GCE

New Business

H031/01: The local business environment

AS Level

Mark Scheme for June 2025

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training: OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are available in RM Assessor

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

MARKING

1. Mark strictly to the mark scheme.

2. Marks awarded must relate directly to the marking criteria.

3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.

4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.

5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

 Multiple Choice Question Responses
When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

 Contradictory Responses
When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)
Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)
If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)
Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.

7. There is a NR (**No Response**) option. Award NR (No Response):

   - if there is nothing written at all in the answer space

   - OR if there is a comment which does not in any way relate to the question (e.g., 'can't do', 'don't know')

   - OR if there is a mark (e.g., a dash, a question mark) which is not an attempt at the question.

   Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
    If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9.   Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response:
   a.   **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
   b.   **To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. **Annotations**

Annotation	Meaning	Annotation	Meaning
BP	Blank page (this MUST be used rather than SEEN)	**K**	Knowledge
✔	Tick	**APP**	Application of knowledge and understanding
✘	Cross	**AN**	Analysis
(highlighting tool)	Highlighting tool	**DEV**	Developed Analysis
NAQ	Not answered question (candidate writes irrelevant material)	**EVAL**	Evaluation
OFR	Own Figure Rule	**EE**	Effective evaluation
BOD	Benefit of Doubt (replaces tick in short answer questions)	**?**	Unclear
REP	Repeat (material already rewarded)	**TV**	Too vague/No use of context
SEEN	Noted but no credit given (use where no other annotation is appropriate)		

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read if the paper is printed out in black & white.

[Questions 16-18, & 20-21 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 19 & 22.]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

12. **Subject Specific Marking Instructions**

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/ Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these marks.

The descriptions in each level of response question in this mark scheme describe a typical response at the top of that level.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Practice scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the practice scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

				SECTION A
Question	**Answer**	**Marks**	**AO**	**Rationale**
1	C	1	1	The four stages are development, growth, maturity and decline. Diversification, globalization, marketing, and recession are not stages of the product lifecycle.
2	B	1	1	Outputs per input is the basic definition of productive efficiency. If output has increased in relation to inputs, then productivity must have increased. There is no direct link between capacity utilisation and productivity. Workforce motivation may or may not have increased. Increased productivity does not necessarily mean that profits will increase, it would depend on whether output levels were maintained and what is happening in other functional areas of the business.
3	C	1	2	A retail business provides a service and so operates in the tertiary sector. A convenience store serves a local market.
4	C	1	2	Trade credit is a short-term source of finance available to all businesses. Answer (d) is suitable for a business start-up, but it is a long-term source rather than a short-term one. Answers (a) and (b) are not suitable for a business start-up because there is no profit as yet nor any business assets to sell.
5	B	1	2	28/(20 x 7) x 100 = 20%. Answer (a) inverts the formula i.e. (20 x 7)/28 = 5%. Answer (c) overlooks that there are 20 working days each month and erroneously calculates 7/28 = 0.25 i.e., 25%. Answer (d) overlooks that there are 7 employees and erroneously calculates (28 – 20) x 20 = 0.4 i.e. 40%.
6	D	1	1	Not having a USP is a detrimental factor. It is also an internal factor within the control of the business. An internal detrimental factor is recorded as a Weakness on a SWOT analysis. Strengths are beneficial internal factors. Threats and Opportunities are external factors beyond the control of the business, these can be detrimental or beneficial.
7	A	1	1	Adding value to products allows a business to charge a higher price. Customers prefer to pay lower prices. Adding value is likely to improve functionality, rather than reduce it. Adding value may well lead to higher quality, but this would be an advantage, rather than a disadvantage. Availability is unlikely to be affected but may be slightly reduced if the enhanced product rose dramatically in popularity.
8	B	1	2	Customers choosing to carry cards or use digital methods of payment is a social trend. Answers (a), (c), and (d) are technological, political, and economic factors, respectively.
9	D	1	2	Swiftly dealing with parental queries e.g., admission queries or queries about school meals is an example of good customer service in this service sector business. Answers (a) and (b) are operational examples of a good quality output, rather than customer service. Answer (c) is improved service provision.

				SECTION A
Question	Answer	Marks	AO	Rationale
10	**A**	**1**	2	-£25,000 - £36,000 = = £61,000. Answer (d) erroneously adds the £36,000 to the -£25,000, so £11,000. Answers (b) and (c) are based on the erroneous assumption that reducing cash inflows by 20% will reduce the closing balance by 20% i.e., £5000. Answer (b) -£25,000 - £5000 = -£30,000. Answer (c) -£25,000 + £5000 = -£20,000.
11	**B**	**1**	1	Newspaper advertising is an above the line promotional strategy. Trade fairs, direct mailing, and personal selling are below the line strategies because they include direct communication with prospective customers.
12	**B**	**1**	2	Kanban technology is a lean production method that allows workflow to be tracked, thus the movement of vehicle parts can be visualised. Answer (a) would be an advantage of quality circles. Answer (c) relates to lean production attempting to improve the relationship between the employees and the machines. Answer (d) is an advantage of another lean production method, Jidoka.
13	**C**	**1**	1	Entrepreneurial activity takes risks, if successful a profit is made. Answer (a) successful business activity leads to cash-flow, but this is not the reward for enterprise. Answers (b) and (d) are the reward for capital and labour, respectively.
14	**D**	**1**	1	Splitting a market into distinct groups so that they can be targeted directly should improve the effectiveness of marketing, improve brand image, and identify opportunities to develop products to meet the specific needs of the target audience. Segmentation splits a market into several smaller market niches, so it does not help to reach a mass market.
15	**C**	**1**	2	Increasing prices will increase revenue because PED is price inelastic. Increasing revenue should increase profits. Answer (a), (b) and (d) are likely to reduce costs but are not recommended because they are likely to lead to a loss of diners either due to the business losing its reputation for quality or menu choice, or a lack of advertising and bookings.

Question	Answer	Mark	Guidance
16	**State one advantage of being a private limited company.** One mark for correct identification of an advantage.	**1** (AO1 1)	Indicative content: • Limited liability • Separate legal entity • Access to capital via issue of shares • Banks willingness to lend money No context required.
ARA			

17	**Explain two internal economies of scale.** One mark for each correct identification up to a maximum of two identifications One mark for each correct explanation up to a maximum of two explanations.	**4** (AO1 4)	Indicative content: • Financial economies • Managerial economies • Marketing economies • Purchasing economies (bulk-buying) • Risk-bearing economies • Technical economies No reward for external economies of scale. **Exemplar response:** Purchasing economies (1) where businesses benefit from cheaper costs by buying materials in larger quantities (1). No context required.
ARA			**ARA**

| 18 | **Explain two likely impacts on KCOM Ltd of increased competition in Hull and the surrounding area.**

Two marks for a contextual explanation.

One mark for a non-contextual explanation. | **4**
(AO1 2)
(AO2 2) | Indicative content:
• Loss of customers
• Reduced revenue
• Lower market share
• Lower profits
• Increased costs
• Improve own service/increase quality of service provision

Exemplar response:
Revenue will fall because they will lose some of their residential (CONT) customers (2).

Sales will fall (1).

ARA |

| 19 | **Evaluate <u>two</u> benefits for KCOM of the training it gives to its employees.**

Level 4 (10-12)
Candidate shows **strong** knowledge, understanding, analysis and evaluation of benefits to KCOM of the training methods used.
There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.

Level 3 (7-9)
Candidate shows **good** knowledge and understanding, analysis, and evaluation of benefits to KCOM of the training methods used.
There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.

Level 2 (4-6)
Candidate shows **reasonable** knowledge and understanding, analysis, and evaluation of benefit(s) to KCOM of the training methods used.
The information has some relevance and is presented with limited structure. The information is supported by limited evidence.

Level 1 (1–3)
Candidate shows **limited** knowledge and understanding of benefit(s) to KCOM of the training methods used.
The information is basic and communicated in an unstructured way. The information is supported by limited | **12**
(AO1 2)
(AO2 2)
(AO3 4)
(AO4 4) | Candidates could consider the following:

Positive impacts on:
Productivity/efficiency
quality level of output
consistency of output
skill shortages/skills gaps
labour turnover
motivation
employee confidence
employee engagement
meeting legal requirements e.g. health & safety
Also accept method specific benefits:
Induction training
e.g. embeds the culture of the organisation, etc
On-the job training (including coaching and mentoring)
e.g. low cost, can be tailored to business needs, etc
Off-the-job training (including workshops and e-learning)
e.g. mistakes do not affect real customers, etc
ARA |

evidence and the relationship to the evidence may not be clear. **NB** – award **maximum** of **two** marks for non–contextualised impacts. **0 marks** no response or no response worthy of credit		

20	**Calculate the market growth in the UK telecommunications industry between 2021 and 2022.** Up to 2 marks Award 2 marks for the correct answer (with or without workings) 1 mark for partial numerical workings. No marks for formula in words.	**2** (AO2 2)	$\frac{£31.8\,b\ -\ £31.1\,b}{£31.1\,b}$ x 100 $= \frac{0.7}{31.1}$ (1) x 100 = **2.25%** **NB**: Accept 2.3% or full answer 2.2508%. Do **not** credit 2.2%. Maximum 1 mark if no, or incorrect, units. For partial workings accept: - workings showing 0.7/31.1 - correct numerical answer with incorrect units - correct numerical answer but not multiplied by 100.

21	Calculate KCOM's margin of safety for 2023.	2 (AO2 2)	149 100 customers - 84 360 customers
	Up to 2 marks		= **64 740** <u>customers</u>
	Award 2 marks for the correct answer (with or without workings)		Maximum 1 mark if no, or incorrect, units.
	1 mark for correct numerical workings.		
	No marks for formula in words.		

Question	Answer	Mark	Guidance
22	**Evaluate ways that KCOM can reduce its level of risk as new competitors enter this telecommunications market.** **Level 4 (16-20)** Candidate shows **strong** knowledge, understanding, analysis, and evaluation of ways that KCOM can reduce the level of risk as new competitors enter the telecommunications market. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* **Level 3 (11-15)** Candidate shows **good** knowledge and understanding, analysis, and evaluation of ways that KCOM can reduce the level of risk as new competitors enter the telecommunications market. *There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.* **Level 2 (6-10)** Candidate shows **reasonable** knowledge and understanding, analysis, and evaluation of ways that KCOM can reduce the level of risk as new competitors enter the telecommunications market. *The information has some relevance and is presented with limited structure. The information is supported by limited evidence.*	**20** (AO1 2) (AO2 2) (AO3 8) (AO4 8)	Candidates could consider the following: • anticipating changes to customer wants/needs • offer better quality e.g. faster speeds • developing new products/services • change pricing strategies • increase advertising/marketing/promotion • develop USP • introduce customer loyalty schemes • be at the forefront of changes in technology e.g. full fibre • conduct market research • do a competitor audit • partner with other businesses **NB:** Ensure that any analysis is at least implicitly linked to reducing level of risk, rather than being generally about business activity or growth. **ARA**

Question	Answer	Mark	Guidance
	Level 1 (1–5) Candidate shows **limited** knowledge and understanding of ways that KCOM can reduce the level of risk as new competitors enter the market. *The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.* **NB** – award **maximum** of **two** marks for non–contextualised impacts. **0 marks** no response or no response worthy of credit.		

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