

EDI
LCCI CERTIFICATE IN BUSINESS PRINCIPLES AND PRACTICE
LEVEL 2
SAMPLE PAPER
MARKING SCHEME

DISTINCTION MARK 75%
CREDIT MARK 60%
PASS MARK 50%

TOTAL 100 MARKS

QUESTION 1

- (a) (i) **Identify and describe the sector in which Mandeville Computer Services' business activity would be classified. (Syllabus topic 1: 2.1/2.2)**

tertiary/service sector

(1 mark)

- the sector that provides services to businesses and the general population
- activities associated with the tertiary sector include retailing/wholesaling/transportation/distribution/insurance/banking and finance/ direct services such as entertainment/medical services/security services

(Any 2 x 1 mark)

- (ii) **Define the term 'global market'. (Syllabus topic 1: 6.5)**

- a worldwide market
- for goods and services, capital flows and currency
- consists of consumers and businesses who buy and sell internationally

(3 x 1 mark)

- (iii) **Explain two ways in which operating in the global market will affect Mandeville Computer Services. (Syllabus topic 1: 6.6)**

- it may help sales to increase **(1)** and lead to more profit **(1)**
- it may assist the company to expand **(1)** and to develop its interests in other countries **(1)**
- it will mean that Mandeville Computer Services must remain competitive **(1)** and so will have to fund research and development and keep its costs under review **(1)**
- it will help MCS to take advantage of markets **(1)** where free trade areas exist **(1)**
- it provides opportunities to collaborate with overseas firms **(1)** which may improve the service it offers to its customers **(1)**

Any other relevant point

(Any 2 x 2 marks)

- (b) (i) **Describe two of the responsibilities the management of Mandeville Computer Services has towards its employees. (Syllabus topic 2: 3.2)**

- to pay wages and salaries **(1)** that are fair and equitable **(1)**
- to provide working conditions **(1)** that are safe and healthy **(1)**
- to provide welfare facilities **(1)** such as canteen, health plans, retirement benefits **(1)** **(only 1 example needed for mark)**
- to ensure good labour management relations **(1)** with the involvement of trade unions **(1)**
- to communicate and clarify job roles and tasks **(1)** with adequate support and training to do the job properly **(1)**

Any other relevant responsibility

(Any 2 x 2 marks)

QUESTION 1 CONTINUED

(ii) **Describe the roles of two of the main stakeholders (other than employees) in Mandeville Computer Services. (Syllabus topic 1: 4.2)**

- **shareholders (1)** - owners, contribute capital, vote at AGM, elect directors, receive dividend **(Any 2 x 1 mark)**
- **customers (1)** - buy the products, pay for them, contribute to profits **(Any 2 x 1 mark)**
- **the community (1)** - may provide the labour force, offer support/criticism of company policies, may provide customers **(Any 2 x 1 mark)**
- **suppliers (1)** - provide parts and components, give value for money, deliver on time, provide the quality required **(Any 2 x 1 mark)**
- **bank (1)** - provide payment services, advice, deposit services, lending facilities **(Any 2 x 1 mark)**
- **government (1)** - taxation of the company, possible grants, information, laws **(Any 2 x 1 mark)**

NB employees = 0 marks

Any other relevant point

(Any 2 x 3 marks)

(c) (i) **Explain the meaning of the term 'mission statement'. (Syllabus topic 1: 3.1)**

- concise/general statement
- giving the core purpose of the business/summing up the nature and direction of the company

(2 x 1 mark)

(ii) **Explain how business objectives differ from a mission statement. (Syllabus topic 1:3.1)**

- business objectives are the main aims of the business - what it hopes to achieve eg to make a profit, to survive, to increase market share
- business objectives are more linked to specific actions for managers and staff by which the business will be able to measure its performance against set targets
- mission statement describes the general purpose of the business.

Any other relevant point

(Any 3 x 1 mark)

(Total 25 marks)

QUESTION 2

(a) **Describe two factors that may have affected where Fashiontots plc is located (Syllabus topic 3: 2.1)**

- availability of labour **(1)** needed to work in the factory **(1)**
- nearness to transport **(1)** good road and rail links to other cities **(1)**
- nearness to markets **(1)** selling to retail chain stores who might be in London **(1)**
- where the founders of the company live **(1)** as easy to start a business close to home **(1)**

Any other relevant locational factor

(Any 2 x 2 marks)

(b) (i) **Describe two main features of a public limited company. (Syllabus topic 2: 1.1/1.2)**

- owned by shareholders **(1)** who have limited liability **(1)**
- controlled by Board of Directors **(1)** elected by the shareholders **(1)**
- separate legal entity **(1)** separate from its shareholders/can sue and be sued in its own right **(1)**
- shares are traded on stock exchanges **(1)** so shares are freely transferable **(1)**
- must have a memorandum of association **(1)** and articles of association **(1)**
- has plc (UK) or Ltd (international) **(1)** to indicate its limited liability status **(1)**
- minimum of two shareholders **(1)** and no maximum number **(1)**
- profits distributed to shareholders **(1)** or retained for future investment **(1)**

Any other relevant point

(Any 2 x 2 marks)

(ii) **State three advantages to Fashiontots plc of being a public limited company. (Syllabus topic 2: 1.3)**

- it can obtain the large amount of capital needed on stock exchanges
- limited liability encourages shareholders to invest
- regulated by many legal requirements so shareholders are more prepared to invest
- can call on the expertise of many people to act as directors of the company
- may be easier to raise capital from banks who regard large enterprises as low risk
- has continuity of existence

Any other relevant point

(Any 3 x 1 mark)

(iii) **Identify two main leadership roles you would expect to find in this type of business. (Syllabus topic 2: 3.4)**

- Board of Directors
- Heads of Department
- Managers

(Any 2 x 1 mark)

(iv) **State two advantages to the management of Fashiontots plc of having an organisational chart. (Syllabus topic 2: 2.5)**

- can identify where the span of control for any one manager may be too large
- makes reporting and communication lines much clearer to avoid confusion and improve efficiency
- can identify any problems with the organisation of the company
- can see an overall picture of the organisation of the company
- can help to inform new employees of reporting relationships

Any other relevant advantage

(Any 2 x 1 mark)

QUESTION 2 CONTINUED

(c) (i) **State two of the functions of the Sales and Marketing Department at Fashiontots plc.(Syllabus topic 2: 2.1)**

- market research
- testing new products with consumers
- advertising
- promotions
- providing information on company products
- public relations
- sales
- exporting
- organising distribution of products
- dealing with complaints
- analysing sales figures

Any other relevant function

(Any 2 x 1 mark)

(ii) **Explain two ways in which the Sales and Marketing Department contributes to the achievement of the company's objectives such as growth and profit. (Syllabus topic 2: 2.1)**

- by promoting the sales of the children's clothing **(1)** it is contributing to the sales revenue of the company/and so to the profits of the company **(1)**
- by undertaking market research to help to identify new markets and customers **(1)** it is contributing to the growth of the company **(1)**
- by meeting sales targets **(1)** it is ensuring the survival of the company **(1)**
- by meeting the needs of customers **(1)** it is ensuring customer loyalty/ repeat business/achieving more sales **(1)**
- by contributing to the development of new products **(1)** it enables the company to diversify into new markets thus promoting grow **(1)**

Any other relevant point

(Any 2 x 2 marks)

(d) **Explain how the development of ICT has affected business communication within a business such as Fashiontots plc. (Syllabus topic 2: 4.4)**

- more information is accessible to staff **(1)** sales figures and can be stored in a central location where it can be accessed by staff when required **(1)**
- improvement in the speed of obtaining information by using email messages **(1)** and so more business is done more quickly **(1)**
- allows for communication with staff when on the move **(1)** using mobile phones **(1)**
- enables meetings to be held between people in different locations **(1)** using teleconferencing/videoconferencing **(1)**

Any other relevant point

(Any 2 x 2 marks)

(Total 25 marks)

QUESTION 3

(a) (i) **Explain what is meant by a business. (Syllabus topic 1: 1.1)**

- organisations that produce goods or services
- for profit

(2 x 1 mark)

(ii) **State two qualities an entrepreneur needs to be successful in business. (Syllabus topic 1: 5.2)**

- creativity
- innovation
- flexibility
- goal-orientated
- persistence
- motivated
- risk-taking

(Any 2 x 1 mark)

(iii) **List the four factors needed to produce goods and services. (Syllabus topic 3: 1.3)**

- land
- labour
- capital
- entrepreneurship/enterprise/management

(4 x 1 mark)

(b) (i) **State two advantages of starting a small business. (Syllabus topic 3: 2.4)**

- own boss if a sole trader
- can make own decisions
- all the profits go to the owner unless it is a partnership
- flexible – can adapt to changes in the market
- can provide a personal service to customers
- can operate in a niche market and so withstand competition from large businesses
- easy to set up
- may not need much capital to start
- can operate at home or close to home so saving costs
- personal motivation as rewards from effort go to the business owner

Any other relevant advantage

(Any 2 x 1 mark)

(ii) **State two disadvantages of starting a small business. (Syllabus topic 3: 2.4)**

- lack of finance as may be difficult to raise capital
- lack of specialist skills
- may suffer from unlimited liability – personal assets at risk
- difficult to take time off for holidays
- difficult to benefit from economies of scale eg bulk buying
- difficult to expand because of lack of capital
- government regulations may hamper progress
- government red tape may drive up costs
- may have no one to share work load
- may have no one to discuss new ideas with

Any other relevant disadvantage

(Any 2 x 1 mark)

QUESTION 3 CONTINUED

(b) (i) **Explain two uses of finance in a small business. (Syllabus topic 3: 3.1)**

- to set up the business (1) in terms of acquiring the necessary resources (1)
- to maintain cash flow (1) and pay daily expenditure (1)
- to buy new fixed assets (1) such as a new machine (1)
- to expand the business (1) by going into new markets/opening in new locations(1)
- to relocate to another country (1) or cheaper area (1)
- to undertake research and development (1) to identify new products (1)

Any other relevant use explained

(Any 2 x 2 marks)

(ii) **Explain how a commercial bank may help a person wishing to set up a small business. (Syllabus topic 3: 4.1)**

- giving advice (1) many banks offer specialised help and advice on starting and running a business (1)
- offering finance (1) such as a loan or an overdraft or both (1)
- providing current account facilities (1) and a range of related services such as credit/debit cards, direct debits, standing orders (1) (only one example needed)
- Internet banking (1) so that banking can be conducted at any time (1)
- night safe facilities (1) for customers needing to bank money after hours (1)
- insurance services (1) such as providing a range of policies (1)
- credit reference services (1) providing information to confirm the creditworthiness of the business owner (1)

Any other relevant way

(Any 2 x 2 marks)

(iii) **Explain why it is important for a small business to have insurance. (Syllabus topic 3: 4.4)**

- to provide financial protection/compensation in the event of loss
- to give a business confidence to continue in business
- because it is a legal requirement e.g. employer's liability
- to protect the interest of stakeholders, e.g. employees, lenders, credit suppliers

Any other relevant reason

(Any 3 x 1 mark)

(c) **Identify two ways in which a small business may grow. (Syllabus topic 3: 2.5)**

- by taking a partner/sleeping partner
- by forming a private limited company
- by using retained profit/government grant to expand
- by merging with another small business

Any other way relevant to a small business

(Any 2 x 1 mark)

(Total 25 marks)

QUESTION 4

(a) **Explain why customers are important to the business. (Syllabus topic 4: 3.2)**

- they purchase the goods or services **(1)** so without them there would be no purpose to the business **(1)**
- they pay for these purchases **(1)** leading to profits **(1)**
- they recommend the business to others **(1)** or bring repeat business **(1)**
- their payments can be used to pay for the costs of the business **(1)** and to keep people employed **(1)**
- they give useful feedback on what they like and what they dislike about the business **(1)** so that the company can improve its performance **(1)**

Any other relevant point

(Any 2 x 2 marks)

(b) (i) **Define the term 'customer service'. (Syllabus topic 3: 4.1)**

- a range of services provided to the customer to help and assist the customer
- 'adds value' to the customer's experience of the company
- may include providing information/technical advice/after sales service/
- greeting the customer/exchanging goods (any one)
- after hours services - helplines/dealing with complaints

Any other relevant point

(Any 3 x 1 mark)

(ii) **Explain why good customer service is important to a supermarket business such as Eastprice Stores Ltd. (Syllabus topic 4: 4.2)**

- Eastprice Stores is likely to be in a competitive market **(1)** and customers can choose where they buy **(1)**
- needs to encourage repeat business **(1)** and customer loyalty **(1)**
- customers will tell others of their experience with ES **(1)** leading to increased sales **(1)**
- supermarkets are often impersonal places and if ES gives good customer service **(1)**, this may give the company a competitive edge **(1)**
- may lead to higher profits **(1)** and increased market share **(1)**

Any other relevant point

(Any 2 x 2 marks)

(iii) **Identify two ways of monitoring customer service. (Syllabus topic 4: 4.5)**

- direct observation
- analysing trends in customer behaviour eg checking the level of complaints
- asking customers for comment on service provided
- checking sales trends
- market research – interviewing customers at random
- customer surveys
- using a 'mystery shopper'

Any other relevant way

(Any 2 x 1 mark)

(c) (i) **Explain what is meant by 'public image'. (Syllabus topic 4: 1.1)**

- how the company presents itself to the outside world
- includes the perception of the company by its employees and the general public

Any other relevant point

(Any 2 x 1 mark)

QUESTION 4 CONTINUED

(ii) **Describe five ways in which an individual employee can help to promote a good public image for a business such as Eastprice Stores. (Syllabus topic 4: 2.2)**

- smile and greet customers at the checkouts/food counters
- have a pleasant personal appearance – clean, tidy hair, wear a uniform
- wear protective clothing when handling food – plastic gloves
- have effective communication skills – make the customer feel valued
- show some knowledge about the products ES sells
- try to be helpful when customers want assistance
- stay calm when faced with customer complaints
- take part in community activities eg charity events
- be polite and interested when dealing with customers
- try not to keep customers waiting – apologise for any delays

Any other relevant way applicable to a supermarket

(Any 5 x 1 mark)

(c) (i) **Explain why effective business communication within Eastprice Stores is important. (Syllabus topic 2: 4.5)**

- so that employees across all the stores understand company policies
- to ensure consistency of service
- to improve customer service
- in case of emergency
- so that mistakes are not made
- to have the correct skills to deal effectively with different kinds of customers of different nationalities

Any other relevant point

(Any 3 x 1 mark)

(ii) **State two methods of communication that may be used within Eastprice Stores. (Syllabus topic 2: 4.1)**

- email
- intranet
- notice boards
- face to face conversations
- telephone
- newsletters

(accept verbal, visual, written, electronic methods of communication)

(Any 2 x 1 mark)

(Total 25 marks)