

Answer(s) to Question 1(e) from Paper 2: Managing Business Activities (May 2016)

Student A

Assess two advantages to a small start-up company, such as Backpack Ltd, of using venture capital (8 marks)

Venture capital is where an investor outside of the business invests their money in return for a share within the business.


One advantage of Backpack Ltd using venture capital is that it can provide the owner of the business with finance that doesn't need to be repaid unlike other sources of finance such as a bank loan. Venture capitalists usually invest in high risk businesses that often struggle to obtain finance elsewhere in return for a share in that business. This means that the business isn't subject to paying interest which in turn reduces the businesses costs.

Another advantage of Backpack Ltd using venture capital is that they can provide Backpack Ltd with advice and support, especially as they have a share in the business and it is therefore in their interests for the business to succeed. Starting a business is risky with many new businesses failing in the first 12 months and this advice and support can help reduce the risk of Backpack Ltd failing.

Answer(s) to Question 1(e) from Paper 2: Managing Business Activities (May 2016)

Examiner Comments

The candidate has shown some accurate knowledge and understanding recognising that venture capitalists invest in high risk businesses in return for a share of that business and that they can provide advice and support to new businesses, which are often at early risk of failure. Chains of reasoning are present within the response, showing some causes and effects although these are incomplete and could have been developed further. There is some minor evidence of application in the second paragraph where the candidate has recognised that this is a business start-up and is therefore more at risk but contextualisation on the whole is weak. The answer is also one-sided and subsequently lacks balance. An award in L2 is therefore appropriate for this response

EDEXCEL A-LEVEL BUSINESS HOLISTIC MARKING GRID tutor2u 

Student Name: _____




Question: _____

8 MARK QUESTIONS

Level	Marks	Knowledge and Understanding	Application	Analysis	Evaluation
3	6-8	Accurate and thorough	Supported throughout by relevant and effective use of the business behaviour/ context	Logical chains of reasoning, showing causes(s) and/ or effect(s)	Assessment is balanced , well contextualised, using quantitative and/ or qualitative information and shows an awareness of competing arguments
2	3-5	Accurate	Applied accurately to the business and its context	Chains of reasoning are presented, showing causes(s) and/ or effect(s) but may be assertions or incomplete	An attempt at an assessment is presented, that is unbalanced and unlikely to show the significance of competing arguments
1	1-2	Isolated elements	Weak or no relevant application to business examples	Generic assertions	No attempt at assessment
0	0	A completely inaccurate response	A completely inaccurate response	A completely inaccurate response	A completely inaccurate response

Overall Level and Mark Band: _____ Mark Awarded: _____ /8 EBI (Even better if): _____

WWW (What went well): _____

tutor2u 
www.tutor2u.net/business
 tutor2ubusiness
 @tutor2u

Answer(s) to Question 1(e) from Paper 2: Managing Business Activities (May 2016)

Student B

Assess two advantages to a small start-up company, such as Backpack Ltd, of using venture capital (8 marks)

Venture capital is a source of external finance raised through an investor in return for a share in the business.

One advantage to Backpack Ltd of using venture capital is that Alistair lacks experience and venture capitalists will be able to provide Alistair with advice, guidance and support.

Backpack Ltd is a new business and Alistair is only 18 year's old and therefore lacks any business experience. This greatly increases the risk of Backpack Ltd failing in the short-term, a time when most new businesses are at risk. Venture capitalists are often experienced business people who will be able to guide and develop Alistair and provide him with the benefit of their experience, for example, further development of his homework app, the development of new apps or just the day to day running of a business. Because of this guidance, it will reduce the risk of failure and increase the chances of the business surviving in the short-term.

However, to benefit from this advice and support Alistair needed to give away 65% of his business to the investors. This could cause resentment in the long-term when Alistair is more experienced and needs less help and support from the venture capitalists.

Another advantage to Backpack Ltd of using venture capital as a source of finance is that he previously struggled to obtain the finance he needed.


Alistair approached his local bank but was unable to secure the £20,000 he needed to start-up the business. This was largely due to his poor business plan but could also be down to his lack of experience as the bank may have been concerned about his ability to repay the loan. Venture capitalists like to invest in high risk businesses so without using venture capital, Alistair may not have been able to secure the necessary finance to develop his app meaning that Backpack Ltd may never have existed.

However, venture capitalists may want a say in how Alistair runs the business, given that they own a substantial percentage of the equity. This could lead to disagreements about the direction of the business whereas if Alistair could have obtained a bank loan, then he would have had full control.

Answer(s) to Question 1(e) from Paper 2: Managing Business Activities (May 2016)

Examiner Comments

The candidate has demonstrated accurate and through knowledge and this has been supported throughout by relevant and effective use of the context, for example, recognising that due to his age, Alistair may benefit from advice, guidance and support. The response has some logical chains of reasoning showing cause and effect, for example, recognising that without venture capital, Alistair may not have been able to raise the £20,000 and therefore the business may never have existed. The candidate has also provided a balanced assessment. This places this response in L3.

EDEXCEL A-LEVEL BUSINESS HOLISTIC MARKING GRID **tutor2u** 

Student Name: _____




Question: _____

8 MARK QUESTIONS

Level	Marks	Knowledge and Understanding	Application	Analysis	Evaluation
3	6-8	Accurate and thorough	Supported throughout by relevant and effective use of the business behaviour/ context	Logical chains of reasoning, showing causes(s) and/ or effect(s)	Assessment is balanced , well contextualised, using quantitative and/ or qualitative information and shows an awareness of competing arguments
2	3-5	Accurate	Applied accurately to the business and its context	Chains of reasoning are presented, showing causes(s) and/ or effect(s) but may be assertions or incomplete	An attempt at an assessment is presented, that is unbalanced and unlikely to show the significance of competing arguments
1	1-2	Isolated elements	Weak or no relevant application to business examples	Generic assertions	No attempt at assessment
0	0	A completely inaccurate response	A completely inaccurate response	A completely inaccurate response	A completely inaccurate response

Overall Level and Mark Band: _____ Mark Awarded: /8 EBI (Even better if): _____

WWW (What went well): _____

tutor2u 
www.tutor2u.net/business
 **tutor2ubusiness**
 **@tutor2u**