Task

Thinking about the command words, answer the following questions:

1 Describe the clothes that you are wearing today.
2 Identify the brands of the clothes that you are wearing.
3 Explain how you could improve one item of your clothing that you are wearing.
4 Discuss why it is important to wear smart clothes when attending an interview for a job.
5 Analyse the latest fashion trends.
6 Assess the importance of taking physical exercise.
7 Evaluate why Apple has remained a leading business in the technological world.

Sample examination questions

LO1: Understand how to target a market

Sample question

Bethany wants to set up a drinks stall at her local village summer fete. She is unsure which drinks to stock and how much to charge. Explain how Bethany could find out this information to help her sell drinks at the fete?

[4 marks]

Example

Response 1 Low-level response – 1 mark awarded

Bethany could ask her friends what drinks they like and how much they pay for them in the shops.

Response 2 Mid-level response – 2 marks awarded

Bethany could write some questions to find out what people like to drink and how much they would pay for each drink. Using the results, she could then buy these drinks for the summer fete.

Response 3 High-level response – 4 marks awarded

Bethany could create a questionnaire to ask people in the village which details what drinks they would like to purchase and costs. Bethany could then ask the questionnaire to a range of different people and using the results, could then buy a range of drinks and sell them at the event.

Assessment comment

Response 1

Candidate has stated what Bethany could do which is relevant. They have not used business terms to show knowledge and understanding. [1 mark awarded]

The candidate has not explained their answer, so no marks have been awarded for further explanation. [0 marks awarded]

Response 2

The candidate has identified a method of finding out information. [1 mark awarded]

The candidate hasn't explicitly stated that they would create a questionnaire and they also haven't said they would ask it! It is however implied. [0 marks awarded]

The candidate has said that they would use the results to purchase items. [1 mark awarded]

Assessment comment

Response 3

The candidate has correctly identified a suitable form of market research using business terminology. [1 mark awarded]

The candidate has suggested what details would go into the questionnaire related to the question. [1 mark awarded]

The candidate has stated that the questionnaire would be asked to a range of people demonstrating context/knowledge. [1 mark awarded]

The candidate has then explained how the information could be used demonstrating context/knowledge. [1 mark awarded]

Mark scheme and guidance

Expected answers	Marks	Guidance
• Questionnaire	1 mark	A suitable response must be provided by the candidate for marks to be awarded.
• Surveys	1 mark	Further marks to be awarded for full explanation and context.
• Focus groups	2 marks	For example, how the results can affect what drinks Bethany purchases for the fete.

LO2: Understand what makes a product or service financially viable

Sample question

Ices R U sells a wide range of luxury ice creams to both holidaymakers and local residents in St Andrews.

The business has provided the following information:

At an output level of 200 ice creams, fixed costs total £2 000 and variable costs total £100.

Calculate the total costs if output increases to 300 ice creams. [4 marks]

Example

Response 1 Mid-level response – 2 marks awarded

Total Costs = Total Fixed Costs + Total Variable Costs

Total Costs = £2 000 + £100

Total Costs = £2 100

Response 2 High-level response – 4 marks awarded

Total Costs = Total Fixed Costs + Total Variable Costs

Total Fixed Costs = £2 000

Total Variable Costs = £100 / 200 × 300 = £150

Total Costs = £2 000 + £150

Total Costs = £2 150

Assessment comment

Response 1

The formula is clearly stated [1 mark] and there is one mark available for the total fixed costs, however, the total variable costs are incorrect. [2 marks awarded]

Response 2

The learner has shown a correct formula, clear workings and a correct final answer. [4 marks awarded]

Mark scheme and guidance

Expected answer	Marks
Total Costs = Total Fixed Costs + Total Variable Costs	1 mark
Total Costs = £2 000 + (£100 / 200 × 300)	
Total Costs = £2 000 (1) + £150 (2)	3 marks in total
Total Costs = £2 150	

LO3: Understand product development

Sample question

Explain what happens during the introductory phase of the product life cycle when a business organisation launches a new product.

[3 marks]

Example

Response 1 Low-level response – 0 marks awarded

The business will design the product and spend money on its development.

Response 2 Mid-level response – 2 marks awarded

During the introductory stage of the product life cycle, the new product will be made available for sale on the open market.

The product will be advertised to ensure customers know about the product.

Response 3 High-level response – 3 marks awarded

During the introductory phase of the product life cycle a business launches their new product on the open market and makes it available for sale. During this stage, the business advertises the product to encourage sales. It is at this time that the product will get noticed by potential customers and they will start to buy the product. However, it is likely that the business will be making very little profit out of the sales.

Assessment comment

Response 1

The learner is describing the development phase of the life cycle. [0 marks awarded]

Response 2

The learner has identified two key points and shows an understanding of the key points. [2 marks awarded]

Response 3

The learner has identified two key points and shows an excellent understanding of the key points. [3 marks awarded]

Mark scheme and guidance

Expected answer	Marks	Guidance
A business organisation launches the new product on the open market and makes it available for sale.	1 mark	Suitable understanding of the introductory phase of the product life cycle must be demonstrated within the response by the candidate. One mark awarded for each key point to a maximum of three marks.
During this stage, the business organisation advertises the product heavily to improve customer knowledge of the product and tries to encourage sales.	1 mark	
At this stage the company will making low profits and possibly losing money and will have a low market share.	1 mark	

LO4: Understand how to attract and retain customers

Sample question1

Define the term sales promotions techniques? [1 mark]

Example

Candidate response – 1 mark

Sales promotions are a method that a business uses to try and sell more stock by attracting customers to offers.

Assessment comment

Candidate correctly explained sales promotions. [1 mark awarded]

Mark scheme and guidance

Expected answer	Mark	Guidance
Sales promotion techniques in business are used to attract and retain customers by selling their products and services.	1 mark	1 mark to be awarded for a correct answer.

Sample question 2

Identify three different forms of sales promotion. [3 marks]

Example

Response 1 Low-level response – 1 mark

1 Leaflets
2 Discount of 10% off your first order
3 Discount of 20% off your order

Response 2 Mid-level response – 2 marks

1 Buy one get one free
2 Discounts such as 50% off
3 99p

Response 3 High-level response – 3 marks

1 Buy one get one free.
2 Free gifts with a purchase such as free pen with this magazine.
3 Competitions on packaging such 'Win an iPad' with this product.

Assessment comment

Response 1

Answer 1 is not a form of sales promotion, it is an advertising method. [0 marks awarded]

Answer 2 is a correct form of sales promotion. [1 mark awarded]

Answer 3 is too similar to answer 2 so will not be awarded. This is a good example of how some learners may try to gain marks by applying the same theory but will only be awarded the mark once. [0 marks awarded]

Response 2

Answers 1 and 2 are correct forms of sales promotion. [1 mark awarded for each, total 2 marks]

Answer 3 is an incorrect form of sales promotion. 99p is an example of psychological pricing. [0 marks awarded]

Response 3

All three answers are correct forms of sales promotion. [1 mark awarded for each, total 3 marks]

Mark scheme and guidance

Expected answers	Marks
• Discounts • Competitions • Buy one get one free (BOGOF) • Point of sale advertising • Free gifts/product trials • Loyalty schemes	1 mark awarded for each of any 3 listed with examples.

Sample question 3

Ollie has decided to introduce a new pricing strategy on his fruit and vegetable market stall to attract customers to seasonal products. Recommend the best form of pricing strategy for his business. Justify your answer. [8 marks]

Example

Response 1 Low-level response – 0 marks awarded

I would recommend to Ollie that he should introduce a buy one get one free pricing strategy on his market stall as this way, customers will want to buy his products and it will be good value for money.

Response 2 Mid-level response – 4 marks awarded

A suitable pricing strategy for a market stall would be psychological pricing. This is because the business could price their fruit and vegetables using figures such as 99p or £1.49 or £1.99 which would hopefully attract customers to the stall. Customers would think they would be getting a bargain.

Response 3 High-level response – 8 marks awarded

The market stall that Ollie runs sells fruit and vegetables. He wants to introduce new season produce, so I would advise Ollie to introduce a price penetration pricing strategy. This means that the seasonal products could be introduced at a lower price than normal to attract customers. Gradually, Ollie could increase the prices over time. It would be a good way to get people to try some more unusual products. It would affect his profits initially, which would be a disadvantage, but by increasing the price of products over time, customers will continue to purchase the items from his stall. Ollie would hope that these customers would remain loyal to him because of his products, rather than moving their custom to competitors. This would also increase his market share.

Assessment comment

Response 1

0 marks awarded as the learner has identified a sales promotion rather than a pricing strategy. This will be a common occurrence from low-level learners who get confused between sales promotions and pricing strategies. [0 marks awarded]

Response 2

Candidate has correctly identified a suitable pricing strategy. [1 mark awarded]

Candidate demonstrates some examples of the pricing strategyshowing their understanding. [1 mark awarded]

Candidate has explained some advantages of the pricing strategy in the context. [2 marks awarded]

No disadvantages have been identified by the candidate, so no marks have been awarded for this.

Response 3

Candidate has correctly identified a suitable pricing strategy. [1 mark awarded]

Candidate demonstrates an understanding of the pricing strategy. [1 mark awarded]

Candidate has explained one disadvantage. [1 mark awarded]

Candidate has identified suitable advantages. [4 marks awarded]

Candidate gives good context to their answer. [1 mark awarded]

Mark scheme and guidance

Expected answers	Marks	Guidance
● Competitive pricing ● Psychological pricing ● Price penetration	1 mark	Candidate must select a correct pricing strategy.
Competitive pricing advantages ● As all similar businesses are charging the same price, it could damage the business's ability to compete. ● Could attract new customers as the price is the same as their usual retailer. *Competitive pricing disadvantages* ● Profit margins are likely to be low as the selling price may only be sufficient to cover the costs of growing the goods. ● Businesses need to be creative in their methods of attracting customers as price alone will not always encourage customers to the market stall.	1 mark	Suitable understanding of pricing strategy must be demonstrated within response by candidate. [1 mark] Advantages and disadvantages of selected method [maximum marks 5] Context provided within response [1 mark]
Psychological pricing advantages ● Attracts customers to the pricing strategy as they are perceived to be a good deal to the customer. ● Good deals attract an increase in customer numbers, revenue and profit margins. ● Products on the market stall are being sold for only slightly less than their true value. *Psychological pricing disadvantages* ● Customers are more aware of this type of pricing and may be less susceptible than in the past. ● It can be difficult to offer percentage discounts if you are using this type of pricing strategy, for example, 20% off 99p. *Price penetration advantages* ● They can attract customers to a new product such as a fruit and encourage them to try it in the hope they will continue to purchase it once the prices increase. ● Price penetration is a way to increase market share quickly. *Price penetration disadvantage* ● While selling products at a lower cost, revenue is lost and therefore, profit is lower		

LO5: Understand factors for consideration when starting up a business

Sample question

Alexander, Robert and Shona co-own a family run retail store in Scotland, Maclean Tartan.

There is a vast amount of competition in the local area. Shona is trying to persuade her brothers to convert their partnership into a private limited company.

Identify and explain two benefits of the family remaining as a partnership. [4 marks]

Example

Response 1 Low-level response – 0 marks awarded

If Alexander, Robert and Shona were to change to a limited company they would grow bigger and be able to make higher sales.

Response 2 Mid-level response – 2 marks awarded

The partners have limited liability at the moment in their partnership, therefore they are not liable for the debts of the business. A partnership is already operating so there will be no additional costs of changing to a limited company.

Response 3 High-level response – 4 marks awarded

Alexander, Robert and Shona are already operating their business organisation so if they stay as a partnership there will be no additional costs. To set up a limited company there are a vast number of legal formalities that have to be completed which cost large amounts of money.

As Alexander, Robert and Shona know each other well and have worked together for many years, they are able to consult with each other when making decisions. This means that they will make informed and accurate decisions and if one of them is absent the other two will be able to make appropriate decisions in their absence.

Assessment comment

Response 1

The first point is incorrect and therefore scores 0 marks. The learner has failed to answer the question set. The learner has considered the benefits of becoming a limited company rather than the benefits of remaining as a partnership. [0 marks awarded]

Response 2

The first point is incorrect and therefore scores 0 marks. The second point is correct for 1 mark and has been explained for the 2nd mark. [2 marks awarded]

Response 3

The first point is correct for 1 mark and has been explained in detail for the second mark. The second point is also correct for 1 mark and has been explained for the 2nd mark. [4 marks awarded]

Mark scheme and guidance

Expected answer	Mark
Advantages of forming a partnership may include: The partnership is easy to operate (1) there are no legal formalities as with a limited company (1). Shared responsibility (1) – the family will share the business responsibilities (1). Specialisation (1) – the three siblings will have different specialisms which will help the business grow (1). Increased capital (1) – the family can all invest in the business organisation (1). Holiday / sickness cover (1) – the three siblings can cover for each other, so the business can continue to operate (1). Consultation (1) – the three siblings can discuss issues and consult with one another over business decisions (1).	Award one mark for an identified advantage and one mark for an explanation of the advantage.

LO6: Understand different functional activities needed to support a business start-up

Sample question

Select one functional area of a business and explain one activity that will be completed by the function within a large business. [4 marks]

Example

Response 1 Mid-level response – 2 marks awarded

The marketing function in a large business will create promotions by using different types of advertising.

Response 2 High-level response – 4 marks awarded

The marketing functional area is responsible for producing a variety of different advertising material to enable the business to promote their products and services. The advertising will hopefully increase their customer numbers, as they will be attracted to the advertising material which they will then purchase. This will increase the businesses sales and profits.

Assessment comment

Response 1

Candidate has correctly identified the marketing function of a large business. [1 mark]

Candidate has correctly identified an activity for the marketing function. [1 mark]

Candidate has not provided a suitable explanation. They have provided a description rather than an explanation so have not fulfilled the command verb. If they had added 'to promote the business and sell more products', it would have fulfilled the explain command verb and provided more context.

Response 2

Candidate has correctly identified the Marketing function of a large business. [1 mark]

Candidate has correctly identified an activity for the marketing function. [1 mark]

Candidate has provided a suitable explanation and reason. [2 marks]

Mark scheme and guidance

Expected answers	Mark
Human resources – recruitment and selection, for example, recruiting staff when there is a need such as promotions, retirement, long term sickness. **Marketing** – advertising products or services to increase sales and revenue. **Operations** – organise the process of producing products so that they can be sold to customers. **Finance** – reporting on the financial performance of the business so decisions can be made on the future of the business such as expansions, investment in new machinery.	A correct functional area in a business must be selected [1 mark]. A suitable activity must be provided by the candidate [1 mark]. Further marks to be awarded for explanation [1 mark] and context [2 marks].