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**ENTERPRISE**

**0454/13**

Paper 1 Case Study

**May/June 2017**

MARK SCHEME

Maximum Mark: 100

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**Published**

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This document consists of **10** printed pages.

Question	Answer	Marks
1(a)	<p><b>Identify <u>two</u> challenges facing an enterprise.</b></p> <p>Answers may include:</p> <ul style="list-style-type: none"> <li>• arranging (sufficient) finance</li> <li>• finding/retaining customers</li> <li>• working in partnerships or teams</li> <li>• completing necessary paperwork</li> <li>• sourcing raw materials/staff</li> <li>• keeping costs low</li> <li>• entering a competitive market</li> <li>• finding an innovative idea</li> </ul>	<b>2</b>
1(b)	<p><b>Identify <u>two</u> ways in which opportunities for enterprise may arise.</b></p> <p>1 mark per relevant point.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> <li>• identifying a need/demand/gap</li> <li>• taking advantage of new technology</li> <li>• recognising changes in taste and fashion</li> <li>• recognising areas for expansion</li> <li>• changes in size or structure of the population</li> <li>• government policies</li> <li>• taking part in school/college enterprise project</li> <li>• globalisation</li> </ul>	<b>2</b>
1(c)	<p><b>Explain how Saburo and Barak used <u>two</u> opportunities for enterprise during the growth of Saba Sauces.</b></p> <p>Each point should be marked as follows: 1 mark per identification of a specific opportunity from the case study (max 2) Plus 2 marks – explanation of how the opportunity was utilised by Saba Sauces.</p> <p>Application could include:</p> <ul style="list-style-type: none"> <li>• identifying a demand for the sauce</li> <li>• raised demand for the sauces</li> <li>• recognising areas for expansion – the market in other towns/overseas</li> <li>• the ability to meet the demand</li> <li>• sell online</li> </ul> <p>Example: He recognised the change in taste from his grandmother's time (1). He created more sauces (1) and that enabled them to grow the brand (1).</p>	<b>6</b>

Question	Answer	Marks
2(a)	<p><b>What is meant by <i>negotiation</i>?</b></p> <p>2 marks for a clear and precise definition. 1 mark for some understanding of the term.</p> <p>Example: Discussion (1) aimed at reaching an agreement/resolving disputes (1) for mutual benefit of both parties. (1)</p>	<b>2</b>
2(b)	<p><b>Identify <u>two</u> steps involved in the negotiation process.</b></p> <p>1 mark per relevant step identified.</p> <p>Answers might include:</p> <ul style="list-style-type: none"> <li>• preparation/research</li> <li>• establishing the negotiating environment</li> <li>• exploring needs</li> <li>• testing or understanding and summarising</li> <li>• negotiating/meeting/discussion</li> <li>• reaching agreement/compromise</li> </ul>	<b>2</b>
2(c)	<p><b>Explain <u>two</u> factors that contributed to the success of the negotiations you were involved in as part of <u>your enterprise project</u>.</b></p> <p>Each factor should be marked as follows: 1 mark – identification of a factor 1 mark – example of how the factor was applied to their own enterprise experience Plus 1 mark explanation showing how it assisted the negotiation</p> <p>Example: Being prepared for the negotiation (1) I researched the prices charged by other suppliers (1) therefore the supplier was willing to match their prices. (1)</p>	<b>6</b>
3(a)(i)	<p><b>What is the difference between the following terms? <i>overdrafts</i> and <i>mortgages</i></b></p> <p>2 marks explicit identification of the difference between the two terms. 1 mark identified factor that suggests a difference.</p> <p>Example: Overdrafts are short-term (flexible) loans and mortgages are long-term. (2) Overdrafts – short-term flexible forms of borrowing/with a variable rate of interest. (1) Mortgages – long-term fixed sources of finance/used to purchase land or property. (1)</p>	<b>2</b>

Question	Answer	Marks
3(a)(ii)	<p><b>What is the difference between the following terms? <i>losses and cash flow deficit</i></b></p> <p>2 marks explicit identification of the difference between the two terms. 1 mark identified factor that suggests a difference.</p> <p>Example: Losses relate to costs being greater than earnings but cash flow shows only more money flowing out than in. (2) Losses – earnings are less than expenses/costs.(1) Cash flow deficit – more cash flows out of the enterprise than into it. (1)</p>	<b>2</b>
3(a)(iii)	<p><b>What is the difference between the following terms? <i>creditor and debtor</i></b></p> <p>2 marks explicit identification of the difference between the two terms. 1 mark identified factor that suggests a difference.</p> <p>Example: Creditors are people/organisations to whom money is owed (liability) but debtors owe the firm money (asset). (2) Creditor – someone that the enterprise owes money to, usually suppliers/ accounts payable (1) Debtor – customer who owes money to the enterprise/accounts receivable. (1)</p>	<b>2</b>
3(b)	<p><b>Explain <u>one</u> advantage and <u>one</u> disadvantage of using profits for reinvestment as a source of finance for an enterprise.</b></p> <p>1 mark per stated reason (maximum of two). Plus 1 mark – further development of the point.</p> <p>Advantages could include:</p> <ul style="list-style-type: none"> <li>• does not have to be repaid</li> <li>• provides a budget/maximum that can be spent</li> <li>• there is no interest payable</li> </ul> <p>Disadvantages could include:</p> <ul style="list-style-type: none"> <li>• new enterprises have very little or no retained profit</li> <li>• reduces the amount of money available to be taken by owners</li> <li>• once used can no longer be a source of emergency funding if required</li> <li>• loss of interest earned from savings (opportunity cost)</li> </ul> <p>Example: There is no interest to be repaid (1) which lowers cost for the enterprise. (1) New enterprises have very little or no retained profit (1) so may struggle to fund all of their needs. (1)</p>	<b>4</b>

Question	Answer	Marks
4(a)	<p><b>State <u>two other</u> external methods of communication used by an enterprise.</b></p> <p>1 mark per relevant answer.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> <li>• memos</li> <li>• letters</li> <li>• telephone</li> <li>• face to face</li> <li>• teleconferencing/videoconferencing</li> <li>• email</li> </ul>	<b>2</b>
4(b)	<p><b>Identify <u>two</u> ways an enterprise can retain existing customers.</b></p> <p>1 mark per relevant answer.</p> <p>Answers might include:</p> <ul style="list-style-type: none"> <li>• offer quality goods or services</li> <li>• deal with complaints promptly</li> <li>• offer the best prices</li> <li>• train staff to have good interpersonal skills with customers</li> <li>• good customer service</li> <li>• rewards</li> </ul>	<b>2</b>
4(c)	<p><b>Explain why it will be important for Saburo and Barak to keep their existing customers as they expand.</b></p> <p>1–2 marks – knowledge of customer retention            2 further marks – explanation of the benefits of customer retention            Plus 2 marks – specific examples/reference to Saba Sauces</p> <p>Application might include:</p> <ul style="list-style-type: none"> <li>• word of mouth advertising for the sauces</li> <li>• steady income stream to help fund the expansion</li> <li>• evidence for the national store that this is a successful brand</li> </ul> <p>Example:            They will not need to attract new customers (1) which is expensive (1). As Saba Sauces is spending on expansion (1) they need expansion to cover costs (1). The existing customers will spread good word of mouth (1) which will also help to attract new customers (1).</p>	<b>6</b>

Question	Answer	Marks
5(a)	<p><b>Identify <u>two</u> business objectives for an enterprise.</b></p> <p>1 mark per objective.</p> <p>Answers might include:</p> <ul style="list-style-type: none"> <li>• survive</li> <li>• expand</li> <li>• break even on new project</li> <li>• gain new customers/retain customers</li> <li>• maximise sales</li> <li>• make profit</li> </ul>	<b>2</b>
5(b)	<p><b>List <u>two</u> pieces of financial information that are normally included in a business plan.</b></p> <p>1 mark per relevant answer.</p> <p>Answers might include financial documents:</p> <ul style="list-style-type: none"> <li>• budgets</li> <li>• cash flow</li> <li>• profit and loss (prediction) statement</li> <li>• balance sheet</li> </ul> <p>OR specific financial data such as:</p> <ul style="list-style-type: none"> <li>• profit or loss</li> <li>• revenue or sales income</li> <li>• costs of items</li> </ul>	<b>2</b>
5(c)(i)	<p><b>Identify <u>two</u> decisions made in your enterprise project.</b></p> <p>1 mark per decision identified.</p> <p>Answers will depend upon their own enterprise but might include:</p> <ul style="list-style-type: none"> <li>• decisions on finance</li> <li>• staff roles</li> <li>• marketing materials</li> <li>• product choice/design</li> </ul>	<b>2</b>
5(c)(ii)	<p><b>Explain the impact each decision had on <u>your enterprise project</u>.</b></p> <p>Each decision should be marked as follows: 1 mark – example showing how the decision was applied in their own enterprise project. Plus 1 mark – explanation showing how the decision impacted upon the enterprise project.</p> <p>For example: We chose to buy more stock in advance (1) this meant we were able to meet the high demand. (1)</p> <p>Not doing a lot of research on the demand for ice-lollies (1) we ended up buying the wrong stock and losing money. (1)</p>	<b>6</b>

Question	Answer	Marks
6(a)	<p><b>The business advisor asked for a copy of the completed business plan. Discuss how important the business plan was to Saba Sauces.</b></p> <p><b>Level 4 (9–10 marks)</b> Candidate is able to offer a very thorough discussion of the importance of business plans. Advantages and disadvantages are discussed in the context of the case study material.</p> <p><b>Level 3 (6–8 marks)</b> Candidate is able to offer an analysis of the importance of business plans, illustrating either advantages or disadvantages with reference to information within the case study. For 7 plus marks, there must be some attempt to discuss both positives and negatives.</p> <p><b>Level 2 (3–5 marks)</b> Candidate is able to apply knowledge and understanding by using information from the case study material.</p> <p><b>Level 1 (1–2 marks)</b> Candidate is able to demonstrate some knowledge and understanding of business planning, but there is no application to the case study material.</p> <p><b>Level 0 (0 mark)</b> Candidate is unable to demonstrate any knowledge or understanding of business planning.</p>	<b>10</b>

Question	Answer	Marks
6(b)	<p><b>The business advisor suggested that Saba Sauces become a limited company. Recommend whether Saba Sauces should remain a partnership or become a limited company as the enterprise expands. Justify your decision.</b></p> <p><b>Level 4 (10–15 marks)</b> Candidate is able to offer a very thorough evaluation of the decision to alter the organisational structure of Saba Sauces with some reference to the advantages and disadvantages of both business organisations. For 13 plus marks, justification of decision needs to be explicit and logical.</p> <p><b>Level 3 (6–9 marks)</b> Candidate is able to offer an analysis of the suitability of a partnership or limited company to Saba Sauces. At this level answers may be one sided – the advantages <b>or</b> disadvantages of limited companies <b>or</b> partnerships may be considered in depth, or both partnerships and limited companies in less detail.</p> <p><b>Level 2 (3–5 marks)</b> Candidate is able to apply knowledge and understanding of partnerships or limited companies with reference to the case study material.</p> <p><b>Level 1 (1–2 marks)</b> Candidate is able to demonstrate some knowledge and understanding of either partnerships or limited companies.</p> <p><b>Level 0 (0 mark)</b> Candidate is unable to demonstrate any knowledge or understanding of partnerships or limited companies.</p>	15



Question	Answer	Marks
7(a)	<p><b>As a food manufacturer, Saba Sauces is affected by many laws and regulations. Discuss how laws and regulations affected, or could have affected, the operation of <u>your enterprise project</u>.</b></p> <p><b>Level 4 (9–10 marks)</b> Candidate is able to offer a very thorough discussion of both the benefits and costs of laws and regulations in the context of their own enterprise experience.</p> <p><b>Level 3 (6–8 marks)</b> Candidate is able to offer an analysis of the impact of laws and regulations within their enterprise project. For 7 plus marks, there must be some attempt to explain the impact of more than one law or regulation.</p> <p><b>Level 2 (3–5 marks)</b> Candidate is able to apply knowledge and understanding of how laws and regulations could have influenced their enterprise project. This may be provided by the use of practical examples.</p> <p><b>Level 1 (1–2 marks)</b> Candidate is able to demonstrate some knowledge and understanding of laws and regulations. There is no application to their enterprise project.</p> <p><b>Level 0 (0 mark)</b> Candidate is unable to demonstrate any knowledge or understanding of laws and regulations in enterprise.</p>	<b>10</b>

Question	Answer	Marks
7(b)	<p><b>Saburo and Barak had not completed any market research before starting their enterprise. They considered using:</b></p> <ul style="list-style-type: none"> <li>• a questionnaire</li> <li>• interviews with potential customers</li> <li>• internet research</li> <li>• records of similar enterprises</li> </ul> <p><b>Evaluate <u>two</u> of these four methods of research which would have been suitable before starting <u>your enterprise project</u>. Give reasons for your answer.</b></p> <p><b>Level 4 (10–15 marks)</b> Candidate is able to offer a very thorough evaluation of the methods of research selected with some reference to the advantages and disadvantages of at least two methods. For 13 plus marks, evaluation of 2 methods needs to be explicit</p> <p><b>Level 3 (6–9 marks)</b> Candidate is able to offer an analysis of the suitability of the methods of research. At this level answers may be one sided – the advantages <b>or</b> disadvantages of one method may be considered in depth, or two methods in less detail. For 7 plus marks, some attempt must be made to analyse at least two separate methods of research in the context of their enterprise project.</p> <p><b>Level 2 (3–5 marks)</b> Candidate is able to apply knowledge and understanding of methods of research that may be appropriate for their own enterprise project.</p> <p><b>Level 1 (1–2 marks)</b> Candidate is able to demonstrate some knowledge and understanding of methods of research.</p> <p><b>Level 0 (0 mark)</b> Candidate is unable to demonstrate any knowledge or understanding of methods of research.</p>	15