one** of these two options *POD Point* should choose.

(9)

Option 2 is by far the best option to choose. This is because by cutting production costs the variable cost per charging station will go down. This will increase the contribution made per charger allowing profit margins to increase. This will then give *POD* more profit to re-invest in new technology to make the power packs better. As a result this could lead to more crowd funders wanting to invest because they believe in the product.

However cutting costs may be hard to do. The product is a new one and the parts needed to build a charging station are specialist so may be very expensive. Therefore it may be impossible to lower production costs without reducing quality.

Overall *POD* should pick option 2 but its success depends on whether it is possible to cut costs and the amount by which they can be cut. If costs can only be cut by 1% then it really is a pointless exercise.

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA



Pearson

- (e) Evaluate the importance of the reliability of market research data for *POD Point*.
You should use the information provided as well as your knowledge of business.

(12)

Market research involves collecting information about consumers and competitors in the market place. It can be either primary or secondary.

POD Point are going to need accurate market research since their products cost a lot to manufacture. Therefore if they do not have accurate research they may spend a lot of money on producing things that really nobody wants. This means total costs increase and as a result profits fall.

Another problem is that if POD Point change their product due to inaccurate market research they may end up with a product that nobody wants to buy. As a result they may lose competitive advantage to hand market share to rivals such as "Electric Cars are US".

However, there are more important things than reliable market research. The market is a new one and very few people own electric cars. As a result any research is unlikely to be accurate anyway. It is probably better to focus on making sure the product is better than the rest.



Pearson

To summarise, Market research is important but other things are much more important since there is no way the research can be accurate because so few people using electric cars.

(Total for Question 7 = 25 marks)

TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 90 MARKS

My mark	
Actual mark	



Pearson

PERSONAL LEARNING

Things to do:

-
-
-
-

Things to avoid:

-
-
-
-

Your ideas: