



GCE MARKING SCHEME

SUMMER 2016

**BUSINESS STUDIES – BS4
1084/01**

INTRODUCTION

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was 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 conference was to ensure that the marking scheme was 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' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

Positive Marking

It should be remembered that 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

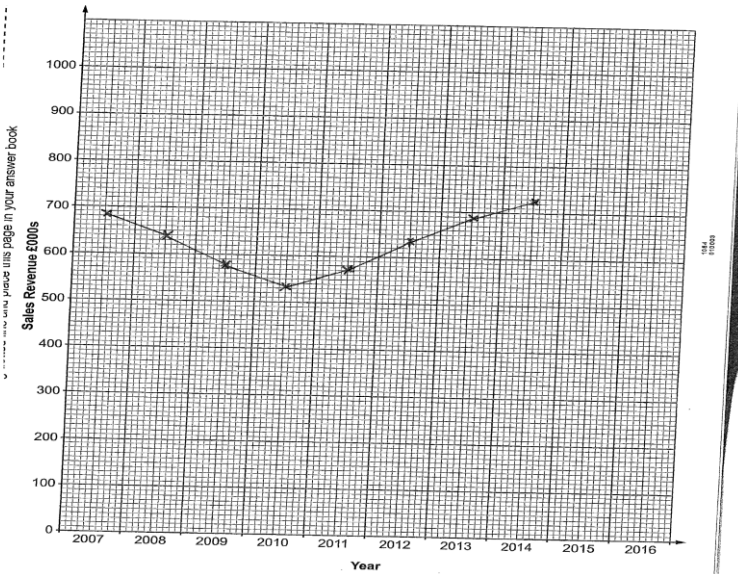
Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, 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 addition, candidates will be assessed on their Quality of Written Communication in the essay question in Section B.

GCE Business Studies

SUMMER 2016 MARK SCHEME

| Question | Answer | Mark allocation | Assessment objective |
|----------|---|--|----------------------------------|
| 1 | <p>Explain the impact on Unilever plc of introducing an asset-led marketing campaign based on Marmite.</p> <p>Level 1 The candidate demonstrates limited understanding of asset-led marketing and makes some attempt to apply it to Unilever plc</p> <p>Level 2 The candidate demonstrates good understanding of asset-led marketing and makes a reasonable attempt to analyse the impact on Unilever plc.</p> <p>Level 3 The candidate demonstrates excellent understanding of asset-led marketing and makes a sensible analysis of its impact on Unilever plc.</p> <p>Answers might include the following:</p> <p>A definition of asset-led marketing, i.e., marketing that is based on the strengths of the business.</p> <p>An asset-led marketing campaign is likely to involve the production of new products based on the previous success of Marmite. This might include Marmite flavoured drinks or foods with a Marmite flavouring or it could also include different types of product such as crockery with Marmite logos, e.g., a Marmite mug or teapot.</p> <p>Initially Unilever plc will have to invest a lot of money in developing new products and marketing them. Until the product(s) is successfully launched Unilever will not receive any income from the product.</p> <p>Once the product is launched there is no guarantee that it will be successful – it may well flop since Marmite is an acquired taste and sales have recently been falling. If the product(s) is not successful it may have an impact on Unilever plc's other brands and damage the company's reputation.</p> <p>On the other hand, in the long run, the new product(s) may well be a great success and Unilever plc's sales and profits will benefit accordingly.</p> <p>Any other valid point.</p> | <p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p> | <p>AO1 1 AO2 2 AO3 3</p> |

| Question | Answer | Mark allocation | Assessment objective | | | | | | | | | | | | | | | | |
|---------------------|--|-----------------|----------------------|-------|-------|-------|-------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-----------------|--------------|
| <p>2 (a)</p> | <p>On the graph plot the three year moving average of the company's sales revenue.</p> <p>In order to plot the graph candidates should do the calculations.</p> <p>E.g., for 2007: $(645 + 681 + 729) / 3 = \text{£}685\text{k}$, to give:</p> <table border="0" style="width: 100%; text-align: center;"> <tr> <td>2007</td> <td>2008</td> <td>2009</td> <td>2010</td> <td>2011</td> <td>2012</td> <td>2013</td> <td>2014</td> </tr> <tr> <td>£685k</td> <td>£640k</td> <td>£580k</td> <td>£533k</td> <td>£571k</td> <td>£636k</td> <td>£688k</td> <td>£752k</td> </tr> </table> <p>These results should be plotted as follows:</p>  <p>4 marks for calculations (round up half marks)+ 1 marks for plotting the graph.</p> <p>(or, 5 marks for correctly plotting the graph).</p> | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | £685k | £640k | £580k | £533k | £571k | £636k | £688k | £752k | <p>5</p> | <p>AO2 5</p> |
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | | | | | | | | | | | | |
| £685k | £640k | £580k | £533k | £571k | £636k | £688k | £752k | | | | | | | | | | | | |

| Question | Answer | Mark allocation | Assessment objective |
|--------------|--|--|-------------------------|
| 2 (b) | <p>In what way might Montague Winters Ltd use the graph to predict future sales?</p> <p>1 mark for mentioning extrapolation/sales forecasting/trend 1 mark for mentioning line of best fit</p> <p>N.B. Allow any other valid point, i.e., that in this case the sales revenue for 2016 is projected to be in the region of £850k.</p> | 2 | AO1 2 |
| 2 (c) | <p>Explain how sales forecasting is likely to be useful to Montague Winters Ltd.</p> <p>Level 1 The candidate makes a limited attempt to explain the usefulness of sales forecasting to Montague Winters Ltd</p> <p>Level 2 The candidate makes a good attempt to analyse the usefulness of sales forecasting to Montague Winters Ltd</p> <p>Level 3 The candidate presents an excellent analysis of the usefulness of sales forecasting to Montague Winters Ltd</p> <p>Answers might include:</p> <p>If it is reasonably accurate it will be useful in helping Montague Winters Ltd be successful in its future planning and has sufficient productive capacity to maintain future demand.</p> <p>For example, to ensure that it has sufficient well-trained employees to meet the increased demand; that it has sufficient finance available to fund the increased output and that it has sufficient supplies of raw materials available to meet the demand.</p> <p>On the other hand the prediction may be an underestimate, e.g., because there has been increased interest in sport possibly because of the success of a British team or individual or because an advertising campaign has greater success than had been anticipated.</p> <p>Or the prediction may be an overestimate, for instance because there may be a downturn in the economy, or a competitor or new entrant may take away some of their market share.</p> <p>An inaccurate prediction is no doubt better than no prediction at all but it must always be treated with caution.</p> <p>Any other valid point.</p> | <p>5</p> <p>1</p> <p>2-3</p> <p>4-5</p> | AO1 1 AO2 1 AO3 3 |

| Question | Answer | Mark allocation | Assessment objective |
|----------|--|--|------------------------|
| 3 | <p>Explain the advantages and disadvantages of using Cost Benefit Analysis when making decisions on projects such as the Newport relief road.</p> <p>Level 1 The candidate shows limited understanding of cost benefit analysis</p> <p>Level 2 The candidate shows good understanding of cost benefit analysis with reference to the case study (or another example)</p> <p>Level 3 The candidate shows excellent understanding of cost benefit analysis with good use of the case study (or another example)</p> <p>Answers might include:</p> <p>A definition of cost benefit analysis, e.g., it is a method of assessing the viability of a project based on analysis of all of the social costs and benefits involved. This includes both private and external costs and benefits. All costs and benefits need to be given a monetary value. In this case there are benefits to the local economy that will need to be quantified as well as the costs to some businesses and householders who are affected by the route of the new road.</p> <p>In the case of the Newport relief road CBA has advantages in terms of giving all costs and benefits a monetary value so that alternative schemes can be objectively compared. In this case three schemes were considered before one was finally chosen.</p> <p>Reference should be made to the problems associated with giving a monetary value to some costs/benefits. E.g., some environmental costs, such as those mentioned by Friends of the Earth, might be difficult to quantify.</p> <p>Also some costs/benefits may be overlooked.</p> <p>Any other valid point.</p> | <p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p> | <p>AO1 5 AO2 1</p> |

| Question | Answer | Mark allocation | Assessment objective |
|----------|---|---------------------------------------|---------------------------|
| 4 (a) | <p>To what extent might this information be useful to:</p> <p>A farmer thinking of moving into the production of organic food?</p> <p>Level 1 The candidate demonstrates limited analysis/evaluation of how this information might be useful to a farmer thinking of moving into the production of organic food</p> <p>Level 2 The candidate demonstrates good analysis/evaluation of how this information might be useful to a farmer thinking of moving into the production of organic food</p> <p>The information in the table indicates whether farmers think that they are receiving sufficient income for their produce. This is likely to make some products attractive to farmers thinking of moving into production of organic food.</p> <p>On this basis milk is the most attractive proposition since 80% of farmers feel that current prices are either definitely or probably high enough to sustain production. This is closely followed by eggs (79%) and chickens (77%). On the other hand only 43% of grain producers and 31% of lamb producers think that prices are probably high enough, so these products are unlikely to attract many new farmers.</p> <p>However, these prices and opinions may only be valid for a short period of time and may change so that the decision a farmer makes may quickly become out-of-date. Also, whether or not a price is high enough will depend on the efficiency of the farmer. It may be that those farmers who think that prices are not high enough are not farming efficiently, possibly due to the quality of land that they are farming on.</p> <p>Even if a farmer wanted to switch to organic production he/she might face practical problems.</p> <p>A farmer deciding would need to do a lot more research before making a final decision as to what to produce.</p> <p>Any other valid suggestion.</p> | <p>4</p> <p>1-2</p> <p>3-4</p> | <p>AO3 2</p> <p>AO4 2</p> |

| Question | Answer | Mark allocation | Assessment objective |
|----------|--|---------------------------------------|------------------------|
| 4 (b) | <p>A supermarket thinking of expanding its range of organic produce?</p> <p>Level 1 The candidate demonstrates limited analysis/evaluation of how this information might be useful to a supermarket thinking of expanding its range of organic produce</p> <p>Level 2 The candidate demonstrates good analysis/evaluation of how this information might be useful to a supermarket thinking of expanding its range of organic produce</p> <p>A supermarket will be concerned about three things: the likely demand for particular products, the price that they have to pay for a product and the security of supply.</p> <p>If farmers are satisfied with the price that they are receiving the supermarket will not be under pressure to increase the price that it pays for the product. This may encourage it to stock certain organic products but not others.</p> <p>Similarly, as regards security of supply. If, as in the case of lamb 50% of farmers are unhappy with the price that they are receiving, its may indicate that there are likely to be supply problems in the future unless supermarkets are prepared to increase the price that they are willing to pay for the product. If there are problems sourcing organic produce from the UK it may encourage them to look for supplies from overseas.</p> <p>Overall, from the point of view of a supermarket the information may be of some use as an indicator of a satisfactory situation regarding the supply of organic products as well as indicating potential supply problems. This information would need to be supplemented by more detailed, up-to-date research.</p> <p>Any other valid suggestion.</p> | <p>4</p> <p>1-2</p> <p>3-4</p> | <p>AO3 2 AO4 2</p> |

| Question | Answer | Mark allocation | Assessment objective |
|----------|---|--|--|
| 5 | <p>Evaluate the usefulness of contingency planning to airline companies such as Virgin Atlantic, easyJet or British Airways.</p> <p>Level 1 The candidate makes a limited attempt to analyse/evaluate the advantage of contingency planning to an airline</p> <p>Level 2 The candidate makes a good attempt to analyse/evaluate the advantage of contingency planning to an airline</p> <p>Level 3 The candidate makes a detailed and well-balanced analysis and evaluation of the advantage of contingency planning to an airline</p> <p>Answers might include:</p> <p>An explanation of the nature of contingency planning, i.e., having a plan prepared in order to deal with events that might disrupt the operations of an organisation.</p> <p>An airline, has to organise hundreds of flights every day for thousands of passengers, flying to numerous destinations worldwide. Given this scenario there are any amount of things that can potentially go wrong and that the airline will need to prepare for.</p> <p>An airline can be affected by external events such as bad weather or ash clouds emanating from volcanoes. They can be affected by political effects such as wars and revolutions in the countries in which they operate or fly over (as happened in Ukraine in 2014). They can be affected by industrial action by their own staff or employees of the airports in which they operate. One or more of their aeroplanes may break down in some far off place. They might be impacted by the actions of other airline businesses who offer improved services or lower prices on the routes that they fly on. For example, another airline may be offering more comfortable beds on long-haul flights to business customers.</p> <p>In all of these cases contingency plans will be of the utmost value to the airline. Alternative transport or accommodation may be needed to be arranged at short notice for the passengers. Failure to do this is likely to frustrate customers and affect the reputation of the business.</p> <p>On the other hand it is impossible to plan for every eventuality and the cost of carrying out the plan may exceed the benefit. So, whilst contingency planning is essential, there may be some things that cannot reasonably be planned for, or some events, that are so unexpected that they will not have been included in any contingency plan.</p> <p>Any other valid point.</p> | <p>8</p> <p>1-2</p> <p>3-5</p> <p>6-8</p> | <p>AO1 1 AO2 1 AO3 2 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 |
|----------|--|-----------------|-----------------------------------|
| 6 | <p>“Businesses that adopt an ethical approach to their operations are likely to achieve greater success than those that do not”. Discuss.</p> <p>Answers might include the following:</p> <p>An ethical approach is one that treats all stakeholders of a business fairly and without exploitation. For example: customers will be provided with good quality products at reasonable prices and will receive excellent support and after-sales service.</p> <p>Workers will be given good and safe working conditions; they will receive fair payment (above the National Living Wage) and will not be discriminated against on the basis of gender, race, sexual orientation, religion, etc.</p> <p>Suppliers will, as far as possible, be given regular contracts and will be paid within a reasonable period of time.</p> <p>Shareholders will receive reasonable returns on their investment.</p> <p>The company will not pollute the environment or produce excess waste materials.</p> <p>An ethical approach will benefit a business because it will help to retain loyal customers and to ensure that its workforce is engaged and dedicated. It will also enhance the reputation of the business which will both increase its sales and its value.</p> <p>On other hand there is a cost involved and other less ethical businesses might take advantage of the situation. For example, in a recession, customers may be more concerned with cheaper prices than the quality of the products that they buy.</p> <p>Pressure on the business to be competitive may make it resist pay increases to its staff and it may start to pay its suppliers later than had previously been the case.</p> <p>It could be argued that ethics are a luxury that can be afforded when times are good but that come under pressure when economic times get difficult.</p> <p>There are plenty of examples of unethical businesses that have been successful. Stagecoach was prosecuted on numerous occasions when public transport was deregulated and they deliberately undercut existing bus companies in order to put them out of business. This did not prevent Stagecoach from becoming very successful.</p> <p>However, some businesses have become successful precisely because of their ethical approach, for instance the Body Shop’s USP is non-animal tested products.</p> <p>In conclusion it is true that many businesses with an ethical approach are successful but having an ethical approach is not a guarantee of success and there are even some distinctly unethical businesses that are successful.</p> <p>Any other valid response should be credited.</p> | 20 | AO1 2 AO2 2 AO3 6 AO4 10 |

| Question | Answer | Mark allocation | Assessment objective |
|----------|--|-----------------|-----------------------------------|
| 7 | <p>“Most money spent on advertising is wasted whereas money spent on capital investment is always likely to be more beneficial to a business”. Discuss.</p> <p>Answers might include the following:</p> <p>Advertising is an important part of promotion, it can be informative or persuasive.</p> <p>If potential customers are unaware of a products existence or its particular advantages they are unlikely to buy it and consequently any investment that had been made in producing the product would have been wasted.</p> <p>It is true that a lot of money spent on advertising is wasted. For example, many people go and make a cup of tea when the television adverts are on. Nevertheless, such advertising is necessary, or else businesses would not be prepared to pay for it.</p> <p>Most businesses will expend a great deal of effort into trying to find out which advertising is effective and of finding ways to target potential customers so as to reduce the waste of money spent on advertising.</p> <p>On the other hand British businesses, in general, do not spend as much on investment as businesses in other similar economies. Lack of investment can result in failure to innovate and produce new products. It can also mean that costs of production are higher than necessary.</p> <p>The balance between advertising expenditure and investment will very much depend on the type of business. Some products, with very long life-cycles, have been highly successful without much investment but with a great deal of advertising, e.g., some confectionery products such as KitKat or Cadbury’s cream eggs. Other products, such as those produced by technology companies such as Apple or pharmaceutical companies such as GSK have spent vast sums of money investing in new products and relatively little on advertising.</p> <p>For a successful business it is essential to minimise wasted spending on both advertising and investment.</p> <p>Any other valid point/example should be credited.</p> | 20 | AO1 2 AO2 2 AO3 6 AO4 10 |

| Question | Answer | Mark allocation | Assessment objective |
|----------|---|-----------------|-----------------------------------|
| 8 | <p>Assess the view that, for many businesses considering operating in the global marketplace, the challenges that they face may well be greater than the rewards.</p> <p>Answers might include the following:</p> <p>Advantages</p> <p>Operating on a global scale can have many advantages.</p> <p>Companies can take advantage of economies of scale. They can enjoy increased sales whereas their home markets may be stagnating. They are likely to increase their profits, if they provide the goods and services that consumers globally desire.</p> <p>They may find that they can benefit from paying lower taxes (although this can be controversial and adversely affect a business's image).</p> <p>They may find new sources of raw materials. They may find that it is cheaper to produce their products in other countries.</p> <p>They may be able to employ new people who are able to contribute to the success of the business.</p> <p>The rewards may be considerable for businesses that get it right. For example, many luxury goods manufacturers such as Rolls Royce cars or Burberry clothing have achieved remarkable success in China</p> <p>Disadvantages</p> <p>There are a number of potential problems facing businesses that wish to operate in the global market place:</p> <p>Tastes may vary in different cultures, for instance, Tesco has had to adapt the range of products it sells in China and also in China Cadbury's discovered that the Chinese do not very much like chocolate.</p> <p>Cultural differences mean that businesses have to be sensitive to local standards, e.g., the use of scantily clad models in adverts is not acceptable in many countries. In some countries work has to stop for prayers at certain times of the day.</p> <p>Language barriers exist and businesses need to be cautious that the words they use do not have different meanings in the language in which they are operating, e.g., the Vauxhall Nova in Spain meaning "no go".</p> <p>There may be political problems. Many regions of the world, even those once considered to be relatively stable, may become politically volatile. As a result sales may be badly affected.</p> | 20 | AO1 2 AO2 2 AO3 6 AO4 10 |

| Question | Answer | Mark allocation | Assessment objective |
|----------|---|-----------------|----------------------|
| | <p>Technical standards may vary and so product simply will not work unless they are made to fit local conditions.</p> <p>Legislation regarding such things as labelling, product safety and environmental impact are likely to be different and must be adhered to.</p> <p>They may suffer from diseconomies of scale.</p> <p>In conclusion businesses need to weigh up the likely challenges and rewards and concentrate on those markets where the risks are low and the returns high.</p> <p>Any other valid point/example should be credited.</p> | | |