



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**ENTERPRISE**

**0454/01**

Paper 1

**For Examination from 2011**

SPECIMEN MARK SCHEME

**1 hour 30 minutes**

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**MAXIMUM MARK: 100**

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



		<b>Marking guide</b>	<b>AO</b>	<b>Marks</b>
1	(a)	<p><b>Identify one factor that created the opportunity for Natasha and Karanveer’s enterprise to exist.</b></p> <p>Case Study states:</p> <ul style="list-style-type: none"> <li>• demand for clothing made from organic cotton</li> <li>• increased real income</li> <li>• government grants</li> </ul> <p>Implied are:</p> <ul style="list-style-type: none"> <li>• changes in taste and fashion</li> <li>• ability to meet the demand</li> </ul>	AO1	[1]
	(b)	<p><b>State two skills, apart from motivation, team building and creativity, that are needed to be entrepreneurial.</b></p> <p><b>Case Study mentions:</b> motivation, team building and creativity so these should not be allowed.</p> <p><b>Any two from the following list:</b></p> <ul style="list-style-type: none"> <li>• leadership</li> <li>• self confidence</li> <li>• innovation</li> <li>• determination to succeed</li> <li>• problem solving</li> <li>• resourcefulness</li> <li>• taking initiative</li> <li>• taking calculated risks and responsibility</li> <li>• perseverance</li> </ul>	AO1	[2] [2 × 1]
	(c)	<p><b>Discuss how one individual that you have studied has shown entrepreneurial skills.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidates are able to analyse and evaluate how the skills were used.</p> <p><b>Level 1 (1–2 marks)</b> Candidates apply skills to entrepreneurial activity. A generic answer, not related to the named person, can <u>not</u> progress beyond Level 1.</p>	AO2 AO3	[4]
2	(a)	<p><b>Explain what is meant by a partnership.</b></p> <p>Could include:</p> <ul style="list-style-type: none"> <li>• unlimited liability</li> <li>• limited number of partners allowed (depends on country, but usually 2 - 20)</li> <li>• requires a Deed of Partnership to be set up</li> </ul>	AO1	[1 + 1]

	<p><b>(b)</b> Explain what is meant by a limited company.</p> <p>Could include:</p> <ul style="list-style-type: none"> <li>• limited liability</li> <li>• shares can be sold to raise capital</li> <li>• accounts have to be made available to the public</li> </ul>	AO1	[1 + 1]
	<p><b>(c)</b> <b>Discuss whether a partnership or a limited liability company would be most suitable for Natasha and Karanveer.</b></p> <p>A partnership would have the advantage of:</p> <ul style="list-style-type: none"> <li>• keeping control to themselves</li> <li>• easier to set up</li> <li>• keep accounts private</li> </ul> <p>A partnership would have the disadvantage of:</p> <ul style="list-style-type: none"> <li>• limitation on the amount of finance that could be raised</li> <li>• unlimited liability – could lose possessions</li> <li>• if one partner leaves, the partnership is dissolved</li> </ul> <p>A limited company would have the advantage of:</p> <ul style="list-style-type: none"> <li>• could issue shares, so could raise more money</li> <li>• limited liability, so personal possessions not at risk</li> <li>• a public limited company would be able to raise shares on a stock exchange (but not a private limited company)</li> </ul> <p>A limited company would have the disadvantage of:</p> <ul style="list-style-type: none"> <li>• accounts have to be made available to the public</li> <li>• more expensive/complex to set up a company</li> <li>• decision-making is shared among many more people</li> </ul> <p><b>Level 3 (4–6 marks)</b> Candidates are able to discuss relevant differences with a clear justified decision.</p> <p><b>Level 2 (3–4 marks)</b> Candidates are able to explain the importance of the differences to the business.</p> <p><b>Level 1 (1–2 marks)</b> Candidates show knowledge of the Case Study and offer some application.</p>	AO2 AO4	[2] [4]

3	(a)	<p><b>Identify and explain one reason why is it important to produce a business plan when starting an enterprise.</b></p> <p>Candidates identify a benefit of planning to a business (1 mark) and offer an explanation of how this helps business to set up (1 mark).</p> <p>Answers could include:</p> <ul style="list-style-type: none"> <li>• shows that the business is organised/prepared – therefore more likely to gain finance</li> <li>• forced to think ahead and identify risks – may help them to avoid risks or put in place measures to protect themselves</li> <li>• produces targets which the firm can use to measure success</li> <li>• identifies financial needs – allow the business to arrange finance in advance and therefore avoid problems with financial shortfalls</li> </ul>	AO1	[3]
	(b)	<p><b>Identify two other important pieces of information which should be included in a business plan.</b></p> <p>Any two from:</p> <ul style="list-style-type: none"> <li>• name of business</li> <li>• location/address of business</li> <li>• market aimed for</li> <li>• market research results</li> <li>• human resources plan</li> <li>• production details</li> <li>• equipment required</li> <li>• cash flow forecast</li> <li>• forecasted profit and loss</li> </ul>	AO1	[2 × 1]
	(c)	<p><b>Discuss how useful a business plan about your enterprise project would be.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidates offer a full discussion of how useful a business plan would be to their enterprise.</p> <p><b>Level 1 (1–2 marks)</b> 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"> <li>• it helped them to gain finance</li> <li>• it showed prospective investors that they were serious</li> <li>• it was quoted in marketing material</li> </ul>	AO2 AO3	[2] [2]

4	(a)	<b>What is meant by the following terms?</b>		
	(i)	<b>sales revenue</b>  Total revenue/income from the sale of goods/services.	AO1	[1]
	(ii)	<b>cash flow</b>  Allow answers which have the idea of money in and money out.	AO1	[1]
	(iii)	<b>net profit</b>  Gross profit minus overheads. Allow total profit after all costs deducted.	AO1	[1]
	(iv)	<b>investment</b>  Money used in order to gain future returns. Allow purchase of capital equipment or money put into a business.	AO1	[1]
	(b)	<b>Explain one problem which may be caused by not keeping accurate financial records of an enterprise's activities.</b>  <b>Candidates could include reference to:</b> 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)	<b>Discuss how your enterprise project raised the finance that it needed to operate.</b>  Candidates are likely to choose from bank loan, grants, hire purchase, leasing.  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.  <b>Level 3 (5–6 marks)</b> Candidates offer a good discussion of how their enterprise project raised the finance that it needed to operate.  <b>Level 2 (3–4 marks)</b> Candidates offer a limited discussion of how their enterprise project raised the finance that it needed to operate.  <b>Level 1 (1–2 marks)</b> Candidates demonstrate knowledge of sources of finance but there is no application to their own enterprise project.	AO1 AO2 AO3	[2] [2] [2]

5	<b>(a)</b>	<b>Identify one way in which the following people are affected by laws concerning production, marketing or selling:</b>  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)."		
	<b>(i) employers</b>	Candidates are likely to suggest: <ul style="list-style-type: none"> <li>• production – extra costs to cover health and safety, maximum working hours, quality standards, banning/control of production e.g. guns</li> <li>• marketing/sales – consumer protection legislation.</li> </ul>	AO1	[1 + 1]
	<b>(ii) employees</b>	Safer at work, earn less money due to limited hours, required to train before working.	AO1	[1 + 1]
	<b>(iii) consumers</b>	Assured of quality of the products, safer products, protected from unfair claims in adverts, underweight goods, know details of all credit agreements etc.	A01	[1 + 1]
	<b>(b)</b>	<b>Explain two ways in which the law affected your enterprise project.</b>  Candidates could make reference to equality of opportunity, trade descriptions, health and safety or protection of the environment.  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.  The explanation could focus on advertising, selection, contracts.  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)."  1 mark – Candidates shows knowledge of employment legislation.  plus 1 – Candidates show understanding of how the legislation will effect what the business does.	AO1	[2 + 2]

6	(a)	<p><b>Evaluate the ways in which they could prepare to negotiate successfully at the next meeting.</b></p> <p>Candidates may mention:</p> <ul style="list-style-type: none"> <li>• better preparation</li> <li>• consideration of appropriate negotiating skills</li> <li>• accurate and clearly presented financial statements</li> <li>• professional layout of document</li> <li>• SMART aims</li> <li>• detailed market analysis</li> <li>• able to explain benefits of proposal to bank</li> </ul> <p>Allow other valid points.</p> <p><b>Level 3 (6–10 marks)</b> 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><b>Level 2 (3–5 marks)</b> Candidates are able to apply the information to the question of successful negotiation.</p> <p><b>Level 1 (1–2 marks)</b> Candidates show some knowledge of the Case Study, their own enterprise project and/or negotiation.</p>	AO1 AO2 AO3	[2] [3] [5]
	(b)	<p><b>Evaluate the success of the ways in which finance was raised for your enterprise project.</b></p> <p>Possible solutions are:</p> <ul style="list-style-type: none"> <li>• to make sure all aspects of business plan are complete</li> <li>• complete market research</li> <li>• write down the strengths and weaknesses of their business idea</li> <li>• be prepared to counter objections.</li> </ul> <p><b>Level 3 (10–15 marks)</b> 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><b>(6–9 marks)</b> Candidates are able to analyse one or more ways to maximise the chance of success.</p> <p><b>Level 2 (3–5 marks)</b> Candidates are able to offer some appropriate solutions to issues raised in the Case Study and in their own enterprise project.</p> <p><b>Level 1 (1–2 marks)</b> Candidates show some knowledge of negotiation.</p>	AO1 AO2 AO3	[2] [3] [10]

7	(a)	<p><b>Evaluate suitable methods of research which could be used to identify potential customers for their new enterprise.</b></p> <p>Candidates may include:</p> <ul style="list-style-type: none"> <li>• primary research – surveys, questionnaires, interviews, consumer panels, observation</li> <li>• secondary research – government statistics, market research agencies, internet research, journals, newspapers</li> </ul> <p><b>Level 3 (6–10 marks)</b> 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><b>Level 2 (3–5 marks)</b> 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><b>Level 1 (1–2 marks)</b> Candidates show some knowledge of the Case Study, their own enterprise experience and/or market research.</p>	AO1 AO2 AO3	[2] [3] [5]
	(b)	<p><b>Discuss how your enterprise project ensured that its customers remained loyal to the business.</b></p> <p>Ensuring customer loyalty through:</p> <ul style="list-style-type: none"> <li>• good quality products</li> <li>• after sales services – dealing effectively with complaints/refunds or exchanges</li> <li>• providing detailed information about products</li> <li>• providing credit facilities</li> </ul> <p><b>Level 3 (10–15 marks)</b> Candidates clearly use the Case Study and their own enterprise experience to reach a supported judgement as to how to retain customers.</p> <p><b>(6–9 marks)</b> 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><b>Level 2 (3–5 marks)</b> Candidates are able to offer some appropriate solutions to issues raised in the Case Study and in their own enterprise project.</p> <p><b>Level 1 (1–2 marks)</b> Candidates show some knowledge of customer loyalty.</p>	AO1 AO2 AO3	[2] [3] [10]



