

Cambridge National
Business and Enterprise

Unit **R064/01**: Enterprise and marketing concepts

Cambridge National Level 1/2 Award/Certificate

Mark Scheme for June 2018

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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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Question	Answer	Marks	Guidance
SECTION A			
1	Indicative content: C	1	For one mark.
2	Indicative content: A	1	For one mark.
3	Indicative content: B	1	For one mark.
4	Indicative content: C	1	For one mark.
5	Indicative content: C	1	For one mark.
6	Indicative content: B	1	For one mark.
7	Indicative content: A	1	For one mark.
8	Indicative content: B	1	For one mark.
9	Indicative content: A	1	For one mark.
10	Indicative content: C	1	For one mark.
11	Indicative content: B	1	For one mark.
12	Indicative content: C	1	For one mark.
13	Indicative content: B	1	For one mark.
14	Indicative content: C	1	For one mark.
15	Indicative content: A	1	For one mark.
16	Indicative content: B	1	For one mark.

Question	Answer	Marks	Guidance
SECTION B			
17	<p>Analyse two benefits of starting your business as a partnership than as a sole trader.</p> <p><u>Indicative Content</u></p> <p>Benefits may include:</p> <ul style="list-style-type: none"> • You can share the workload/ideas • Capital can be invested from both partners/external sources of finance more likely to lend • You will not be responsible for all of the firm's debts • Responsibilities can be shared according to each person's skills/specialism • Business can function if one partner is away, e.g. sickness and holiday <p><u>Example responses</u></p> <p>Responsibilities in the business can be shared amongst the partners (1). For example, I may be responsible for marketing and the other for finance (1). This is likely to reduce my stress levels (1).</p> <p>Capital can be contributed from each partner (1) which means that there is potentially more capital (1) which may allow the business to grow more quickly (1).</p> <p style="text-align: right;">ARA</p>	(6)	<p>Award one mark for each identified benefit, up to a maximum of two marks.</p> <p>AND</p> <p>Award one further mark for each explanation of a benefit, up to a maximum of two marks.</p> <p>AND</p> <p>Award one further mark for each analysis of a benefit (<u>by showing the impact on the business or you</u>), up to a maximum of two marks.</p> <p>Ensure that the two benefits are different</p> <p>Do not accept an impact of "make life easier" (TV)</p> <p>Only accept references to the benefits from limited liability if the answer is clearly about a limited liability partnership (LLP)</p>

Question	Answer	Marks	Guidance
18	<p>Explain one reason why a business plan may be needed for your new business.</p> <p><u>Indicative Content</u></p> <p>Reasons for a business plan may include:</p> <ul style="list-style-type: none"> • To support an application for finance • To communicate the business idea to other interested parties • To support you to plan and organise activities • To help to identify potential problems • To help forecast any financial/production data • To prompt you to consider all key aspects when setting up the business/to set out your aims/goals/objectives or what you want to achieve • To increase the chances of the business being successful / reduce risk <p><u>Example response</u></p> <p>A business plan may be requested by a bank before lending money (1). This will support any application for finance (1) so that the bank is more likely to grant the application (1).</p> <p style="text-align: right;">ARA</p>	(3)	<p>1 mark for a basic idea of a reason</p> <p>2 marks for a good idea of a reason</p> <p>3 marks for a well explained reason (<u>may</u> include an impact)</p>
19	<p>Identify two stages of the product life cycle.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • Development/Launch • Introduction • Growth • Maturity/Saturation • Decline 	(2)	<p>Award one mark for an identified stage to a maximum of TWO marks</p>

Question	Answer	Marks	Guidance
20	<p>State and explain two decisions which the product life cycle may help you to make.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • To change the price of the product • To launch a promotional/advertising campaign for a product • To start to develop a new product • To withdraw a product from the market • To change the place that a product is available • To add new features to the product • To know when to introduce extension strategies <p><u>Example response</u></p> <ul style="list-style-type: none"> • Looking at the product life cycle positioning of a product can help you decide if the price needs to change (1), such as to reduce the price to stimulate more demand for a product in decline (1) <p style="text-align: right;">ARA</p>	(4)	<p>Award one mark for each identified reason and one mark for an explanation of each reason to a maximum of TWO reasons.</p> <p>Allow the reason to be rewarded if it is found within the explanation</p> <p>Do not reward any reference to it helping with making or forecasting profit levels</p> <p>No context required</p>
21	<p>a</p> <p>Identify two ways you could segment the market for mobile phone cases.</p> <p><u>Indicative Content</u></p> <p>Segmentation types may include:</p> <ul style="list-style-type: none"> • Age • Gender • Occupation • Income • Geographic • Lifestyle/Behaviour – e.g. type of phone used (android v. apple) • Demographics <p style="text-align: right;">ARA</p>	(2)	<p>Award one mark for each correct answer up to a maximum of TWO marks</p> <p>Allow specific examples of each segmentation type, e.g. young & old</p>

Question	Answer	Marks	Guidance
b	<p>State and explain one benefit which you may gain from segmenting the market.</p> <p><u>Indicative content</u></p> <p>Benefits may include:</p> <ul style="list-style-type: none"> • Ensures customer needs are matched and met or better understand customers • Potential for increased profits/profitability • Increased customer numbers or retention • Allows for targeted marketing/no wasted marketing/know who to aim marketing at • Potential for an increase in market share/identify gaps in the market <p><u>Example response</u></p> <p>Increased customer loyalty (1) as the products may appeal more to their tastes (1)</p> <p>Able to target specific customer more easily (1) so that advertising is more relevant (1)</p> <p style="text-align: right;">ARA</p>	(2)	<p>Award one mark for a valid benefit AND one mark for a valid explanation of that benefit</p> <p>Allow the benefit to be rewarded if it is found within the explanation</p> <p>The benefit needs to be more than “to be more successful” to be credited</p>
22	<p>State and explain one advantage and one disadvantage of carrying out your market research using a focus group.</p> <p><u>Indicative Content</u></p> <p><u>Advantages of using a focus group include:</u></p> <ul style="list-style-type: none"> • Can obtain opinions/ideas or in-depth views • The researcher can probe responses/more detail information is gained • Data will be exclusive or relevant to you • Can gain visual clues/observations and body language <p><u>Disadvantages of using a focus group include:</u></p> <ul style="list-style-type: none"> • Only a limited number of respondents • Can be expensive or time consuming • Some members of the group may not participate or take it seriously • The group may be dominated by one member or not be honest in their views 	(4)	<p>Award one mark for an identified advantage and one mark for an explanation of the advantage. AND Award one mark for an identified disadvantage and one mark for an explanation of the disadvantage.</p> <p>Make sure the explanation is adding something to the knowledge and is not just a repeat of it</p> <p>Do not reward answers which are generally writing about market research</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • Group may not represent the demographics of the whole market <p>Example responses</p> <ul style="list-style-type: none"> • In-depth views can be obtained (1) which the researcher can probe in more detail to gain a deeper understanding (1). • However, some quiet members may not participate honestly (1) and feel reluctant to go against the views of a dominate member of the group so the researcher may not gain an unbiased outcome (1). <p style="text-align: right;">ARA</p>		
23	<p>State and explain two methods which you could use to differentiate your mobile phone cases from others available in the market.</p> <p>Indicative Content</p> <ul style="list-style-type: none"> • Brand image – e.g. have a logo on the case • Design mix – e.g. add new features • Clear unique selling point (USP) – could give specific examples • Packaging <p>Example responses</p> <p>The phone cases could have clear branding (1) which would be different to other cases on the market (1).</p> <p>Another way would be to develop a clear USP (1) such as a specific function that no other case on the market has (1).</p> <p style="text-align: right;">ARA</p>	(4)	<p>Award one mark for each identified reason and one mark for an explanation of each reason to a maximum of TWO reasons.</p> <p>Differentiation is an attempt to make the product look unique</p> <p>Therefore, answers need to be drawn from the product part of the marketing mix</p> <p>Allow references to quality/adding value if there is a clear and relevant explanation</p> <p>Make sure the explanation is adding something to the knowledge and is not just a repeat of it</p> <p>Ensure that the two methods are different</p>

Question	Answer	Marks	Guidance
24	<p>State and explain two activities which Raj may need to carry out as part of the Human Resources function.</p> <p><u>Indicative Content</u></p> <p>Activities carried out by the Human Resources function include:</p> <ul style="list-style-type: none"> • Recruitment and selection of employees • Training and development of employees • Performance management of employees – e.g. reviews/appraisals • Responsibility for health and safety in the workplace (allow references to health) • Ensuring compliance with employment legislation <p><u>Example response</u></p> <p>Raj would be responsible for selecting new staff for the business (1) including interviewing and making a job offer (1).</p> <p>He would be responsible for health and safety in the workplace (1) such as ensuring that all machinery used to make the cases have the appropriate safety guards and staff wear the correct safety clothing (1).</p> <p style="text-align: right;">ARA</p>	(4)	<p>Award one mark for identifying an activity, up to a maximum of two marks.</p> <p>AND</p> <p>Award one further mark for explanation of each activity, up to a maximum of two marks.</p> <p>Make sure the explanation is adding something to the knowledge and is not just a repeat of it</p> <p>Allow the activity to be rewarded if it is found within the explanation</p> <p>Ensure that the two activities are different</p> <p>NB: Both activities may be drawn from the same activity as long as they are different</p>
25	<p>State and explain two benefits of obtaining capital from a business angel.</p> <p><u>Indicative Content</u></p> <ul style="list-style-type: none"> • May have access to a large sum of money • Can benefit from the expertise/ideas of an experienced entrepreneur • Can gain finance for a risky business idea that other lenders may not consider • Is likely to get a quick decision on investment • This is a form of equity finance so <u>no debt or interest payments</u> 	(4)	<p>Award one mark for a stated benefit and one mark for an explanation of the benefit to a maximum of TWO marks for each benefit.</p> <p>Make sure the explanation is adding something to the knowledge and is not just a repeat of it</p> <p>Allow the benefit to be rewarded if it is found within the explanation</p>

Question	Answer	Marks	Guidance
	<p><u>Example responses</u></p> <p>The business angel is likely to have a lot of funds available (1) so the business may be able to obtain larger amounts of money (1).</p> <p>The business angel will be an experienced entrepreneur and able to offer help and advice (1) which will result in an increased chance of the new business idea being a success (1).</p> <p style="text-align: right;">ARA</p>		<p>Ensure that the two benefits are different</p> <p>Do not reward answers which only refer to being able to gain more capital or refers to grants/loans</p>
26	<p>a</p> <p>Identify what this pricing strategy is called.</p> <p><u>Indicative Content</u></p> <p>Psychological pricing</p>	(1)	<p>Award one mark for the correct pricing strategy</p> <p>Do NOT allow price skimming as this is not a new product</p> <p>Accept approximate spellings</p>
26	<p>b</p> <p>Calculate the total revenue which you expect to earn from the sale of this range of mobile phone cases over four weeks. Show your workings.</p> <ul style="list-style-type: none"> • Selling price (£9.99) x number of sales (25) (1) • Weekly total = £249.75 (1) • 4-week total = £249.75 x 4 weeks = <u>£999</u> (1) <p>Correct figures without the written justifications are acceptable for each mark</p> <p><i>Alternative method</i></p> <p>$25 \times 4 = 100$ units sold in 4-week period (1)</p> <p>$£10 \times 100 = £1000$ (1)</p> <p>(then subtract $100 \times 1p = £1$)</p> <p>Answer = <u>£999</u> (1)</p> <p style="text-align: right;">OFR</p>	(3)	<p>Award one mark for using the correct figures/formula</p> <p>Award two marks for a correct weekly total</p> <p>Award three marks for a correct 4- week total</p> <p>An answer of £999 (with or without workings) gains 3 marks</p> <p>An answer of £249.75 (with or without workings) gains 2 marks</p>

Question	Answer	Marks	Guidance
27 (a)	<p>Calculate the break-even point per month for the new range of computer tablet cases using the forecasted figures.</p> $\frac{8\,000}{30 - 10} \quad (1)$ <p><u>Correct answer = 400</u> (1)</p>	(2)	<p>Award TWO marks for the correct figure or ONE mark for a correct application of the formula, if final answer is incorrect</p> <p>An answer of 400 (with or without workings) gains 2 marks</p> <p>An answer of 400 with incorrect units is 1 mark</p>
	<p>(b) Explain one external technological factor which may affect the accuracy of the forecasted figures used to calculate the break-even point.</p> <p><u>Indicative Content</u></p> <p>Technological factors may include:</p> <ul style="list-style-type: none"> • New style devices emerge which do not fit into the cases designed • New technology leading to rival producers producing their cases at a lower cost <p><u>Example responses</u></p> <p>New production technology may be launched (1) which results in producing cases at a lower cost (1).</p> <p>New products are released regularly (1) which may lead to production costs or prices changing (1).</p> <p style="text-align: right;">ARA</p>	(2)	<p>Award one mark for a valid factor AND A further one mark for a valid explanation of that factor</p> <p>Any answer MUST be linked with a changing <u>external</u> technological factor</p>

Question	Answer	Marks	Guidance
27 (c)	<p>Calculate the amount of profit or loss which you will make per month, based on this forecast. Show your workings and state whether you will make a profit or a loss.</p> <p>Profit = Sales revenue – Total costs Sales revenue = 300 x £30 = £9,000 (1) Variable costs = 300 x £10 = £3,000 (1) Fixed costs = £8,000</p> <p>Profit = £9,000 – (£3,000 + £8,000) = £9,000 - £11,000 = - £2,000 (1) OFR</p> <p>Statement: Loss (1) OFR</p> <p><i>An answer which ignores Fixed costs will arrive at £6,000 profit (3 marks)</i></p> <p><i>An answer which ignores Variable costs will arrive at £1,000 profit (2 marks)</i></p>	(4)	<p>Award ONE mark for a correct calculation of sales revenue</p> <p>Award ONE mark for correct calculation of variable costs</p> <p>Award ONE mark for correct calculation of £2,000 (OFR)</p> <p>ONE further mark can be awarded for correctly stating that a loss will be made. (OFR)</p> <p>Correct answer of a £2,000 loss should be awarded full marks (with or without workings)</p>
28	<p>Identify three sales promotion techniques which you could use.</p> <p><u>Indicative Content</u></p> <p>Sales promotion techniques include:</p> <ul style="list-style-type: none"> • Discounts/money off coupons or vouchers/pricing offers • Competitions • Buy one get one free (BOGOF) • Point of sale advertising • Free gifts/customer product trials • Loyalty scheme • Celebrity endorsements/YouTube vloggers etc. • Advertising channels – e.g. radio, newspapers, digital media <p style="text-align: right;">ARA</p>	(3)	<p>Award one mark for each technique up to a maximum of THREE marks.</p> <p>Ensure that answers are different from each other</p> <p>Only allow one example of each technique</p>

Question	Answer	Marks	Guidance
29	<p>Analyse two ways development of the new computer tablet cases may be affected by changes to laws such as product safety standards.</p> <p><u>Indicative Content</u></p> <p>The impact of changes to laws may affect the development of the new computer tablet cases:</p> <ul style="list-style-type: none"> • Cost of producing the cases may increase/decrease necessitating a change to the price charged • New production techniques need to be introduced • New production technology/equipment needs to be purchased • Different raw materials may need to be sourced • New skills required by production staff necessitating staff training/recruitment • New case designs may need to be introduced thereby increasing the workload of specific functions, e.g. marketing, research and development <p><u>Example responses</u></p> <p>The changes in product safety standards may mean that the materials used to produce the cases may need to change (1). This will result in a possible change of supplier (1) and possible increase/decrease in the cost of producing the cases (1).</p> <p>Copyright/patent rules may change which may make it harder to ‘copy’ certain styles of tablet case (1). This may require extra work such as design and marketing (1) which will increase business costs (1).</p> <p style="text-align: right;">ARA</p>	(6)	<p>Award one mark for each impact on product development, up to a maximum of two marks.</p> <p>AND</p> <p>Award one further mark for each explanation of an impact on product development, up to a maximum of two marks.</p> <p>AND</p> <p>Award one further mark for each analysis of an impact on product development, up to a maximum of two marks.</p> <p>Make sure that any answer is at least implicitly linked to a <u>change in the law</u> which is realistic</p> <p>Make sure the answer is referring to the impact on <u>product development</u> (as opposed to price or channels of distribution)</p> <p>Ensure that the two impacts are different</p>

Question	Answer	Marks	Guidance
30	<p>Recommend which method you think should be used. Justify your answer.</p> <p><u>Indicative Content</u></p> <p>Advertising in social media:</p> <ul style="list-style-type: none"> • Low cost • Linked to target market – people who use social media are likely to own a tablet or smart phone and therefore need a case • Can be changed and updated easily • Can use visuals, link to websites/apps • International coverage <p>Local radio:</p> <ul style="list-style-type: none"> • Higher cost than social media • Targeted to local area • Can only use sound to generate attention/impact • Short and instantaneous <p><u>Example responses</u></p> <p>Advertising using social media will be low cost (L1). I will be able to afford this and it would appeal to my target market as most people who use social media will use a tablet or smart phone and therefore need a case to store it (L2). However, I need to be aware that the advertising will reach an international market and I may not be able to fulfil orders from some parts of the world as I am only a small business (L3).</p> <p>Radio advertising will target only people in the local area (L1) so they can all access my business easily (L2). The advert can attract attention via sound and a jingle could be included to make the advert memorable (L3).</p> <p>I would choose to advertise in social media as it is more aligned to the needs of my target market. Many people who listen to the radio advert will not be in my target market and therefore I will be paying for a more expensive advert with a lot of wastage (L4).</p> <p style="text-align: right;">ARA</p>	(8)	<p><u>Levels of response</u></p> <p>L1 (1-2 marks) Identifies advantage/disadvantage(s) of one/both methods of advertisement</p> <p>L2 (3-4 marks) Explains one/both methods of advertisement</p> <p>L3 (5-6 marks) Analyses at least one method of advertisement <u>in context</u></p> <p>L4 (7-8 marks) Evaluates at least one method</p> <p>A justified recommendation based on analysis of each method and/or a comparison must be made for full marks.</p> <p>Award the bottom level of each mark if only one of the methods is considered</p>

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