

NCFE Level 1/2 Technical Award in Business and Enterprise (603/2955/5)

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Unit 01 Introduction to business and enterprise

Mark Scheme

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This mark scheme has been written by the Assessment Writer and refined, alongside the relevant questions, by a panel of subject experts through the external assessment writing process and at standardisation meetings.

The purpose of this mark scheme is to give you:

- examples and criteria of the types of response expected from a learner
- information on how individual marks are to be awarded
- the allocated assessment objective(s) and total mark for each question.

Marking guidelines

General guidelines

You must apply the following marking guidelines to all marking undertaken throughout the marking period. This is to ensure fairness to all learners, who must receive the same treatment. You must mark the first learner in exactly the same way as you mark the last.

- The mark scheme must be referred to throughout the marking period and applied consistently. Do not change your approach to marking once you have been standardised.
- Reward learners positively giving credit for what they have shown, rather than what they might have omitted.
- Utilise the whole mark range and always award full marks when the response merits them.
- Be prepared to award zero marks if the learner's response has no creditworthy material.
- Do not credit irrelevant material that does not answer the question, no matter how impressive the response might be.
- The marks awarded for each response should be clearly and legibly recorded in the grid on the front of the question paper.
- If you are in any doubt about the application of the mark scheme, you must consult with your Team Leader or the Chief Examiner.

Guidelines for using extended response marking grids

Extended response marking grids have been designed to award a learner's response holistically and should follow a best-fit approach. The grids are broken down into levels, with each level having an associated descriptor indicating the performance at that level. You should determine the level before determining the mark.

When determining a level, you should use a bottom up approach. If the response meets all the descriptors in the lowest level, you should move to the next one, and so on, until the response matches the level descriptor. Remember to look at the overall quality of the response and reward learners positively, rather than focussing on small omissions. If the response covers aspects at different levels, you should use a best-fit approach at this stage, and use the available marks within the level to credit the response appropriately.

When determining a mark, your decision should be based on the quality of the response in relation to the descriptors. You must also consider the relative weightings of the assessment objectives, so as not to over/under credit a response. Standardisation materials, marked by the Chief Examiner, will help you with determining a mark. You will be able to use exemplar learner responses to compare to live responses, to decide if it is the same, better or worse.

You are reminded that the indicative content provided under the marking grid is there as a guide, and therefore you must credit any other suitable responses a learner may produce. It is not a requirement either, that learners must cover all of the indicative content to be awarded full marks.

Assessment objectives

This unit requires learners to:

AO1	Recall knowledge and show understanding.
AO2	Apply knowledge and understanding.
AO3	Analyse and evaluate knowledge and understanding.

The weightings of each assessment objective can be found in the qualification specification.

Qu Mark scheme	Total marks
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Section 1

Total for this section: 8 marks

1	Which ONE of the following is an advantage to an entrepreneur if she sets up her business as a private limited company?	1 AO1 = 1	
	Answer: A Increases her ability to raise finance	A01 - 1	

2	Which ONE of the following would be a non-financial objective for a business?	1
	Answer: A Improving its customer satisfaction ratings	AO1 = 1

3	Which ONE of the following is an advantage of buying a franchise rather than opening up your own business?	1 AO1 = 1
	Answer: D The franchisee will receive training from the franchisor	

4	Which ONE of the following is an example of primary market research?	1
	Answer: D Telephone surveys	AO1 = 1

5	Which ONE of the following taxes would a limited company pay on their profits?	
	Answer: A Corporation Tax	AO1 = 1

6	A restaurant chain has increased its sales revenue over the summer months.	2 AO2 = 2
	Which TWO of the following might be reasons for this rise in sales revenue?	
	Answers:	
	A An increase in UK families choosing a holiday in the UK rather than abroad	
	E The restaurant raised prices by 5%	

7	A business decides to de-layer its organisation.	1
	Which ONE of the following will be a possible disadvantage to the business?	AO1 = 1
	Answer: B Some employees will need to take on new responsibilities and may need retraining	

Section 2

Total for this section: 51 marks

8	Identify ONE diseconomy of scale.	1
	Award one mark for identification of a feature.	AO1 = 1
	 control coordination communication. 	
	The only one-word answers that can be accepted are above.	
	Accept an accurate description of one of these diseconomies of scale if one of the three words above is not used.	

9	Identify ONE source of finance that is available to limited companies that is NOT available to sole traders.	1 AO1 = 1
	Award one mark for the following:	
	Sale of shares/issue of shares/shares/shareholders	

10	Identify ONE method of lean production.	1
	Award one mark for any of the following:	AO1 = 1
	 cell production Kaizen JIT (Just in Time) time-based management. simultaneous engineering quality improvement and management Kanban 	
	Do not award flow production. Do not award "reduce waste"	
	Can award accurate descriptions	

11	Identify TWO characteristics of a mass market.	2
	Award one mark for any of the following:	AO1 = 2
	 high number of sales / lots of/many customers / high demand / large number of customers large number of competitors /highly competitive / many rivals wide customer base/sell to the majority/everybody profit margins low products are heavily promoted/large advertising spend 	

Do not award: larger target market, more competitive, high market share, a big market, well known brands, saturated markets	
Do not award characteristics of mass production eg references to economies of scale, producing in large quantities.	

12	Identify how the change in demand will have affected the equilibrium price AND total market sales.	2 AO2 = 2
	The equilibrium price: rise/increase/be higher Total market sales: will increase/has increased/be higher	AU2 = 2
	Do not award references to higher profits / high sales / high price	

13	Use the information from the business organisation chart	2
	above.	AO1 = 1
	Explain the term 'span of control'.	AO2 = 1
	Award one AO1 mark for:	
	Span of control is the number of employees a manager/line manager/supervisor is in charge of.	
	Award one AO2 mark for an example from the organisation chart provided.	
	eg the production manager is in charge of three production supervisors, each production supervisor is in charge of five production workers.	
	No not credit "the general manager is in total charge"	

14 (a)	Describe the focus group method of market research.	2
	Accept any two points:	AO1 = 2
	 A focus group is a meeting of the business and consumers/public/customers It is primary research Allows in depth discussions / follow up questions and explanations The group can examine a product/be asked about their needs and wants Give feedback to the business / suggestions on how a product/service can be improved 	

14 (b)	Explain ONE advantage to a business of using a focus group.	2
	Award up to 2 AO2 marks for explaining an advantage of using a focus group.	AO2 = 2
	Advantages need to be advantages that are specific to focus groups rather than any method of MR.	
	Candidates may repeat themselves from 14(a) but that is allowed	
	Advantages can include:	
	Allows in depth discussions / follow up questions and explanations (1) which can provide the business with ideas as to how their product will be viewed by the market as a whole (2)	
	The business can get reactions to a new product / revamped product (1) so that the business can judge if it is likely to be successful (2)	
	Cheaper than doing one to one interview (1)	
	It will provide a business up to date (current) / relevant / detailed information (1)	

15 (a)	 Explain how the changes in the external influences listed below may affect this shop. An increase in the living wage by 12p per hour. Award one AO1 mark for identifying an impact on the shop. Award one AO2 mark for a contextualised answer that clearly uses information from the stimulus. This will increase the shop's (total) costs/wage bill / they will have to pay out more (AO1-1) and they will have to raise the wage per hour by 7p per hour (AO2-1).Or increase their overdraft (AO2-1) Do not award answers that suggest that this will increase or decrease profits as too simplistic for AO1 or AO2 marks unless they actually state that if nothing else changes. 	2 AO1 = 1 AO2 = 1
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15 (b)	Explain how the changes in the external influences listed	2
	below may affect this shop.	AO1 = 1
	A decrease in interest rates.	AO2 = 1
	Award one AO1 mark for identifying an impact on the shop. Award one AO2 mark for a <u>contextualised answer</u> that clearly uses information from the stimulus	
	This will reduce the shop's (total) costs/ the business will save money (AO1-1) and they will have to pay less interest on their overdraft (£5000) (AO2-1).	
	Will be cheaper for the business to borrow (AO1-1)	
	The business will get less interest on any money it has in the bank (AO1-1)	
	Do not award answers that suggest that this will increase or decrease profits as too simplistic for AO1 or AO2 marks unless they actually state that if nothing else changes.	
40		
16	The village shop owners decide to reduce their opening hours by closing at 4pm rather than 5pm each day from November to	4
	April.	AO1 = 2
	Explain the possible impact of this decision on ONE internal stakeholder and on ONE external stakeholder.	AO2 = 2
	Answers to this question DO NOT NEED to be contextualised.	
	Award one AO1 mark for identifying an internal stakeholder and one AO1 mark for identifying an external stakeholder.	

Internal stakeholder: must be named

- employee/worker
- manager
- owner

External stakeholders: must be named

- customer / consumer
- supplier
- shareholder
- local community
- government
- finance provider

Award one **AO2** mark for explaining the impact on a named internal stakeholder and one **AO2** mark for explaining the impact on a named external stakeholder.

For example:

 an internal stakeholder in the shop are the part-time workers (AO1-1). They will be working fewer hours /

	 therefore will face a reduction in their wages / have more leisure time (AO2-1). external stakeholders are the customers (AO1-1). They will be affected as they will be unable to buy needed items after 4pm / need to shop earlier / will need to shop elsewhere (AO2-1). 	
17	XaX manufactures cosmetic products such as eyeliners, mascara, lipsticks, and skin care products. Explain TWO methods of promotion that XaX could use to	4 AO1 = 2
	increase sales of its products.	AO2 = 2
	AO1 Award up to 2 marks for identifying 2 appropriate promotional methods.	
	 For example: advertising OR examples such as radio OR television OR newspaper OR magazines OR social media – can use two of these examples of sales promotion – eg short-term price reductions OR promotional pricing OR money-off coupon OR bogofs – can use two of these use loyalty cards/schemes sponsorship/PR competitions free gifts free samples personal selling direct marketing 	
	Do not award 'reduce prices' unless learner qualifies this by saying 'for a limited period of time'.	
	Do not award 'sales promotion' – needs to be a named method eg short-term price reduction.	
	AO2 Award up to 2 marks for explaining how this method will increase sales.	
	 For example: Advertising on TV to raise awareness/inform/attract /appeal to/ target a wide range of potential customers [AO2 -1]. Use money off coupons or short-term discounts as this will make the product more affordable/cheaper [AO2 -1]. Use loyalty cards/schemes to encourage customer loyalty/gets them to be repeat customers [AO2 -1]. Sponsorship/PR as helps to strengthen/broaden/increase its brand image/reputation [AO2 -1]. 	
	Do not award word of mouth/ door to door	

If a candidate writes a list of more than 2 methods only mark the first 2	
1151 2	

18	Analyse ONE advantage and ONE disadvantage to XaX that will arise from its decision to stop the use of microplastics in its	6
	cosmetics.	AO1 = 2
	Award 2 AO1 marks for identifying an advantage and a disadvantage	AO2 = 2 AO3 = 2
	Award 1 AO3 mark for analysing the impact of the advantage on XAX and an AO2 mark for a contextualised answer.	
	Award 1 AO3 mark for analysing the impact of the disadvantage on XAX and an AO2 mark for a contextualised answer.	
	Indicative content example 1	
	 Advantage: it will improve XaX's image (AO1) as an eco-friendly business (AO2) and as a result sales may increase (AO3) Disadvantage: production costs will rise (AO1) as the XaX products will be 10% more expensive to manufacture (AO2) and this may force XAX to either raise its prices / accept lower profit margins (AO3) 	
	Indicative content example 2	
	 Advantage: XaX is likely to have an improved brand image (AO1) if it removes microplastics from its range of cosmetics (AO2), and this may increase sales (revenue) (AO3-1). Disadvantage: This will increase production costs (AO1) and XaX may have to raise prices and as it operates in a competitive market (AO2-1) this may result in fewer sales (AO3-1)). 	

19	Explain TWO appropriate methods of remuneration (pay) that	4
	SSS Ltd could use to improve the performance of its travelling salespeople.	AO2 = 1
	This question focuses on how staff are motivated therefore knowledge of pay methods not necessary but the effects of pay on motivation/performance should be awarded.	AO3 = 3
	AO2 Award one mark for an answer that is clearly contextualised – this requires more than just the use of the business name (SSS Ltd).	
	Credit other suitable responses.	
	AO3 Learners need to address why pay is important for motivation/performance.	
	Award up to 3 marks for explaining how each method would improve salesperson motivation/performance.	
	For example:	
	 If salespersons are more loyal to the business, then they would take more pride in their work (AO3-1) and therefore make more sales (AO3-1). Pay leads to lower staff turnover therefore retaining knowledge (AO3-1) which makes people better at their job (AO3-1). 	
	 SSS Ltd will sell more products (AO3-1) as more shops will stock their products (AO2-1) as salespersons are more motivated to get the bonus offered for reaching sales targets (AO3-1) Provide generous allowances for staff "on the road" in terms of 	
	how much they can spend on meals and hotels. (AO2-1) This will make the salesperson feel valued (AO3-1) and therefore motivate them to work harder. (AO3-1)	

20 (a)	Identify ONE appropriate pricing strategy that SSS Ltd could choose to prevent a fall in sales.	1 AO1 = 1
	Award one mark for an appropriate pricing strategy.	A01 - 1
	 competitive pricing promotional pricing loss leaders psychological pricing 	
	Do not award penetration pricing or price skimming	
	Do not reward cut prices/charge the same price as competitors as not named strategies.	

20 (b)	Analyse how this pricing strategy may affect the reputation of	3
	SSS Ltd's products.	AO2 = 1
	If candidates have not named a pricing strategy in 20(a) but suggested cut prices or penetration pricing, then the arguments in this question can still be rewarded if the candidate discusses impact of cutting prices on product reputation	AO3 = 2
	Please note this question is about the impact on SSS's <u>product</u> reputation, not on sales of its products.	
	AO2 Award one mark for an answer that is clearly contextualised – this requires more than just the use of the business name (SSS Ltd)	
	SSS Ltd is operating in a competitive market (AO2-1). SSS Ltd has a reputation for producing innovative products (AO2-1).	
	Eg The cut in price may lead to consumers to question the quality of the product (AO3-1) and this may damage its reputation (AO3-1) as a manufacturer of high-quality doorbells (AO2-1)	
	NB A generic answer that is not contextualised and could therefore apply to any business can achieve a maximum of 2 marks for part (b).	
21 (a)	In which stage of the product life cycle should this product	1

21 (a)	In which stage of the product life cycle should this product currently be placed?	1 AO1 = 1	
	Award one mark for growth .		

21 (b)	Analyse the impact on profitability if the product is in this stage of the product life cycle. In order to access a mark for a comment about profitability candidates must indicate that advertising costs will be a factor that affects profits/profitability.	3 AO2 = 1 AO3 = 2
	A candidate that states sales will be growing so profitability/profits will increase only gets 1 mark.	
	Award marks for	
	 Sales (revenue) are growing (AO2-1) Advertising expenditure will be high (AO3-1) As a result, costs will increase (AO3-) 	
	and as result:	
	 Profitability might be low / profits will be growing / growing slowly (AO3-1) 	
	Whilst the question is about profitability, we will reward discussions about profits rather than profitability	

22	 Analyse why SSS Ltd uses off-the-job rather than on-the-job training. This question focuses on skills and therefore learners do not need any knowledge of off-the-job training and/or on-the-job-training. AO2 Award one mark for an answer that is clearly contextualised – this requires more than just the use of the business name (SSS Ltd). AO3 Learners need to address why developing skills (through training) is important. As the pace of technological change is significant then regular skills updates are needed (AO3-1). As the team needs to be innovative then they need to be skilled (AO3-1). As SSS Ltd.'s products are "state of the art" then staff skills should reflect this (AO3-1). 	4 AO2 = 1 AO3 = 3
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23	 Analyse the possible impact of the increased sales on SSS Ltd's ability to maintain customer service levels. The question is about the impact on customer service levels. Not on sales AO2 Award one mark for an answer that is clearly contextualised – this requires more than just the use of the business name (SSS Ltd) 	4 AO2 = 1 AO3 = 3
	AO3 The dramatic increase in sales (AO2-1) is likely to mean more customers will need to use telephone line (AO3-1) Customers are likely to find that telephones are engaged / have to wait longer to be answered (AO3-1) and as a result SSS Ltd's customer service levels will deteriorate (AO3-1) Do not reward answers that provides solutions – eg hire more staff Do not reward answers that discuss the impact on reputation or sales as candidates are not answering the question	

Section 3

Total for this section: 21 marks

24	Recommend to SSS Ltd directors if it should change from batch to flow production for Model C. In your answer explain	
	an advantage and a disadvantage to SSS Ltd from this change.	AO1 = 2
	AO1 – 2 marks	AO2 = 2
	Award up to 2 marks for demonstrating knowledge of batch and/or flow production systems.	AO3 = 2
	AO2 – 2 marks	
	Award up to 2 marks for explaining an advantage and a disadvantage to SSS Ltd from switching to flow production for Model C.	
	AO3 – 2 marks	
	Award up to 2 marks for a justified conclusion as to whether SSS Ltd should switch to flow production.	
	Indicative content:	
	Batch production allows a set number of Model C to be made and then another model to be made (AO1-1). Flow production allows continuous production of model C (AO1-1). If a switch is made production will be speeded up/products will be made more efficiently/unit costs may fall (AO2-1). However, they will need to install new equipment to make this change which increase initial costs (AO2-1). If their research is incorrect or demand changes then sales may fall which may mean the new production line stands idle for parts of the week (AO3-1). SSS Ltd needs to be sure demand will stay strong for longer than 12 months if this switch is to be made as the equipment has a life of 10 years (AO3-1).	

25	5 Recommend to SSS Ltd directors if it should change to a system of quality control. In your answer explain an advantage	
	and a disadvantage to SSS Ltd from this change.	AO1 = 2
	AO1 – 2 marks	AO2 = 2
	Award up to 2 marks for demonstrating knowledge of quality control (QC) and quality assurance (QA) systems.	AO3 = 2
	NB some businesses now operate an alternative form of QC where raw materials/components are tested before production begins; semi finished products are also removed from the line and tested. Therefore, we will accept answers which suggest QC takes place at every stage of production (or the more traditional answer – only takes place after production is completed)	
	AO2 – 2 marks	
	Award up to 2 marks for explaining an advantage and a disadvantage to SSS Ltd if it switches to a system of QC.	
	AO3 – 2 marks	
	Award up to 2 marks for a justified conclusion as to whether SSS Ltd should switch to QC.	
	Indicative content	
	A QC system will work by either testing/checking a percentage of products made (eg 1 in 100) or by testing all products made (AO1- 1). This take place once production is completed. This will increase costs/reduce productivity (AO1-2) as extra staff will need to be employed as testers (AO2-1).	
	The present system of QA relies on staff taking responsibility for producing products correctly (AO1-1). Clearly this is failing as faulty products are reaching consumers (AO1-2).	
	Before deciding SSS Ltd should investigate where the problem is occurring (AO3-1) as this may involve just one worker not doing their job properly. Adopting QC is more costly but may solve the problem which is important if the business' reputation is not to be damaged (AO3-1).	
	OR	
	'I think SSS should adopt QC and test all the products as this will solve the problem and prevent any further damage to their reputation(AO3-1) which is crucial if sales are to continue to rise' (AO3-1).	

26	Explain ONE advantage and ONE disadvantage of each site.	9
	Recommend which site SSS Ltd should choose and justify your decision.	AO1 = 2 AO2 = 4
	If learners only consider one of the options, the maximum mark awardable is 3 marks as evaluation marks cannot be awarded.	AO2 = 4 AO3 = 3
	There are 3 marks to be awarded for a discussion of the merits/demerits of site A	
	There are 3 marks to be awarded for a discussion of the merits/ demerits of Site B	
	There are 3 marks to be awarded for a considered judgement	
	When deciding on a final mark for answers to this question please consider the levels of response for 9-mark questions in Appendix A. This may guide your thinking, but the total awarded must have an equivalent number of ticks where you have identified rewardable points made by the candidate	
	Indicative content	
	Site A has the advantage of being close to the existing factory (AO1-1). This will reduce the costs of transporting equipment to the new factory (AO2-1). It will also cause the least disruption to employees which should enable SSS Ltd to retain its current workforce (AO2-1).	
	However, it is more expensive than the current factory (AO2-1) which will increase their total costs (AO2-1). It is also bigger than they need (AO2-1) which may increase heating costs (AO2-1).	
	Site B is the cheaper option (AO1-1) as the local council is offering 2 years rent free 5 years (AO1-2) and this will reduce their total costs (AO2-1).	
	However, as it is 50 miles away (AO1-1) it will take longer to move the equipment from its current factory (AO2-1). It will also cause problems for staff (AO1-1) as some/many will not be able to travel that distance to work or move to a new house (AO2-1). SSS Ltd will then need to recruit and train new staff which increase costs (AO2- 1) and disrupt production which may affect availability of their products (AO2-1).	
	Credit other suitable responses.	
	Recommendation	
	Do not reward an AO3 mark if the learner makes a recommendation without any justifications presented.	

Eg SSS Ltd should choose site A as it has more growth potential. (AO3-1). It is bigger than site B and if sales increase and the business needs to expand in the future it will not need to buy a new factory (AO3-1)

Eg SSS Ltd should not choose site B. They may find that they lose skilled workers who won't drive that far, and they may struggle to replace them. (AO3-1) if so disruption to production might occur and sales lost (AO3-1). Even if they can replace staff recruitment and training costs will increase which may cancel out the benefit of the lower rental costs (AO3-1)

Appendix A

6-mark questions

Level	Marks	Description
3	5–6	A wide range of relevant knowledge and understanding is shown, which is accurate and detailed. Subject specific terminology is used consistently throughout.
		Application of knowledge and understanding is appropriate, with clear relevance to the context.
		Analysis and evaluation are present and very effective. The conclusions drawn are fully supported by judgements.
2	3–4	A range of relevant knowledge and understanding is shown, but may be lacking in sufficient detail, with a few errors. Subject specific terminology is used, but not always consistently.
		Application of knowledge and understanding is mostly appropriate, but sometimes lacks clarity, and there may be a few errors.
		Analysis and evaluation are present and effective but may be lacking appropriate development. There are attempts to draw conclusions, which are supported by judgements, but it is likely that some will be irrelevant.
1	1–2	A limited range of relevant knowledge and understanding is shown but is often fragmented. Subject specific terminology, if used, is often inappropriate and a lack of understanding is evident.
		Application of knowledge and understanding is inappropriate, with any attempt showing fundamental errors.
		Analysis and evaluation, if present, are of limited effectiveness. Attempts to draw conclusions are seldom successful and likely to be irrelevant.
	0	No relevant material

9 mark question

Level	Marks	Description
3	7–9	A wide range of relevant knowledge and understanding is shown, which is accurate and detailed. Subject specific terminology is used consistently throughout.
		Application of knowledge and understanding is appropriate, with clear relevance to the context.
		Analysis and evaluation is present and very effective. The conclusions drawn are fully supported by judgements.
2	4–6	A range of relevant knowledge and understanding is shown, but may be lacking in sufficient detail, with a few errors. Subject specific terminology is used, but not always consistently.
		Application of knowledge and understanding is mostly appropriate, but sometimes lacks clarity, and there may be a few errors.
		Analysis and evaluation is present and effective, but may be lacking appropriate development. There are attempts to draw conclusions, which are supported by judgements, but it is likely that some will be irrelevant.
1	1–3	A limited range of relevant knowledge and understanding is shown, but is often fragmented. Subject specific terminology, if used, is often inappropriate and a lack of understanding is evident.
		Application of knowledge and understanding is inappropriate, with any attempt showing fundamental errors.
		Analysis and evaluation, if present, is of limited effectiveness. Attempts to draw conclusions are seldom successful and likely to be irrelevant.
	0	No relevant material