



NCFE Level 3 Applied General Certificate in Business and Enterprise (601/8908/3)

P002202

March 2024

Mark Scheme

V3.0 Post-standardisation

Q	Answers	AO split	Total marks	Additional marking guidelines
Part A				
1 (a)	<p>Which one of the following is a characteristic of medium-sized businesses?</p> <p>A They are managed by owners and employ professionals B They engage only in short-term planning C They have a small customer base and operate in niche markets D They operate internationally in diverse markets</p> <p>Answer: A (They are managed by owners and employ professionals)</p>	1x AO1	1	
1 (b)	<p>Explain two advantages and one disadvantage for Tanveer when she operated as a sole trader.</p> <p>AO1 – Knowledge (K) 3 marks</p> <p>Award one AO1 mark for each advantage up to a maximum of 2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • kept complete control / made all the decisions • kept all the profit • few legal requirements • more privacy (of accounts). • setup is simple / easy <p>Award one AO1 mark for a disadvantage.</p> <p>Eg:</p> <ul style="list-style-type: none"> • unlimited liability 	3 x AO1 3 x AO2	6	

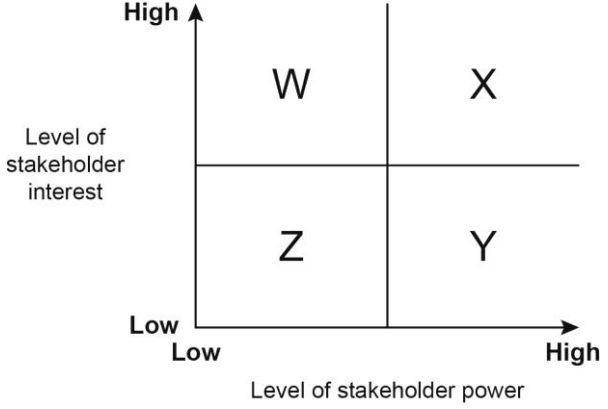
Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • no continuity • could not share ideas • limited access to finance. <p>Marks can be awarded for comparisons that would be true of either a partnership or a private limited company.</p> <p>AO2 – Analysis (AN) 3 marks</p> <p>Award one AO2 mark for an explanation of each advantage and disadvantage up to a maximum of 3 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • kept complete control / made all the decisions (AO1) so was able to respond more quickly to changes in customer needs (AO2) • kept all the profit (AO1), which provided an incentive for her to work hard (AO2) • fewer legal requirements / did not have to submit accounts to Companies House (AO1), which gave her more time to focus on growing the business (AO2) • more privacy (of accounts) (AO1), so competitors could not access financial information about the business, which could have helped to make her more competitive (AO2) • unlimited liability (AO1), so if the business failed Tanveer could lose her own possessions (AO2) • no continuity (AO1), so the business would close if Tanveer dies (AO2) • could not share ideas (AO1), so may have found it difficult to innovate (AO2) 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> limited access to finance (AO1) so could make it difficult to grow the business (AO2). 			
1 (c)	<p>Evaluate the consultant’s suggestion to remove some levels of the hierarchy and make redundancies.</p> <p>AO1 – Knowledge (K) 2 marks</p> <p>Award one AO1 mark for an advantage or a disadvantage of the consultant’s suggestion up to a maximum of 2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> would reduce the wage bill decisions made at the top of the hierarchy would reach employees lower down more quickly solutions requiring approval from top management could be implemented more quickly subordinates may be more motivated valuable experience may be lost when managers leave lessening of control may lead to duplication of effort / unnecessary spending existing managers may become demotivated. would widen span of control of remaining managers <p>AO2 – Application (APP) 2 marks</p> <p>Award one AO2 APP mark for answers that are contextualised up to a maximum of 2 marks.</p>	2 x AO1 4 x AO2 3 x AO3	9	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Eg:</p> <ul style="list-style-type: none"> • would reduce the wage bill (AO1) and increase profit margin (AO2 APP) • decisions made at the top of the hierarchy would reach employees lower down more quickly (AO1) so problems such as long queues can be avoided (AO2 APP) • solutions requiring approval from top management can be implemented sooner (AO1) and rides can be fixed more quickly (AO2 APP) • subordinates may be more motivated (AO1) as not so strictly controlled (AO2 APP) • valuable experience may be lost when managers leave (AO1) which could be dangerous if those managers were responsible for health and safety checks (AO2 APP) • lessening of control may lead to duplication of effort / unnecessary spending (AO1) and worsening the falling profit margin (AO2 APP) • existing managers may become demotivated (AO1) as managers are made redundant (AO2 APP) • existing managers may become demotivated (AO1) as fewer management positions reduce opportunities for promotion (AO2 APP). <p>AO2 – Analysis (AN) 2 marks</p> <p>Award one AO2 AN mark for an explanation of the stated advantage or disadvantage up to a maximum of 2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • would reduce the wage bill (AO1), increasing TP’s profit margin (AO2 APP) and helping to reduce total costs (AO2 AN) 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • decisions made at the top of the hierarchy would reach employees lower down more quickly (AO1) so problems such as long queues can be avoided (AO2 APP) increasing customer satisfaction (AO2 AN) • solutions requiring approval from top management can be implemented sooner (AO1) and rides can be fixed more quickly (AO2 APP) so customers have the full range of rides to choose from and are not disappointed, safeguarding TP's reputation (AO2 AN) • subordinates may be more motivated (AO1) as not so strictly controlled (AO2 APP) increasing their efficiency (AO2 AN) • valuable experience may be lost when managers leave (AO1) as managers job descriptions were very specific (AO2 APP) creating a skills shortage in TP (AO2 AN) • lessening of control may lead to duplication of effort / unnecessary spending (AO1) worsening the falling profit margin (AO2 APP) and increasing waste (AO2 AN) • existing managers may become demotivated (AO1) as managers are made redundant (AO2 APP) reducing their efficiency (AO2 AN). • would widen span of control of remaining managers (AO1) which could result in a lack of control over some employees (AO2) <p>AO3 – Evaluation (EV) 3 marks</p> <p>EV1: Award one AO3 mark for a simple evaluation.</p> <p>Eg: I think that making the hierarchy flatter is a good suggestion. A flatter structure will improve the speed of communication so problems can be</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>solved more quickly, improving the customer experience, which is very important to ensure repeat customers.</p> <p>EV2: Award two AO3 marks for a development of EV1.</p> <p>Eg: I think that making the hierarchy flatter is a good suggestion. A flatter structure will improve the speed of communication so problems can be solved more quickly improving the customer experience, which is very important to ensure repeat customers. In addition, the increased motivation from subordinates will make them willing to learn new skills so will be able to make up for the skills lost when managers leave.</p> <p>EV3: Award three AO3 marks for a detailed discussion and well supported evaluation.</p> <p>Eg: I think that making the hierarchy flatter is a good suggestion. A flatter structure will improve the speed of communication so problems can be solved more quickly improving the customer experience, which is very important to ensure repeat customers. In addition, the increased motivation from subordinates will make them willing to learn new skills so will be able to make up for the skills lost when managers leave. Although there will be an initial period of disruption when the reorganisation happens, this will only be short-term, and the long-term benefits of repeat custom and a more motivated workforce will outweigh these short-term problems.</p>			
2 (a)	Below is a stakeholder map.	AO1	1	

Q	Answers	AO split	Total marks	Additional marking guidelines
	 <p>Which one of the following stakeholder groups does a business have to manage most closely?</p> <p>A W B X C Y D Z</p> <p>Answer: B (X High stakeholder power, high stakeholder interest) Accept X as the answer</p>			
2 (b)	<p>Explain two advantages and one disadvantage of TP having a mission statement.</p> <p>AO1 – Knowledge (K) 3 marks</p>	3 x AO1 3 x AO2	6	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Award one AO1 mark for each advantage of TP having a mission statement up to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • provides a clear sense of purpose for employees / owners / managers • differentiate it from other similar businesses • provides a framework for decision-making • helps to set objectives. <p>Award one AO1 mark for a disadvantage to TP having a mission statement.</p> <p>Eg:</p> <ul style="list-style-type: none"> • takes time to draw up • could be unrealistic • could be seen as just a PR exercise. <p>AO2 – Analysis (AN) 3 marks</p> <p>Award one AO2 mark for each explanation of the advantage of having a mission statement up to a maximum of 2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • provides a clear sense of purpose for employees / owners / managers (AO1), which will motivate / guide them, increasing efficiency (AO2) • differentiate it from other similar businesses (AO1) enabling the business to attract customers from competitors / charge higher prices • provides a framework for decision-making (AO1), helping to improve coordination across the business (AO2) 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • helps to set objectives (AO1), ensuring objectives made will help achieve the long-term goals of the business (AO2). <p>Award one AO2 mark for an explanation of the disadvantage of having a mission statement.</p> <p>Eg:</p> <ul style="list-style-type: none"> • takes time to draw up (AO1), which can distract managers from their core jobs, so mistakes are made / deadlines not met (AO2) • could be unrealistic (AO1), so is ignored and time spent writing it is wasted (AO2) • could be seen as just a PR exercise (AO1), so has no impact on stakeholders / does not differentiate from competitors (AO2). 			
2 (c)	<p>The human resources director wants to reduce the number of employees leaving.</p> <p>Analyse two non-financial methods of motivation that the human resources director could introduce.</p> <p>Recommend which method the human resources director should choose.</p> <p>Justify your answer.</p> <p>AO1 – Knowledge (K) 2 marks</p> <p>Award one AO1 mark for identifying each non-financial method of motivation up to a maximum of 2 marks.</p>	2 x AO1 4 x AO2 3 x AO3	9	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Eg:</p> <ul style="list-style-type: none"> • job rotation • job enlargement • providing more training • job enrichment • team working • empowerment • recognition. <p>AO2 – Application (APP) 2 marks</p> <p>Award one AO2 APP mark for each contextualised answer up to a maximum of 2 marks.</p> <p>Do not award suggestions that seasonal staff should be given permanent contracts as this is not a realistic suggestion.</p> <p>Do not award ‘increasing the rate of pay / fringe benefits’ as this is not a non-financial method of motivation.</p> <p>Possible APP marks include:</p> <ul style="list-style-type: none"> • job rotation (AO1) – staff could work on the tills one week and in the kitchen the next / do different jobs each week rather than working on one job only (AO2 APP) • job enlargement (AO1) – staff carry out a range of tasks at the same skill level, which they can decide when to carry out so they would have some input in deciding what to do (AO2 APP) 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • providing more training (AO1) – in addition to the limited training they receive (AO2 APP) • job enrichment (AO1) – employees could be given more responsibility; employees could be involved in designing the menus, so they are gaining more skills (AO2 APP) • empowerment (AO1) – allow the staff to make decisions about their own working lives; restaurant staff would be empowered if they are allowed to organise their own shift patterns / hours of work carried out in the restaurant (AO2 APP) • introduce team working (AO1) – by organising the rota so that the same employees work together on each shift (AO2 APP) • TP could introduce an employee of the month scheme (AO1) which would provide recognition (AO2 APP). <p>AO2 – Analysis (AN) 2 marks</p> <p>Award one AO2 AN mark for an analysis of the suggested change up to a maximum of 2 marks.</p> <p>Eg</p> <ul style="list-style-type: none"> • job rotation (AO1) – staff could work on the tills one week and in the kitchen the next / do different jobs each week rather than working on one job only (AO2 APP) which would make work more interesting (AO2 AN) • job enlargement (AO1) – staff carry out a range of tasks at the same skill level, which they can decide when to carry out the tasks so they would have some input in deciding what to do (AO2 APP) and they would feel as though they had some control over their working life (AO2 AN) 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • provide more training (AO1) – in addition to the limited training they receive (AO2 APP) which would make them more suitable for promotion (AO2 AN) • job enrichment (AO1) – employees could be given more responsibility; employees could be involved in designing the menus, so they are gaining more skills (AO2APP) helping them to self-actualise (AO2 AN) • empowerment (AO1) – allow the staff to make decisions about their own working lives; restaurant staff would be empowered if they are allowed to organise their own shift patterns / hours of work carried out in the restaurant (AO2 APP), so they would feel trusted and therefore more motivated (AO2 AN) • introduce team working (AO1) – by organising the rota so that the same employees work together on each shift (AO2 APP), this would promote a spirit of camaraderie, so staff are happier in the restaurant (AO2 AN) • TP could introduce an employee of the month (AO1) which would provide recognition (AO2 APP) which would make the workers feel valued and so more likely to stay (AO2 AN). <p>Some AN points may be applicable to more than one AO1 point. Do not award the same AN point twice.</p> <p>AO3 – Evaluation (EV) 3 marks</p> <p>EV1: Award one mark for a simple judgement.</p> <p>Eg: I think that TP should provide job rotation. Although employees may not be immediately efficient, it will make them more versatile so they can cover for absent colleagues.</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>EV2: Award two marks for a development of EV1.</p> <p>Eg: I think that TP should provide job rotation. Although employees may not be immediately efficient, it will make them more versatile so they can cover for absent colleagues. This could help reduce the queues and improve the customer experience reducing the negative comments on social media.</p> <p>EV3: Award three marks for a detailed discussion and well supported judgement.</p> <p>Eg: I think that TP should provide job rotation. Although employees may not be immediately efficient, it will make them more versatile so they can cover for absent colleagues. This could help reduce the queues and improve the customer experience reducing the negative comments on social media. This could help make TP a more popular destination, so the increased cost is covered by the increased revenue.</p>			
3 (a)	<p>Which one of the following is a long-term business objective?</p> <p>A Diversification B Improved liquidity C Increased sales revenue D Survival</p> <p>Answer: A (Diversification)</p>	AO1	1	

Q	Answers	AO split	Total marks	Additional marking guidelines
3 (b)	<p>The marketing department carried out market research to find out why the number of visitors choosing to ride ‘The Spin’ is decreasing. They chose to use only qualitative methods of market research. This research took place outside of the school holidays.</p> <p>Explain one advantage and one disadvantage of the marketing department’s decision to use only qualitative market research.</p> <p>AO1 – Knowledge (K) 2 marks</p> <p>Award one AO1 mark for one advantage of the marketing department only carrying out qualitative market research.</p> <p>Eg:</p> <ul style="list-style-type: none"> • questions are open-ended so opinions can be gathered • questions can be adapted / are more flexible than quantitative methods • the potential for spontaneous and authentic reactions is greater than when using quantitative methods. • more detailed responses than from quantitative research <p>Award one AO1 mark for one disadvantage of the marketing department carrying out qualitative market research.</p> <p>Eg:</p> <ul style="list-style-type: none"> • can be difficult to analyse • sample size more likely to be limited. <p>AO2 – Analysis (AN) and Application (APP) 4 marks</p>	2 x AO1 4 x AO2	6	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Award one AO2 AN mark for an explanation of the advantage. Award one AO2 APP mark for contextualising the answer.</p> <p>Eg:</p> <ul style="list-style-type: none"> • questions are open-ended so opinions can be gathered (AO1) which will provide much more detail than quantitative methods (AO2 AN) on why ‘The Spin’ is thought to be boring (AO2 APP) • questions can be adapted / are more flexible than quantitative methods (AO1) – if a question concerning the speed of the ride on ‘The Spin’ (AO2 APP) is confusing / not eliciting expected responses, it can be changed (AO2 AN) • the potential for spontaneous and authentic reactions is greater than when using quantitative methods (AO1) so the marketing department are able to place greater reliability on the responses (AO2 AN) and decisions made about ‘The Spin’ will be more likely to increase the number of visitors riding it (AO2 APP). <p>Award one AO2 AN mark for an explanation of the disadvantage. Award one AO2 APP mark for contextualising the answer.</p> <p>Eg:</p> <ul style="list-style-type: none"> • can be difficult to analyse (AO1) as opinions are hard to quantify (AO2 AN) so it is challenging to measure the influence of the change in seatbelts or the speed of the ride (AO2 APP) • sample size more likely to be limited (AO1) as market research was carried out outside of the school holidays (AO2 APP), so may not reflect the views of riders of ‘The Spin’ as a whole (AO2 AN). 			
3 (c)	Using the Ansoff Matrix, analyse each of the three marketing strategies used by TP.	3 x AO1 3 x AO2	9	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Evaluate the extent to which each of these three strategies will benefit TP.</p> <p>AO1 – Knowledge (K) 3 marks</p> <p>Award one AO1 mark for correctly identifying each strategy up to a maximum of 3 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • introducing a new ride every 3 years: product development • selling discounted tickets in April and October: market penetration • marketing the park to customers in the rest of Europe for the first time: market development. <p>AO2 – Analysis (AN) 3 marks</p> <p>Award one AO2 mark for a valid analysis of each strategy up to a maximum of 3 marks.</p> <p>Product development / selling new product to an existing market (AO1)</p> <p>Eg:</p> <ul style="list-style-type: none"> • can help the business remain competitive (AO2) • gives first mover advantage (AO2) • developing new rides every 3 years is expensive (AO2). <p>Market penetration / selling existing product to existing market (AO1)</p>	3 x AO3		

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Eg:</p> <ul style="list-style-type: none"> • lowest risk of all strategies (AO2) • TP knows its customers so needs little market research (AO2) • might attract customers who could otherwise not afford to visit AO2) • might attract visitors who would otherwise have paid full price (AO2). <p>Market development / selling existing products to new markets (AO1).</p> <p>Eg:</p> <ul style="list-style-type: none"> • highest risk of all strategies (AO2) • likely to need high level of market research as do not know their potential customer (AO2) • likely to increase marketing costs to create awareness in the rest of Europe (AO2). <p>AO3 – Evaluation (EV) 3 marks</p> <p>Award one AO3 mark for an evaluation of each of the three marketing strategies up to a maximum of 3 marks.</p> <p>Eg:</p> <p>I think that introducing a new ride will have the biggest effect on the long-term survival of the business. TP already knows its market, so the risk of failure is reduced, and it is important to offer something new to customers in such a competitive market otherwise customers will get bored and go to one of the competitors.</p> <p>I think offering discounted tickets in April and October is low risk and will provide additional cash flow when the park is quiet. This will enable its short-</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>term survival, enabling long-term survival but adding little to its long-term competitiveness.</p> <p>I think holding a drive-in movie event will encourage new customers to visit the park. However, 300 new customers visiting TP for a one-off event will not make much difference to its long-term survival.</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
4 (a)	<p>Which one of the following would be included in the financial plan section of a business plan?</p> <p>A Aims and objectives B Break-even analysis C Industry profile D Legal status</p> <p>Answer: B (Break-even analysis)</p>	AO1	1	
4 (b) (i)	<p>Using the break-even chart:</p> <ul style="list-style-type: none"> • state the margin of safety if 600 tickets are sold • state the profit if 600 tickets are sold. <p>Margin of safety = 172 tickets sold (accept 155 to 190) (AO2) Profit = £1200 Accept answers of £1100 to £1300 (AO2) Do not penalise if £sign I omitted</p>	2 x AO2	2	
4 (b) (ii)	<p>State a formula for calculating break-even.</p> <p>Calculate how many tickets would need to be sold to break even if the ticket price is increased to £18.</p> <p>AO1 – Knowledge (K) 1 mark</p> <p>Award one AO1 mark for correctly stating a formula. Any of the formulae below are acceptable:</p> <ul style="list-style-type: none"> • fixed cost / contribution per unit 	1 x AO1 2 x AO2	3	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • fixed cost / (selling price per unit– variable cost per unit) • total cost = total revenue • fixed cost + total variable cost = total revenue <p>AO2 – Analysis (AN) 2 marks</p> <p>Award one AO2 mark for substituting the correct figures in the formula, and 1 AO2 mark for calculating the correct answer.</p> <p>Note: 2 marks can be awarded for the correct answer with no working shown.</p> <p>3000 / (18-8) (AO2)</p> <p>= 300 tickets (AO2)</p> <p>OR</p> <p>3000 + (number of tickets x 8) = number of tickets x 18 (AO2)</p> <p>Number of tickets = 300 (AO2)</p>			
4 (b) (iii)	<p>Explain one disadvantage of TP using break-even analysis.</p> <p>AO1 – Knowledge (K) 1 mark</p> <p>Award one AO1 mark for correctly identifying a disadvantage of using break-even analysis.</p> <p>Eg:</p>	1 x AO1 1 x AO2	2	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • assumes that all the tickets that are available for sale are sold • assumes that variable costs per ticket will remain the same regardless of the number of tickets sold • assumes that ticket prices will remain the same • assumes fixed costs remain the same regardless of the number of tickets sold. <p>AO2 – Analysis (AN) 1 mark</p> <p>Award one AO2 mark for an explanation of the disadvantage in context.</p> <p>Eg:</p> <ul style="list-style-type: none"> • assumes that all the tickets that are available for sale are sold (AO1) which means that the level of profit can be overestimated if all tickets are not sold (AO2) • assumes that variable costs per ticket will remain the same regardless of the number of tickets sold (AO1) and if the business sells fewer tickets than targeted TP may have to pay more per headset (AO2) • assumes that ticket prices will remain the same (AO1) which may not be true and if sales are poor TP may lower the ticket price (AO2) • assumes fixed costs remain the same regardless of the number of tickets sold (AO1) and if more than 600 tickets are sold fixed costs may increase so profit margins will be inaccurate (AO2). 			
4 (c)	<p>Explain one above the line method of promotion and one below the line method of promotion the directors could choose.</p> <p>Which method do you think will have the greatest impact on the profit made by holding the event?</p>	2 x AO1 4 x AO2 3 x AO3	9	

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Justify your answer.</p> <p>AO1 – Knowledge (K) 2 marks</p> <p>Award one AO1 mark for identifying one above the line method of promotion and one AO1 mark for identifying one below the line method of promotion up to a maximum of 2 marks.</p> <p>Above the line, eg:</p> <ul style="list-style-type: none"> • local radio • local newspaper • posters / billboards • TV. <p>Below the line, eg:</p> <ul style="list-style-type: none"> • social media • email • direct mail (leaflets through the post) • public relations (award as named in syllabus) • search engine (award as named in syllabus). <p>Do not award: Examples of sales promotions such as bogoffs, discounts</p> <p>AO2 – Analysis (AN) and Application (APP) 4 marks</p> <p>Award one AO2 AN mark for explaining an advantage or a disadvantage of each method, up to a maximum of 2 marks for each method. Award one</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>AO2 APP mark for each contextualised answer, up to a maximum of 2 marks.</p> <p>Possible APP and AN marks include, eg:</p> <ul style="list-style-type: none"> • local radio (AO1) can be listened to by people travelling in (own) cars (AO2 APP) and can be repeated at peak times so likely to be remembered (AO2 AN) • local radio (AO1) may not be listened to by the target market (AO2 AN) within a 20-mile radius (AO2 APP) • local newspaper (AO1) would reach people who live within a 20-mile radius (AO2 APP) and can be referred to / kept so details won't be forgotten (AO2 AN) • posters (AO1) can be sent to local primary schools (AO2 APP) so children will see them and convince their parents to buy tickets (AO2 AN) • social media (AO1) is a low-cost method of promotion (AO2 AN) and will enable TP to keep to the £2000 budget (AO2 APP) • email (AO1) can target existing customers (AO2 APP) increasing the chances of selling tickets (AO2 AN) • direct leafletting (AO1) – information about the event can be sent through the post to existing customers (AO2 APP) and can be viewed by all members of the household (AO2 AN) • TV (AO1) would exceed the budget of £1000 (AO2 APP) but would reach a great many people (AO2 AN) • TV (AO1) would exceed the budget of £1000 (AO2 APP) and is a very expensive form of promotion (AO2 AN). <p>AO3 – Evaluation (EV) 3 marks</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>EV1: Award one AO3 evaluation mark for a simple justification of the method chosen.</p> <p>Eg: I think using social media is the best option. This would be a way of reaching potential customers at a relatively low cost. Keeping the cost low increases the chance of TP reaching the predicted profit. Advertising in the local newspaper may reach a lot of people in the area but may not be seen by the target market.</p> <p>EV2: Award one further AO3 mark for a development of EV1.</p> <p>Eg: I think using social media is the best option. This would be a way of reaching the potential customers at a relatively low cost. Keeping the cost low increases the chance of TP reaching the predicted profit. Advertising in the local newspaper may reach a lot of people in the area but may not be seen by the target market. It is also possible for the social media advert to reappear in the potential customers newsfeed, at little additional cost, increasing the chance of selling tickets. An advert could be placed in the local newspaper each week but is unlikely to have the same impact and will have a proportionally bigger impact on costs.</p> <p>EV3: Award one further AO3 mark for a detailed discussion and well supported judgement.</p> <p>Eg: I think using social media is the best option. This would be a way of reaching potential customers at a relatively low cost. Keeping the cost low increases the chance of TP reaching the predicted profit. Advertising in the local</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>newspaper may reach a lot of people in the area but may not be seen by the target market. It is also possible for the social media advert to reappear in the potential customers newsfeed many times, increasing the chance of selling tickets. An advert could be placed in the local newspaper each week but is unlikely to have the same impact and will have a proportionally bigger impact on costs. Overall, I think social media is the best way to help TP reach its profit target as it keeps the costs low whilst increasing the chances of high revenue.</p>			
Part B				
5	<p>At the most recent Annual General Meeting the CEO stated, ‘TP’s financial performance is strong.’</p> <p>Evaluate the accuracy of the CEO’s statement.</p> <p>You must use the ratios from Table 1 in your answer.</p> <p>AO1 – Knowledge (K) 2 marks</p> <p>Award one AO1 mark for stating whether a ratio has improved or worsened up to a maximum of 2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • gross profit margin improved / increased • net profit margin worsened / decreased • current ratio improved / increased • acid test ratio worsened / decreased 	<p>2 x AO1 8 x AO2 3 x AO3</p>	13	<p>Please see grid below Question 6 for levels approach to marking Question 5 and Question 6.</p>

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>Do not award marks for stating whether the ratio has increased or decreased as this requires no understanding of the ratio.</p> <p>AO2 – Analysis (AN) and Application (APP) 8 marks</p> <p>Award two AO2 marks for an explanation of why each ratio may have altered OR the possible impact on TP up to a maximum of 8 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • gross profit margin has increased (AO1) which suggests that the profitability of the business has improved (AO2 AN) • gross profit margin has improved (AO1) which is probably a result of the increase in prices (AO2 APP) – this did not seem to deter visitors which may have been because of the increased marketing spend (AO2 AN) • net profit margin has worsened (AO1) – this could have been due to the increase in wages and salaries in line with the 6% national average and the heavy increase in marketing (AO2 APP) meaning expenses were rising faster than revenue (AO2 AN) • current ratio has increased (AO1) meaning that TP will be more able to pay its current liabilities when they fall due / has improved liquidity (AO2 AN), this could be due to increased sales due to the good weather in May, June and September, generating more cash (AO2 APP) • acid test ratio has worsened (AO1) – TP may find it difficult to pay its current liabilities when they fall due if they cannot sell their food or gifts (AO2 AN) – this could be because they bought large quantities to get the discounts and then could not sell them all because of the rain in July and August (AO2 APP). 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>AO3 – Evaluation (EV) 3 marks</p> <p>EV1: Award one AO3 mark for an evaluation of whether TP has a strong financial performance and a bright future. Learners can agree or disagree with the statement.</p> <p>Eg: TP has a strong financial performance and a bright future as revenue and gross profit margin have improved. The current ratio has also improved so TP will be able to pay its debts on time meaning it can continue in business.</p> <p>EV2: Award one further AO3 mark for a development of EV1.</p> <p>Eg: However, the net profit margin has worsened. It is important that TP manage to control their expenses. The acid test ratio has also worsened. This could be an issue if TP are unable to sell the left-over stock which may be difficult as TP is not open all year. TP may be unable to pay their current liabilities making it more difficult to survive.</p> <p>EV3: Award one further AO3 mark for a development of EV2.</p> <p>Eg: I think the CEO is correct. Although the net profit margin has fallen, if TP can control their expenses, eg not spending so much on marketing, this will help improve the margin. Although the reduction is large, 25% is still a healthy profit margin to take TP into the future. Acid test ratio has fallen but not by much, and if TP buys stock in smaller quantities, there will be less stock left over so improving liquidity.</p>			

Q	Answers	AO split	Total marks	Additional marking guidelines
6	<p>Choose four factors from Table 2. Choose at least one economic factor and at least one social factor.</p> <p>Analyse the possible impact of each of your chosen factors on TP's decision to open the hotel.</p> <p>Recommend to the directors whether they should go ahead with opening the hotel.</p> <p>Justify your recommendation.</p> <p>AO1 – Knowledge (K) 2 marks</p> <p>Award one AO1 mark for identifying one possible impact of an economic factor and one possible impact of a social factor, up to a maximum of 2 marks.</p> <p>Economic, eg:</p> <ul style="list-style-type: none"> • The fall in the unemployment rate suggests that more people will have money to spend • a rise in wage rates means people will have more money to spend • a fall in inflation could cause a reduction in costs • steady interest rates make planning easier <p>Social, eg:</p> <ul style="list-style-type: none"> • a decline in the number of people getting married means fewer potential customers • more couples getting married in places like hotels could mean more customers 	<p>2 x AO1 8 x AO2 3 x AO3</p>	13	<p>Please see grid below Question 6 for levels approach to marking Question 5 and Question 6.</p>

Q	Answers	AO split	Total marks	Additional marking guidelines
	<ul style="list-style-type: none"> • 9000 couples getting married is a large potential target market. <p>AO2 – Analysis (AN) 8 marks</p> <p>Award up to two AO2 marks for an analysis of the potential impact of each of the four external influences identified in AO1, up to a maximum of 8 AO2 marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • it may be difficult to fully staff the hotel (AO1) as recruitment may be a problem (AO2) so may not be able to accommodate as many weddings as originally planned (AO2) • falling rates in inflation will slow down the rise in costs (AO1) which will mean the cost of the refurbishment is unlikely to rise significantly (AO2) • if interest rates remain unchanged this makes planning more certain (AO1) however the interest on the debt would be (approximately) £500 000 per annum (AO2) which could significantly lower the businesses net profit margin (AO2) decline in the number of people getting married means fewer potential customers (AO1) making it harder to generate revenue (AO2); however, there are still 9000 weddings within a 100-mile radius which is still a large potential customer base (AO2) • more couples getting married in places like hotels could mean more customers (AO1) generating revenue (AO2) making it easier to repay the interest on the £5 million loan (AO2) • 9000 couples are a large potential target market (AO1) especially as there are low levels of competition offering a similar venue (AO2); TP is only trying to attract a small number of couples, so the large target market increases their chances of success at doing this (AO2). 			

Q	Answers	AO split	Total marks	Additional marking guidelines
	<p>AO3 – Evaluation (EV) 3 marks</p> <p>EV1: Award one AO3 mark for a simple judgement as to whether the directors should go ahead with opening the hotel.</p> <p>Eg: Yes, I do think the directors should go ahead with opening the hotel. There is currently no immediate competition and TP has the opportunity to be first to market with this concept which is likely to attract people wanting to get married.</p> <p>EV2: Award one further AO3 mark for development of EV1.</p> <p>Eg: The information suggests inflation is likely to fall and this will reduce the cost of the conversion. This will help maintain targeted profit margins TP. The reduction in inflation may also mean customers have more money to spend and as wage rates are rising the business can have confidence that customers levels will be as planned.</p> <p>EV3: Award one further AO3 mark for development of EV2.</p> <p>Eg: Overall, it would be a good decision to open a hotel for weddings. It would provide some cash inflow during the winter months, which could be very important to this seasonal business. Although the focus of the hotel would be weddings, opening it could present other opportunities to generate revenue in the future, ensuring the ongoing competitiveness of TP.</p>			

Mark scheme for Q5 and Q6

EV3	3	Makes a sound judgement that is fully supported / justified
EV2	2	Makes a sound judgement that is partly supported / justified
EV1	1	Makes limited judgement(s) with limited support / justification
Level 5	9–10	Excellent analysis and excellent application
Level 4	7–8	Sound / good analysis AND sound / good application
Level 3	5–6	Limited / reasonable analysis AND limited / reasonable application
Level 2	3–4	Limited / reasonable analysis OR limited / reasonable application
Level 1	1–2	Limited response, mainly knowledge

Note that learners do not have to get to level 5 before they can achieve EV marks.

It is quite possible that a learner will be at level 4 and occasionally at level 3 but pick up EV1 or even EV2 marks; however, it is unlikely that such learners would progress beyond EV2.

Very occasionally a learner may be at level 1 (2 marks) and achieve an EV1 mark.

In the analysis section at level 2 a limited response achieves 3 marks, and a reasonable response achieves 4 marks.

Assessment objective grid

Question	AO1	AO2	AO3	Total
1 (a)	1			1
1 (b)	3	3		6
1 (c)	2	4	3	9
2 (a)	1			1
2 (b)	3	3		6
2 (c)	2	4	3	9
3 (a)	1			1
3 (b)	2	4		6
3 (c)	3	3	3	9
4 (a)	1			1
4 (b) (i)		2		2
4 (b) (ii)	1	2		3
4 (b) (iii)	1	1		2
4 (c)	2	4	3	9
5	2	8	3	13
6	2	8	3	13
Total	27	46	18	91