



**General Certificate of Secondary Education
2023**

Business Studies

Unit 2

Developing a Business

[GBU21]

MONDAY 12 JUNE, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are intended to ensure that the GCSE examinations are marked consistently and fairly. The mark schemes provide markers with an indication of the nature and range of candidates' responses likely to be worthy of credit. They also set out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for Business Studies.

Candidates must:

- AO1** recall, select and communicate their knowledge and understanding of concepts, issues and terminology;
- AO2** apply skills, knowledge and understanding in a variety of contexts and in planning and carrying out investigations and tasks; and
- AO3** analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

Tasks and questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is good.

Level 3: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Basic): The candidate makes only a limited selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Good): The candidate makes a reasonable selection and use of an appropriate form and style of writing. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

Level 3 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

- 1 (a) (AO1)
Explain the following terms.
- (i) Job description
Defines the main duties and responsibilities of the job and makes sure both employer and employee are clear about what is expected
- act as a reference in disputes
 - identifies tasks that need done
- [1] mark for brief explanation
[2] marks for detailed explanation
Valid alternative responses will be credited. [2]
- (ii) CV
Curriculum Vitae
This is a list of the applicant's qualifications, work and achievements to date and shows their presentation skills
- [1] mark for brief explanation
[2] marks for detailed explanation
Valid alternative responses will be credited. [2]
- (iii) Appraisal
This is the process of assessing the employee's performance in his/her job and can identify strengths and weaknesses/can assess training needs or used for a bonus
- [1] mark for brief explanation
[2] marks for detailed explanation
Valid alternative responses will be credited. [2]
- (iv) Fringe benefits
This is a financial method of motivation and are the perks that come with some jobs, e.g. company car, staff discount
- financial value but does not include money payment
- [1] mark for brief explanation
[2] marks for detailed explanation
Valid alternative responses will be credited. [2]
- (b) (i) (AO1)
Explain the purpose of drawing up a person specification.
- Its purpose is to identify what an ideal candidate for the post that is being filled. It is used by the employer during the interview and to help draw up a job advertisement/helps to shortlist
 - allows candidate to check/communicate essential skills and qualities
- [1] mark for brief explanation
[2] marks for detailed explanation
Valid alternative responses will be credited. [2]
- (ii) (AO1)
Describe the content of a person specification.
- It includes the personal qualities, knowledge, qualification, skills and previous work experience of the ideal applicant
- [1] mark for brief description
[2] marks for detailed description
Valid alternative responses will be credited. [2]

(c) (AO1, AO2, AO3)

Discuss one advantage and one disadvantage of TopCat plc using external recruitment to fill the position of Marketing Manager.

One from the following advantages:

- The range of applicants is wider
- It brings new skills and ideas into the business
- It avoids jealousy among existing staff
- Fully trained staff may be appointed so reduced costs of training
- No other internal staff vacancies are created

Valid alternative responses will be credited.

One from the following disadvantages:

- The applicants are not familiar with the business
- Induction training may be required/time to train/settle in
- Reduced promotion opportunities for existing staff which could lead to reduced motivation
- Some external methods are very expensive time consuming
- It is a slower process than internal recruitment

Valid alternative responses will be credited.

[1] mark for identifying one advantage or one disadvantage of external recruitment

[2] marks for fully discussing one advantage or one disadvantage of external recruitment or for identifying one advantage and one disadvantage of external recruitment

[3] marks for identifying one advantage and one disadvantage of external recruitment and fully discussing one advantage/disadvantage of external recruitment

[4] marks for identifying and fully discussing one advantage and one disadvantage of external recruitment

[4]

(d) (AO2, AO3)

Discuss **two** roles of social media in recruitment for TopCat plc.

The roles of social media may include:

- It is a method of advertising and it reaches a much wider range of applicants for the post even on a global scale
- Application forms and the recruitment profile can be posted on-line making it easier for applicants to apply
- It is a two way method of communication making it easier for applicants to enquire about the job/research it/see if it suits them
- It allows the employer to search on-line profiles of the applicants

Valid alternative responses will be credited.

[1] mark for identifying one role of social media

[2] marks for fully discussing one role of social media or for identifying two roles

[3] marks for identifying two roles of social media and fully discussing one role

[4] marks for identifying and discussing two roles of social media

[4]

(e) (AO1, AO2, AO3)

TopCat plc intends to use profit sharing for the new marketing manager. Identify this method of motivation and explain one advantage and one disadvantage of profit sharing.

- **Financial motivation** [1]

One advantage from the following:

- Increased motivation due the extra financial gain from the business being successful leading to increased quality
- Helps the new employee feel part of the business if they receive a share of the profits
- May improve team working towards a common purpose and increase output
- Help improve the quality of life of the employees and may reduce labour turnover

Valid alternative responses will be credited.

One disadvantage from the following:

- Means the business loses profit which could have been reinvested elsewhere/cost
- It is not always seen as fair as senior employees may receive a larger payout than those lower down the organisation structure
- if the business doesn't make enough profit they will not receive the payment/changes
- shareholders unhappy as dividend could be reduced

Valid alternative responses will be credited.

[1] mark for identifying one advantage/disadvantage of profit sharing

[2] marks for fully explaining one advantage or one disadvantage of profit sharing or for identifying one advantage and one disadvantage of profit sharing

[3] marks for identifying one advantage and one disadvantage of profit sharing and fully explaining one advantage/disadvantage of profit sharing

[4] marks for identifying and fully explaining one advantage and one disadvantage of profit sharing [4]

(f) (AO1, AO3)

Evaluate testing as a method of selection for the post of Marketing Manager.

One advantage and one disadvantage from the following:

- It shows the level of the applicant's skills in relation to their answers/ confidence/reaction to scenarios
- It helps to support the applicant's form
- It can be used as a method of shortlisting/uniform basis for comparing
- It could be completed on-line and at home, taking up less management time
- The test can be costly to design or buy in, increasing the cost of selection
- The applicant may become nervous under test conditions and could under perform

Final judgement – good/bad

Valid alternative responses will be credited.

[1] mark for identifying either one advantage or one disadvantage of testing

[2] marks for identifying one advantage and one disadvantage of testing or

for full discussion of one advantage and one disadvantage of testing
[3] marks for identifying one advantage and one disadvantage of testing
and giving a final judgement or for full discussion of one advantage and
disadvantage of testing with final judgement
[4] marks for full discussion of one advantage and one disadvantage of
testing or for full discussion of one advantage/disadvantage of testing and
identifying one advantage and disadvantage of testing and giving final
judgement
[5] marks for full discussion of one advantage and one disadvantage of
testing with a final judgement

[5]

AVAILABLE
MARKS

30

2 (a) (AO1, AO2)

Identify two signs of success for TopCat plc.

Any two signs of success from the following:

- Increased sales/customers/market share
- The new factory expansion from 5 to 6 factories/growth
- Favourable customer reviews/corporate image
- Increased publicity
- Attracting new competitors
- Word of mouth
- Increased profit
- Employing more staff
- Expanding product range
- Increased cash flow
- Loyal customers

Valid alternative responses will be credited.

[1] mark for identifying one sign of success

[2] marks for identifying two signs of success

[2]

(b) (AO1, AO2)

Identify two signs of failure experienced by Perfect Pets plc.

Any two signs of failure from the following:

- Loss of profits
- Unfavourable customer reviews
- Poor cash flow
- High employee turnover
- Increased debt
- Repeat discounts/sales
- Staff redundancy/branches closing

Valid alternative responses will be credited.

[1] mark for identifying one sign of failure

[2] marks for identifying two signs of failure

[2]

(c) (i) (AO1)

Explain the term economies of scale.

- Economies of scale are gained when a business increases its productive output and this causes a reduction in the average cost per unit

Valid alternative responses will be credited.

[1] mark for brief explanation

[2] marks for full explanation

[2]

(ii) (AO1)

Identify the following types of economies of scale.

Definition	Economy of scale
The business can introduce upgraded machinery and new technology in order to cut production costs	technical [1]
These are gained when the business can buy goods in bulk, receiving a discount	purchasing [1]

[2]

(d) (AO1, AO2)

Define the term internal (organic) growth and explain one way that TopCat plc has achieved this type of growth.

- This is growth that takes place inside the business
- Achieved through one of the following:
- Increased sales which TopCat plc have achieved over the years leading to increased customers
 - Expanding and opening new factories – they have already 5 factories and building their 6th in Belfast/employing more staff
 - Reinvesting profits is a way to achieve internal growth which means they are not dependent on the bank
 - introducing new products

Valid alternative responses will be credited.

[1] mark for definition of internal (organic) growth or identification of one way how it was achieved

[2] marks for defining internal (organic) growth and identifying one way of achieving it or identifying and briefly explaining how it was achieved

[3] marks for defining internal (organic) growth and identifying and briefly explaining how to achieve it or for identifying and fully explaining how it was achieved

[4] marks for defining internal (organic) growth and identifying and fully explaining how it was achieved [4]

(e) (AO1, AO3)

Define the term takeover and discuss one advantage and one disadvantage for TopCat plc.

- A takeover takes place when one business buys over control of another business. The business would have to buy a large number of shares so that it can control the voting rights

One advantage and disadvantage from the following:

- More benefits from the economies of scale
- The business taking over the other business is eliminating the competition and increasing market share/more customers/sales and more profits
- It is a fast form of growth that brings together additional resources to secure their place in the market
- Many takeovers are hostile and can result in a loss of jobs for the business being taken over
- It is an expensive form of growth as the shareholders have to agree to sell their shares and the business may have had to offer a high price
- Diseconomies of scale e.g. culture, harder to communicate and co-ordinate/disputes
- Staff redundancies could impact corporate image.

Valid alternative responses will be credited.

Level 1 ([1]–[2] marks)

Candidate demonstrates basic knowledge and understanding of takeovers. Candidate either correctly defines takeover and lists either one advantage and disadvantage or partially explains takeover and discusses one advantage or disadvantage. Quality of written communication is basic.

Level 2 ([3]–[4] marks)

Candidate demonstrates good knowledge and understanding of a takeover. Candidate either correctly defines takeover and lists one advantage and one disadvantage or partially explains takeover and fully discusses either one advantage or disadvantage or correctly explains takeover, lists one advantage or disadvantage and fully discusses the other. Quality of written communication is good.

Level 3 ([5]–[6] marks)

Candidate demonstrates excellent knowledge and understanding of a takeover and correctly discusses in detail one advantage and one disadvantage. Quality of written communication is excellent. [6]

(f) (AO1, AO2)

Analyse two disadvantages of growth for TopCat plc.

Two from the following disadvantages:

- Poor communication – as the business grows in size it can be more difficult for departments to communicate effectively
- Co-ordination – there may be problems as the business grows as it is split over more sites making co-ordination difficult
- Lack of motivation – employees may feel quite isolated in a bigger business leading to reduced motivation
- Cost involved

Valid alternative responses will be credited.

[1] mark for identifying one disadvantage of growth

[2] marks for identifying two disadvantages of growth or fully analysing one disadvantage

[3] marks for identifying two disadvantages of growth and for fully analysing one disadvantage

[4] marks for identifying and fully analysing two disadvantages of growth [4]

(g) (AO3)

Analyse the ethical implications of growth for TopCat plc.

Analysis of ethical issues from the following:

- TopCat plc should respect the local environment and wildlife when building new factories and spend money making the factory building look attractive/recycling, reduce waste, pollution control
- TopCat plc should be aware of local people and make sure they try to control pollution from production and noise pollution in the area, e.g. be careful on timing of deliveries
- TopCat plc should charge customers a fair price and should not buy materials from some foreign countries that may exploit workers
- TopCat plc should ensure they provide a safe working environment for their staff with proper facilities and breaks and fair pay structure in place
- Disability access
- Must not discriminate

Valid alternative responses will be credited.

Level 1 ([1]–[3] marks)

Candidate demonstrates basic knowledge and understanding of the ethical implications associated with growth. Candidate gives a limited analysis of how they relate to TopCat plc. Quality of written communication is basic.

Level 2 ([4]–[6] marks)

Candidate demonstrates good knowledge and understanding of the ethical implications associated with growth. Candidate gives a detailed analysis of how they relate to TopCat plc. Quality of written communication is good.

Level 3 ([7]–[8] marks)

Candidate demonstrates excellent knowledge and understanding of the ethical implications associated with growth. Candidate gives a detailed analysis of how they relate to TopCat plc. Quality of written communication is excellent. [8]

**AVAILABLE
MARKS**

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3 (a) (AO1, AO2)

TopCat plc used retained profits as one method of financing their expansion. Discuss **one** advantage and **one** disadvantage of retained profits as a source of finance.

One advantage and one disadvantage from the following:

- The business will not need to complete all the documentation required to get a loan
- It's a successful company that is growing and should have retained profits for instant use
- As it is their own money they will not need to repay any interest
- They may not have a large amount of retained profits available/need to make enough money
- If they use the retained profit on financing the expansion they may miss out on other opportunities
- Shareholders might be unhappy if they receive less dividends

Valid alternative responses will be credited.

[1] mark for identifying one advantage of retained profit

[2] marks for fully discussing one advantage of retained profit or for identifying one advantage and one disadvantage of retained profit

[3] marks for identifying one advantage and one disadvantage of retained profit and fully discussing one advantage/disadvantage of retained profit

[4] marks for identifying and fully discussing one advantage and one disadvantage of retained profit

[4]

(b) (AO1, AO2, AO3)

Identify **one** external method of finance that TopCat plc may have used to finance the expansion.

One external method from the following:

- Bank loan/overdraft
- Mortgage
- Leasing
- Government grants
- Share issue

[1]

Discuss one advantage and one disadvantage of this method

Bank loan/overdraft

- Large amounts can be borrowed
- Structured payments help with finance
- May be able to negotiate reduced interest rates due to size and success of the business
- Paper work to be complete along with drawing up a business plan
- Interest payable increasing costs
- May be difficult to get in present financial climate
- assets could be used as collateral – risky

Mortgage

- Provides use of assets immediately
- Asset is finally owned by the business
- Interest rates can be high leading to increased costs
- It is a long term commitment
- May be difficult to get in present financial climate
- assets could be used as collateral – risky

Leasing

- Helps cash flow as there is no capital outlay
- Assets are maintained by the leasing company
- Overall cost is very high
- TopCat plc will never own the asset

Government grants

- Does not have to be repaid and the money can be used elsewhere
- Lengthy application process
- May have conditions attached

Share issue

- Easy way of getting additional capital at no extra cost/no interest
- Dilution of control
- Extra cost of dividends

Valid alternative responses will be credited.

[1] mark for identifying either one advantage or one disadvantage of external method of finance

[2] marks for full discussion of one advantage or one disadvantage of external method of finance

[3] marks for identifying one advantage and one disadvantage of external method of finance with discussion on one or for full discussion of one advantage or disadvantage of external method of finance

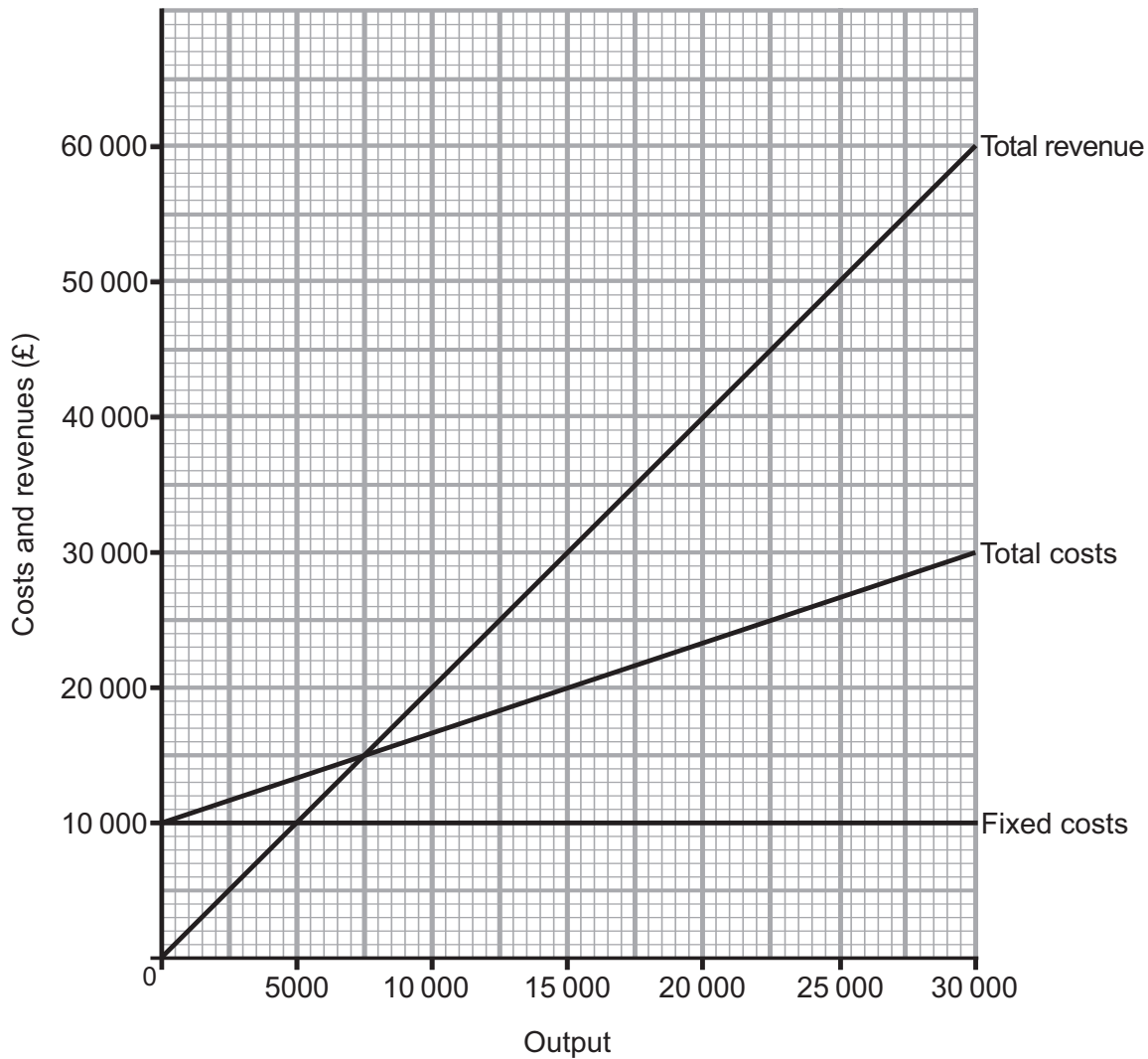
[4] marks for full discussion of one advantage and one disadvantage of external method of finance

[4]

(c) (AO2)

Below is a breakeven chart for TopCat plc.

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MARKS



(i) On the graph, label the:

Total costs

Total revenue

[2]

(ii) Identify the breakeven output

7500 [1]

Identify the sales revenue at 20 000 units of output

£40 000 [1]

Gordon Greer is one of the many farmers supplying farm fresh ingredients to TopCat plc. Below is an Income Statement for Gordon Greer.

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(d) (AO2)
Complete the blanks

	£
Sales revenue	98 200
Opening inventory	4 910
Purchases	36 500
Less Closing inventory	5 210
Cost of sales	36 200
Gross profit	62 000
Less Expenses:	
Wages	34 500
Rent	3 250
Electricity	1 600
Depreciation	500
Rates	1 825
Other	175
Net profit	20 150

[2]

(e) (AO2)
Calculate the Gross Profit Percentage using the ratio above.
Show your calculations.

$$\frac{62\,000}{98\,200} \times 100 = 63.14\%$$

[1] mark for correct substitution of figures

[2] marks for correct answer

[3] marks for correct answer including %

[3]

(f) (AO2)

Last year's Gross Profit percentage was 59%. Comment on what the difference means for Gordon.

- The figure has increased from 59% to 63.14% / business more successful
- The business is more efficient in purchasing and using its raw materials/ reduced costs of production
- Making more sales leading to increased profitability

Valid alternative answers will be credited

[1] mark for brief comment

[2] marks for developed comment

[3] marks for fully developed comment

[3]

*OFR rule will be applied

(g) (AO2)

Below is a Statement of Financial Position for Gordon Greer. Complete the blanks.

Non-Current Assets	£
Machinery	64 500
Vehicles	28 200
Current Assets	
Inventory	5 210
Trade receivables	14 590
Bank	1 500
Total Assets	114 000
Equity	
Capital	70 000
Net profit	20 150
Less drawings	10 500
Total Equity	79 650
Non current liabilities	
Loan	20 000
Current liabilities	
Trade payables	14 350
Total equity and liabilities	114 000

[2]

(h) (AO2)

Calculate the Return on Capital Employed using the ratio above.
Show your calculations.

$$\frac{20\,150}{114\,000 - 14\,350} \times 100 = 20.22\%$$

[1] mark for correct substitution of figures

[2] marks for correct answer

[3] marks for correct answer including %

[3]

*OFR will be applied for total assets

(i) (AO3)

Explain what this ratio means for the business and comment on the success of the business for Gordon Greer.

- ROCE informs the owner about the profitability of the business
- The result of 20.22% is high and shows the business is performing well
- The owner (Gordon) is getting a good return on his investment, much better compared to current bank interest rates
- Making 20p return on every £1 investment
- Shows increased profits from last year
- Need to look at previous figures to make full assessment

Valid alternative answers will be credited.

[1] mark for an explanation of what ROCE means for the business

[2] marks for an explanation of what ROCE means for the business and a brief explanation of the information this gives on performance for Gordon Greer

[3] marks for an explanation of what ROCE means for the business and a satisfactory explanation of the information this gives on performance for Gordon Greer

[4] marks for a detailed explanation of what ROCE means for the business and a detailed explanation of the information this gives on performance for Gordon Greer

*OFR will be applied

[4]

30

Total

90

AVAILABLE
MARKS