

GCSE (9-1) Business

Paper 1 Practice Questions, Mark
Schemes, Model Answers with
Examiner Commentary Set 3



Answer ALL questions.

Read the following extract carefully and then answer Questions 1-5.

Write your answers in the spaces provided.



Holly Tucker is an entrepreneur who founded the online business 'Notonthehighstreet' 15 years ago. This business sells original gifts that are typically not available in high street stores and is very successful.

After carrying out market research into small businesses, Holly has now created a new business – *Holly & Co* – which has been designed to support other small businesses. *Holly & Co* has four core missions to encourage entrepreneurship and the growth of small businesses:

- **Do what you love** – we want to help everyone build a business doing what they love
- **Female Founders** – empowering female founders in a male-dominated landscape
- **Shop Independent** – inspiring everyone to vote with their money and shop independent
- **Kidpreneurs** – supporting the next generation of founders

These are shown on the business website.

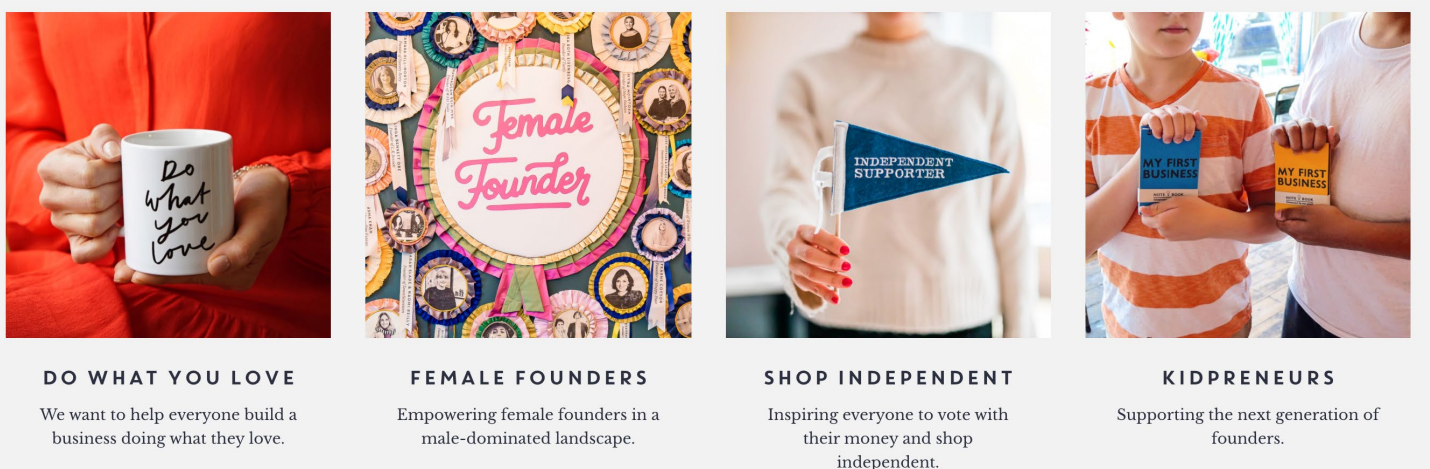


Figure 1: Extract from the *Holly & Co* website

Holly & Co sells products such as cards and stationery, clothing, books and accessories that promote small business. For example, it sells a stationery collection that promotes 'Be your own boss'. This fits in with the mission of *Holly & Co* to promote enterprise and entrepreneurship.



Figure 2: Example of stationery collection

| Question | Command word | Specification reference | Topic area | Sub-topic |
|-----------------|---------------------|--------------------------------|-------------------------------------|--------------------------------|
| 1 | State | 1.3.2 | Business revenue, costs and profits | Variable costs |
| 2(a) | Calculate | | Calculations | Calculating percentage change |
| 2(b) | Calculate | | Calculations | Calculating percentage change |
| 3 | Outline | 1.1.2 | Risk and reward | Risk |
| 4 | Analyse | 1.2.2 | Market research | The purpose of market research |
| 5 | Justify | 1.1.3 | The role of business enterprise | Added value |

1. State **one** non-financial aim that Holly may have is starting *Holly & Co.*

(1)

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Table 1 shows information on the number of micro and small businesses in the UK. Micro businesses have between 1-9 employees. Small businesses have between 10-49 employees.

| | '000s | | | | |
|---|-------|-------|-------|-------|-------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Micro businesses (1-9 employees) | 1 069 | 1 081 | 1 118 | 1 137 | 1 155 |
| Small businesses (10-49 employees) | 204 | 204 | 208 | 210 | 211 |

(Source: <https://www.gov.uk/government/publications/business-population-estimates-2019/business-population-estimates-for-the-uk-and-regions-2019-statistical-release-html>)

2 (a) Using the information in Figure 1, calculate to 2 decimal places the percentage increase in the number of small businesses between 2015 and 2019.

(2)

.....%

(b) Using the information in Figure 1, calculate to 2 decimal places, the percentage increase in the number of micro businesses between 2015 and 2019.

(2)

.....%

3. Outline **one** risk to Holly in starting *Holly & Co.*

(2)

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4. Analyse the benefit to Holly of conducting market research before starting *Holly & Co.*

(6)

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5. In order to add value, *Holly & Co* is considering two options:

Option 1: Branding

Option 2: Unique Selling Point

Justify which **one** of these two options *Holly & Co* should choose.

(9)

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Mark Scheme:

| Question number | Answer | Mark |
|-----------------|---|------------|
| 1 | <p>Award 1 mark for stating one non-financial aim that Holly may have in starting <i>Holly & Co.</i></p> <p>Personal satisfaction of supporting other businesses (1). The challenge of opening a new store (1). To enjoy the control of the <i>Holly & Co</i> mission (1).</p> <p>Do not accept generic goods that would not be applicable to the mining company <i>Holly & Co.</i> For example, raw materials, wages, etc.</p> | (1) AO2 |

| Question number | Answer | Additional guidance | Mark |
|-----------------|--|--|------------|
| 2(a) | <p>Substitution into correct formula:</p> $((211 - 204) \div 204) \times 100 \text{ (1)}$ <p>Answer: 3.43% (1)</p> | Award full marks for correct numerical answer without working. | (2) AO2 |

| Question number | Answer | Additional guidance | Mark |
|-----------------|---|--|------------|
| 2(b) | <p>Substitution into correct formula:</p> $((1\ 155 - 1\ 069) \div 1\ 069) \times 100 \text{ (1)}$ <p>Answer: 8.04% (1)</p> | Award full marks for correct numerical answer without working. | (2) AO2 |

| Question number | Answer | Mark |
|-----------------|--------|------|
| | | |

| | | |
|-----------------|---|----------------------------------|
| <p>3</p> | <p>Award up to 2 marks for linked points outlining a risk to Holly of starting <i>Holly & Co</i>. Award a maximum of 1 mark if points are not linked.</p> <p>She could lose her investment (1). As a result, she may not be able to support other small businesses (1).</p> <p><i>Holly & Co</i> may fail. (1). Therefore, Holly's reputation as a supporter of other small businesses may suffer (1).</p> <p>Award any other valid answer. To award 2 marks there must linked development <u>and</u> evidence of application.</p> | <p>(2) AO2</p> |
|-----------------|---|----------------------------------|

| Question number | Indicative content | | Mark |
|-----------------|---|---|------------------------|
| 4 | <ul style="list-style-type: none"> This will give Holly an insight into what customers of <i>Holly & Co</i> will want to buy (AO2). Holly will gain important information on what prices to charge for products such as greetings cards and T shirts (AO2). This will give her a clear idea of customer needs. As a result, she will know what types of stock, such as stationery and mugs, that she should buy to enable <i>Holly & Co</i> to meet customer needs (AO3a). As a result of this <i>Holly & Co</i> will be able to be competitive in the market for gifts and stationery. This is because price is an important part of the marketing mix and it is important that the business gets this right (AO3a). | | (6) AO2=3 AO3a=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). | |

| Question number | Indicative content | Mark |
|-----------------|--|--|
| 5 | <ul style="list-style-type: none"> Developing a brand name will ensure <i>Holly & Co</i> is recognised in the market for stationery and cards (AO2). Creating a Unique Selling Point (USP) by focusing its service on supporting small businesses will ensure <i>Holly & Co</i> stands out from competitors (AO2). Therefore, when <i>Holly & Co</i> advertises or promotes itself in any other way, potential customers, such as other small business owners, will recognise the name and the business. As a result of this it will possibly be able to charge prices above cheaper rivals, and as a result will be able to add value. This is because the price will be above what could be charged for a less well-known business (AO3a). As a result, by differing its service and products from rivals such as WHSmith, <i>Holly & Co</i> will create a unique identity and will mean it is more likely to generate customer loyalty. As a result <i>Holly & Co</i> will be able to charge higher prices which will add value (AO3a). However, the extent to which branding will allow <i>Holly & Co</i> to add value depends on various factors. As a new business, offering an original service involving the support for other small businesses, it is more likely that better opportunities to add value come through offering a USP. Therefore, an established brand name may not (AO3b). However, this depends on the extent to which the products and service offered by <i>Holly & Co</i> are 'unique'. There are other businesses, such as WHSmith, that sell stationery and cards, which small business advice is provided by banks. If the business does not create a genuine USP, then this may not be a viable strategy to add value (AO3b). | (9) AO2=3 AO3a=3 AO3b=3 |

| 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). Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b). |



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|---------|-----|---|
| 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)• Draws a conclusion based on sound evaluation of business information and issues (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).• Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b). |



Model answers to levels-based questions:

4. Analyse the benefit to Holly of conducting market research before starting *Holly & Co*.

(6)

Market research involves gathering information about consumer needs and preferences. Conducting market research will give Holly an insight into what customers of Holly & Co will want to buy. As a result, she will know what types of stock, such as **stationery and mugs**, that she should buy to enable Holly & Co to meet customer needs (**explanation strand 1**). This will lead to increased sales (**explanation strand 2**) and as a result higher revenue (**explanation strand 3**).

In addition, market research will inform Holly of what prices to charge for her **T shirts**. By ensuring price is competitive and that she can stand out from **rivals such as WHSmith** (**explanation strand 4**).

Examiner Commentary:

The candidate has decided to consider two benefits in two separate paragraphs. Note that, in the first paragraph, the candidate provides a definition of market research. This does not attract any marks and is not required in an Analyse question, where the Assessment Objectives are Application (AO2) and Analysis (AO3a).

The first benefit is developed and has three logical linked strands of development (**highlighted in green**). The second benefit has one simple strand of development, but this is not contextualised and is a generic statement. Therefore, for Analysis the response is placed in Level 2. In terms of Application (AO2) (**which is highlighted in red**), there are some examples across both paragraphs., although not sufficient for Level 3. Therefore, Application was also awarded Level 2. With two Level 2s for both assessment objectives, the candidate was **awarded 4 marks**.



5. In order to add value, *Holly & Co* is considering two options:

Option 1: Branding

Option 2: Unique Selling Point

Justify which **one** of these two options *Holly & Co* should choose.

(9)

I think *Holly & Co* should choose to develop a Unique Selling Point (USP) as the best way to add value. Focusing its original service of supporting small businesses will ensure *Holly & Co* stands out from competitors.

By differing its service and products from rivals such as **WHSmith**, *Holly & Co* will create a unique identity and will mean it is more likely to generate customer loyalty (**explanation strand 1**). By providing advice and products to support small businesses, and with its **core missions, such as 'Do what you love'**, *Holly & Co* has the real potential to stand out from the crowd (**explanation strand 2**) and therefore create customer loyalty. As a result of this loyalty, it will be able to charge higher prices for its **cards, stationery and other products**, which will add value (**explanation strand 3**). This is because if price charged is higher than costs, then added value is higher (**explanation strand 4**).

However, the success of this strategy depends on the extent to which the products and service offered by *Holly & Co* are 'unique'. There are other businesses, such as **WHSmith, that sell stationery and cards**, and so the products offered are not original (**explanation strand 5**). In addition, *Holly & Co* also provides **advice and support for small business**. However, this type of service is **provided by organisations such banks**.

In conclusion, *Holly & Co* must ensure it stands out and makes it clear that its offer is something different. If the business does not create a genuine USP, then this may not be a viable strategy to add value (AO3b).



Examiner Commentary:

This response was **awarded 9 marks**. There was evidence of Application (AO2) throughout the answer (**highlighted in red**). In paragraph two, there were at least four logical, linked strands (**highlighted in green**) following the identification of a point. In paragraph three, a further point was made and then the fifth strand of explanation was provided. Thus, Analysis (AO3a) was awarded at Level 3 also. The candidate then provided more strands of analysis in paragraph three which would also count for Evaluation (AO3b). Note the use of the word 'However...' at the start of paragraph three which signals that the candidate is now starting to consider the converse viewpoint. This paragraph also introduces an 'it depends' consideration, which helps in balancing the argument. The final paragraph starts with 'In conclusion...' and goes beyond just a simple paraphrasing of what has been written earlier in the response. With three strong Level 3s, the candidate was awarded full marks.