



# **GCE MARKING SCHEME**

## **BUSINESS STUDIES AS/Advanced**

**SUMMER 2013**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the Summer 2013 examination in GCE BUSINESS STUDIES. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

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## **BUSINESS STUDIES**

### **BS1 MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

It should be remembered that the candidates are writing under examination conditions and credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

#### **Levels of Response**

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesise or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

#### **Quality of written communication**

The QWC is assessed in question 5.

**BS1**

Question		Mark allocation	Assessment objective
1 (a)	<p><b>With the aid of examples, distinguish between <i>needs</i> and <i>wants</i>.</b></p> <p>Up to 4 marks available.</p> <p><b>Needs</b> 1 mark for correct description/explanation. 1 mark for correct example.</p> <p><b>Wants</b> 1 mark for correct description/explanation. 1 mark for correct example.</p> <p>To get 4 need a reference to limitation.</p> <p><b>Indicative content:</b> Needs – the basic requirement to sustain life eg food, water, shelter Wants – the extras that improve the quality of life and these are <b>unlimited</b>, e.g. a car.</p>	4	AO1 4
(b)	<p><b>Explain two possible advantages to D.W. Engineering Ltd of selling its products internationally.</b></p> <p>Up to 4 marks available. 1 mark for identifying each advantage (max 2) Up to 2 additional marks for development</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Likely to grow the company – may take advantage of economies of scale if successful.</li> <li>• The potential to increase its profit - wider target market if selling in more than one country</li> <li>• Spreads the risk – operating in more than one market may mean that if UK market is in recession and experiencing unfavourable trading conditions. People are not servicing their vehicles so often – have to do something to survive</li> <li>• Possible increase in market share</li> <li>• Greater brand recognition – more awareness of products</li> <li>• Taking advantage of exchange rates fluctuation</li> </ul>	4	AO1 2 AO2 2

Question		Mark allocation	Assessment objective
2 (a)	<p><b>Suggest and explain methods of <i>quantitative</i> and <i>qualitative</i> research that Anna may have carried out before setting up her business.</b></p> <p>Up to 4 marks available. 1 mark for each correct method (max 2) Up to 2 additional marks for development</p> <p><b>Indicative content:</b> Quantitative research is usually carried out by means of questionnaires, surveys or secondary research where the answers are easy to categorize. Qualitative research is more in-depth research into peoples' attitudes and motives and is usually undertaken in small focus groups or in in-depth interviews. Social network sites – for example blogs.</p>	4	AO1 2 AO2 2
(b)	<p><b>Assess the benefits that Anna may have gained by carrying out market research.</b></p> <p><b>Level 1</b> – The candidate briefly outlines one or two benefits.</p> <p><b>Level 2</b> – The candidate attempts to explain one or two benefits.</p> <p><b>Level 3</b> – The candidate fully explains two or more benefits.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• gain a more detailed understanding of the consumers' needs</li> <li>• identify competitive threats more effectively</li> <li>• reduce the risks of failure</li> <li>• identify opportunities and forecast future trends</li> <li>• find out how the market is changing</li> <li>• monitor effectiveness of promotional campaign.</li> </ul>	6  1 – 2  3 – 4  5 – 6	AO2 2 AO3 2 AO4 2

Question		Mark allocation	Assessment objective
(c)	<p><b>With the use of examples, explain the term asset-led marketing.</b></p> <p>Up to 2 marks for explanation of the term. Up to 2 additional marks for development</p> <p><b>Indicative content:</b> Asset-led marketing – marketing based on the strength (core competencies) of the firm rather than simply what the customer wants.</p> <p>Whilst they are responsive to the needs of the market they also take into account their own strengths.</p> <p>Anna is a fashion expert and knows what stock to chose and purchase. This expertise can be applied to the designer clothes for men.</p> <p>Accept reference to other valid examples.</p>	4	AO1 2 AO2 2
3 (a) (i)	<p><b>Explain why the merger of Dollond &amp;Aitchinson and Boots is an example of horizontal integration.</b></p> <p>Up to 2 marks available.</p> <p>1 mark for definition of horizontal integration.</p> <p>1 mark for applying answer to D&amp;A and Boots.</p> <p><b>Indicative content:</b> The merging of firms which are at the same stage of production. (1)</p> <p>D&amp;A and Boots opticians are both providing the same service and selling similar goods.(1)</p>	2	AO1 1 AO2 1

Question		Mark allocation	Assessment objective
(ii)	<p><b>Explain the benefits to Boots Optician of the merger with Dollond &amp; Aitchinson.</b></p> <p>Up to 4 marks available.</p> <p>Up to 2 marks for identifying benefits</p> <p>Further 2 marks for development.</p> <p><b>Indicative content:</b> Removes some of the competition – possibly for defensive reasons.</p> <p>May benefit from increased economies of scale.</p> <p>Increases market power to compete with market leaders like Specsavers by spreading the brand.</p> <p>Synergy may result – the two companies joined together may form an organisation that is more powerful and efficient than the two companies operating on their own. Quick way for Boots to expand the business as opposed to growing internally.</p> <p>Increased capital of merged businesses.</p> <p>Opportunity to cut costs – for example combining HR/ICT services.</p> <p>Combination of new ideas/innovation.</p>	4	AO1 2 AO2 2

Question		Mark allocation	Assessment objective
(b)	<p><b>What are the advantages and disadvantages to Boots Opticians of operating as a franchisor?</b></p> <p><b>Level 1</b> – The candidate is able to identify one or two advantages and/or disadvantages to Boots.</p> <p><b>Level 2</b> – The candidate explains two or more advantages and/or disadvantages to Boots.</p> <p><b>Level 3</b> – The candidate fully explains two or more advantages and disadvantages.</p> <p><b>Indicative content:</b></p> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Extra commitment from franchisees means that they work hard to make 'profits' for Boots.</li> <li>• Able to expand the market and sales quickly so the name Boots Opticians becomes even better known.</li> <li>• Increased revenues e.g. in royalties/fees which are paid on turnover to Boots.</li> <li>• Risks are shared between the franchisee and Boots – much of the cost is borne by the franchisee.</li> <li>• Expansion is achieved relatively cheaply because the franchisee pays for the premises and manages the human resources.</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• If successful much of the profit goes to the franchisee. All profit would go to Boots if it owned the outlet.</li> <li>• It is more difficult to maintain control with a variety of franchisees. A bad franchisee can damage the brand and reputation of the franchisor.</li> <li>• A franchisee may under-perform or fail and this will hit profits.</li> </ul>	<p>6</p> <p>1 – 2</p> <p>3 – 4</p> <p>5 – 6</p>	<p>AO2 2</p> <p>AO3 2</p> <p>AO4 2</p>



Question		Mark allocation	Assessment objective
4	<p><b>Using the information above, and with the aid of other examples, explain the key features of a social enterprise.</b></p> <p><b>Level 1</b> – The candidate briefly outlines one or two key features of a social enterprise. The candidate shows a basic understanding.</p> <p><b>Level 2</b> – The candidate explains one or two key features and shows understanding of a social enterprise. May use examples to illustrate their answer.</p> <p><b>Level 3</b> – The candidate shows a clear understanding of the key features of a social enterprise. Examples are used to illustrate their answer.</p> <p><b>Indicative content:</b>  Social Enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose.</p> <p>SEs apply business principles and practices to achieve social good e.g. the expansion of the use of the Welsh language.</p> <p>They re-invest their financial returns into the community to further their social purpose, i.e. the promotion of the language.</p> <p>They create employment and/or other economic and social benefits for marginalised communities</p> <p>They can be non-profit and for profit but SaithSeren is for profit.</p> <p>Other relevant examples – Jamie Oliver’s 15, Big Issue, Fair-trade Divine Chocolate, worker cooperatives, charities.</p>	6	AO2 2 AO3 4

Question		Mark allocation	Assessment objective
5	<p><b>Discuss the view that recent changes in the high street benefit some stakeholders more than others.</b></p> <p><b>Level 1</b> The candidate briefly outlines how one or two possible stakeholders are affected by the recent changes in the high street.</p> <p>The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.</p> <p><b>Level 2</b> The candidate explains how the recent changes may affect a range of relevant stakeholders. The candidate will start to offer an evaluation, though may be one sided.</p> <p>The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.</p> <p><b>Level 3</b> The candidate fully explains and evaluates how the recent changes will affect a good range of relevant stakeholders. The evaluation will be balanced.</p> <p>The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.</p> <p><b>Indicative content:</b> Stakeholders are individuals and groups who have a stake or vested interest in the state of the high street. Stakeholders may include shareholders, suppliers, customers, employees, managers, government (national and local), local community, competitors.</p> <ul style="list-style-type: none"> <li>• Customers need to be satisfied – empty shops in the high street restricts their choice but the arrival of the big stores satisfies their needs.</li> <li>• Employees need jobs. New stores moving in can offer work but if many stores are closing there may not be enough work for all.</li> <li>• Shareholders invest for a return on their money. It is important to them that the shops are successful.</li> <li>• The local community wants a thriving high street to maintain the health of their community. No work leads to the community becoming a depressed area and house prices reducing. High streets losing unique identity.</li> <li>• The government wants a healthy high street to ensure that taxes continue to flow in. High unemployment leads to high benefit payments.</li> <li>• Local authorities collect business rates if properties are occupied.</li> <li>• Suppliers – may be affected if customers are successful</li> <li>• Management objective of growth may be satisfied by John Lewis expansion.</li> <li>• Competitors – may have increased footfall, however, direct competitors may lose market share/revenue.</li> </ul>	<p>10</p> <p>1 – 3</p> <p>4 – 6</p> <p>7- 10</p>	<p>AO1 2 AO3 2 AO4 6</p>

## **BUSINESS STUDIES**

### **BS2 MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

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#### **Levels of Response**

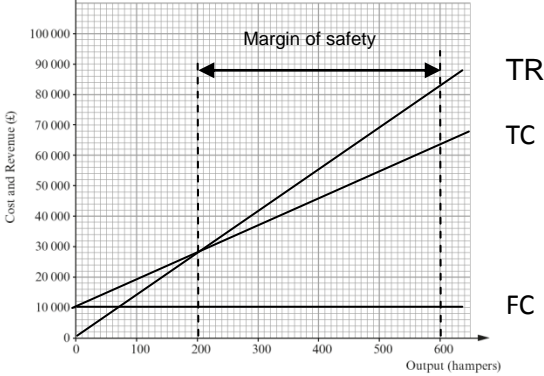
Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesise or evaluate in a meaningful way.

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#### **Quality of written communication**

The QWC is assessed in question 3(b).

**BS2**

Question	Answer	Mark allocation	Assessment objective
1. (a) (i)	<p><b>Construct and label a break-even chart on the graph paper provided on page 5 and write the number of hampers that would need to be sold to break-even in the box provided.</b></p> <p>Total Revenue (x1) Total Cost (x1) Fixed Cost (x1)</p> <p>Break Even Output = 200 hampers</p>	4	AO1 2 AO2 2
1. (a) (ii)	<p><b>Draw the margin of safety on the chart if all the hampers were sold in the first year.</b></p>  <p>OFR</p>	1	AO1 1
1.(a) (iii)	<p><b>The margin of safety consists of how many hampers? Write your answer in the box provided.</b></p> <p>Margin of safety = 400 hampers</p> <p>OFR</p>	1	AO2 1
1. (b)	<p><b>Explain the advantages of the use of break-even analysis to a business such as Five Farms Ltd.</b></p> <p><b>Level 1</b> Candidate identifies one or two advantages of breakeven analysis.</p> <p><b>Level 2</b> Candidate attempts to explain some advantages of breakeven analysis.</p> <p><b>Level 3</b> Candidate fully explains the advantages of breakeven analysis.</p> <p>Possible responses may include:</p> <p>Advantages:-</p> <ul style="list-style-type: none"> <li>• <u>Easy visual means</u> of analysing a firm's financial position at different levels of output. Gives a valuable rule-of-thumb guide to potential profitability.</li> <li>• <u>Cheap</u> to construct and can be carried out <u>quickly</u>.</li> <li>• Profit and loss situation can be seen <u>at a glance</u> – good for non-financial specialists.</li> <li>• Helpful for making decisions in '<u>what if</u>' situations. Can cope with changing circumstances in relation to revenues and costs.</li> <li>• Breakeven analysis, as part of a <u>business plan</u>, can be helpful in gaining finance</li> <li>• Target setting made easier</li> <li>• Allows to assess the margin of safety</li> </ul>	6  1-2  3-4  5-6	AO1 2 AO2 2 AO3 2

Question	Answer	Mark allocation	Assessment objective
1. (c) (i)	<p><b>What is the meaning of the term ‘penetration pricing policy’?</b></p> <ul style="list-style-type: none"> <li>• Pricing a product at a low level (1)</li> <li>• Used by businesses seeking to gain a foothold in a market.(1)</li> <li>• Retailers and consumers are encouraged to purchase the product in large quantities at the low price (1).</li> <li>• Raise price once gain a certain market share (1)</li> </ul>	3	AO1 3
1. (c) (ii)	<p><b>To what extent do you agree with Tom Hibbard’s view that Jenny’s pricing policy is wrong?</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two relevant points</p> <p><b>Level 2</b> Candidate explains relevant points and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the both pricing policies.</p> <p>Possible responses may include:  Jenny’s Policy:</p> <ul style="list-style-type: none"> <li>• Consistent with the image she intends to create for the hampers.</li> <li>• Psychologically will match the expectations of higher quality.</li> <li>• At this price she may not get the number of orders she anticipates.</li> </ul> <p>Tom Hibbert’s Policy:</p> <ul style="list-style-type: none"> <li>• Customers may be attracted by a lower price and develop the habit of buying the product. Prices can then be slowly raised and they will continue to purchase it.</li> <li>• However, retailers and purchasers are unlikely to buy this product in very large quantities: and if they did, Five Farms may not be able to meet demand.</li> <li>• Usually used in mass markets by large firms – neither is the case here.</li> </ul> <p>Would seem that Jenny’s policy is perhaps the more sensible approach in the market in which they are operating.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5–6</p>	<p>AO2 2</p> <p>AO3 2</p> <p>AO4 2</p>

Question	Answer	Mark allocation	Assessment objective
1. (d)	<p><b>What is a USP and how might it benefit Five Farms Ltd. with the selling of its hampers?</b></p> <ul style="list-style-type: none"> <li>• Unique selling Point/Proposition. (1)</li> <li>• Differentiates the product from its rivals.(1)</li> <li>• May help Five Farms gain a competitive advantage over its rivals.(1)</li> <li>• Justifies the premium price charged</li> <li>• Likely to attract more customers</li> </ul>	3	AO1 1 AO2 1 AO3 1
1. (e)	<p><b>Discuss the issues, other than pricing, that the five owners should take into account when deciding upon Jenny’s new proposals.</b></p> <p><b>Level 1</b> Candidate briefly outlines relevant issues that the five owners should take into account when deciding upon Jenny’s new proposals</p> <p><b>Level 2</b> Candidate analyses relevant issues that the five owners should take into account when deciding upon Jenny’s new proposals and may attempt some basic evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates relevant issues that the five owners should take into account when deciding upon Jenny’s new proposals.</p> <p>Possible responses may include:</p> <p>Development of new gift hampers:</p> <ul style="list-style-type: none"> <li>• Forecast suggest they will be profitable</li> <li>• There is a significant market out there - £75 million</li> <li>• Will help sell the produce of the farm.</li> <li>• How accurate are the forecasts?</li> <li>• Can their product penetrate the market?</li> <li>• Do they have the expertise to produce them to the quality standard required?</li> </ul> <p>Promotion proposals:</p> <ul style="list-style-type: none"> <li>• The website should raise awareness of their products to more potential customers.</li> <li>• Advertising should help launch the sale of the gift hampers.</li> <li>• Can they afford a top quality website which will reflect well upon the business?</li> <li>• Will the advertising be correctly targeted? If not, money will be wasted.</li> </ul> <p>Could they supply the required products if the gift hampers really took off?</p>	8  1-2  3-6  7-8	AO1 1 AO2 2 AO3 2 AO4 3

Question	Answer	Mark allocation	Assessment objective
2. (a) (i)	<p><b>What is lean production?</b> 1 mark for simple definition 1 mark for development</p> <p>Using a range of packages designed to reduce costs(1), cuts waste and improve productivity and quality(1)</p> <p>Lean production aims to reduce the quantity of resources used up in production.(1)</p> <p>Less of everything is used – factory space, materials, stocks, labour, capital, time.(1)</p>	2	AO1 2
2. (a) (ii)	<p><b>How might lean production benefit firms such as Nissan?</b></p> <p><b>Level 1</b> Candidate outlines one or two benefits of adopting lean production to a manufacturing firm such as Nissan.</p> <p><b>Level 2</b> Candidate fully explains at least two benefits that arise from adopting such methods for a manufacturing firm such as Nissan.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Productivity is raised.</li> <li>• Costs are reduced. Do not hold stock if JIT adopted</li> <li>• The number of defective products is reduced.</li> <li>• Lead times are cut.</li> <li>• There is an improvement in reliability.</li> <li>• New products can be designed more quickly</li> <li>• Waste is reduced.</li> </ul>	4  1-2  3-4	AO2 2 AO3 2
2. (b)	<p><b>Explain the advantages of adopting ‘Just in Time’ system.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two advantages of a JIT system.</p> <p><b>Level 2</b> Candidate attempts to explain two or more advantages of a JIT system.</p> <p><b>Level 3</b> Candidate fully explains the advantages of a JIT system.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• JIT – a production technique which is highly responsive to customer orders and use very little stock holding.</li> <li>• It improves cash flow as very little stock is held.</li> <li>• Waste is reduced as no obsolete or damaged stocks occur.</li> <li>• Factory space can be freed up for more productive use.</li> <li>• Costs of stock holding are radically reduced.</li> <li>• Links with, and, the control of suppliers are improved, leading to better quality of components supplied.</li> <li>• More scope for integration within the factory’s computer system.</li> </ul> <p>Motivation is improved as workers are given greater responsibility and encouraged to work in teams( as part of the lean production process)</p>	6  1-2  3-4  5-6	AO1 2 AO2 2 AO3 2

Question	Answer	Mark allocation	Assessment objective
2. (c)	<p><b>Evaluate the view that, in car manufacturing plant such as Nissan’s, using robotic technology is always better than employing people to do the work.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two relevant issues.</p> <p><b>Level 2</b> Candidate analyses at least two relevant issues and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the statement.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Robots can carry out repetitive tasks with great accuracy time after time.</li> <li>• Repetitive tasks undertaken by humans can lead to boredom, lack of motivation and human error.</li> <li>• They do dirty, dangerous jobs without complaining.</li> <li>• They do not get tired, sick, join trade unions, take days off.</li> <li>• Although initial costs high, long term costs reduced.</li> <li>• Increased output – greater speed</li> <li>• Likely to be fewer mistakes/errors – better quality.</li> </ul> <p>However:</p> <ul style="list-style-type: none"> <li>• Initial purchase cost can be very high and breakdowns can also be very expensive to resolve.</li> <li>• Maintenance can be costly as downtime is required.</li> <li>• Robots have proved to be too inflexible in final assembly where customer options have to be catered for.</li> <li>• Reprogramming of robots can be very expensive. indeed.</li> <li>• They cannot problem solve.</li> <li>• Maybe costly to keep up with technological achievements.</li> </ul>	<p>8</p> <p>1-2</p> <p>3-5</p> <p>6-8</p>	<p>AO1 2 AO2 2 AO3 1 AO3 3</p>



Question	Answer	Mark allocation	Assessment objective
3. (a)	<p><b>Analyse the importance of an effective purchasing department to a business such as Tesco.</b></p> <p><b>Level 1</b> Candidate identifies one or two reasons why operating an effective purchasing department is important to a firm such as Tesco.</p> <p><b>Level 2</b> Candidate attempts to explain why operating an effective purchasing policy is important to Tesco.</p> <p><b>Level 3</b> Candidate fully explains why operating an effective purchasing department is important to Tesco.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• It helps Tesco 'get cheaper' by <u>reinvesting savings</u> back into product quality and price cuts'.</li> <li>• To purchase the <u>quality</u> goods and materials that the business requires in order to maintain the reputation it has gained.</li> <li>• To purchase the goods and materials that the business requires at the most <u>competitive prices</u>.</li> <li>• To ensure that they <u>do not run out</u> of any stock or other materials – could result in a delayed projects or disappointed customers.</li> <li>• To build up <u>relationships with suppliers</u> to ensure reliability.</li> <li>• Effective bulk buying will allow for purchasing economies of scale.</li> </ul>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2 AO2 3 AO3 1</p>

Question	Answer	Mark allocation	Assessment objective
3. (b)	<p><b>With reference to the passage and motivational theorists, discuss the view that, in a business such as Tesco, money will always be the prime motivator for employees.</b></p> <p><b>Level 1</b> Candidate demonstrates an understanding of the difference between financial and non-financial methods of motivation.</p> <p>There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.</p> <p><b>Level 2</b> Candidate analyses methods of financial and nonfinancial methods of motivation referred to in the text and may attempt some basic evaluation with reference to motivation theorists.</p> <p>Information is well organized and ideas are expressed in a logical manner. There is good use of specialist terminology/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive.</p> <p><b>Level 3</b> Candidate fully evaluates the view that money will always be the prime motivator in a business such as Tesco, effectively utilising motivation theory.</p> <p>Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terminology/vocabulary with few, if any, errors in spelling, punctuation and grammar.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Tesco uses a wide range of financial incentives – if they did not work why would they continue to use them?</li> <li>• Theorists who view financial incentives as important – Taylor’s scientific approach.</li> <li>• Herzberg’s hygiene factors and the lower levels of Maslow’s hierarchy.</li> <li>• Non financial factors highlighted by Vicky – opportunity to progress, interesting and challenging work, a sense of purpose, a team work ethos, relaxing work environment, helpful, welcoming colleagues, variety of work, increased responsibility.</li> <li>• Links to Mayo, Maslow and Herzberg theories to support the factors that motivate Vicky.</li> </ul> <p><i>Candidates need to show an appreciation that not all employees are motivated by the same things. As to whether financial incentives are more important than non financial incentives is largely down to the individual concerned. The theorists do tend to suggest that motivation using financial incentives may be short term and that non financial motivation is longer lasting.</i></p>	<p>12</p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 3 AO2 2 AO3 1 AO4 6</p>

## **BUSINESS STUDIES**

### **BS3 MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

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#### **Quality of written communication**

The QWC is assessed in question 4 and 5.

### BS3

Question	Answer	Mark allocation	Assessment objective
1.	<p><b>Explain the ways in which Domino’s Pizza has used innovation and new technology in order to increase its appeal to customers.</b></p> <p><b>Level 1</b> The candidate demonstrates some understanding of the ways in which Domino’s Pizza have used innovation and new technology.</p> <p><b>Level 2</b> The candidate demonstrates reasonable understanding of the ways in which Domino’s Pizza have used innovation and new technology.</p> <p><b>Level 3</b> The candidate demonstrates excellent understanding of the ways in which Domino’s Pizza have used innovation and new technology.</p> <p>Possible answers might include the following:</p> <p>Packaging: protects the products and keeps them hot which means that the quality of the product is maintained whilst being delivered.</p> <p>New products: new flavoured pizza toppings; filled crust pizzas etc., by constantly improving the product range they will appeal to new customers as well as keeping existing customers happy.</p> <p>Signs on delivery vehicles: eye catching, keeps the logo in customers’ minds; since purchasing pizzas tends to be spontaneous, it is important to make the customer think of Domino’s rather than one of its many competitors.</p> <p>The use of phone apps to order pizzas: this is convenient for customers and shows that Domino’s is up-to-date. This especially appeals to younger customers who are impressed by such things.</p> <p>The use of computers to track orders: this is the same as the phone apps. Busy, tech savvy customers are impressed by this type of technology and so will prefer Domino’s to those competitors who do not offer this type of service.</p> <p>Marketing innovation. Use of social media.</p> <p>Any other valid point.</p>	<p style="text-align: center;">8</p> <p>1-2</p> <p>3-5</p> <p>6-8</p>	<p>AO1 3 AO2 3 AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
2.	<p><b>Explain the implications, to the various stakeholders of Domino’s Pizza, of its mission, culture, priorities and values.</b></p> <p><b>Level 1</b> The candidate makes an attempt to explain the implications to some stakeholders of its mission, culture, priorities and values.</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to explain the implications to a number of stakeholders of its mission, culture, priorities and values.</p> <p><b>Level 3</b> The candidate explains fully the implications, to its various stakeholders, of its mission, culture, priorities and values.</p> <p>Answers might include the following;</p> <p>The mission, culture, priorities and values are the things that help to differentiate Domino’s Pizzas from other pizza chains and other alternative providers of fast food such as fish and chip shops.</p> <p>Domino’s mission is quite simply “to be the best pizza delivery company in the world”. This statement makes it clear to all employees and customers that nothing but the best is good enough. This will act as a motivator to staff and an encouragement to customers to purchase from Domino’s.</p> <p>The culture is reflected in the saying: "Sell More Pizza, Have More Fun!" The element of fun seems to be part of the company’s USP. Employees are likely to find this motivating. The quality of the service provided by the staff is what keeps customers coming back as well as the quality of the products themselves. Also, many customers will be cheered up by seeing staff that appear to be having fun.</p> <p>The priorities and values similarly reinforce these aspects by treating employees well and guaranteeing the customer excellent service and also having a kaizen-like approach of continuous improvement.</p> <p>Impact on other stakeholders, including shareholders, managers, suppliers, the government and the local community.</p> <p>In conclusion the mission, culture, priorities and values are important and help to ensure the company’s success.</p>	<p>12</p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 4 AO2 4 AO3 4</p>

Question	Answer	Mark allocation	Assessment objective																											
3.	<p><b>Analyse and evaluate the financial performance of Domino's Pizza Group.</b></p> <p><b>Level 1</b> The candidate attempts some analysis/evaluation of the financial performance of Domino's Pizza Group</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the financial performance of Domino's Pizza Group</p> <p><b>Level 3</b> The candidate makes a detailed and well-balanced analysis and evaluation of the financial performance of Domino's Pizza Group</p> <table border="1" data-bbox="379 721 1101 1352"> <thead> <tr> <th></th> <th>2011</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>Gross Profit Margin</td> <td><math>77/210 \times 100 = 36.7\%</math></td> <td><math>72/189 \times 100 = 38.1\%</math></td> </tr> <tr> <td>Net Profit Margin</td> <td><math>39/210 \times 100 = 18.6\%</math></td> <td><math>36/189 \times 100 = 19.0\%</math></td> </tr> <tr> <td>ROCE 1 (shareholders' funds + long term liabilities)</td> <td><math>39/(60+31) \times 100 = 42.9\%</math></td> <td><math>36/(42+53) \times 100 = 37.9\%</math></td> </tr> <tr> <td>ROCE 2 (fixed + current assets)</td> <td><math>39/(99+54) \times 100 = 25.5\%</math></td> <td><math>36/(81+54) \times 100 = 26.7\%</math></td> </tr> <tr> <td>Current ratio</td> <td><math>54/62 = 0.87:1</math></td> <td><math>54/40 = 1.35:1</math></td> </tr> <tr> <td>Acid test ratio</td> <td><math>50/62 = 0.81:1</math></td> <td><math>49/40 = 1.23:1</math></td> </tr> <tr> <td>Gearing 1 (long term liabilities/shareholders funds)</td> <td><math>31/60 \times 100 = 51.7\%</math></td> <td><math>53/42 \times 100 = 126.2\%</math></td> </tr> <tr> <td>Gearing 2 (long-term liabilities /shareholders funds + long-term liabilities)</td> <td><math>31/(60+31) \times 100 = 34.1\%</math></td> <td><math>53/(42+53) \times 100 = 55.8\%</math></td> </tr> </tbody> </table> <p>The gross profit margin has fallen slightly from 38.1 to 36.7%. This is a little bit disappointing but still represents quite a healthy profit margin. The net profit margin has also fallen slightly from 19.0% to 18.6%. This is not a significant fall and the margin itself is good. However, if the margin continued to fall there would be a cause for concern.</p> <p>The results for ROCE depend on the method used to calculate it. Using ROCE 1, we see that there has been significant increase from 37.9% to 42.9% due to a fall in long-term liabilities. Both of these figures are considerably higher than ROCE 2, which is calculated by using the figure for total assets. ROCE 2 has remained relatively stable at just over 25%. Candidates should be rewarded for interpreting whichever method they used.</p>		2011	2010	Gross Profit Margin	$77/210 \times 100 = 36.7\%$	$72/189 \times 100 = 38.1\%$	Net Profit Margin	$39/210 \times 100 = 18.6\%$	$36/189 \times 100 = 19.0\%$	ROCE 1 (shareholders' funds + long term liabilities)	$39/(60+31) \times 100 = 42.9\%$	$36/(42+53) \times 100 = 37.9\%$	ROCE 2 (fixed + current assets)	$39/(99+54) \times 100 = 25.5\%$	$36/(81+54) \times 100 = 26.7\%$	Current ratio	$54/62 = 0.87:1$	$54/40 = 1.35:1$	Acid test ratio	$50/62 = 0.81:1$	$49/40 = 1.23:1$	Gearing 1 (long term liabilities/shareholders funds)	$31/60 \times 100 = 51.7\%$	$53/42 \times 100 = 126.2\%$	Gearing 2 (long-term liabilities /shareholders funds + long-term liabilities)	$31/(60+31) \times 100 = 34.1\%$	$53/(42+53) \times 100 = 55.8\%$	14  1-4  5-9  10-14	AO3 6 AO4 8
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Question	Answer	Mark allocation	Assessment objective
	<p>The liquidity ratios have both fallen significantly, the current ratio from 1.35:1 to 0.87:1 and the acid test from 1.23:1 to 0.81:1. This might suggest that the business is in trouble and finding it hard to service its short-term debt. Closer examination shows that current assets have stayed the same, although the figure for debtors has risen whilst bank and cash have fallen, which may also indicate a problem. However, when we look at current liabilities we see that they have increased significantly due to a big increase in the overdraft from £2m to £26m. It may well be that the business has decided to use an overdraft rather than long-term borrowing, as the figure for loans in the long-term liabilities has fallen significantly from £43m to £19m. As the business is likely to rely mostly on cash sales the liquidity situation might not be as bad as it at first appears.</p> <p>Due to the fall in loans the gearing ratio has fallen considerably. Using gearing 1, we see that it has fallen from being very highly geared at 126% to under half that at about 52%. Gearing 2 paints the same picture, with gearing falling from a high 56% to a more acceptable 34%. Overall the company seems to be making a healthy profit and should be in a good position to service both its short-term and long-term debts</p>		

Question	Answer	Mark allocation	Assessment objective
4.	<p><b>Assess the benefits to Domino's Pizza of expanding its business through franchising.</b></p> <p><b>Level 1</b> The candidate attempts to analyse the benefits to Domino's Pizza of expanding its business through franchising</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the benefits to Domino's Pizza of expanding its business through franchising</p> <p><b>Level 3</b> The candidate makes a balanced analysis and evaluation of the benefits to Domino's Pizza of expanding its business through franchising</p> <p>Answers might include the following:</p> <p>A definition of franchising, e.g., A form of business organisation in which a firm which already has a successful product or service (the franchisor) enters into a continuing contractual relationship with other businesses (franchisees) operating under the franchisor's trade name and usually with the franchisor's guidance, in exchange for a fee.</p> <p>By using franchising Domino's can expand more quickly than if it used organic growth</p> <p>Franchisees are likely to be well-motivated and will therefore help to guarantee the success of Domino's.</p> <p>Franchising gives Domino's an immediate injection of finance from the initial licence and thereafter a guaranteed income stream based on a percentage of sales as well as the profits from the sale of supplies to the franchisees.</p> <p>Disadvantages are that the level of profit may be less than if the franchises were owned directly by Domino's.</p> <p>Not all franchisees may perform as well as expected: as a general rule about 20% of franchises tend to underperform.</p> <p>Risk can be shared. Economies and diseconomies of scale. International branding. Benefits to the franchisee.</p> <p>Any other valid point</p>	<p>12</p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2 AO2 2 AO3 3 AO4 5</p>



Question	Answer	Mark allocation	Assessment objective
5.	<p><b>Discuss the view that the social benefits of multinational corporations, such as Domino's Pizza, outweigh the social costs.</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse/evaluate the view that the social benefits of multinationals outweigh the social costs</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the view that the social benefits of multinationals outweigh the social costs</p> <p><b>Level 3</b> The candidate makes a balanced analysis and evaluation of the view that the social benefits of multinationals outweigh the social costs</p> <p>Answers might refer to the following:</p> <p>The fact that some multinational companies are extremely large and powerful, often being bigger than some countries</p> <p><b>Social benefits:</b>  Multinational companies provide employment to large numbers of people in developed and less-developed countries  Multinational companies provide goods and services that consumers wish to purchase.  Due to their large size multinational companies benefit from economies of scale which they can pass onto their customers in the form of cheaper prices.  Multinational companies often invest large amounts of money in research and development and so can produce new products which are of benefit to consumers.  Technology transfer.  Infrastructure developments.</p> <p><b>Social costs:</b>  Many smaller, local businesses may find it difficult to compete with multinational companies.  Multinational companies may use transfer pricing in order to avoid paying tax in some countries (e.g., Starbucks and Amazon in the UK)  Multinational companies may be accused of exploiting workers in less developed countries  Multinational companies may have a negative effect on the environment, e.g., BP in the Gulf of Mexico  Food miles.  Threat to local culture.  Obesity and other health issues.</p> <p>Conclusion: multinational companies are a fact of life whose activities may need to be controlled by regulation. However, in practice this may prove to be difficult as they are able to move around and can threaten to leave countries whose governments are not friendly towards them. Perhaps some kind of super national authority is required to regulate their activities.</p>	<p>14</p> <p>1-4</p> <p>5-9</p> <p>10-14</p>	<p>AO1 3  AO2 3  AO3 3  AO4 5</p>

## **BUSINESS STUDIES**

### **BS4 MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

It should be remembered that the candidates are writing under examination conditions and credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

#### **Levels of Response**

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesise or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

#### **Quality of written communication**

The QWC is assessed in question 5, 6 and 7

## BS4

Question	Answer	Mark allocation	Assessment objective
1. (a)	<p><b>Calculate the values of the variances for (i), (ii) and (iii), stating in each case whether the variances are adverse or favourable</b></p> <p style="margin-left: 40px;">(i) 430 adverse (ii) 220 favourable (iii) 210 adverse</p> <p style="margin-left: 40px;">1 mark for each correct answer</p>	3	AO1 2 AO2 1
1. (b)	<p><b>Explain likely reasons for the variances in the sales and cost of sales.</b></p> <p><b>Level 1</b> The candidate makes some attempt to explain the likely reasons for the variances.</p> <p><b>Level 2</b> The candidate makes a good attempt to explain the likely reasons for the variances.</p> <p><b>Level 3</b> The candidate makes an excellent attempt to explain the likely reasons for the variances.</p> <p>Sales variance. Sales might have fallen for a number of reasons including:</p> <ul style="list-style-type: none"> <li>• general economic conditions (recession)</li> <li>• a competitor brought out a new variety of ready-made meals</li> <li>• they may have lost an important contract</li> <li>• the sales force weren't sufficiently motivated</li> <li>• supplies/production may have been disrupted and they were unable to fulfil all of their orders</li> <li>• changes in consumer tastes: healthy eating, home cooking etc</li> <li>• increased prices</li> <li>• quality problems</li> <li>• cutbacks in the marketing department</li> </ul> <p>Cost of sales variance:</p> <ul style="list-style-type: none"> <li>• raw material costs may have fallen</li> <li>• the exchange rate may have improved</li> <li>• new/cheaper suppliers may have been found</li> <li>• there may have been backward vertical integration</li> <li>• workers may have been better trained/motivated</li> <li>• fewer workers may have been employed to produce the same output</li> <li>• reduced wastage</li> <li>• bulk buying</li> </ul> <p>Any other valid reasons should be credited</p>	7  1-2  3-5  6-7	AO1 1 AO2 2 AO3 4

Question	Answer	Mark allocation	Assessment objective
2. (a)	<p><b>Calculate the number of employees that left the company during the year.</b></p> $240 \times 15/100 = 36$ <p>1 mark for formula + 1 mark for the correct answer (or 2 marks for correct answer)</p>	2	AO1 1 AO2 1
2. (b)	<p><b>Explain the possible reasons as to why labour turnover has increased and the ways in which the management of Frederick Crumb Ltd might respond.</b></p> <p><b>Level 1</b> The candidate attempts to explain the reason(s) for the increase and makes one or two suggestions as to how the management might respond.</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to explain the reason(s) for the increase and makes a number of sensible suggestions as to how the management might respond.</p> <p><b>Level 3</b> The candidate makes gives a good explanation for the increase and makes a well-balanced range of suggestions as to how the management might respond.</p> <p>Possible causes of high labour turnover could be:</p> <p>An aging workforce, with many reaching retiring age – the company should be expecting this and can recruit new workers to replace them.</p> <p>Another employer has moved into the area offering better inducements – they might have to respond by improving conditions of work or paying higher wages</p> <p>They may employ a lot of unskilled workers/students, who are easy to replace and train. In which case the management do not need to worry unnecessarily.</p> <p>Workers may have a genuine cause for being dissatisfied, with their pay and/or conditions. The company needs to look into this urgently and consider ways to improve the situation.</p>	8  1-2  3-5  6-8	AO1 2 AO2 2 AO3 2 AO4 2

Question	Answer	Mark allocation	Assessment objective
3. (a)	<p><b>Using this information calculate the income elasticity of demand for digital television sets.</b></p> <p>Percentage change in quantity demanded / percentage change in income</p> <p><math>700,000/2000 \times 24,000/6,000,000</math> or <math>0.7/6 \times 100/2,000/24,000 \times 100</math></p> <p><math>= 350 \times 0.004</math>      <math>= 11.67/8.33</math></p> <p><math>= 1.4</math>                      <math>= 1.4</math></p> <p>1 mark for the formula + 1/2marks for inserting the correct data +1 for the correct answer (or 4 for the correct answer)</p>	4	AO1 2 AO2 2
3. (b)	<p><b>Discuss the usefulness of the theory of income elasticity of demand to a manufacturer of digital television sets.</b></p> <p><b>Level 1</b> The candidate makes some attempt to assess the usefulness of the theory</p> <p><b>Level 2</b> The candidate makes a good attempt to assess the usefulness of the theory</p> <p><b>Level 3</b> The candidate makes an excellent assessment of the usefulness of the theory</p> <p>The theory might be useful to a manufacturer of tv sets because it will help to predict future sales. If it is anticipated that incomes will rise by a certain amount then it might be expected demand for digital tv sets to rise more than proportionately.</p> <p>This would enable the manufacturer to make sure that the production capacity was sufficient to meet the anticipated demand.</p> <p>However, there may be reasons why predictions based on past performance are unreliable:-</p> <p>A new technology may be developed and customers will buy that instead, for example the increasing use of computers to view television on demand.</p> <p>Economic circumstances may change and consumers have less disposable income.</p> <p>There is no guarantee, even if the overall market increases in size as predicted that any one manufacturer will maintain their share of the market, e.g., Japanese manufacturers have lost market share to lower cost producers in Korea and Taiwan.</p>	6  1-2  3-4  5-6	AO1 1 AO2 1 AO3 2 AO4 2

Question	Answer	Mark allocation	Assessment objective
4.	<p><b>Consider the issues that will need to be taken into account when undertaking a cost-benefit analysis of the Severn Barrage</b></p> <p><b>Level 1</b> The candidate demonstrates some understanding of the issues</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the issues</p> <p><b>Level 3</b> The candidate makes an excellent attempt at analysing and evaluating the issues</p> <p>Answers might include:</p> <p>An explanation of the process of CBA, i.e., all the costs and benefits are identified and then expressed in monetary terms. The benefits and costs are then compared.</p> <p>The advantages of this method of analysis: by using a numerical/quantitative approach it is possible to compare unlike things and come to a more objective decision. However, it is often very difficult to quantify some of the costs and benefits, e.g., how do you put a monetary figure on the loss of habitat for feeding birds?</p> <p>In this particular case they will need to assess a variety of costs and benefits, these may include:</p> <p>Costs might include: environmental costs of damming the river and the impact on wildlife, fishing etc. It may, for instance, be necessary to provide alternative feeding grounds for migratory birds and fish ladders for salmon, etc. Flooding.</p> <p>The costs of preventing ships passing beyond the barrage, perhaps expensive lock systems will need to be built into the barrage.</p> <p>There will be external costs to local residents with massive numbers of lorries carrying materials to the site causing pollution and noise.</p> <p>There may be a number of accidents and even fatalities during the project and estimates will have to be made of the monetary costs involved.</p> <p>The private costs to the consortium of construction.</p> <p>Benefits might include:- the amount of power generated by the turbines, 5% of the UK's energy demands.</p> <p>The benefits of economic regeneration (but this is difficult to quantify).</p> <p>The jobs created and the subsequent boost to the economy.</p> <p>Overall, CBA may be flawed but it is a widely used method to evaluate this sort of large-scale project. It has its drawbacks, many of the estimates may prove to be inaccurate, but it is better than not attempting to quantify these factors at all.</p>	<p>10</p> <p>1-3</p> <p>4-6</p> <p>7-10</p>	<p>AO1 1 AO2 1 AO3 4 AO4 4</p>

## SECTION B

**The following levels should be applied to each question.**

LEVEL	MARK BAND	DESCRIPTOR
Level 1	1-5	<p>Candidate makes few, if any, relevant points with no real application. There may be an attempt to draw conclusions, but understanding of connections between different areas of subject content is limited or not demonstrated.</p> <p>Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.</p>
Level 2	6-10	<p>Candidate makes some valid points using relevant business principles, concepts and theories. There may be some application with valid conclusions drawn. Some ability to make connections between different parts of the subject content is demonstrated.</p> <p>Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive.</p>
Level 3	11-15	<p>Candidate shows good knowledge and understanding of relevant business principles, concepts and theories. There is good application and analysis with sound logical conclusions drawn. The ability to make connections between different parts of the subject content is demonstrated on several occasions.</p> <p>Information is very well organised and argument is expressed clearly and coherently. There is good use of specialist terms/vocabulary and spelling, punctuation and grammar are generally accurate.</p>
Level 4	16-20	<p>Candidate demonstrates excellent knowledge, understanding, analysis, and evaluation using business principles, concepts and theories. The ability to synthesise and make connections between different parts of the subject content is fully demonstrated throughout the answer.</p> <p>Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar.</p>

Question	Answer	Mark allocation	Assessment objective
5.	<p><b>“Businesses only exist to make profits for their shareholders; rarely is any consideration given to matters of ethics.” Discuss this statement giving relevant examples where appropriate.</b></p> <p>Answers might include the following:</p> <p>An explanation of the meaning of ‘ethics’ in a business context which might cover such things as respect for the environment; not exploiting workers; not promoting products that are harmful; such as cigarettes or alcohol to young people; not avoiding taxes</p> <p>As far as for-profit businesses are concerned it is true that they exist to make profits for their shareholders but does this mean that they rarely give consideration to matters of ethics?</p> <p>Profit is important in order to attract investors and to keep shareholders happy with good dividends and a healthy share price.</p> <p>Companies also need to be concerned about their image. If they are seen to pollute the environment or exploit workers it is likely to have a negative impact on their sales. For example Nike received bad publicity for allegedly buying goods from manufacturers that did not treat their workers as well as might have been expected. In fact many customers may be attracted to companies, such as Body Shop, that base their business on ethical principles.</p> <p>Also it may be to their advantage to act ethically. For instance, by treating their workers fairly they may improve motivation and hence productivity. If they pollute the environment they may end up having to pay penalties that wipe out their profits, such as BP in the Gulf of Mexico.</p> <p>Some companies may wish to act ethically but, when faced with competitors who are less scrupulous, find that they cannot afford to do so. For example, they may wish to pay their workers a higher wage, but this would make them uncompetitive.</p> <p>On the other hand, the very fact that there is legislation to protect workers, consumers and the environment seems to indicate that some businesses, left to their own devices, are more concerned about profits than ethics.</p> <p>There are many types of business, some are for-profit, some are not-for-profit and others, such as charities and social enterprises, use their profits/surpluses for good causes rather than to reward shareholders. Therefore only some types of business exist predominantly to make profits for their shareholders.</p> <p>One can safely assume that not-for-profit, charities and social enterprises are generally concerned with matters of ethics. For some that is the reason why they exist.</p>	20	AO1 2 AO2 2 AO3 6 AO4 10



Question	Answer	Mark allocation	Assessment objective
6.	<p><b>Evaluate the proposition that the most successful businesses are always those that invest the most money in new technology.</b></p> <p>Answers might include the following:</p> <p>Arguments in favour of the proposition:</p> <p>There are many industries in all three sectors of the economy where new technology plays an important role in business success. For example, farming, fishing, manufacturing and the provision of services can all benefit from new technology.</p> <p>Irrigation systems in farming, sonar technology in fishing, CAD/CAM and robotics in manufacturing, the use of the internet in retailing, are all examples of how new technology reduces costs and increases output. Clearly those businesses that make the best use of these technologies are likely to have an advantage over their rivals as productivity will increase and they will be more profitable.</p> <p>Arguments against the proposition:</p> <p>Some businesses, often in particular niche markets, benefit from not using new technology, their USP is the fact that they make things using traditional technologies. For example Morgan cars, home-made produce such as cakes and jams and hand-made guitars, are all popular precisely because they are not made with new technology.</p> <p>Even companies that exist in markets where new technology is usually an advantage are not guaranteed success. For example the UK coal mining industry had a lot of new technology invested in it only months before the decision to close the majority of mines because coal could be imported cheaper than it could be extracted in the UK. Some Japanese television companies invested a great deal of money in new technology but were still unable to compete effectively with manufacturers in Korea and elsewhere because their labour costs were too high.</p> <p>A great deal of money can be invested in IT hardware and software that does not work and the same is true of any new technology that is badly designed. Also, even good technology may become rapidly out of date, as the rate of progress is so rapid. This means that some investments may never pay back.</p> <p>The introduction of new technology may not work unless employees are properly trained to use it and have a positive attitude to its use. They may also need to be recompensed with higher wages that, to some extent, offset the benefits of the new technology.</p> <p>In many cases the proposition is true but new technology is only one factor in business success and attention needs to be paid to the other factors as well.</p>	20	AO1 2 AO2 2 AO3 6 AO4 10

Question	Answer	Mark allocation	Assessment objective
7.	<p><b>Discuss the view that oligopolistic businesses, such as car manufacturers, supermarkets and banks, often act against the public interest.</b></p> <p>Answers might include the following:</p> <p>In oligopolistic markets prices are often ‘sticky’ and, due to lack of competition and even collusion, prices are likely to be higher, which is against the public interest. Often a dominant company such as Ford, in the car industry, will set a price that other companies will follow.</p> <p>On the other hand there is often non-price competition which may benefit consumers, for example in the car industry manufacturers compete on non-price features such as extras, safety, speed and economy. Occasionally price wars may occur which will be of benefit to consumers.</p> <p>There are likely to be barriers to entry which reduces competition.</p> <p>The domination of the high street by large supermarkets such as Tesco and ASDA, which are often accused of forcing small local businesses to close, may be thought by many to be against the public interest, although these large businesses would say that customers are voting with their feet.</p> <p>Although banks provide a vital service to their customers they do not always appear to be benefiting everyone. Small businesses often find it difficult to borrow money and individuals on low incomes often have to pay high bank charges. The vast resources of the banks are not often put towards socially useful projects.</p> <p>Some firms will aim to achieve growth at the expense of profit in the short term so that they can eventually become dominant and enjoy economies of scale, e.g., by purchasing in bulk, and so further strengthen their position in the market. For the public the short-term benefits of low prices may in the long-run lead to reduced choice.</p> <p>Large firms may be able to use profits to invest in R &amp; D, which results in the creation of new products, which will be of benefit to consumers. Large firms may also use some of their profits to benefit local communities, for example by sponsoring sport and providing equipment to schools.</p> <p>It could be argued that the existence of oligopolies is a fact of life and as long as the regulators do their job, the public should not suffer unduly.</p>	20	AO1 2 AO2 2 AO3 6 AO4 10



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