

SPECIMEN MARK SCHEME

UNIT 7 - BUSINESS PLANNING AND FINANCE WITHIN THE HAIR AND BEAUTY SECTOR





Level 3 Diploma Principal Learning

Hair and Beauty Studies HAB3U7

Unit 7

**Business planning and finance within the
hair and beauty sector**

Specimen Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting, they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Unit 7 Business planning and finance within the hair and beauty sector Level 3

Specimen Mark Scheme

Duration: 2 hours

Assessment Type: A written paper

Number of marks: 90

| Learning outcomes | Assessment criteria | Ques. No | No of marks | Total marks | % |
|--|--|----------|-------------|-------------|------------|
| 1 Understand the business planning process | a Explain the basic principles and critical components of a business plan | 2 | 6 | 20 | 22 |
| | b Describe the methods used when preparing a business plan | 1 | 8 | | |
| | c Explain the external factors influencing a business plan | 3 | 6 | | |
| 2 Understand factors impacting the running of a business | a Explain the risks and opportunities of self employment | 5 | 4 | 34 | 51 |
| | b Describe how the legal status of a business affects financial accounting responsibilities | 9 | 4 | | |
| | c Describe the key sources of finance and financial assistance for setting up or expanding a business | 4 | 4 | | |
| | d Explain the relationship between financial management and accounting and the success of the business | 8 | 6 | | |
| | e Outline how costing procedures and pricing strategies relate to profit | 11 | 2 | | |
| | f Outline a range of corporate and personal taxes | 12 | 4 | | |
| | g Describe the key nationally recognised business quality assurance systems and quality standards | 7 | 4 | | |
| 3 Be able to use business documents in the context of the hair and beauty sector | a Operate a day to day bookkeeping and budgeting process | 14 | 10 | 36 | 27 |
| | | 13 | 4 | | |
| | b Compile a business plan suitable for different purposes | 15 | 16 | | |
| | c Interpret financial information | 10 | 6 | | |
| Total | | | 90 | 90 | 100 |

Mark Scheme Level 3 Diploma in Hair and Beauty Studies

Sample Assessment Paper Unit 3.7 mark scheme

- 1 a** Describe **three** ways that the internet can be used to source information when preparing a business plan.

Answer

Any 3 of the following:

search engines, viewing websites, accessing banking information, accessing legal, health and safety, planning sites, sourcing resources and suppliers

(Maximum of 3 marks)

- 1 b** Outline **five** reasons why using the internet is beneficial to the business planning process.

Answer

Any 5 of the following:

convenient, quick, accessible, up to date information available, wide scope of different perspectives, cheap to use – or any suitable answer

(Maximum of 5 marks)

- 2** Explain **three** personnel requirements to be considered when preparing a business plan for a hair or beauty salon.

Answer

1 mark for each of any 3 of the following requirements, and

1 mark for the explanation of each requirement (maximum 3 marks)

Requirements:

Number of staff required – Matching staff numbers to anticipated work load

Level of staff required - Hierarchy

Qualifications needed – Level 1 trainees, Level 2 basic skills, Level 3 professional skills

Job descriptions – A structure of required personnel

Working hours – Proposed hours for full/part-time staff related to manpower required

(Maximum of 6 marks)

3 Explain the business planning requirements to meet the following legislation prior to opening a new salon:

- Data Protection Act
- Liability Insurance

Answer

1-2 marks = limited explanation. May only include brief explanation of 1 of the legislation or list requirements of one or both without explaining them

3-4 marks = clear explanation. Includes either detailed explanation of 1 of the legislation or refers to both of the legislation but only explains 2 or 3

Requirements in total

5-6 marks = comprehensive explanation. Includes both of the legislation and explains two or more requirements for each

Data Protection Act:

Registration - with the Data Protection Agency

Write a policy - to store client and staff information

Security - safe and secure storage facility eg. locked cabinet

Liability Insurance:

Request quotes – from more than one source

Cover required – check the terms of the policy meets requirements

Legal requirement – operating without could lead to prosecution

Time-lined - before salon launch

(Maximum of 6 marks)

4 Describe **two** methods of sourcing finance to set up an independent nail bar that does not include any form of partnership.

Answer

1 mark for naming the source, up to a maximum of 2, and

1 mark for the description of each source, up to maximum of 2

Methods: Banks – loans, overdraft

Building society – loans, overdraft

Trust or grant – eg. Princes Trust, government schemes- grant, loan

Parents or family – loan (interest/interest free), advance of inheritance

(Maximum of 4 marks)

- 5 Explain the risks and opportunities of starting up a nail bar as a sole trader in a busy town precinct.

Answer

1 mark = limited explanation. May include 1 risk and/or opportunity only

2 - 3 marks = clear explanation. May include 1 or 2 risks and 1 or 2 opportunities

4 marks = comprehensive explanation. Includes at least 2 risks and 2 opportunities.

Risks – competition, financial risk not shared, limited choice of services for customers

Opportunities – high level of potential trade, decision making for change can be quick, profits not shared

(Maximum of 4 marks)

- 6 Make comparisons between the ISO 9001:2000 and Investors in People quality assurance systems. Draw conclusions as to which system would best benefit a chain of health spas, justifying your answer.

Answer

1 mark for each comparison, up to a maximum of 4, and up to 2 marks for the general justifications given

ISO 9001:2000 – Customer focussed, client satisfaction, increase loyalty, is a contractual requirement in some industries

Investors in People – Employee focussed, training and development of people, measures improvement, based on plan-do-review

Chain of health spas would benefit from ISO 9001:2000 – customer satisfaction and return business – increase profits

Chain of health spas would benefit from Investors in People – a trained motivated work force – gives client satisfaction

(Maximum of 6 marks)

- 7 A franchise beauty salon employs **three** staff. It is required to pay VAT and PAYE. Describe what these payments are and how often they need to be submitted to the Inland Revenue.

Answer

1 mark each for correctly explaining VAT & PAYE and

2 marks for correctly answering when both need to be completed

VAT – Value Added Tax, taxation on top of service costs

PAYE – Pay as you earn, Calculation used to deduct income tax and National Insurance contributions from employees' pay

VAT – submitted quarterly

PAYE – submitted monthly or quarterly (either is acceptable)

(Maximum of 4 marks)

- 8 Identify **two** financial controls used to manage resources and explain how they are related to the success of a freelance hairdressing business.

Answer

1-2 marks = limited explanation. May include 1 control only

3-4 marks = clear explanation. May include 1 or 2 controls

5-6 marks = comprehensive explanation. Includes 2 - 3 controls.

Financial controls: stock control, budgeting, cash flow

Stock control – ensures stock rotation, hold limited essential stock, to reduce deterioration of stock, therefore increases profit levels

Budgeting – value for money costings for retail and services, buying products at a cost to suit costings, not to tie up too much money in resources

Cash flow – balance expenditure against income – considerations for stock, utilities, equipment, staff

(Maximum of 6 marks)

- 9 A sole trader of a city nail bar:
- employs 4 full-time and two part-time technicians
 - has a gross turnover of £215,000
 - has a net profit of £42,000

Explain how the legal status of this business will affect the financial accounting and taxation requirements of this salon.

Answer

1 mark = limited explanation. May include 1 requirement

2-3 marks = clear explanation. May include 2 or 3 requirements

4 marks = comprehensive explanation. Includes 3+ requirements.

Must have a set of certified accounts (by an accountant)

Must complete formal bookkeeping accounts

PAYE- for each employee

VAT – chargeable to customers and recoverable for purchases

Stakeholders pension – must offer to employees

(Maximum of 4 marks)

10 Identify the pricing strategy for each of the following salon special offers and explain how each strategy relates to profit levels.

- a) A barber's shop offers hair cuts at a low price to gain a foothold in the market.
- b) A neighbouring unisex salon offers special rates for husbands to have a hair cut when their wives spend over £50.

Answer

*1 mark for each correct pricing strategy,
2 marks for each correct explanation of how this relates to profit (maximum of 2 marks per strategy)*

a) pricing strategy – penetration pricing

*profit levels – low, aim to attract high turnover, human resource level high
(Maximum of 3 marks)*

b) pricing strategy – competition-based pricing

profit levels – loss leader for husband, looking to gain long term repeat business

(Maximum of 3 marks)

11 Calculate the total cost of each of the following services by applying VAT. VAT to be calculated at 15%

- a) Cut and blow-dry at £38.25
- b) Eyebrow tint at £12.75

Answer

1 mark per correct answer

a) £43.99 (will accept 43.98) (Maximum of 1 mark)

b) £14.86 (will accept 14.85) (Maximum of 1 mark)

12 Explain how location and the choice of product range influences pricing structures.

Answer

*1 mark = basic explanation of the influences on pricing structures
2-3 marks = good explanation of the influences on pricing structures
4 marks = comprehensive explanation of the influences on pricing structures*

*Location: (shopping precinct, town centre, rural village, only salon/spa in a specific radius, in a department store, etc.) - convenient/popular and exclusive locations can charge higher prices, less busy/remote and deprived locations charge less
Product range: (basic, commercial, designer, "in vogue", same as used for service/treatment, franchised, sole supplier in same town) charge more for uniqueness and specialist ranges, basic / commercial less expensive – different client base will impact on the profitability of any range so important to match product range to client base to location*

(Maximum of 4 marks)

13 Calculate the selling price of the following retail products that are to be reduced in a 20% end of season sale, adding VAT calculated at 15% on to the sale price. Show your workings out.

- a) Mousse - £5.80 +VAT
- b) Styling Wax - £7.35 + VAT

Answer

1 mark for each correct answer and
1 mark for appropriate written calculations

a) £5.33 or £5.34

$$\begin{aligned} & 5.80 - 20\% + (15\%) \\ &= 5.80 - (0.58 + 0.58) + (15\%) \\ &= 5.80 - 1.16 + (15\%) \\ &= 4.64 + (15\%) \\ &= 4.64 + (0.464 + 0.232) \\ &= 4.64 + (0.696) \\ &= 4.64 + (0.70 \text{ or } 0.69) \\ &= 5.34 \text{ or } 5.33 \end{aligned}$$

Accept other accurate calculations, eg. $(5.80 + 15\%) - 20\%$

(Maximum of 2 marks)

b) £6.76

$$\begin{aligned} & 7.35 - 20\% + (15\%) \\ &= 7.35 - (0.735 + 0.735) + (15\%) \\ &= 7.35 - 1.47 + (15\%) \\ &= 5.88 + (15\%) \\ &= 5.88 + (0.588 + 0.294) \\ &= 5.88 + (0.882) \\ &= 5.88 + 0.88 \\ &= 6.76 \end{aligned}$$

Accept other accurate calculations, eg. $(7.35 + 15\%) - 20\%$

(Maximum of 2 marks)

14 For each of the following services use the information provided to calculate the service charge:

- overhead costs of £18.75 per hour
- profit mark up of 50%
- excluding VAT

- a) An hour and a half aromatherapy treatment – products costing £2.50
- b) A half hour leg wax service – products and materials costing £1.75
- c) A two and a half hour hair extension service – products and materials costing £168.00
- d) An hour French manicure service – products costing £1.30
- e) An hour and a half micro-dermabrasion facial and dry floatation treatment costing 5.40

Answer

*1 mark for each correct answer and
1 mark for appropriate written calculations
Accept other accurate calculations*

- a) An hour and a half aromatherapy treatment – products costing £2.50.

Calculations

$$\begin{aligned} & (1.5 \times 18.75) + 2.50 + (50\%) \\ & = 28.125 + 2.50 + (50\%) \\ & = 30.625 + 50\% \\ & = 30.625 + 15.3125 \text{ or } 30.63 + 15.31 \\ & = 45.9375 \text{ or } 45.94 \\ & \text{Answer} = \text{£}45.94 \end{aligned}$$

(Maximum of 2 marks)

- b) A half hour leg wax service – products and materials costing £1.75.

Calculations

$$\begin{aligned} & (0.5 \times 18.75) + 1.75 + (50\%) \\ & = 9.375 + 1.75 + (50\%) \\ & = 11.125 + 50\% \\ & = 11.125 + 5.5625 \text{ or } 11.13 + 5.56 \\ & = 16.6875 \\ & \text{Answer} = 16.69 \end{aligned}$$

(Maximum of 2 marks)

- c) A two and a half hour hair extension service – products and materials costing £168.00.

Calculations

$$\begin{aligned} & (2.5 \times 18.75) + 168 + (50\%) \\ & = 46.875 + 168 + (50\%) \\ & = 214.875 + 50\% \text{ or } 214.88 + 50\% \\ & = 214.875 + 107.4375 \text{ or } 214.88 + 107.44 \\ & = 322.3125 \text{ or } 322.32 \\ & \text{Answers} = 322.31 \text{ or } 322.32 \end{aligned}$$

(Maximum of 2 marks)

d) An hour French manicure service – products costing £1.30.

Calculations

$$18.75 + 1.30 + (50\%)$$

$$= 18.75 + 1.30 + (50\%)$$

$$= 20.05 + 50\%$$

$$= 20.05 + 10.025 \text{ or } 10.03$$

$$= 30.075 \text{ or } 30.08$$

Answers = 30.08 or £30.07

(Maximum of 2 marks)

e) An hour and a half micro-dermabrasion facial and dry flotation treatment costing £5.40.

Calculations

$$(1.5 \times 18.75) + 5.40 + (50\%)$$

$$= 28.125 + 5.40 + (50\%)$$

$$= 33.525 + 50\% \text{ or } 33.53 + 50\%$$

$$= 33.525 + 16.7625 \text{ or } 33.53 + 16.76$$

$$= 50.2875 \text{ or } 50.29$$

Answers = 50.2875 or 50.29

(Maximum of 2 marks)

15 Glen Parr, a newly trained barber, wants to establish his own business and become a sole trader. Glen knows that the only barber in the town centre is retiring. Glen would like to rent out this barber's two roomed shop. Glen has found out the following information:

- The shop has a 20 year lease at £480 per month
- A deposit of two months is required to lease the shop
- Refurbishment of the shop has been costed at £3,500
- Discounted products and equipment have been sourced at a cost of £650
- Current utility bills run at £200 per month
- The estimated annual turnover of the business is £25,000
- Glen needs to have a wage of £7,500 in the first year
- Glen can raise £5,000 from selling his sports car but he needs to raise another £5,000 to start up his business

Use relevant terminology to compile a business plan suitable to be presented to a family member considering an investment in the new barbering business.

Answer

1- 4 marks = limited structure of the business plan. Includes 1 informational and 1 financial component

5-8 marks = clear structure of the business plan. Includes 1 or 2 informational and 1 or 2 financial components

9-12 marks = good structure of the business plan. Includes 2 or 3 Informational and 2 or 3 financial components

13-16 marks = comprehensive structure of the business plan. Includes 3 or more

informational and 3 or more financial components

Informational components of a business plan

Overview of the business idea

Overview of the business vision

Identified risks

Identified opportunities

Explanation of personnel requirements

Explanation of the legal requirements for the business

Financial components of a business plan

Itemised projection of income

Itemised projection of expenditure

Explanation of finances required and repayment strategy

Accuracy of calculations

Used terminology relevantly

(Maximum of 16 marks)