

Name: _____

Topic 5: Entrepreneurs and leaders

Date:

Edexcel AS Level Business

Mark Scheme

Time:

Total marks available: 84

Total marks achieved: _____



EXAM PAPERS PRACTICE

Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Profit maximisation is achieved when the difference between sales revenue and cost is at its greatest • Approved Foods are a local company based in Sheffield which could show they are keeping fixed costs low by having a 60,000 sq ft warehouse and selling online. • Profits may have been used as a source of finance to expand from market trader to 'the largest online retailer' • They may need to expand further as orders grow and may need profit to achieve this, rather than rely on bank loans, which incur interest. • Profit is a measure of success, therefore important for a new business to attract investors. 	

	<p><i>Potential Counterbalance</i></p> <ul style="list-style-type: none"> • They are offering large discounts ' 60-70% on each shop', so gross profit margins are likely to be small; sales revenue maximisation/increased market share may be more important. • Loyal customer base may be more important than profit maximisation, given that they have grown from a market stall to '60,000 sq ft warehouse'/increased competition. • Stock turnover needs to be fast due to 'short dated' food stock so speed of sales may be more important than profit. <p><i>Potential Judgement</i></p> <ul style="list-style-type: none"> • There are high levels of competition in the food and drinks market, there has been an expansion in the number of shops selling discounted foods, therefore survival might be more important than profit maximisation. 	<p>(10)</p>
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Q2.

EXAM PAPERS PRACTICE

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none">• Hydra Creative can raise finance more easily as a private limited company by selling shares.• As it uses B2B marketing its customers may take them more seriously as a Ltd.• The business has limited liability, which reduces the risk of losing personal possessions for Ryan and Gemma. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none">• Profits may have to be shared between the shareholders whereas Ryan could have kept all the profits as a sole trader.• New shareholders have a say in decision making, which may cause conflict.• New shares can only be sold privately and with the agreement of both existing shareholders so the ability to raise finance could be limited. <p><i>Potential judgement</i></p> <ul style="list-style-type: none">• It depends on whether friends and family are interested in buying shares in Hydra Creative when Ryan and Gemma want to raise more finance.	(10)

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Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Q3.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> The franchisor provides training for the franchisee which lowers SSP's costs. Burger King/Starbucks/Nandos pay for marketing, SSP's franchises will benefit from greater customer awareness/reduced costs. Buying into established brands that are recognised. Starbucks is recognised worldwide and SSP operates worldwide which could increase sales. <p><i>Potential Counterbalance</i></p> <ul style="list-style-type: none"> Initial franchise fees can be high, particularly for well-known brands like Nandos/Burger King/Starbucks. SSP will have to pay Royalties to the franchisor which increases costs/reduces its profit. SSP will not have as much control over how they run the franchised businesses because they must follow the franchise rules/model. <p>NB if candidates have approached their answer as if SSP are the franchisor for Miilie's Cookies, Upper Crust and Caffé Ritazza, award accurate responses.</p>	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Q4.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Ryan may find it difficult to delegate tasks to some of the other 18 team members as the business gets too big for him to handle all the orders. • Ryan may find it difficult to trust other people to do some tasks that he previously did himself such as talking to clients or developing websites, moving from a centralised organisational structure to decentralised. • Ryan may find it difficult to change his leadership style to laissez faire as he has more employees who work in a creative environment and need the freedom to do their job. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Ryan may only need to delegate minor tasks so that he can oversee all the work produced. • A centralised structure may still work as the team of 18 is still small. • Ryan may not have the confidence in his new employees yet and therefore prefer to maintain control. 	(8)

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	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • A trade-off is a situation in which the benefits of one option are reduced in return for increased benefit of another option. • May put off existing loyal customers/older age range. • May lose customers due to confusion over what M&S is offering. • May be more competition in the new market so M&S may not gain the anticipated sales. • May not have the knowledge required to enter the younger market. <p><i>Potential counter balance</i></p> <ul style="list-style-type: none"> • Already struggling. • Not aiming at significantly younger market (top end of NEXT's demographic) • Department store so could have sections to satisfy all segments like House of Fraser with its mix of brands. <p><i>Potential Judgement</i></p> <ul style="list-style-type: none"> • There may not be a trade-off if M&S manages to satisfy the needs of both its existing customers and the new market segment by offering a wide range of products. 	(10)

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Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–6	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7–10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Post Office</p> <ul style="list-style-type: none"> • This new channel of distribution via the Post Office opened new markets, increasing demand and sales, which may boost profits. • The Post Office have a core of loyal, traditional customers who are less likely to use online, therefore they are more comfortable to buy flowers through the Post Office, thus increasing sales and profits. • Flowers by post shared the burden of costs and marketing with the Post Office, therefore reducing average costs for Bunches and potentially increasing their profits. 	
	<p>Online</p> <ul style="list-style-type: none"> • Selling online has allowed Bunches to deliver 5.5m bouquets throughout the UK, resulting in a large increase in sales and possibly profit. • By moving to purpose built premises, Bunches have increased their capacity which should increase the amount of sales they could fill through online sales. • Great online presence this method of distribution could reduce costs as well as tapping into the online shopping trend, boosting sales and profit. <p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> • Bunches should use The Post Office as a means to expand, as there may now be more competition for online flower shops, which may reduce Bunches sales, so they may have to spend more on marketing in order to stand out, which may increase costs and therefore lowers profit. • Bunches should use Online as a means to expand, because it can reach a wider target market and there is a growing social trend towards online shopping, as a result of increasing use of mobile technology. 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

Q7.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for showing an understanding of opportunity cost, eg:</p> <ul style="list-style-type: none"> • the next best alternative forgone when making a decision. <p>Application: up to 2 marks for contextualised examples, eg:</p> <ul style="list-style-type: none"> • Zack quit university to start his business forfeiting a degree (1) • starting a healthy snack business could mean he doesn't receive a regular income (1) <p>Analysis: 1 mark is available for explaining the consequences, eg:</p> <ul style="list-style-type: none"> • not having a degree might limit his career options in the future (1) • he may not be able to afford to pay his rent or buy things he wants that he could have done if he had a job with a salary (1) 	(4)

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Q8.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: for understanding business objective e.g.</p> <ul style="list-style-type: none"> • a target/ goal set by the business (1) in the short to medium term (1) <p>NB: If candidates only give examples of a business objective award up to 1 mark, e.g. sales maximisation, cost efficiency.</p>	(2)

Q9.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: for understanding entrepreneur e.g.</p> <ul style="list-style-type: none"> a person who sets up a business/takes risks (1) in the hope of profit/reward (1). <p>NB: If candidates only give examples of an entrepreneur award up to 1 mark, e.g. Deborah Meaden, Richard Branson, Levy Roots and Dan Cluderay</p>	(2)

Q10.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2 , Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding of social objectives/added value.</p> <ul style="list-style-type: none"> A goal to benefit/improve the community. The difference between the price the customer pays and the cost of inputs. <p>Application: up to 2 marks for suggesting how The Good Hotel could achieve this through its social objectives e.g.</p> <ul style="list-style-type: none"> It is a not-for-profit business which may make customers trust them more. Offers training to local unemployed people which could give them a good reputation locally. Helps people find employment/get off welfare payments. <p>Analysis: 1 mark is available for explaining the consequences, e.g.</p> <ul style="list-style-type: none"> This might mean customers are willing to pay more for the hotel's services because they feel like they are helping the community/being ethical. 	(4)

Q11.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, entrepreneurial motives, eg:</p> <ul style="list-style-type: none"> • more income/profit maximisation (1) • ethical/social (1) • independence (1) 	(2)

Q12.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge: 1 mark for stating one entrepreneurial characteristic, e.g.</p> <ul style="list-style-type: none"> • risk-taking/initiative/self-confidence/creativity. <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • Anthony took a risk in setting up a new business • selling salt pipes online as opposed to face-to-face catering business. <p>Analysis: 1 mark for explaining the above, e.g.</p> <ul style="list-style-type: none"> • this was a risk as it is a completely different product to what Anthony is used to/he may not have understood this type of distribution channel for this product. 	(4)

Q13.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • As a non-limited business, Anthony’s personal assets can be at risk if the business fails, but this is not the case for a limited company. This may therefore mean that Anthony may be more likely to pursue business decisions that may involve more risk. • Being a limited company also makes it easier for Anthony to raise sums of capital through the sale of shares to his family and/or friends, which he may need given potential expansion plans. • There are tax advantages to Anthony of Sims being a limited company. • A limited company is often given more credibility. Operating as a limited company often gives suppliers and customers a sense of confidence in a business and quite often other companies prefer not to deal with non-limited businesses. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • A limited company is far less flexible if expansion becomes possible as Anthony may not be alone in making decisions. • If Sims is a limited company, Anthony may find it harder to borrow from banks as he is not risking his personal assets. • Profits/control in decision making may have to be shared within a limited company. 	<p>(10)</p>

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Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Q14.

Question Number	Answer	Mark
	Knowledge 2	
	<p>Knowledge/understanding: of business objective, e.g.</p> <ul style="list-style-type: none"> • A goal/target (1) set by the business to help achieve its aim/mission (1) 	(2)

Q15.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: for understanding public limited company, e.g.</p> <ul style="list-style-type: none"> • Shares are available to the public on the stock exchange (1). Are owned by shareholders/has limited liability (1). <p>NB Award 2 marks if a partial definition is supported by an example. No marks awarded if only an example is given.</p>	(2)

Q16.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: of social enterprise e.g.</p> <ul style="list-style-type: none"> • A business that has aim/objectives which benefit society (1) and is not for profit/its profits are reinvested into the business/community (1). 	(2)

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Q17.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: up to 2 marks for, sole trader, eg:</p> <ul style="list-style-type: none"> • a business that that is owned by one person (1) who has unlimited liability (1) 	(2)



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