



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

November 2020

Unit 01 Introduction to business and enterprise

Mark Scheme

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 with 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	<p>Which one of the following is a financial objective of a business?</p> <p>A Customer satisfaction B Diversification C Expansion D Increase in profitability</p> <p>Answer: D (Increase in profitability)</p>	<p>1</p> <p>AO1=1</p>
2	<p>Which one of the following is an external stakeholder?</p> <p>A Customers B Managers C Owners D Workers</p> <p>Answer: A (Customers)</p>	<p>1</p> <p>AO1=1</p>
3	<p>Which two of the following are stages in the product lifecycle?</p> <p>A Growth B Market C Maturity D Price E Promotion</p> <p>Answers: A (Growth) and C (Maturity)</p>	<p>2</p> <p>AO1=2</p>
4	<p>Which one of the following best describes quantitative data?</p> <p>A Information collected by someone who is not the user B Information collected by the user C Information that is descriptive D Information that is statistical</p> <p>Answer: D (Information that is statistical)</p>	<p>1</p> <p>AO1=1</p>
5	<p>Which one of the following is a feature of a mass market?</p> <p>A High number of sales B High profit margins</p>	<p>1</p> <p>AO1=1</p>

	<p>C Low sales volume D Specialised products</p> <p>Answer: A (High number of sales)</p>	
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6	<p>Which one of the following is not a method of lean production?</p> <p>A Batch production B Cell production C Kaizen D Just in time</p> <p>Answer: A (Batch production)</p>	<p>1 AO1=1</p>
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7	<p>Which one of the following is a diseconomy of scale?</p> <p>A Communication B Managerial C Purchasing D Technical</p> <p>Answer: A (Communication)</p>	<p>1 AO1=1</p>
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Section 2

Total for this section: 51 marks

8	<p>Identify one feature of a public limited company.</p> <p>AO1</p> <p>Award one AO1 mark for correctly identifying one feature of a public limited company.</p> <p>Eg:</p> <ul style="list-style-type: none"> • owned by shareholders • shareholders (owners) have limited liability / incorporated • shares can be sold (bought) on the stock exchange / Anybody can buy shares • must have issued share capital of at least £50,000 • no restrictions on the number of shareholders / • separate legal entity • survives the death of its owners • run by a board of directors. <p>Do not award:</p> <ul style="list-style-type: none"> • answers that can only be relevant to private limited companies – eg shares are only sold to family and friends • “open to anybody”. 	<p>1</p> <p>AO1=1</p>
9	<p>A business decides to promote one of its existing products.</p> <p>Identify one reason the business might have for making this decision.</p> <p>AO1</p> <p>Award one AO1 mark for correctly identifying one reason the business might have for promoting one of its products.</p> <p>Eg:</p> <ul style="list-style-type: none"> • to increase consumer knowledge / lack of awareness • to increase market share / lack of market share • communicating with customers • to encourage purchasing/increase sales • sales have fallen / product is in decline stage of life cycle • develop customer/brand loyalty / increased competition • build brand identity/create USP. <p>Do not award:</p> <ul style="list-style-type: none"> • not making enough profits • to increase profits. 	<p>1</p> <p>AO1=1</p>

<p>10</p>	<p>Identify one factor that can be an internal influence on a business.</p> <p>AO1</p> <p>Award one AO1 mark for correctly identifying one internal influence.</p> <p>Eg:</p> <ul style="list-style-type: none"> • aims and objectives • financial position of the business and enterprise / amount of profit made • employees • staff motivation / attitudes /skills / qualifications / experience • staff attendance /absence /sickness • operational issues or examples of operational issues. Eg Space available. <p>Do not award:</p> <ul style="list-style-type: none"> • decisions made by the business eg redundancy; delayering; pay rises. • workers are unhappy. 	<p>1</p> <p>AO1=1</p>
<p>11</p>	<p>Identify two reasons why a product might enter the decline phase of the product lifecycle.</p> <p>AO1</p> <p>Award one AO1 mark for each correct reason why a product will enter the decline phase of the product life cycle, to a maximum of 2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • customers switch to substitute products • product becomes obsolete (out of date) / unfashionable (unpopular) /change in trends • change in technology • new products come on the market • new competitor enters market / competitors cut prices / competitors improve quality. <p>Do not award:</p> <ul style="list-style-type: none"> • product is old • product is bad quality • lower sales. 	<p>2</p> <p>AO1=2</p>
<p>12 (a)</p>	<p>Identify how the change in demand has affected the equilibrium price.</p> <p>AO2</p>	<p>1</p> <p>AO2=1</p>

	<p>Award one AO2 mark for the correct answer:</p> <ul style="list-style-type: none"> • decreased • the (equilibrium) price decreased. <p>Do not award:</p> <ul style="list-style-type: none"> • references to lower profits/low sales/low price. 	
<p>12 (b)</p>	<p>Identify how the change in demand has affected the total market sales.</p> <p>AO2</p> <p>Award one AO2 mark for the correct answer:</p> <ul style="list-style-type: none"> • decreased • total market sales decreased. <p>Do not award:</p> <ul style="list-style-type: none"> • references to market share; lower profits; low sales; low price /less demand. 	<p>1</p> <p>AO2=1</p>
<p>13 (a)</p>	<p>Look at the Boston Matrix below.</p> <p>Which is the correct box for the chocolate bars?</p> <p>Tick (✓) one box.</p> <p>AO2</p> <p>Award one AO2 mark for the product being placed in the Cash Cow box.</p> <ul style="list-style-type: none"> • if no boxes ticked but learner states “cash cow” in answer to 13(b) please award mark • if two or more boxes are ticked award 0 marks. 	<p>1</p> <p>AO2=1</p>

13 (b)	Explain your reason for placing the chocolate bar in this box. AO2 Award one AO2 mark for correctly explaining the correct position on the X axis and one mark for correctly explaining the correct position on the Y axis: <ul style="list-style-type: none">• it has a high market share/75% of the market• there is low/no market growth. Do not award: Answers that explain why the product is a Star, Problem Child or a Dog.	2 AO2=2
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<p>14 (a)</p>	<p>Explain how the reduction in VAT may affect Freshher Ltd.</p> <p>AO2</p> <p>Award one AO2 mark for any one of the following:</p> <ul style="list-style-type: none"> • will allow Freshher to cut prices (by 3% or less) • may decide not cut prices at all • will need to update prices on its website • will pay less tax (to the government / on sales). <p>Award a second AO2 mark for developed examples of the impact of a VAT reduction on the business.</p> <p>Eg:</p> <ul style="list-style-type: none"> • will allow Freshher to cut prices (by 3% or less) (AO2) which may lead to an increase in sales (revenue) (AO2) • may decide not cut prices at all (AO2).so will have an improved profit margin / an increase in added value. <p>Do not award:</p> <ul style="list-style-type: none"> • will make more profit • improved profit • 3% more profit • can keep more money. <p>NB Increased profits cannot be awarded as:</p> <ul style="list-style-type: none"> • if tax reduction is not passed on to consumers may result in negative publicity which may cause a decrease in sales • 3% price cut may have no impact on sales • 3% price cut may increase sales but have an impact on average costs (eg staff have to work overtime to meet increased demand, increasing wage costs) and therefore cannot be certain of the impact on profits. 	<p>2</p> <p>AO2=2</p>
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<p>14 (b)</p>	<p>Explain how the rising level of employment may affect Freshher Ltd.</p> <p>AO2</p> <p>Award one AO2 mark for any one of the following:</p> <ul style="list-style-type: none"> • may be more difficult / unable to recruit workers / face a shortage of skilled workers • may have to increase the number of ways in which they recruit • may have to offer higher wages/salaries to attract workers • may have to redesign part of production process so fewer workers are needed • may have to limit/slow down on expansion/turn down orders • will lead to increased sales. <p>Award second AO2 mark for developed examples of the impact of rising unemployment on Freshher Ltd. / or use of the stimulus</p> <p>Eg:</p> <ul style="list-style-type: none"> • may be more difficult / unable to recruit workers (AO2), / as there is a shortage locally / so may have to offer higher wages (AO2) • may have to increase the number of ways in which they recruit (AO2), increasing recruitment costs (AO2) • may have to offer higher wages/salaries to attract workers (AO2), increasing (total) cost (AO2) • may have to redesign part of production process so fewer workers are needed (AO2), disrupting production (AO2) • may have to limit/slow down on expansion/turn down orders (AO2), reducing potential sales / revenue (AO2). 	<p>2</p> <p>AO2=2</p>
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15 (a)	<p>Identify two benefits to Chloe and Jack of choosing to operate as a partnership rather than remain as sole traders.</p> <p>AO1</p> <p>Award one AO1 mark for each benefit identified from the following, to a maximum of two marks:</p> <ul style="list-style-type: none">• can raise more finance• each partner can specialise / new ideas• easier to take holidays/share the work / workload• can spread the risk / share losses• share the decision making / responsibility• easy to set up• there will be one less competitor. <p>Do not award:</p> <ul style="list-style-type: none">• more customers• jobs are done quicker• easier to make decisions.	<p>2</p> <p>AO1=2</p>
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<p>15 (b)</p>	<p>Identify one disadvantage to Chloe and Jack of choosing to operate their business as a partnership.</p> <p>Explain the effect this could have on their business.</p> <p>Answers that refer to the partners, rather than the business, can be rewarded.</p> <p>Please note cannot award 2 marks for 2 separate disadvantages</p> <p>AO1</p> <p>Award one AO1 mark for any one of the following:</p> <ul style="list-style-type: none"> • partners have unlimited liability • each partner is jointly and severally liable • conflicts can arise / have different views / no longer own boss • profits must be shared. <p>AO2</p> <p>Award one AO2 mark for developed examples of disadvantages of Chloe and Jack choosing to operate as a partnership.</p> <p>Eg:</p> <ul style="list-style-type: none"> • partners have unlimited liability (AO1) so can lose their own possessions if business is unable to pay its creditors (AO2) • each partner is jointly and severally liable (AO1) so can be held personally responsible for decisions made by the other partner (AO2) • conflicts can arise (AO1) which can slow down decision making / make business operate more slowly (AO2). 	<p>2</p> <p>AO1=1 AO2=1</p>
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<p>16 (a)</p>	<p>Chloe and Jack provide a very high level of customer service.</p> <p>Identify two ways in which Chloe and Jack can measure their customer service.</p> <p>AO1</p> <p>Award one AO1 mark for each way of measuring customer service, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • customer satisfaction scores • repeat business data / recommendations • levels of complaints/compliments/ / feedback after job is done • customer surveys (questionnaires) / reviews. <p>Do not award:</p> <ul style="list-style-type: none"> • ‘mystery shoppers’, as this method is inappropriate in this scenario • ask customers • focus group • send emails (unless explained). 	<p>2</p> <p>AO1=2</p>
<p>16 (b)</p>	<p>Explain one reason why Chloe and Jack measure their customer service level.</p> <p>AO2</p> <p>Award two AO2 marks for a developed reason why Chloe and Jack measure their customer service level.</p> <p>Eg:</p> <ul style="list-style-type: none"> • it helps identify strengths and weaknesses (AO2), so they know what needs to be improved (AO2) • enables the partners to see how customers rate/ view their business (AO2) • enables partners to get feedback on the level of service provide by their employees (AO2) to see what needs to be improved (eg training) (AO2) • Chloe and Jack will know what services to develop in the future (AO2), so they won't waste resources developing services that customers do not want (AO2) • customers are more likely to stay loyal (AO2), boosting revenue (AO2) • it allows Chloe and Jack to remain competitive (AO2), so they can maintain market share (AO2). 	<p>2</p> <p>AO2=2</p>

<p>17</p>	<p>Chloe and Jack are keen to expand their business and get more customers. They plan to use advertising to promote their business.</p> <p>Explain two methods of advertising that Chloe and Jack could use to promote their business.</p> <p>AO1</p> <p>Award one AO1 mark for each method of advertising identified, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • advert in newspaper / magazine • leaflets • posters on community notice boards: eg in libraries, supermarkets etc / billboards • radio • social media or method of social media (max one method) • website • sign on the side of a van with contact details / side of buses • yell.com OR another online directory (max one named online directory). <p>Do not award:</p> <ul style="list-style-type: none"> • TV advertising • methods of promotion eg sponsorship, personal selling, special offers • if learners explain / state more than two methods, then only mark the first two. <p>AO2</p> <p>Award one AO2 mark for each explanation for choosing the advertising method, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • sign on side of a van with contact details (AO1) will be seen by people in different places as the van travels from place to place (AO2) • advert in newspaper (AO1): business is confined to local area so likely to reach target market (AO2) • yell.com OR other online directories (AO1): often the place people look to find a local electrician • leaflets (AO1) can be kept for future reference by customers who may refer to it when they need an electrician (AO2) • posters on community notice boards e.g. libraries, supermarkets (AO1): more likely to be seen by target market (AO2) • advertising on radio (AO1) can be repeated throughout the day, so people are more likely to remember (AO2) 	<p>4</p> <p>AO1=2 AO2=2</p>
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	<ul style="list-style-type: none">• advertising on social media (AO1) is low cost / or can effectively target your market (which is important for a small business) (AO2)• advertising through their website (AO1) can be regularly updated at no extra cost (AO2). <p>Do not award:</p> <ul style="list-style-type: none">• the same AO2 point twice.• “will be seen by a large audience as a development” mark as this is a small, probably local business so large audience is too vague	
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18	<p>GFF manufactures gluten-free foods. Its products are aimed at people who are not able to consume gluten in any food or drink.</p> <p>The market for gluten-free food and drink is a niche market.</p> <p>Explain two disadvantages to GFF of selling to a niche market.</p> <p>AO1</p> <p>Award one AO1 mark for each disadvantage identified, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • low sales volume • narrow customer base <hr/> <ul style="list-style-type: none"> • lack of opportunities for economies of scale • risk of over-dependence on a single product type • likely to attract competition if successful • vulnerable to market changes. <p>Do not award:</p> <ul style="list-style-type: none"> • low market share • low sales revenue • low income. <hr/> <p>AO2</p> <p>Award one AO2 mark for each developed disadvantage, to a maximum of two marks. Do not award the same AO2 mark twice.</p> <p>Eg:</p> <ul style="list-style-type: none"> • low sales (volume) (AO1), limiting the amount of profit that can be made (AO2) / making it difficult to grow (AO2) • narrow customer base (AO1), making it difficult to grow / can result in low sales (AO2) <hr/> <ul style="list-style-type: none"> • lack of opportunities for economies of scale (AO1) resulting in high(er) unit costs (AO2) • risk of over-dependence on a single product (AO1), so if gluten-free products are no longer in demand GFF cannot look to other products to provide revenue (AO2) • likely to attract competition if successful (AO1), making it difficult to retain customers (AO2) • vulnerable to market changes (AO1), so if market needs change the business may fail (AO2). 	<p>4</p> <p>AO1=2 AO2=2</p>
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19	<p>GFF has developed a gluten-free spaghetti called Spagfree and wants to find out if there is a market for it.</p> <p>Identify one suitable method of primary research GFF could use and explain a benefit of using that method.</p> <p>AO1</p> <p>Award one AO1 mark for any one of the following methods:</p> <ul style="list-style-type: none"> • questionnaires / surveys • focus groups • telephone interviews • product trial. <p>AO2</p> <p>Award one AO2 mark for an explanation of the benefit of using that method.</p> <p>Eg:</p> <ul style="list-style-type: none"> • questionnaires (AO1) could collect a large amount of data / potential customers' personal opinions about the new product (AO2) • focus groups (AO1) allow opportunity for (in depth) opinions/ discussions / follow up questions which may identify issues that GFF had not originally considered (AO2) • telephone interviews (AO1) can collect a large number of responses in a short period of time (AO2) • Spagfree could be made available in a particular location as a product trial (AO1) to test whether customers would buy it (AO2). <p>Do not award:</p> <ul style="list-style-type: none"> • ask customers questions" (must be a NAMED method) • questionnaires are cheap • questionnaires provide first hand / accurate / relevant data. 	<p>2</p> <p>AO1=1 AO2=1</p>
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20	<p>GFF has only two competitors in the gluten free spaghetti market. GFF’s market research suggests that Spagfree tastes a lot better than the gluten free spaghetti made by its two competitors.</p> <p>It is important to GFF to make a profit on each packet of Spagfree it sells.</p> <p>Analyse whether GFF should use price-skimming or penetration pricing for the launch of Spagfree.</p> <p>Recommend one of these pricing policies to GFF.</p> <p>Justify your recommendation.</p> <p>AO1</p> <p>Award one AO1 mark for showing knowledge (possibly implicit) of price-skimming.</p> <p>Price-skimming</p> <ul style="list-style-type: none"> • charging a high initial price. • high price may suggest a high-quality product. <p>Award one AO1 mark for showing knowledge (possibly implicit) of penetration pricing.</p> <p>Penetration pricing</p> <ul style="list-style-type: none"> • charging an initial low price. • low price may suggest low quality. <p>AO2</p> <p>Award one AO2 mark for analysis of price-skimming.</p> <p>Eg:</p> <ul style="list-style-type: none"> • this is charging a high initial price (AO1) so GFF can cover its development/launch costs more quickly and before competition moves in (AO2) • price-skimming may suggest a high-quality product (AO1) which may attract customers (AO2) • this is charging a high initial price (AO1), but the price may be so high that customers are unwilling to buy the spaghetti (AO2). <p>Award one AO2 mark for analysis of penetration pricing.</p> <p>Eg:</p> <ul style="list-style-type: none"> • penetration pricing starts low (AO1), which should attract customers (AO2) 	<p>6</p> <p>AO1=2 AO2=2 AO3=2</p>
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	<ul style="list-style-type: none"> • the low price might suggest the spaghetti is of low quality (AO1), which might put consumers off buying it (AO2) • charging an initial low price (AO1) may result in sales revenue that are so low that profits are very low/losses may be incurred (AO2). <p>AO3</p> <p>Award one AO3 mark for the justified recommendation of using the chosen method. Award second AO3 for developed explanation of the justification.</p> <p>They do not need to look at both strategies in their conclusion.</p> <p>Eg:</p> <ul style="list-style-type: none"> • “GFF should use price-skimming. There are only two other competitors in the market so customers may be willing to try a higher price product at least once (AO3). As the market research suggests the taste is better than the competitor, customers may continue to buy Spagfree in the future, ensuring profits (AO3)” • “GFF should use a penetration pricing strategy. They need to attract customers from the competition, which may be difficult as the other two competitors may have brand loyal customers (AO3). As the spaghetti tastes better than the competition GFF can build a loyal customer base and then increase the price, ensuring profits in the long run (AO3)” <p>AO3 marks require an evaluation in context, making use of the scenario – reference to “new market” on its own is insufficient.</p> <p>The AO3 marks may be awarded earlier in the answer than in the concluding paragraph.</p> <p>Do not award:</p> <p>AO3 evaluation marks if only one of the two pricing strategies has been discussed.</p>	
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<p>21 (a)</p>	<p>Which is the most appropriate method of production for this fast-selling strawberry smoothie?</p> <p>Place a tick (✓) in the correct box below.</p> <p>AO1</p> <ul style="list-style-type: none"> award one mark for placing a tick in the correct box. (FLOW) if there are no ticks but flow production is stated as the method in 21(b) award the mark if 2 or more boxes are ticked award zero marks. <table border="1" data-bbox="295 792 1246 945"> <thead> <tr> <th data-bbox="295 792 611 869">Job production</th> <th data-bbox="611 792 927 869">Flow production</th> <th data-bbox="927 792 1246 869">Mass customisation</th> </tr> </thead> <tbody> <tr> <td data-bbox="295 869 611 945"></td> <td data-bbox="611 869 927 945" style="text-align: center;">  </td> <td data-bbox="927 869 1246 945"></td> </tr> </tbody> </table>	Job production	Flow production	Mass customisation				<p>1</p> <p>AO1=1</p>
Job production	Flow production	Mass customisation						
								

<p>21 (b)</p>	<p>Explain two reasons why JUXS Ltd should change to this method of production for the strawberry smoothie.</p> <p>AO2</p> <p>Award one AO2 mark for each explanation of why choosing flow production is appropriate, to maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • can reduce the cost per unit / per smoothie made • production can run 24/7 OR continuous • less labour is needed OR lower labour costs • allows JUXS to meet the rapidly growing demand • large quantities can be made (in a short time)/ increased output • products can be made in a shorter period / faster / (more) quickly. <p>AO3</p> <p>Award one AO3 mark for the development of each explanation.</p> <p>Eg:</p> <ul style="list-style-type: none"> • introducing flow production can reduce the unit cost / cost per smoothie made (AO2), allowing JUXS Ltd to charge lower prices (AO3) • production of the smoothie can run 24/7 (continuous) (AO2), which can lower the (average/unit) cost (AO3) • less labour is needed (AO2) reducing labour / total costs (AO2) OR lower labour costs / total costs (AO2) reducing cash outflow (AO3) • allows them to meet the rapidly growing demand (AO2) increasing sales revenue (AO3) • increased output possible (AO2), so can meet the rapidly growing demand (AO3) • products can be made in a shorter period (AO2) allowing faster distribution which can give a competitive edge. <p>Do not award:</p> <ul style="list-style-type: none"> • answers that refer to the other two methods of production. • can sell more • costs less (on its own) - must be unit costs or costs per product (smoothie) made • no need for storage. 	<p>4</p> <p>AO2=2 AO3=2</p>
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<p>22</p>	<p>Analyse two challenges that JUXS Ltd may meet through growing its business.</p> <p>AO3</p> <p>Award two AO3 marks for the analysis of each challenge experienced by JUXS Ltd to a maximum of 4 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • may be unable to keep with demand for strawberry smoothie (AO3). if this is very popular in Scotland / Wales • may need to increase awareness of its products in Scotland / Wales (AO3) which will increase advertising costs (AO3) • may need to increase production / buy new machines (AO3) to meet increase in demand from Scotland / Wales • competition from business already selling smoothies in Scotland and Wales (AO3) which may put pressure to cut its prices (AO3) in order to attract customers from established businesses (AO3) • JUXS Ltd may need additional physical resources such as larger delivery vans to deliver the smoothies to Wales and Scotland (AO3) which will increase its costs (AO3) • JUXS Ltd may need additional human resources such as delivery / marketing staff (AO3) which will add to its recruitment costs (AO3) • JUXS Ltd will have to be careful of any cultural sensitivities (AO3) as there may be ingredients in its smoothies that are not as popular in Scotland and Wales (AO3) • JUXS Ltd will need to understand local legislation (AO3) to ensure the smoothie meets any local food hygiene regulations or they will be unable to sell its smoothies (AO3). <p>Do not award:</p> <p>Answers that relate to location – the business is not opening a new factory in Scotland or Wales.</p>	<p>4</p> <p>AO3=4</p>
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23	<p>JUXS Ltd employs 25 workers.</p> <p>JUXS Ltd is experiencing an increasing number of employees leaving each year.</p> <p>New smoothie businesses are entering the market with new ideas for flavours.</p> <p>A survey of workers suggested that there is poor employee engagement.</p> <p>Analyse two reasons why employee engagement is important to JUXS.</p> <p>AO3</p> <p>Award two AO3 marks for valid analysis of two reasons why employee engagement is important, to a maximum of 4 marks (2x2).</p> <p>Eg: Employee engagement is important because of:</p> <ul style="list-style-type: none"> • staff motivation (AO3), which will be increased and can help increase output per worker/improve the quality of the juice / reduce number of staff leaving / affect how hard they work (AO3) • staff retention (AO3) as it will reduce numbers leaving / improve attendance (AO3) which will help reduce cost (of recruitment/training) (AO3) • reputation of the business (AO3) which will improve, making it easier to attract new workers/more likely to get better quality applicants (AO3) • encouraging staff to come up with new ideas for new juice flavours (AO3) which will help JUXS to be competitive (AO3). • output (AO3) as an engaged workforce is likely to work harder. <p>Learners may approach this question from a negative standpoint eg “if employees are not engaged, they will be demotivated” – this is awardable.</p> <p>Do not award:</p> <ul style="list-style-type: none"> • reference to customer service as this is a manufacturer not a retailer unless learner makes it clear that the customers are retail outlets. 	<p>4</p> <p>AO3=4</p>
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Section 3

Total for this section: 21 marks

24	<p>Slip Slop Ltd plan to sell 100% recyclable, disposable slippers to hotels and spas.</p> <p>Explain one advantage and one disadvantage of this plan.</p> <p>Recommend to Slip Slop Ltd whether it should go ahead with this expansion.</p> <p>Justify your recommendation.</p> <p>AO1</p> <p>Award one AO1 mark for an advantage and one mark for a disadvantage.</p> <p>Advantage:</p> <ul style="list-style-type: none"> • can increase sales • spreads risk • selling a 100% recyclable product gives Slip Slop Ltd a USP • uses few materials. <p>Disadvantage:</p> <ul style="list-style-type: none"> • Slip Slop Ltd may find it difficult to attract new customers • using cost plus pricing price may make Slip Slop Ltd uncompetitive • Slip Slop Ltd will have to bear the cost of buying and installing new machinery <p>AO2</p> <p>Award one AO2 mark for developing the advantage and one for developing the disadvantage.</p> <p>Advantage:</p> <ul style="list-style-type: none"> • can increase sales (AO1) as the market is likely to grow as travel and tourism grows (AO2) • spreads risk (AO1), so Slip Slop can continue to earn revenue even if the traditional slipper market fails (AO2) • selling a 100% recyclable product provides a USP (AO1) making Slip Slop more able to compete with the six major rivals (AO2) • uses few materials (AO1) which reduces average costs of production (AO2). <p>Disadvantage:</p> <ul style="list-style-type: none"> • may find it difficult to attract new customers (AO1) as hotel and spas already buy from the 6 major competitors (AO2) • using cost plus pricing price may make Slip Slop uncompetitive (AO1) so it may find it difficult to break into the market (AO2) 	<p>6</p> <p>AO1=2 AO2=2 AO3=2</p>
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	<ul style="list-style-type: none">• cost of buying and installing new machinery (AO1) which may limit the amount of spending on marketing/other aspects of the business (AO2). <p>AO3</p> <p>Award two AO3 marks for a justified recommendation.</p> <p>Eg:</p> <ul style="list-style-type: none">• “Yes, I do think that Slip Slop Ltd should expand into the new market. Slip Slop Ltd would be uniquely placed to capture the part of the market that cares about the environment. As concern about the environment is a growing trend this part of the market is likely to grow. (AO3) Slip Slop Ltd will have time to build brand loyalty making it difficult for competitors to subsequently break into the market (AO3)”.• “The high prices and very strong competition may make it difficult to gain sufficient sales to recover the cost of buying the new machinery (AO3). Even if the product is successful it is likely that the competition will also bring disposable slippers to the market, undercutting Slip Slop Ltd’s prices (AO3). So, I don’t think Slip Slop Ltd should expand into this new market”.	
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<p>25 (a)</p>	<p>Slip Slop Ltd’s directors have to decide whether to sell through the retailer as well as online, or to sell only online.</p> <p>Identify and explain two factors that the directors should consider.</p> <p>AO1</p> <p>Award one AO1 mark for each factor identified, to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • the retailer sells more slippers than any other retailer • Slip Slop Ltd may be able to reach customers who do not shop online • Slip Slop Ltd can compete more effectively • Slip Slop Ltd has to accept a lower selling price • Slip Slop Ltd may not be able to produce enough products to sell to both retailers and online • Slip Slop Ltd have no control over the promotion. <p>AO2</p> <p>Award two AO2 marks for developed factor.</p> <p>Eg:</p> <ul style="list-style-type: none"> • the retailer sells more slippers than any other retailer (AO1) which increases the chances of Slip Slop slippers being sold (AO2) • Slip Slop Ltd may be able to reach customers who do not shop online (AO1) so will be able to increase sales (revenue) (AO2) • Slip Slop Ltd can compete more effectively (AO1) as it is in the same outlet as rivals so may attract their potential customers (AO2) • Slip Slop Ltd has to accept a lower selling price (AO1) which may make it difficult for it to recover costs/break-even (AO2) • Slip Slop Ltd may not be able to produce enough products to sell to both retailers and online (AO1) so may have to turn down orders (AO2)/increase spending on new machinery (AO2) • Slip Slop Ltd have no control over the promotion (AO1) so may lose online sales if retailer offers discount/special offer (AO2). 	<p>4</p> <p>AO1=2 AO2=2</p>
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<p>25 (b)</p>	<p>Which one of the two factors that you have identified in your answer to Question 25 (a) do you think is more important?</p> <p>Justify your choice.</p> <p>AO3</p> <p>To be awarded two marks, learners must refer to BOTH factors in their conclusion.</p> <p>Award up to 2 AO3 marks for a valid justification. Marks are not awarded for choosing the factor.</p> <p>Eg:</p> <ul style="list-style-type: none"> • “I think that reaching customers who cannot shop online is the most important factor. They have no other way of attracting these customers, so unless they accept the retailer’s offer, they will be unable to attract a large proportion of the possible market that its rivals are currently reaching (AO3). I think this is more important than the lower price as the increase in sales may make up for the reduction in profit made on each slipper (AO3)”. 	<p>2</p> <p>AO3=2</p>
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26	<p>Slip Slop Ltd’s directors are considering two options to solve these problems.</p> <p>Option A – Introduce a new department to operate a quality control system.</p> <p>Option B – Change the current method of production to cell production.</p> <p>Recommend to Slip Slop Ltd’s directors which option they should choose.</p> <p>Justify your recommendation.</p> <ul style="list-style-type: none"> learners that only consider either Option A or Option B cannot be awarded more than 3 marks, no matter how detailed the explanation of the single option discussed “understanding” as referenced in band 2 requires a learner to go beyond knowledge of either option. This can be achieved by learners providing a reason or reasons as to which option is better. This may be achieved by explaining an advantage(s) or disadvantage(s) of both options. 	<p>9</p> <p>AO1=2 AO2=4 AO3=3</p>																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Band</th> <th style="width: 10%;">Marks</th> <th style="width: 5%;"></th> <th style="width: 75%;">Description</th> </tr> </thead> <tbody> <tr> <td rowspan="3" style="text-align: center;">3</td> <td rowspan="3" style="text-align: center;">7–9</td> <td style="text-align: center;">9</td> <td>A choice is made with a fully developed contextualised justification.</td> </tr> <tr> <td style="text-align: center;">8</td> <td>A choice is made that with some developed justification in context.</td> </tr> <tr> <td style="text-align: center;">7</td> <td>A choice is made with limited justification for the choice.</td> </tr> <tr> <td rowspan="3" style="text-align: center;">2</td> <td rowspan="3" style="text-align: center;">4–6</td> <td style="text-align: center;">6</td> <td>Good understanding of cell production and quality control.</td> </tr> <tr> <td style="text-align: center;">5</td> <td>Some understanding of cell production and quality control.</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Limited understanding of cell production and quality control.</td> </tr> <tr> <td rowspan="3" style="text-align: center;">1</td> <td rowspan="3" style="text-align: center;">1–3</td> <td style="text-align: center;">3</td> <td>Good knowledge of cell production and/or good knowledge of quality control system OR Some knowledge of both. If learner shows knowledge of only cell production or quality control mark is capped at 3.</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Limited knowledge of cell production and quality control system OR some knowledge of cell production or quality control system.</td> </tr> <tr> <td style="text-align: center;">1</td> <td>Limited knowledge of either cell production or quality control system</td> </tr> </tbody> </table>			Band	Marks		Description	3	7–9	9	A choice is made with a fully developed contextualised justification.	8	A choice is made that with some developed justification in context.	7	A choice is made with limited justification for the choice.	2	4–6	6	Good understanding of cell production and quality control.	5	Some understanding of cell production and quality control.	4	Limited understanding of cell production and quality control.	1	1–3	3	Good knowledge of cell production and/or good knowledge of quality control system OR Some knowledge of both. If learner shows knowledge of only cell production or quality control mark is capped at 3.	2	Limited knowledge of cell production and quality control system OR some knowledge of cell production or quality control system.	1	Limited knowledge of either cell production or quality control system
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	0	No relevant material
<p><u>Indicative content</u></p>		
<p>Quality control</p>		
<p>Quality control is a system of maintaining standards in manufactured products by testing a sample of the output against the specification.</p>		
<p>Advantages:</p>		
<ul style="list-style-type: none"> • quality checks at stages in the production process can identify problems across the whole production process saving time that would be spent solving one issue at a time • inspection can prevent faulty products reaching the customer • the appointment of inspectors does not disrupt production. 		
<p>Disadvantages:</p>		
<ul style="list-style-type: none"> • it does not prevent waste of resources when products are faulty • the process of inspecting the goods or service costs money: eg the wages paid to the inspectors • it does not encourage all workers to be responsible for quality, so faults may still continue along the production line. • only a sample of output is tested so faulty products may still reach consumers. 		
<p>Cell production</p>		
<p>Cell production is a form of team working and helps ensure worker commitment, as each cell is responsible for a complete unit of work.</p>		
<p>Advantages:</p>		
<ul style="list-style-type: none"> • working in teams should improve communication • team members are skilled at a number of roles • working in teams can provide greater worker motivation • each cell has 'ownership' for quality on its area so take more care which could reduce customer complaints. 		
<p>Disadvantages:</p>		
<ul style="list-style-type: none"> • workers may feel they are being put under more pressure/may not agree with the changes so output per worker still reduces • cell production will require redesign of factory/may need to change machinery which will result in lost production time • additional training of staff may be needed. 		
<p><u>Example response</u></p>		
<p>Cell production means working in teams. This should improve communication, avoiding confusion arising from misunderstood or non-received messages. Output per worker and quality may</p>		

	<p>improve in the long run which will lower unit costs, but the factory would need to be reorganised and workers would have to cooperate.</p> <p>If a system of quality control is introduced, no reorganisation is required as inspectors will be responsible for checking quality along the current production line so faults may be picked up at all stages of the process. This will incur an additional cost but introducing a quality control department does not depend on the cooperation of the workers.</p> <p>The workers believe that communication is poor, suggesting that a change to cell production is likely to be resisted by workers. Slip Slop Ltd's problems are therefore unlikely to be solved. If workers know their work is to be inspected it is likely to encourage them to take more care, reducing the number of complaints. The additional cost of employing inspectors will be outweighed by the benefits in improved quality and reduction in complaints.</p>	
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Assessment Objective Grid

Question	AO1	AO2	AO3	Total
1	1			1
2	1			1
3	2			2
4	1			1
5	1			1
6	1			1
7	1			1
8	1			1
9	1			1
10	1			1
11	2			2
12a		1		1
12b		1		1
13a		1		1
13b		2		2
14a		2		2
14b		2		2
15a	2			2
15b	1	1		2
16a	2			2
16b		2		2
17	2	2		4
18	2	2		4
19	1	1		2
20	2	2	2	6
21a	1			1
21b		2	2	4
22			4	4
23			4	4
24	2	2	2	6
25a	2	2		4
25b			2	2
26	2	4	3	9
Total	32	29	19	80