

Exam Strategy 3 (Length of responses)

2 mark "explain", "describe", or "outline" question = 1 PEEL paragraph - the question will likely ask you about 1 thing (one advantage/strength/challenge/limitation/method)

Example with markscheme

Educational Choices UK Ltd.

Following the UK's decision to leave the EU, the futures of many international students studying or wanting to study in the UK were left uncertain. Families were desperate for advice about the choices of schools and universities. They were also increasingly confused about possible changes in legal and immigration requirements.

Beth Williams and Louis Barker had been friends for many years. Beth was now an experienced teacher and university advisor with an in-depth knowledge of the many private schools available in the UK. Louis had studied Law and for the last few years had specialized in immigration law. Neither of them liked working for other people and had for a long time wanted to become entrepreneurs.

When Beth's father sold his dairy farm he gave her £50,000. She had wanted to use this as a deposit to buy her own apartment. Louis persuaded her that the opportunity to combine their talents and start a tertiary sector business as educational advisors was too good to miss.

Beth felt that setting up the business as a partnership would be less complicated. Louis, having studied law, felt that it could be better to set up a private limited company. He proposed calling it Educational Choices UK Ltd.

a) Explain **one** advantage of Beth and Louis setting up a business together. (2 marks)
(tip: write one PEEL paragraphs - point, explanation (of theory), evidence from text/case, link to question)

Blue highlight is the point

Red is the Example/evidence from case study (general examples are not credited)

Green is the explanation of BM Theory

Yellow is the link back to the point

(Position of example and evidence can be interchanged)

An advantage is that Beth and Louis seem to have complementary skills. Beth is a teacher, university advisor and knows the private schools market. Louis is a qualified lawyer specializing in immigration law. Neither skill would be sufficient by itself because not only do potential students need to be supported in their choices, they will also need the legal support to make it possible. This means that they can compete well in this market, because they both bring needed, but different, skills to make the business a success.

Advantages could include:

- The two have complementary skills.
- They are friends and know each other well.
- Any other relevant advantage.

Marked as 1 mark + 1 mark

1 mark for the advantage stated and explained and 1 mark for supporting evidence from the case

b) Outline **one** challenge that Educational Choices UK may face as a start-up business. (2 marks) (tip: write one PEEL paragraphs - point, explanation (of theory), evidence from text/case, link to question)

Blue highlight is the point

Red is the Example/evidence from case study (general examples are not credited)

Green is the explanation of BM Theory

Yellow is the link back to the point

(Position of example and evidence can be interchanged)

First, Louis and Beth, like other new businesses, may find it difficult to access financing until the business is more established. Service sector businesses such as this can limit set-up expenses by initially working from home. Nevertheless, there will be certain capital expenses such as computers and printers that cannot be avoided. Similarly, the pair may have to work a long time before any fees are received. If they gave up their jobs, this means that they will be using some of the £50,000 investment to pay themselves a salary until money starts to flow in. Since school and university advice and entry is likely to be seasonal in relation to the educational year, it may take over a year before any consistent income is generated. If their finance runs out before fees start to flow in, they may need to seek external financing. With no collateral and no track record, banks will probably be unwilling to lend and they may not have the cash needed to survive.

Second, even though there may be a potential market, the two entrepreneurs will also need contacts. There is no evidence that either Beth or Louis have contacts with potential customers or agents abroad. Service sector businesses often rely on web search engines, word-of-mouth recommendation or online feedback ratings. Unlike many new service businesses, this one will not be marketing itself locally, so traditional advertising methods will not be applicable. This means that the first customers can be difficult to find and the business may only build up slowly.

Possible challenges:

- Financing until cash starts to flow: £50,000 may not be enough.
- Cash flow forecasts are difficult to do in an uncertain market
- Marketing to potential customers abroad: no existing contacts.
- Language challenges.
- No market research has been done
- Potential competition in the market.
- Immigration laws may change.
- No certainty of payment after advice is given. With customers being abroad it is also hard to chase payment.
- Any other relevant challenge.

Marked as 1 mark + 1 mark

1 mark for each challenge stated and explained and 1 mark for evidence from the case for each challenge