



GCE

New Business

H031/01: The local business environment

AS Level

Mark Scheme for June 2024

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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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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 5 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
 - there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - b. **To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. Annotations

Annotation	Meaning	Annotation	Meaning
	Blank page (this MUST be used rather than SEEN)		Knowledge
	Tick		Application of knowledge and understanding
	Cross		Analysis
	Highlighting tool		Developed Analysis
	Not answered question (candidate writes irrelevant material)		Evaluation
	Own Figure Rule		Effective evaluation
	Benefit of Doubt (replaces tick in short answer questions)		Unclear
	Repeat (material already rewarded)		Too vague/No use of context
	Noted but no credit given (use where no other annotation is appropriate)		

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read if the paper is printed out in black & white.

[Questions 1-15 should be annotated with ticks, crosses or SEEN. Questions 16-18, & 20 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR/BOD MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 19 & 21.]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

12. Subject Specific Marking Instructions

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/ Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these marks.

The descriptions in each level of response question in this mark scheme describe a typical response at the top of that level.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Practice scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the practice scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

SECTION A

Question	Answer	Marks	AO	Rationale
1	C	1	1	Lean production focuses on cutting out all forms of waste from the production process which does not involve compromising on quality, e.g., wasted materials, wasted human resources, wasted space etc. Sustainability focuses on environmental issues. A drive for improved productivity aims to maximise output and efficiency. Reducing specialisation and division of labour would increase, rather than reduce, waste.
2	B	1	1	A 'multinational business' has bases in several different countries. The term 'global exporter' refers to a business that sells goods to several different countries, it does not necessarily have bases in these countries. A company operates in the private sector, so cannot be a public sector organisation. An international market is one with buyers who are in several countries.
3	A	1	2	A brief history of the business is usually included in a business plan, but not in Yoshi's case because it is a business startup. A business should include the business idea, financial forecasts and an analysis of what could go wrong.
4	B	1	1	Cell production involves organising workers into multi-skilled teams each of which fulfil their role before the product moves to the next stage of the production process. (a) involves making a number of similar items together, before moving on to a different item. (c) refers to continuous production, usually on a production line. (d) involves making items individually, especially bespoke and handmade items.
5	A	1	2	The clothing manufacturer and cotton mill are merging. A monopoly describes a market condition. An acquisition involves a buy-out where one company takes ownership of the other. Organic growth refers to a business growing larger because of internal, rather than external, factors.
6	D	1	1	Variable costs increase with output. Since total costs include variable costs, these also increase when output rise. Fixed costs do not vary with output.
7	B	1	2	The term 'recruitment' means hiring new staff, in a hospital doctors, nurses and cleaners (to name but a few). (a) dismissal and (c) motivation are HR tasks, but do not involve recruitment. (d) is a management and/or trade union role.
8	B	1	2Q	2022 labour productivity = $\frac{£1.5m}{3} = £0.5m$. 2023 labour productivity = $\frac{£2m}{5} = £0.4m$. Drop in productivity of £0.1m per vet. Percentage change in labour productivity = $\frac{-£0.1m}{£0.5m} \times 100 = -20\%$. (c) erroneously assumes that employing additional vets has led to an increase in productivity. (a) and (d) erroneously use the wrong denominator for the percentage change calculation i.e., they divide by £0.4m rather than £0.5m. (d) compounds this error by also assuming that there has been an increase in productivity.
9	C	1	2	The support services function of a business assists other functions, commonly today by giving administrative and IT support. Creating a database is a business support task. (a) is an HR task, (b) a sales task and (d) a marketing task.

SECTION A

Question	Answer	Marks	AO	Rationale
10	D	1	1	Mass marketing is a strategy where a firm ignores market segmentation and attempts to reach the entire market with its message. (c) is the opposite, i.e., niche marketing. 'Mass marketing' as an expression gives the impression of largeness in size, however the term should not be confused with market growth.
11	C	1	2	Capacity management is an operations management function concerned with the usage of the resources of a business. Therefore, checking that there are sufficient stocks of fish food to feed the current and incoming stock of fish is likely to be essential to the role. Answer (a) is a human resource task. Answer (b) is a finance task. Answer (d) is an operations management function, but one which focuses on quality standards rather than capacity.
12	C	1	1	The capacity of digital storage devices is a technological factor. Whereas answer (a) is an economic factor; answer (b) is a social factor and answer (d) is a political factor.
13	B	1	2Q	Lead time is the time lapse between ordering stock and its arrival. The chart shows stock ordered in week 2 is not received until week 4 (likewise stock order in week 6 is not received until week 8), thus the lead time is two weeks.
14	D	1	1	Assets, capital & liabilities are all found in a statement of financial position, but only profit would be found in an income statement.
15	D	1	2	Return on equity is a way of measuring the financial performance of a business. Answers (a), (b) and (c) are ways to measure the non-financial performance of a theatre.

Section B

Question	Answer	Mark	Guidance
16	<p>Define the term 'entrepreneur'.</p> <p>One mark for each of two valid points.</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Willing to take risks/a risk taker • Sets up/<u>starts</u>/owns a (new)business/<u>turns</u> an idea into an enterprise <p>Do not award merely referring to being 'interested'/'thinking about' setting up their own business.</p> <p>No context required.</p> <p>Exemplar response</p> <p>Someone who takes the risk (1) of opening their own business (1).</p> <p style="text-align: right;">ARA</p>

17		<p>Outline one source of finance that a sole trader may use when setting up a business.</p> <p>One mark for correct identification, plus one mark for outline of the source identified.</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Loan • Credit card • Hire purchase • Leasing • Overdraft • Trade credit • (Own) savings • (Re)mortgage <p>Any answer must be applicable to a sole trader and applicable to when starting up a new business. Do not award shares, debentures or retained profit.</p> <p>Exemplar response</p> <p>A sole trader could use any savings (1) that they have. This is money that they do not have to pay back (1).</p> <p>A sole trader could get a loan (1). This is money borrowed from the bank (1).</p> <p style="text-align: right;">ARA</p>
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H031/01

Mark Scheme

June 2024

18	a	<p>Explain one benefit for Robyn & Rozy of operating as a partnership.</p> <p>Two marks for a contextual explanation of a benefit (annotate APP).</p> <p>One mark for a non-contextual explanation of a benefit.</p>	<p>2 (AO1 1) (AO2 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Capital from partners/combined finance • Financial state of the business is private • Partners bring a range of skills/talents/contacts • Can share ideas/problems • Partners can specialise in what they do best • Share workload (of owning a business) <p>Do not award can split profit, as splitting profit is not a benefit.</p> <p>Context includes: both (partners), two (partners), hair, salon, website, Facebook, coffee, biscuits, etc.</p> <p>Exemplar response Having two partners (APP) means that there is likely to be more capital than if only one person set the business up (2).</p> <p>More capital will have enabled Robyn & Rozy to buy better quality fixtures and fittings (1).</p> <p style="text-align: right;">ARA</p>
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H031/01

Mark Scheme

June 2024

18	b	<p>Explain one benefit for Mark Hill Hair Cosmetics Ltd. of operating as a private limited company.</p> <p>Two marks for a contextual explanation of a benefit (annotate APP).</p> <p>One mark for a non-contextual explanation of a benefit.</p>	<p>2 (AO1 1) (AO2 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Separate legal entity • Limited liability • Can issue shares • Investors/banks may regard companies as less risky than sole traders or partnerships • Do not need to publish financial details <p>Context includes: current liabilities, £3,568,845, hair, salon, website, Facebook, celebrities, 40 years, etc.</p> <p>Exemplar response</p> <p>The business can sell shares (1) to raise finance for innovative hair care equipment (APP).</p> <p>The business will have limited liability (1).</p> <p style="text-align: right;">ARA</p>
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19*	<p>Evaluate advantages to Robyn & Rozy of acting in a sustainable manner.</p> <p>Level 4 (10–12) Candidate shows strong knowledge and understanding (K), analysis (DEV) and evaluation (EE) of advantages to Robyn & Rozy of acting in a sustainable manner (APP). <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (7–9) Candidate shows good knowledge and understanding (K), analysis (AN/DEV) and evaluation (EVAL/EE) of advantages to Robyn & Rozy of acting in a sustainable manner (APP). <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (4–6) Candidate shows reasonable knowledge and understanding (K), analysis (AN) and evaluation (EVAL) of advantages to Robyn & Rozy of acting in a sustainable manner (APP). <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–3) Candidate shows limited knowledge and understanding (K) of advantages to Robyn & Rozy of acting in a sustainable manner (APP) with limited or no analysis (AN) and evaluation (EVAL).</p>	<p>12 (AO1 2) (AO2 2) (AO3 4) (AO4 4)</p>	<p>Candidates could consider the following advantages:</p> <ul style="list-style-type: none"> • Improved brand image • Improved reputation • Good publicity • Attracts more customers • Wider customer base • May be able to charge higher prices • Attracts investors • Creates a USP • May meet new regulatory requirements <p>Accept 'reduced cost' if valid explanation e.g. solar panels is given.</p> <p>Acting in a sustainable manner is any action which does not lead to the depletion of natural resources.</p>
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		<p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>0 marks no response or no response worthy of credit.</p> <p>NB – award maximum of two marks for non-contextualised answer.</p>		
20	a	<p>Using the information in Table 1, calculate the current ratio for Mark Hill Hair Cosmetics Ltd.</p> <p>Award 2 marks for declared correct answer (with or without workings).</p> <p>Else award 1 mark for 1498593/5082984.</p>	<p>2 (AO2 2)</p>	<p>$\frac{\pounds 1,498,593}{\pounds 5,082,984}$ [1]</p> <p>= 0.29 [1] or 0.29:1</p> <p>Accept rounding to 0.3 i.e 0.3 or 0.3:1</p> <p>Award max 1 mark for answer given as a percentage.</p> <p>Award max 1 mark for correct answer seen but a different final answer declared.</p>
20	b	<p>Calculate the net profit margin for the most expensive 'cut & blow dry' service at Mark Hill Hair Cosmetics Ltd.</p> <p>Award 2 marks for the declared correct answer (with or without workings).</p> <p>Else award 1 mark for (£)42 (net profit), if seen.</p>	<p>2 (AO2 2)</p>	<p>Net profit per customer = 82 - 40 = 42 [1]</p> <p>$\frac{42}{82} \times 100 = \mathbf{51.2\%}$ [1]</p> <p>Accept rounding 51%</p> <p>Award maximum 1 mark without percentage sign.</p>

20	c	<p>Identify one reason why calculating financial ratios is useful to a private limited company.</p> <p>One mark for correct identification.</p>	<p>1 (AO1 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • To inform stakeholders e.g. shareholders, employees, suppliers, creditors • To measure performance • To monitor performance <p>Do not award vague answers e.g. to understand financial position, to identify areas for improvement, to help make decisions.</p> <p>No context required</p> <p style="text-align: right;">ARA</p>
21*		<p>Evaluate how the strength of local competition may affect the marketing mix chosen by No.4 Packman Lane.</p> <p>Level 4 (16–20) Candidate shows strong knowledge and understanding (K), analysis (DEV) and evaluation (EE) of how the strength of local competition may affect the marketing mix chosen by No.4 Packman Lane (APP). <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (11–15) Candidate shows good knowledge and understanding (K), analysis (AN/DEV) and evaluation (EVAL/EE) of how the strength of local competition may affect the marketing mix chosen by No.4 Packman Lane (APP). <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>Candidates could consider the following effects:</p> <ul style="list-style-type: none"> • Product <ul style="list-style-type: none"> ○ Range of services ○ Experience/expertise ○ Prestige ○ USP • Price <ul style="list-style-type: none"> ○ Pricing strategy e.g. competitive, cost-plus, skimming, penetration, etc ○ Price matching • Promotion <ul style="list-style-type: none"> ○ Advertising ○ Sales promotion ○ Sponsorship ○ Public relations • Place <ul style="list-style-type: none"> ○ Location e.g. prominent, footfall ○ How appointments book e.g. phone, online ○ Affluent area ○ Channels of distribution

	<p>Level 2 (6–10) Candidate shows reasonable knowledge and understanding (K), analysis (AN) and evaluation (EVAl) of how the strength of local competition may affect the marketing mix chosen by No.4 Packman Lane. <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding (K) of ways that local competition may affect the marketing mix chosen by No.4 Packman Lane (APP) with limited or no analysis (AN) and evaluation (EVAl). <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts. 0 marks no response or no response worthy of credit.</p>	<p>Strong evaluation should explicitly consider links between the marketing mix and the strength of local competition i.e., very competitive. Some points may lead candidates to conclude that just because there are three salons close together does not mean that any one of them will struggle to attract customers.</p>
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