



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

ENTERPRISE

0454/01

Paper 1

For Examination from 2011

SPECIMEN MARK SCHEME

1 hour 30 minutes

MAXIMUM MARK: 100

This document consists of **9** printed pages and **1** blank page.



		Marking guide	AO	Marks
1	(a)	<p>Identify one factor that created the opportunity for Natasha and Karanveer's enterprise to exist.</p> <p>Case Study states:</p> <ul style="list-style-type: none"> • demand for clothing made from organic cotton • increased real income • government grants <p>Implied are:</p> <ul style="list-style-type: none"> • changes in taste and fashion • ability to meet the demand 	AO1	[1]
	(b)	<p>State two skills, apart from motivation, team building and creativity, that are needed to be entrepreneurial.</p> <p>Case Study mentions: motivation, team building and creativity so these should not be allowed.</p> <p>Any two from the following list:</p> <ul style="list-style-type: none"> • leadership • self confidence • innovation • determination to succeed • problem solving • resourcefulness • taking initiative • taking calculated risks and responsibility • perseverance 	AO1	[2] [2 × 1]
	(c)	<p>Discuss how one individual that you have studied has shown entrepreneurial skills.</p> <p>Level 2 (3–4 marks) Candidates are able to analyse and evaluate how the skills were used.</p> <p>Level 1 (1–2 marks) Candidates apply skills to entrepreneurial activity. A generic answer, not related to the named person, can not progress beyond Level 1.</p> <p>0 marks – no creditworthy material.</p>	AO2 AO3	[4]
2	(a)	<p>Explain what is meant by a partnership.</p> <p>Could include:</p> <ul style="list-style-type: none"> • unlimited liability • limited number of partners allowed (depends on country, but usually 2 - 20) • requires a Deed of Partnership to be set up 	AO1	[1 + 1]

	<p>(b) Explain what is meant by a limited company.</p> <p>Could include:</p> <ul style="list-style-type: none"> • limited liability • shares can be sold to raise capital • accounts have to be made available to the public 	AO1	[1 + 1]
	<p>(c) Discuss whether a partnership or a limited liability company would be most suitable for Natasha and Karanveer.</p> <p>A partnership would have the advantage of:</p> <ul style="list-style-type: none"> • keeping control to themselves • easier to set up • keep accounts private <p>A partnership would have the disadvantage of:</p> <ul style="list-style-type: none"> • limitation on the amount of finance that could be raised • unlimited liability – could lose possessions • if one partner leaves, the partnership is dissolved <p>A limited company would have the advantage of:</p> <ul style="list-style-type: none"> • could issue shares, so could raise more money • limited liability, so personal possessions not at risk • a public limited company would be able to raise shares on a stock exchange (but not a private limited company) <p>A limited company would have the disadvantage of:</p> <ul style="list-style-type: none"> • accounts have to be made available to the public • more expensive/complex to set up a company • decision-making is shared among many more people <p>Level 3 (4–6 marks) Candidates are able to discuss relevant differences with a clear justified decision.</p> <p>Level 2 (3–4 marks) Candidates are able to explain the importance of the differences to the business.</p> <p>Level 1 (1–2 marks) Candidates show knowledge of the Case Study and offer some application.</p> <p>0 marks – no creditworthy material.</p>	AO2 AO4	[2] [4]

3	(a)	<p>Identify and explain one reason why is it important to produce a business plan when starting an enterprise.</p> <p>1 mark: candidates identify a benefit of planning to a business</p> <p>plus 1-2 marks for an explanation of how this helps business to set up.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • shows that the business is organised/prepared – therefore more likely to gain finance • forced to think ahead and identify risks – may help them to avoid risks or put in place measures to protect themselves • produces targets which the firm can use to measure success • identifies financial needs – allow the business to arrange finance in advance and therefore avoid problems with financial shortfalls 	AO1	[3]
	(b)	<p>Identify two other important pieces of information which should be included in a business plan.</p> <p>Any two from:</p> <ul style="list-style-type: none"> • name of business • location/address of business • market aimed for • market research results • human resources plan • production details • equipment required • cash flow forecast • forecasted profit and loss 	AO1	[2 × 1]
	(c)	<p>Discuss how useful a business plan about your enterprise project would be.</p> <p>Level 2 (3–4 marks) Candidates offer a full discussion of how useful a business plan would be to their enterprise.</p> <p>Level 1 (1–2 marks) Candidates offer a limited discussion of how useful a business plan would be to their enterprise.</p> <p>Candidates could include:</p> <ul style="list-style-type: none"> • it helped them to gain finance • it showed prospective investors that they were serious • it was quoted in marketing material <p>0 marks – no creditworthy material.</p>	AO2 AO3	[2] [2]

4	(a)	What is meant by the following terms?		
	(i)	sales revenue Total revenue/income from the sale of goods/services.	AO1	[1]
	(ii)	cash flow Allow answers which have the idea of money in and money out.	AO1	[1]
	(iii)	net profit Gross profit minus overheads. Allow total profit after all costs deducted.	AO1	[1]
	(iv)	investment Money used in order to gain future returns. Allow purchase of capital equipment or money put into a business.	AO1	[1]
	(b)	Explain one problem which may be caused by not keeping accurate financial records of an enterprise's activities. Candidates could include reference to: Not able to calculate profit/loss correctly, tax collector would not be able to calculate correct tax, fines, cash flow issues, failure to collect debts or pay creditors on time. 1 to 2 marks – Candidates shows knowledge of why accurate financial records are important by identifying a problem. 3 to 4 marks – Candidates show understanding of the effects of the identified problem.	AO1	[4]

	(c)	<p>Discuss how your enterprise project raised the finance that it needed to operate.</p> <p>Candidates are likely to choose from bank loan, grants, hire purchase, leasing.</p> <p>Answers will depend upon which type of business organisation the enterprise chooses so shares to family and friends should be allowed but not stock exchange.</p> <p>Level 3 (5–6 marks) Candidates offer a good discussion of how their enterprise project raised the finance that it needed to operate.</p> <p>Level 2 (3–4 marks) Candidates offer a limited discussion of how their enterprise project raised the finance that it needed to operate.</p> <p>Level 1 (1–2 marks) Candidates demonstrate knowledge of sources of finance but there is no application to their own enterprise project.</p> <p>0 marks – no creditworthy material.</p>	AO1 AO2 AO3	[2] [2] [2]
5	(a)	<p>Identify one way in which the following people are affected by laws concerning production, marketing or selling:</p> <p>Give 1 mark for valid statement plus 1 for development in each case e.g. “Employers will face higher costs (1) due to the legal requirement to provide safety equipment (1).”</p>		
	(i) employers	<p>Candidates are likely to suggest:</p> <ul style="list-style-type: none"> • production – extra costs to cover health and safety, maximum working hours, quality standards, banning/control of production e.g. guns • marketing/sales – consumer protection legislation. 	AO1	[1 + 1]
	(ii) employees	<p>Safer at work, earn less money due to limited hours, required to train before working.</p>	AO1	[1 + 1]
	(iii) consumers	<p>Assured of quality of the products, safer products, protected from unfair claims in adverts, underweight goods, know details of all credit agreements etc.</p>	AO1	[1 + 1]

	<p>(b) Explain two ways in which the law affected your enterprise project.</p> <p>Candidates could make reference to equality of opportunity, trade descriptions, health and safety or protection of the environment.</p> <p>For each of the two ways, there is 1 mark for showing knowledge of the law and 1 mark for demonstrating an understanding of how a particular law affected their enterprise project.</p> <p>The explanation could focus on advertising, selection, contracts.</p> <p>e.g. “the employer can not discriminate against people because of their sex (1) they can not advertise for a woman they must advertise for a person (1).”</p> <p>1 mark – Candidates shows knowledge of employment legislation.</p> <p>plus 1 – Candidates show understanding of how the legislation will effect what the business does.</p>	AO1	[2 + 2]
6	<p>(a) Evaluate the ways in which they could prepare to negotiate successfully at the next meeting.</p> <p>Candidates may mention:</p> <ul style="list-style-type: none"> • better preparation • consideration of appropriate negotiating skills • accurate and clearly presented financial statements • professional layout of document • SMART aims • detailed market analysis • able to explain benefits of proposal to bank <p>Allow other valid points.</p> <p>Level 3 (6–10 marks) Candidates are able to offer clear evaluation of the ways in which they could prepare to negotiate successfully at the next meeting; to gain 9 marks or more candidates must make judgement/supported conclusions.</p> <p>Level 2 (3–5 marks) Candidates are able to apply the information to the question of successful negotiation.</p> <p>Level 1 (1–2 marks) Candidates show some knowledge of the Case Study, their own enterprise project and/or negotiation.</p> <p>0 marks – no creditworthy material.</p>	AO1 AO2 AO3	[2] [3] [5]

	<p>(b) Evaluate the success of the ways in which finance was raised for your enterprise project.</p> <p>Possible solutions are:</p> <ul style="list-style-type: none"> • to make sure all aspects of business plan are complete • complete market research • write down the strengths and weaknesses of their business idea • be prepared to counter objections. <p>Level 3 (10–15 marks) At the highest level candidates clearly use the Case Study and their own enterprise project to reach a supported judgement as to how the chance of success can be maximised.</p> <p>(6–9 marks) Candidates are able to analyse one or more ways to maximise the chance of success.</p> <p>Level 2 (3–5 marks) Candidates are able to offer some appropriate solutions to issues raised in the Case Study and in their own enterprise project.</p> <p>Level 1 (1–2 marks) Candidates show some knowledge of negotiation.</p> <p>0 marks – no creditworthy material.</p>	<p>AO1 AO2 AO3</p>	<p>[2] [3] [10]</p>
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7	(a)	<p>Evaluate suitable methods of research which could be used to identify potential customers for their new enterprise.</p> <p>Candidates may include:</p> <ul style="list-style-type: none"> • primary research – surveys, questionnaires, interviews, consumer panels, observation • secondary research – government statistics, market research agencies, internet research, journals, newspapers <p>Level 3 (6–10 marks) Candidates are able to offer clear evaluation. They can show why the methods are suitable or not. To gain 9 marks or more candidates must make judgement/supported conclusions on suitability of methods chosen.</p> <p>Level 2 (3–5 marks) Candidates are able to apply the information in the Case Study and use their own enterprise experience to choose methods of research to identify potential customers.</p> <p>Level 1 (1–2 marks) Candidates show some knowledge of the Case Study, their own enterprise experience and/or market research.</p> <p>0 marks – no creditworthy material.</p>	AO1 AO2 AO3	[2] [3] [5]
	(b)	<p>Discuss how your enterprise project ensured that its customers remained loyal to the business.</p> <p>Ensuring customer loyalty through:</p> <ul style="list-style-type: none"> • good quality products • after sales services – dealing effectively with complaints/refunds or exchanges • providing detailed information about products • providing credit facilities <p>Level 3 (10–15 marks) Candidates clearly use the Case Study and their own enterprise experience to reach a supported judgement as to how to retain customers.</p> <p>(6–9 marks) Candidates are able to analyse one or more ways to improve customer loyalty A maximum of 7 marks is awarded for answers which do not refer to the costs of such activities.</p> <p>Level 2 (3–5 marks) Candidates are able to offer some appropriate solutions to issues raised in the Case Study and in their own enterprise project.</p> <p>Level 1 (1–2 marks) Candidates show some knowledge of customer loyalty.</p> <p>0 marks – no creditworthy material.</p>	AO1 AO2 AO3	[2] [3] [10]

