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# **GCE MARKING SCHEME**

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**BUSINESS STUDIES  
AS/Advanced**

**SUMMER 2015**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the Summer 2015 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 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 4.

BS1

Question	Answer	Mark allocation	Assessment objective
1. (a)	<p><b>With the use of examples, briefly explain the meaning of the terms:</b></p> <p>Public goods</p> <p>Merit goods</p> <p>Max 2 marks for examples Max 2 marks for brief explanation</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• <b>Public goods</b> – street lighting, judiciary, policing, and defence. (x1)</li> <li>• The consumption of public goods by one individual does not reduce the amount to another – non-rivalry. (x1)</li> <li>• It is impossible to exclude others from the benefits of their use – non-excludability. (x1)</li> <li>• Public goods are provided free at the point of use – paid for via taxation. (x1)</li> <li>• <b>Merit goods</b> – education, health, libraries, leisure centres.(x1)</li> <li>• It is argued that some merit goods should be provided in greater quantities because if individuals had to pay some may choose not to or may not be able to afford to do so. (x1)</li> <li>• The provision of merit goods is said to raise society’s standard of living. (x1)</li> </ul>	4	AO1 2 AO2 2

Question	Answer	Mark allocation	Assessment objective
1. (b)	<p><b>How might these cuts in services impact on local communities across Wales?</b></p> <p><b>Level 1</b> Candidates briefly suggests one or two possible impacts.</p> <p><b>Level 2</b> Candidate fully considers possible impacts.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Less safe environment as streets are less well lit.</li> <li>• Some facilities maybe closed/withdrawn</li> <li>• Education in the community is diminished as schools and libraries are less well-funded.</li> <li>• Reduced leisure facilities may result in private businesses benefitting.</li> <li>• General standard of living in the community may be reduced.</li> <li>• If health provision is cut back then may lead to longer times at GPs and hospitals.</li> </ul>	<p><b>4</b></p> <p>1 - 2</p> <p>3 - 4</p>	<p>AO3 2</p> <p>AO4 2</p>

Question	Answer	Mark allocation	Assessment objective
2. (a) (i)	<p><b>Explain, with the use of an example, what is meant by vertical integration.</b></p> <p>Occurs when two firms in the same industry join together (1), but at different stages in the production/supply chain. (1)</p> <p>Suitable example of either backward or forward. (1)</p>	3	AO1 2 AO2 1
(ii)	<p><b>How might Iceland benefit from vertical integration?</b></p> <p><b>Level 1</b> Candidates briefly outlines one or two possible benefits.</p> <p><b>Level 2</b> Candidates attempts to explain possible benefits that may occur as a result of the acquisition.</p> <p><b>Level 3</b> Candidate fully explains how Iceland may benefit as a result of the acquisition.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Reduced cost of supplies, no longer has to pay Loxton for its products and therefore profit margin can be higher.</li> <li>• Greater control over supply of products. Can ensure quality to a greater extent,</li> <li>• Reduces risk of supplies not arriving on time.</li> <li>• No risk of cost of supplies rising suddenly.</li> <li>• No negotiation of prices.</li> <li>• Greater control over the selling and distribution of the product.</li> </ul>	5  1 - 2  3 - 4  5	AO2 2 AO3 3
2. (b) (i)	<p><b>What is meant by segmenting the market?</b></p> <p>Breaking down of markets into sub-groups (1) with similar characteristics (1).</p> <p>Examples of segmented sub groupings. (1)</p>	3	AO1 2 AO2 1

Question	Answer	Mark allocation	Assessment objective
2. (b) (ii)	<p><b>Explain the possible advantages to Iceland Foods Ltd of <i>segmenting</i> the market.</b></p> <p><b>Level 1</b> Candidates identifies one or two possible benefits.</p> <p><b>Level 2</b> Candidates attempts to explain at least one or two benefits.</p> <p><b>Level 3</b> Candidate fully explains two or more advantages of segmenting the market to Iceland Foods Ltd.</p> <p><b>Indicative content:</b></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Successful segmentation should result in increased sales and profits for Iceland.</li> <li>• Should help to understand customers better and be able to satisfy their needs more effectively.</li> <li>• Help to target particular groups more effectively.</li> <li>• Can help to prevent products being promoted to the wrong people – less waste of resources.</li> <li>• Allows a business to market a wider range of differentiated products – spreads the risks.</li> <li>• Customers may feel that their needs are being better targeted and develop loyalty to Iceland.</li> </ul>	<p><b>6</b></p> <p>1 - 2</p> <p>3 - 4</p> <p>5 - 6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>
2. (c) (i)	<p><b>Briefly explain, with the use of an example, the process of batch production.</b></p> <p>The manufacture of a limited number of identical products. (1)</p> <p>Within each stage of the production process, work will be completed for the whole batch before the next stage is begun. (1)</p> <p>Suitable example: e.g. production of loaves of bread. (1)</p>	<p><b>3</b></p>	<p>AO1 2</p> <p>AO2 1</p>

Question	Answer	Mark allocation	Assessment objective
2. (c) (ii)	<p><b>Discuss the view that manufacturers, such as Iceland Foods, will always benefit from the introduction and use of flow production.</b></p> <p><b>Level 1</b> Candidates identifies one or two possible benefits/drawbacks.</p> <p><b>Level 2</b> Candidates attempts to explain possible benefits of flow production methods and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the view that the introduction of flow production methods can only be beneficial to food manufacturers such as Iceland Foods Ltd.</p> <p>Possible responses may include:</p> <p>Benefits:</p> <ul style="list-style-type: none"> <li>• Unit costs can be reduced as a result of economies of scale.</li> <li>• Use can be made of computer controlled machinery and consistency of quality and uniformity can be attained.</li> <li>• Production can continue virtually non-stop for long periods of time.</li> <li>• Less labour is required – only machines supervisors are needed. Lower labour costs.</li> </ul> <p>Drawbacks:</p> <ul style="list-style-type: none"> <li>• Set up costs can be very high. Investment must be justified by high volume of sales.</li> <li>• Products will tend to be standardised, although modern machinery is becoming more flexible to overcome this drawback.</li> <li>• Breakdowns can be very costly – interdependent nature of the process can mean that if one section breaks down the whole line may have to stop.</li> <li>• Jobs for those working in such production environments tend to be repetitive and boring. Motivation issues may arise.</li> </ul>	<p style="text-align: center;"><b>7</b></p> <p style="text-align: center;">1 - 2</p> <p style="text-align: center;">3 - 5</p> <p style="text-align: center;">6 - 7</p>	<p style="text-align: center;">AO1 1 AO2 1 AO3 2 AO4 3</p>



Question	Answer	Mark allocation	Assessment objective
3.	<p><b>Explain why the number of people employed in the secondary sector over the last 20 years has continued to decline, whilst those employed in the tertiary sector have risen steadily.</b></p> <p><b>Level 1</b> Candidates briefly outlines one or two relevant points.</p> <p><b>Level 2</b> Candidates attempts to explain possible reasons.</p> <p><b>Level 3</b> Candidate fully explains possible reasons for both occurrences.</p> <p>Possible responses may include:</p> <p><i>Decline in the secondary sector -</i></p> <ul style="list-style-type: none"> <li>• Fewer people are required as mechanisation has taken over many manual, repetitive tasks.</li> <li>• Robots are becoming more sophisticated and taking over jobs that are more complex.</li> <li>• Many manufacturing businesses have relocated to sites overseas where labour is cheaper.</li> <li>• Much of UK manufacturing has not survived in the increasingly competitive global marketplace – de-industrialisation.</li> </ul> <p><i>Increase in the tertiary sector -</i></p> <ul style="list-style-type: none"> <li>• As the UK has become more affluent and economically developed there is greater demand for services such as health care, education and tourism.</li> <li>• Financial services have been a growth area and many new jobs have been created in this area of employment.</li> <li>• Also, as people have more free time and become wealthier there is a greater demand for leisure services.</li> <li>• Education system has become more geared towards preparing population to take up jobs in the tertiary sector – jobs in manufacturing have become less desirable/fashionable.</li> <li>• Impact of IT – more employment opportunities created.</li> </ul>	<p><b>6</b></p> <p>1 - 2</p> <p>3 - 4</p> <p>5 - 6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
4.	<p><b>Advise Anna whether she should enter into a partnership with Charlie, or remain operating as a sole trader.</b></p> <p><b>Level 1</b> Candidate briefly outlines benefits and/or drawbacks for Anna.</p> <p><b>Level 2</b> Candidate analyses possible benefits and/or drawbacks for Anna and attempts some basic evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates possible benefits and drawback for Anna of working in a partnership with Charlie as opposed to remaining as sole trader.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• As partners they can combine their specialist skills to form a more effective business and provide greater customer satisfaction.</li> <li>• Likely to be able to raise more finance – new shop and workshop is evidence of this.</li> <li>• They can cover for each other during times of sickness or holidays.</li> <li>• They can share ideas and make key decisions together.</li> <li>• They may motivate and support each other during difficult times.</li> <li>• Partners still have unlimited liability and are still liable to all debts incurred.</li> <li>• Profits have to be shared.</li> <li>• Anne and Charlie may disagree on key issues and this will cause tension.</li> <li>• Any decision made by Anne or Charlie is binding on their partner – even if it is a costly mistake.</li> <li>• Partners do not have incorporated status, just as when they were sole traders, so they can be sued by customers.</li> <li>• Does she know him well enough – she should perhaps find out more about him.</li> <li>• She should insist on a Deed of Partnership to protect herself and clarify their business relationship.</li> </ul>	<p><b>9</b></p> <p>1 - 3</p> <p>4 - 6</p> <p>7 - 9</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO4 5</p>

## **BS2 BUSINESS STUDIES**

### **MARK SCHEME**

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

The QWC is assessed in question 3

**BS2**

<b>Question</b>	<b>Answer</b>	<b>Mark allocation</b>	<b>Assessment objective</b>
1 1	<p><b>With the aid of an example from Harding’s Stoves, explain the meaning of:</b></p> <p><b>Debtors</b></p> <p><b>Trade Creditors</b></p> <p>Award <b>1</b> mark for correct explanation Award <b>1</b> mark for correct example</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Debtors are people who <b>owe</b> Mike Harding money.</li> <li>• They represent the total value of sales to his customers for which payment has not yet been received.</li> <li>• Creditors are those to whom Mike Harding <b>owes</b> money.</li> <li>• Harding has purchased goods from suppliers or services on credit so that payments are still outstanding.</li> </ul>	4	AO1 2 AO2 2
1 2	<p><b>Calculate the value of:</b></p> <p><b>Vehicles</b>                      Award <b>1</b> mark for (£)84 100</p> <p><b>Net Current Assets</b></p> <p><b>(Working Capital)</b>              Award <b>1</b> mark for (£)11 680</p>	1  1	AO2 2
1 3	<p><b>Explain why Working Capital (Net Current Assets) is so important to a business such as Harding’s Stoves.</b></p> <p><b>Level 1</b>    Candidate briefly outlines why working capital is so important to a business such as Harding’s Stoves.</p> <p><b>Level 2</b>    Candidate explains why working capital is so important to a business such as Harding’s Stoves.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Needed to fund the day to day finance available for running a business.</li> <li>• Working capital is needed to pay for raw materials and running costs.</li> <li>• Working capital is also needed to fund the credit offered to customers (debtors) when making a sale. Customers may go to a competitor if Harding cannot offer credit.</li> <li>• If Mike Harding has too little working capital he may struggle to finance increased production without straining his liquidity position.</li> </ul>	4  1-2  3-4	AO1 2 AO2 2

Question	Answer	Mark allocation	Assessment objective
1 4	<p><b>What is labour productivity?</b></p> <p>Labour productivity is a <u>measurement</u> of the output per worker. (1)</p> <p><u>(Total) output per period of time</u> (Average) number of employees period of time. (2)</p> <p><u>(Total) output</u> (Average) number of employees. (1)</p> <p><u>It is an important measure of the efficiency of the workforce.</u> (1)</p>	2	AO1
1 5	<p><b>Briefly explain one way in which Mike Harding could improve labour productivity in his business.</b></p> <p>Award <b>1</b> mark for relevant method Award <b>1</b> mark for brief development</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>● Improving the capital equipment with which they work.</li> <li>● Change employment methods, e.g. moving from assembly line production to cell production.</li> <li>● Training may be needed for workers to help them deal with new machinery or methods.</li> <li>● Increase motivation by changing the reward system.</li> <li>● Change the structure of the business by devolving decision making.</li> </ul>	2	AO2

Question	Answer	Mark allocation	Assessment objective
1 6	<p><b>Explain ways in which Harding’s Stoves can try to ensure that it maintains its reputation for providing its customers with quality goods and services.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two relevant points as to how Harding’s Stoves might try to ensure that it maintains its reputation for providing its customers with quality goods and/or services.</p> <p><b>Level 2</b> Candidate attempts to explain how Harding’s Stoves might try to ensure that it maintains its reputation for providing quality goods and/or services.</p> <p><b>Level 3</b> Candidate fully explains how Harding’s Stoves might try to ensure that it maintains its reputation for providing quality goods and services. A range of methods should be effectively analysed.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>● Use good <u>quality raw materials</u> that will ensure both reliability and durability of the product they receive.</li> <li>● <u>Keep up to date with any developments</u> in the market in which they operate both in terms of the technical developments and production processes. For example financing R &amp;D to ensure progress.</li> <li>● Ensure that staff and any sub-contractors are <u>well trained</u> and capable of carrying out their tasks effectively, also customer service training may help to resolve to customer service complaints.</li> <li>● Implement measures to ensure staff are <u>motivated</u> to provide efficient/quality service and produce quality stoves – this could involve both financial and non-financial methods.</li> <li>● Maintain effective <u>after sales service</u> in terms of delivery, speed of response and availability of parts in order to ensure that customers are impressed with the service they receive.</li> <li>● Adopt various <u>quality initiatives</u> – TQM, Kaizen, zero defects, quality circles, quality chains, etc.</li> <li>● Undertake <u>market research</u> on a regular basis to gain customer feedback in relation to the quality of their service.</li> <li>● <u>Invest in new technology</u> for example, IT, new machinery, CAD/CAM.</li> </ul>	8  1-3  4-6  7-8	AO1 3 AO2 3 AO3 2

Question	Answer	Mark allocation	Assessment objective
17	<p><b>Discuss Eric’s view that production is the most important department in Harding’s Stoves if the business is to be successful.</b></p> <p><b>Level 1</b> Candidate briefly outlines the importance of the production department to the success of Harding’s Stoves as well as some other departments. Comments are superficial.</p> <p><b>Level 2</b> Candidate attempts to explain the importance of the production function to Harding’s Stoves and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the viewpoint.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>● The stoves are the only product they make and therefore must be central to success.</li> <li>● They must be made to the quality standards required or customer dissatisfaction will result and reputation will suffer.</li> <li>● The stoves must be made on time to meet customer orders.</li> <li>● They need to produce sufficient quantities to meet demand.</li> </ul> <p>However:</p> <ul style="list-style-type: none"> <li>● Sales are a very important function – no sales no point in manufacturing.</li> <li>● Administration and accounts are central to the organization – credit control, wages, legal requirements, etc.</li> <li>● Design – helps to maintain competitiveness and increases the appeal of the stoves to potential customers.</li> <li>● Fitting – an important link between the product and the customer in ensuring customer satisfaction – the face of the business.</li> </ul> <p>To achieve top level 3 the evaluation must include a comment that all functional departments are important if the business is to be effective and succeed.</p>	8  1-3  4-6  7-8	AO1 1 AO2 1 AO3 2 AO4 4

Question	Answer	Mark allocation	Assessment objective
2 1	<p><b>With reference to Burton’s Biscuits explain what is meant by an ‘extension strategy’.</b></p> <p>Award up to <b>2</b> marks for an explanation:</p> <ul style="list-style-type: none"> <li>• A medium to long term plan (1) for lengthening the life cycle for a product or brand (1).</li> <li>• Likely to be implemented during maturity or the early decline stage of a product life cycle (1).</li> </ul> <p>Award <b>1- 2</b> marks for correct application to Burton’s Biscuits.</p> <ul style="list-style-type: none"> <li>• Changed advertising strategy by returning to TV-recapture the spirit of the brand appealing to all ages.</li> <li>• Redesigned/reformatted the product – new look/new flavours.</li> </ul>	4	AO1 2 AO2 2
2 2	<p><b>With reference to Figure 2, explain how cash flow changes through the various stages of the product life cycle.</b></p> <p><b>Level 1</b> Candidate describes the rise and fall of the cash flow and demonstrates a basic understanding of the relationship.</p> <p><b>Level 2</b> Candidate attempts to analyse the relationship.</p> <p><b>Level 3</b> Candidate provides a full analysis of the relationship.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Prior to launch – negative cash flow as costs incurred in development of product, market research.</li> <li>• Launch – lowest negative cash flow – revenue starts to flow in slowly. Launch costs still to be recovered – advertising, etc.</li> <li>• Growth – cash flow becomes positive for first time as revenue now covers costs incurred.</li> <li>• Maturity – positive cash flow reaches its highest level. Cash Cow stage. Less money now being spent on promotion – costs reduced.</li> <li>• Decline – cash flow still positive although declining as sales begin to fall.</li> </ul>	8  1-3  4-6  7-8	AO1 2 AO2 2 AO3 4



Question	Answer	Mark allocation	Assessment objective
2 3	<p><b>Evaluate the view that, for products with such a long product life cycles, as Jammie Dodgers and Wagon Wheels, expensive advertising campaigns are a waste of money.</b></p> <p><b>Level 1</b> Candidate briefly outlines why such campaigns might be a waste of money.</p> <p><b>Level 2</b> Candidate analyses why such expenditure might not be wasteful and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the viewpoint.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>● Awareness of brands is very high already – products have been on the market for more than 60 years.</li> <li>● Sales revenue is substantial and they are Cash Cows for the business.</li> <li>● Already successfully targets both young and adults.</li> <li>● Opportunity cost of the campaign - £4.5 million is a lot of money.</li> </ul> <p>However:</p> <ul style="list-style-type: none"> <li>● Operates in a very competitive market and cannot afford to become complacent.</li> <li>● New features/flavours to inform its customers about.</li> <li>● If the cost of the campaign is covered by increased revenue then it is clearly a good business strategy.</li> <li>● May take market share from competitors.</li> </ul>	8	AO1 1 AO2 1 AO3 2 AO4 4

Question	Answer	Mark allocation	Assessment objective
2 4	<p><b>Explain the benefits of an effective training programme to a business such as Burton's Biscuits.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two benefits.</p> <p><b>Level 2</b> Candidate attempts to explain the importance of an effective training programme.</p> <p><b>Level 3</b> Candidate provides a full explanation of the benefits of an effective training programme.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>● <u>Increases efficiency and productivity</u>: enables the service they provide to be improved.</li> <li>● Ensures that employees have the <u>necessary skills</u> and attributes to carry out their jobs.</li> <li>● Increases the <u>motivation</u> and <u>job satisfaction</u> of staff: Reduced absenteeism and labour turnover.</li> <li>● Can identify <u>employee's potential</u> to make an even better contribution to the business.</li> <li>● May <u>reduce costs</u> in the long run – accidents, injuries, recruitment costs.</li> <li>● Can make staff more <u>flexible</u> and better able to cope with change.</li> <li>● Better <u>quality</u> output both in relation to products and service.</li> <li>● Can improve the <u>image</u> of the business.</li> <li>● <u>Attract good quality</u> people to work for them.</li> </ul>	8  1-2  3-6  7-8	AO1 3 AO2 3 AO3 2

Question	Answer	Mark allocation	Assessment objective
3	<p><b>To what extent do you agree that shopping in town centre high streets may soon become a thing of the past.</b></p> <p><b>Level 1</b> Candidate briefly outlines possible reasons why high street shopping may soon become a thing of the past.</p> <p><b>Level 2</b> Candidate analyses possible reasons why high street shopping is in decline and may offer some brief evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the statement.</p> <p><b>Indicative content</b></p> <p>Reasons why high streets may be in decline:</p> <ul style="list-style-type: none"> <li>● Evidence suggests that even major retailers are finding it difficult to survive.</li> <li>● More and more people have the ability and awareness of how to shop on line.</li> <li>● On line shopping is convenient.</li> <li>● Transport and parking are very expensive.</li> <li>● Goods tend to be cheaper online and in out-of-town retail outlets.</li> <li>● Costs in city centres increasing year on year – rent, rates, etc.</li> <li>● More and more availability outside the town.</li> <li>● Customers can view a huge range of products which might otherwise take a considerable time to do so on a conventional shopping trip.</li> <li>● It is possible to buy products from other countries and pay using services such as Pay Pal to pay in relative safety.</li> <li>● Compare prices and read reviews in order to inform their choices more effectively.</li> <li>● Ability to return goods delivered to your home without revisiting the town centre.</li> </ul> <p>Possible reasons for high streets to remain:</p> <ul style="list-style-type: none"> <li>● Shopping is often viewed as a social event which people continue to enjoy.</li> <li>● Shops may be used as showrooms where people can touch and try prior to purchasing online.</li> <li>● Crowded city centres tend to suggest that there is still a great deal of demand for High Street stores and that many people still prefer to shop in this way.</li> <li>● Personal service is still valued by many customers. Guidance and advice may be sought in store - although out-of-town retail outlets can offer this too.</li> <li>● Some retailers, such as John Lewis, are investing in the High Street.</li> </ul>	<p>12</p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 3</p> <p>AO2 3</p> <p>AO3 2</p> <p>AO4 6</p>

## **BS3 BUSINESS STUDIES**

### **MARK SCHEME**

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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 how GlaxoSmithKline plc attempts to benefit all of its stakeholders.</b></p> <p><b>Level 1</b> The candidate shows some understanding of how GlaxoSmithKline plc attempts to benefit some of its stakeholders.</p> <p><b>Level 2</b> The candidate shows greater understanding of how GlaxoSmithKline plc attempts to benefit many of its stakeholders.</p> <p><b>Level 3</b> The candidate shows excellent understanding of how GlaxoSmithKline plc attempts to benefit most/all of its stakeholders.</p> <p>Answers might include the following:</p> <p>An outline of who the main stakeholders, including: shareholders, customers(including NHS), employees, managers, governments, suppliers, local communities, charities, creditors and (arguably) competitors.</p> <p>GSK attempts to satisfy its shareholders by paying them dividends.</p> <p>They benefit customers by producing new medicines and vaccines that help to cure a number of diseases as well as providing consumers with goods such as toothpaste and health drinks.</p> <p>They employ over 90 000 people, many of them scientists, giving them stable and presumably, well-paid jobs.</p> <p>Managers benefit from secure, well-paid jobs.</p> <p>Governments benefit from the taxes that the business pays as well as the health benefits for the population derived from GSK's medicines.</p> <p>Suppliers benefit from large contracts with GSK.</p> <p>Local communities benefit from employment and improved health.</p> <p>Pressure groups benefit by the company considering their objectives.</p> <p>Creditors benefit from regular payments.</p> <p>On the other hand competitors may not benefit if GSK takes their customers. However, drug companies do not always compete on curing the same illnesses, so that they may not be in direct competition.</p>	12  1-4  5-8  9-12	AO1 4 AO2 4 AO3 4

Question	Answer	Mark allocation	Assessment objective
2	<p><b>Explain the advantages and disadvantages of research and development to GlaxoSmithKline plc.</b></p> <p><b>Level 1</b> The candidate demonstrates some understanding of the advantages /disadvantages of research and development to GlaxoSmithKline plc.</p> <p><b>Level 2</b> The candidate demonstrates good understanding of the advantages and disadvantages of research and development to GlaxoSmithKline plc.</p> <p><b>Level 3</b> The candidate demonstrates excellent understanding of the advantages and disadvantages of research and development to GlaxoSmithKline plc.</p> <p>Answers might refer to the following:</p> <p>Advantages:</p> <p>R &amp; D involves the creation of new products and the improvement of existing products.</p> <p>GSK will benefit from the creation of new products since, if one is successful, it has the potential to give them a guaranteed income stream for years to come (cash cow), which can be used to develop other new products.</p> <p>It will give them an advantage over their competitors, especially if the new product is protected by a patent.</p> <p>It has the potential to increase the company's turnover and profits. Pharmaceutical products tend to be very profitable as the demand for them is inelastic. For some conditions they may become necessities.</p> <p>R &amp; D also can result in extension strategies for existing products, hence increasing their life cycle.</p> <p>R &amp; D can improve production techniques and lower the cost of production.</p> <p>R &amp; D can improve the image of the business.</p> <p>R &amp; D can lead to increased motivation.</p> <p>Good record of R &amp; D could attract new investors.</p> <p>Disadvantages:</p> <p>R &amp; D is very expensive, out of the thousands tested very few products will come to market. This involves an opportunity cost.</p> <p>A new product may not be approved by the relevant regulatory bodies and so all the money invested in R &amp; D will have been wasted.</p> <p>A competitor may come up with a similar, or perhaps better, product before GSK's product is ready to be marketed</p> <p>A product may have unforeseen side effects that will mean that the company may have to compensate anyone who has been adversely affected, e.g., thalidomide.</p> <p>If animals are tested as part of R &amp; D it may affect the image/reputation of GSK.</p> <p>Any other valid point.</p>	<p>10</p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 4</p> <p>AO4 2</p>

Question	Answer	Mark allocation	Assessment objective																														
3	<p><b>Analyse and evaluate the financial performance of GlaxoSmithKline plc.</b></p> <p><b>Level 1</b> The candidate attempts some analysis/evaluation of the financial performance of GlaxoSmithKline plc.</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the financial performance of GlaxoSmithKline plc.</p> <p><b>Level 3</b> The candidate makes a detailed and well-balanced analysis and evaluation of the financial performance of GlaxoSmithKline plc.</p>	14	AO1 2 AO2 2 AO3 4 AO4 6																														
	<table border="1"> <thead> <tr> <th></th> <th>2012</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Gross Profit Margin</td> <td>18537/26431x100 =70.13%</td> <td>19739/27387x100 =72.07%</td> </tr> <tr> <td>Net Profit Margin</td> <td>7392/26431x100 =27.97%</td> <td>7807/27387x100 =28.51%</td> </tr> <tr> <td>ROCE 1: fixed + current assets (<i>this ratio is acceptable but not recommended</i>)</td> <td>7392/41475x100 =17.82%</td> <td>7807/ 41080x100 =19%</td> </tr> <tr> <td>ROCE 2: shareholders' funds + long term liabilities (<i>this is the recommended ratio</i>)</td> <td>7392/27660x100 =26.72%</td> <td>7807/24913x100 =31.33%</td> </tr> <tr> <td>RONA (<i>this is acceptable as an alternative to ROCE but is not recommended</i>)</td> <td>7392/6747x100 =109.56%</td> <td>7807/7670x100 =101.79%</td> </tr> <tr> <td>Current ratio</td> <td>13692/13815:1 =0.99:1</td> <td>16167/16167:1 =1:1</td> </tr> <tr> <td>Acid test ratio</td> <td>13692-3969/13815:1 =0.7:1</td> <td>16167-3873/16167 =0.76:1</td> </tr> <tr> <td>Gearing 1: long-term liabilities/ shareholders' funds + long-term liabilities (<i>this is the recommended ratio – N.B. the ideal is 50%</i>)</td> <td>20913/27660x100 =75.61%</td> <td>17243/24913x100 =69.21 %</td> </tr> <tr> <td>Gearing 2: long term liabilities/ shareholders' funds (<i>this ratio is acceptable but is not recommended – N.B. the ideal here is 100%</i>)</td> <td>20913/6747x100 =309.96%</td> <td>17243/7670x100 =224.81%</td> </tr> </tbody> </table>		2012	2011	Gross Profit Margin	18537/26431x100 =70.13%	19739/27387x100 =72.07%	Net Profit Margin	7392/26431x100 =27.97%	7807/27387x100 =28.51%	ROCE 1: fixed + current assets ( <i>this ratio is acceptable but not recommended</i> )	7392/41475x100 =17.82%	7807/ 41080x100 =19%	ROCE 2: shareholders' funds + long term liabilities ( <i>this is the recommended ratio</i> )	7392/27660x100 =26.72%	7807/24913x100 =31.33%	RONA ( <i>this is acceptable as an alternative to ROCE but is not recommended</i> )	7392/6747x100 =109.56%	7807/7670x100 =101.79%	Current ratio	13692/13815:1 =0.99:1	16167/16167:1 =1:1	Acid test ratio	13692-3969/13815:1 =0.7:1	16167-3873/16167 =0.76:1	Gearing 1: long-term liabilities/ shareholders' funds + long-term liabilities ( <i>this is the recommended ratio – N.B. the ideal is 50%</i> )	20913/27660x100 =75.61%	17243/24913x100 =69.21 %	Gearing 2: long term liabilities/ shareholders' funds ( <i>this ratio is acceptable but is not recommended – N.B. the ideal here is 100%</i> )	20913/6747x100 =309.96%	17243/7670x100 =224.81%	1-4  5-9  10-14	
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Question	Answer	Mark allocation	Assessment objective
	<p>The gross profit margin looks exceptionally healthy despite a small decline between 2011 and 2012. Sales revenue has fallen slightly and cost of sales has increased.</p> <p>The net profit margin is lower, reflecting the high level of overheads which, in the case of GlaxoSmithKline includes a substantial investment in R &amp; D. It is, nevertheless, very healthy at nearly 30% although down slightly between 2011 and 2012. The fall in NPM is slightly less than the fall in GPM so there has been a small improvement in efficiency.</p> <p>ROCE (by either method) has fallen slightly but is still impressive. This represents a far greater return than could be expected from money invested in a bank. (Some candidates may use RONA as a proxy for ROCE, this is not encouraged but is not technically incorrect). The RONA figure is spectacular and has risen slightly from 2011 to 2012. However, this is due mostly to the decline in net assets since net profit has actually fallen.</p> <p>The current ratio at around 1:1 is almost identical for both years. This is lower than the ideal ratio of between 1.5 and 2. The Acid test ratio has fallen slightly and is also below the ideal of 1:1. It is likely, however, that GlaxoSmithKline is in a strong position viz-a-viz its suppliers and may not be unduly worried about this situation.</p> <p>The company is highly geared. Using the recommended method (gearing 1 above) the figure increased from nearly 70% in 2011 to over 75% in 2012. This is a worrying development: long-term liabilities have increased whilst shareholders' funds have declined. Gearing 2 presents an even more extreme situation with gearing increasing from 225% to just over 300%. Debts of this magnitude (almost treble net profit) will result in high interest charges. If interest rates were to rise the situation would become even more serious.</p> <p>The accounts show that the business is very profitable but there are concerns about its short and long-term debts.</p> <p>In order to shed more light on these results it would be helpful to see more than two year's figures and to compare them with other similar companies. One always needs to be aware of the fact that accounts sometimes are not a true reflection of the state of the business due to window-dressing etc.</p> <p>OFR applies.</p>		



Question	Answer	Mark allocation	Assessment objective
4	<p><b>Assess the importance to GlaxoSmithKline plc of being seen as an ethical business.</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse/evaluate the importance to GlaxoSmithKline plc of being seen as an ethical business.</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the importance to GlaxoSmithKline plc of being seen as an ethical business.</p> <p><b>Level 3</b> The candidate presents a well-balanced analysis and evaluation of the importance to GlaxoSmithKline plc of being seen as an ethical business.</p> <p>Responses might include the following:</p> <p>Drug companies are not always thought of as being ethical. Some people think that there is something unethical about making money from other people's misfortunes.</p> <p>In the case of bird flu, people feared an epidemic and governments were willing to spend a lot of money in order to prepare for any potential outbreak. It was felt that GSK was asking too much money for the vaccines. GSK argued that they had taken a risk in developing the product and this warranted a return for their shareholders but not everyone would agree.</p> <p>By having a clear ethical policy, GSK are able to keep consumers and governments on their side. People will be less suspicious of their motives. By selling products in developing countries at 25% of their price in developed countries they are enhancing the company's image. They also give away many vaccines to people in developing countries, which once again counters any bad publicity that they may face.</p> <p>Employees may feel motivated by working for an ethical company. They may be happier and more productive in their work if they feel that they are doing something that benefits people.</p> <p>Being ethical could be a USP for the business; paying taxes.</p> <p>Governments are more likely to place orders with companies that they consider to be ethical.</p> <p>Charities may also be more willing to work with ethical companies. If they were to refuse to work with them it would result in bad publicity.</p> <p>Pressure groups are less likely to run campaigns against ethical businesses. A campaign by a pressure group such as Greenpeace can be very damaging for a business.</p> <p>If GSK tests its products on animals it may be considered by some to be unethical, such as the Animal Liberation Front.</p> <p>If a business is found to be doing something unethical it may face fines which can prove to be expensive, as well as giving the company bad publicity.</p> <p>Any other valid point.</p>	<p>10</p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO1 2 AO2 2 AO3 2 AO4 4</p> <p>QWC</p>

Question	Answer	Mark allocation	Assessment objective
5	<p><b>Discuss the difficulties and benefits for a business such as GSK plc of operating in a global marketplace.</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse/evaluate the difficulties/benefits for a business such as GSK of operating in a global marketplace</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the difficulties and benefits for a business such as GSK of operating in a global marketplace</p> <p><b>Level 3</b> The candidate presents a well-balanced analysis and evaluation of the difficulties and benefits for a business such as GSK of operating in a global marketplace</p> <p>Responses might include the following:</p> <p><b>Difficulties:</b></p> <p>Not all products sell well in all countries. For example Horlicks is very popular in India but may not be as successful in China as tastes can vary.</p> <p>GSK may face competition from local manufacturers.</p> <p>GSK may face legal difficulties getting their products accepted in different countries. Pharmaceutical products normally have to undergo rigorous testing before they are allowed to be sold.</p> <p>There may be language problems. Instructions have to be translated into different languages. Mistranslation may result in people taking the wrong doses of pills and ending up with serious side effects.</p> <p>Cultural and religious differences may mean that they have to offer different products in different markets, such as buffalo milk being used in India instead of cow's milk.</p> <p>There may be problems with changes in exchange rates.</p> <p>Not all countries will allow inward investment and partnerships with local businesses may have to be set up.</p> <p>There are potential communication problems dealing with many countries all over the world.</p> <p>There may be diseconomies of scale from operating globally.</p> <p>Transport costs may be high.</p> <p>Not all countries are secure and pharmaceutical products are often a target for thieves.</p>	<p>14</p> <p>1-4</p> <p>5-9</p> <p>10-14</p>	<p>AO1 2 AO2 2 AO3 4 AO4 6</p> <p>QWC</p>

Question	Answer	Mark allocation	Assessment objective
	<p>There may be political unrest in some countries that might affect sales.</p> <p>Some places, such as parts of Pakistan, are opposed to immunisation programmes on religious grounds.</p> <p><b>Benefits:</b></p> <p>It has a greater marketplace and so has the potential to increase sales and profits. There will be economies of scale from operating globally.</p> <p>It will be able to spread its risks since, if one market is not doing well another may compensate with improved sales.</p> <p>It may develop products for one market that it is later able to sell in others.</p> <p>It may recruit staff in one country that have particular skills that can strengthen the overall global operation.</p> <p>It may find that it can manufacture some products more cheaply.</p> <p>Any other valid point.</p>		

## **BUSINESS STUDIES BS4**

### **MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

##### **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.

**BS4**

Question	Answer	Mark allocation	Assessment objective
1 (a)	<p><b>Calculate to the nearest £billion (£1000m) the total sales value in 2013 for:</b></p> <p>(i) <b>the Grocery market;</b></p> <p style="padding-left: 40px;"><math>£5070m/5*100 = £101\ 400m/£101bn</math></p> <p>(ii) <b>the Entertainment market.</b></p> <p style="padding-left: 40px;"><math>£2260m/36*100 = £6\ 278m/£6bn</math></p> <p>1 mark for selecting the correct data for both markets</p> <p>1 mark for each correct answer</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p>	<p style="text-align: center;">AO1 1 AO2 1</p>

Question	Answer	Mark allocation	Assessment objective
1 (b)	<p><b>Explain the significance of the information given on page 2 for the future of retail businesses in the UK.</b></p> <p><b>Level 1</b> The candidate demonstrates limited understanding of the significance of the information.</p> <p><b>Level 2</b> The candidate demonstrates good understanding of the significance of the information.</p> <p><b>Level 3</b> The candidate demonstrates excellent understanding of the significance of the information.</p> <p>Answers might include the following:</p> <p>Online market share is predicted to increase in all seven of the markets. This means that on the one hand there are huge opportunities for businesses to expand as long as they can obtain a share of the market growth.</p> <p>There are considerable risks for businesses that do not take advantage of the opportunities. Many high street stores have gone out of business in recent years and, on the basis of these figures, this trend is likely to continue.</p> <p>Many businesses will be successful operating both high street and internet businesses or even operating completely online without a high street presence at all.</p> <p>The predicted growth is particularly noticeable in entertainment and telecoms, although the entertainment market is perhaps surprisingly much the larger of the two.</p> <p>In terms of size the grocery business is by far the largest market but online penetration is relatively low and is not predicted to increase as much as the other markets. Nevertheless the trend is upward and is likely to continue. Alcohol also is predicted to grow relatively modestly in this area but given the overall size of the market this still represents a significant amount.</p> <p>Although the share of Health is only predicted to rise by 4% this is actually a 100% increase on 2013. Beauty and Fashion's share of the market are both predicted to rise by 5% but the latter is a much larger market.</p> <p>This data is limited and the projections may be wrong so a business would need more information before making any final decisions.</p> <p>Any other valid point.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Question	Answer	Mark allocation	Assessment objective											
2	<p><b>Explain how the Ansoff matrix might be useful to a company such as Reckitt Benckiser plc.</b></p> <p><b>Level 1</b> The candidate makes some attempt to explain the usefulness of the Ansoff matrix.</p> <p><b>Level 2</b> The candidate makes a reasonable attempt at explaining the usefulness of the Ansoff matrix to a company such as Reckitt Benckiser plc.</p> <p><b>Level 3</b> The candidate presents an excellent explanation of the usefulness of the Ansoff matrix to a company such as Reckitt Benckiser.</p> <p>Answers might include: The diagram</p> <table border="1" data-bbox="363 640 1121 902"> <thead> <tr> <th rowspan="2" style="writing-mode: vertical-rl; transform: rotate(180deg);">M A R K E T</th> <th colspan="2">PRODUCT</th> </tr> <tr> <th>Existing</th> <th>New</th> </tr> </thead> <tbody> <tr> <th>Existing</th> <td>Market penetration</td> <td>Product development</td> </tr> <tr> <th>New</th> <td>Market development</td> <td>Diversification</td> </tr> </tbody> </table> <p>Market penetration. RB are already operating in a number of markets, they might decide to promote these products e.g. bogofs, discounts etc., in order to gain greater market share. This option does not involve a great deal of risk, they already know that their products have wide recognition in these markets.</p> <p>Market development. RB can look for new markets for its existing products, both geographical and in new market segments. Whilst its most popular brand Cillit Bang is sold in 85 countries, its other brands are sold in far fewer. Since they already have experience of selling one product in these countries it should be relatively easy to sell others.</p> <p>Product development. RB can build on the strength of its brand recognition. However, although consumers are familiar with the brands they may not realise that RB is the company behind those brands. Nevertheless, they might use asset-led marketing and bring out products under their existing brand names, e.g., Dettol Baby Wipes. As customers already trust the brand they are more likely to buy the new product. They may also use extension strategies on existing brands.</p> <p>Diversification. This is likely to be a risky strategy for RB and not one that they should undertake without a good deal of market research. They already have an excellent portfolio of brands with plenty of opportunity to expand their business. Nevertheless, in the long run products have life cycles and so it is important to think about replacing them and in so doing they should also consider which markets are growing. It may be that developing new products that are aimed at emerging markets would be a profitable long-term strategy and one well-worth considering.</p> <p>Any other valid point.</p>	M A R K E T	PRODUCT		Existing	New	Existing	Market penetration	Product development	New	Market development	Diversification	6  1-2  3-4  5-6	AO1 2 AO2 2 AO3 2
M A R K E T	PRODUCT													
	Existing	New												
Existing	Market penetration	Product development												
New	Market development	Diversification												

Question	Answer	Mark allocation	Assessment objective
3	<p><b>Assess other appropriate methods that the Natalie might use in order to achieve more effective communication in the workplace.</b></p> <p><b>Level 1</b> The candidate makes some appropriate suggestions</p> <p><b>Level 2</b> The candidate makes a reasonable assessment of some other appropriate methods of communication.</p> <p><b>Level 3</b> The candidate makes a balanced assessment of several other appropriate methods of communication</p> <p>Other methods might include the following:</p> <p>Senior managers could address shop floor workers directly at meetings held at regular intervals. This would demonstrate to the workers that the managers were interested. It would also give workers an opportunity to provide the management with feedback. This could be of benefit to both sides.</p> <p>Information could be posted on noticeboards. This can be an effective form of communication but notices would need to be kept up to date. Also there is no guarantee that everyone would read the notices.</p> <p>Natalie could produce a regular newsletter for distribution to the shop-floor workers. However, not everyone might read it and some workers might view it with suspicion as company propaganda.</p> <p>A loudspeaker system (Tannoy) could be used for some messages. This has the advantage that everyone would hear it, but it could become annoying if used too often.</p> <p>TV screens could be placed in certain areas with scrolled messages. If updated regularly, the workers are likely to take notice of it.</p> <p>Under certain circumstances she might use emails, text messages, memos and suggestion boxes.</p> <p>Delaying/flattening the organisation.</p> <p>Any other valid suggestion.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 1 AO2 1 AO3 2 AO4 2</p>
4(a)	<p><b>Calculate the total contribution if the offer is accepted.</b></p> <p>Contribution = selling price – direct costs = 50p – 45p per unit = 5p per unit</p> <p>Total Contribution = 5p x 100 000 = £5000</p> <p>1 mark for method plus 1 mark for the correct answer.</p>	2	<p>AO1 1 AO2 1</p>



Question	Answer	Mark allocation	Assessment objective
4(b)	<p><b>Discuss whether the company should accept or reject this offer.</b></p> <p><b>Level 1</b> The candidate demonstrates some understanding of special order decisions.</p> <p><b>Level 2</b> The candidate demonstrates good understanding of special order decisions.</p> <p><b>Level 3</b> The candidate demonstrates excellent understanding of special order decisions.</p> <p>Since this order covers all of the variable costs and makes some contribution to overheads it can be accepted, especially if most of the overheads have already been covered by existing orders.</p> <p>However, it should not be accepted if there are other orders available that allow a greater contribution to be made, especially if these other orders cover all of the overheads and profit.</p> <p>If there is spare capacity in the factory, it may be reasonable to accept the order in order to keep workers and machines occupied.</p> <p>As this is a new customer, who may be able to offer repeat business in the future, it is probably worth taking the order.</p> <p>This could be accepted as an introductory order with the price to rise for future orders. However, if things continue like this the business will not survive for very long as all overheads need to be covered. Also existing customers, if they find out will demand similar treatment.</p> <p>Allow OFR.</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 1 AO3 2 AO4 2</p>
5 (a)	<p><b>Calculate the pay-back period for both options in years and months.</b></p> <p>The payback for the fruit press is 2 years and 8 months The payback for the bottling plant is 3 years and 6 months</p> <p>1 mark for each correct answer</p> <p>If stated as 2.67 years and 3.5 years: award 1 mark only</p>	2	<p>AO1 1 AO2 1</p>

Question	Answer	Mark allocation	Assessment objective																																			
5 (b)	<p data-bbox="360 219 1018 253"><b>Calculate the net present value of each option.</b></p> <table border="1" data-bbox="360 284 1098 907"> <thead> <tr> <th></th> <th>Fruit Press</th> <th>Discounted</th> <th>Bottling Plant</th> <th>Discounted</th> </tr> </thead> <tbody> <tr> <td>End of Year 1</td> <td>£15,000</td> <td>£13,650</td> <td>£5,000</td> <td>£4,550</td> </tr> <tr> <td>End of Year 2</td> <td>£15,000</td> <td>£12,450</td> <td>£5,000</td> <td>£4,150</td> </tr> <tr> <td>End of Year 3</td> <td>£15,000</td> <td>£11,250</td> <td>£20,000</td> <td>£15,000</td> </tr> <tr> <td>End of Year 4</td> <td>£15,000</td> <td>£10,200</td> <td>£20,000</td> <td>£13,600</td> </tr> <tr> <td>End of Year 5</td> <td>£15,000</td> <td>£9,300</td> <td>£40,000</td> <td>£24,800</td> </tr> <tr> <td></td> <td></td> <td>£56,850</td> <td></td> <td>£62,100</td> </tr> </tbody> </table> <p data-bbox="360 981 561 1014">The fruit press</p> <p data-bbox="360 1048 1031 1081">Present Value = £56 850 <span style="float: right;">1 mark</span></p> <p data-bbox="360 1081 1031 1149">Net Present Value = £56 850 – £40 000 = £16 850 <span style="float: right;">1 mark</span></p> <p data-bbox="360 1182 593 1216">The bottling plant</p> <p data-bbox="360 1249 1031 1283">Present Value = £62 100 <span style="float: right;">1 mark</span></p> <p data-bbox="360 1283 1031 1350">Net Present Value = £62 100 - £40 000 = £22 100 <span style="float: right;">1 mark</span></p> <p data-bbox="360 1384 529 1417">OFR applies</p>		Fruit Press	Discounted	Bottling Plant	Discounted	End of Year 1	£15,000	£13,650	£5,000	£4,550	End of Year 2	£15,000	£12,450	£5,000	£4,150	End of Year 3	£15,000	£11,250	£20,000	£15,000	End of Year 4	£15,000	£10,200	£20,000	£13,600	End of Year 5	£15,000	£9,300	£40,000	£24,800			£56,850		£62,100	4	AO1 2 AO2 2
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Question	Answer	Mark allocation	Assessment objective
5 (c)	<p><b>Taking into account both quantitative and qualitative factors, assess which of these options is likely to bring most benefit to the business.</b></p> <p><b>Level 1</b> The candidate makes a limited attempt to assess the two alternatives</p> <p><b>Level 2</b> The candidate makes a reasonable quantitative/qualitative assessment of the two alternatives</p> <p><b>Level 3</b> The candidate makes a detailed and well-balanced quantitative and qualitative assessment of the two alternatives.</p> <p>On the basis of pay-back they would choose the fruit press. There is a good reason to do this as they will then be in a position to go ahead with the second alternative.</p> <p>On the basis of net present value the bottling plant would be the best option as its net cash flow is just over £5000 more, but the forecast may be inaccurate as year 5 income is so high.</p> <p>One qualitative factor in favour of the fruit press is that its location is the better of the two. Also without it their production would be limited to the present output of 50 000 litres whereas the new press would double the capacity. It is possible that the new press may also help to improve the quality of their juice.</p> <p>The new bottling plant would give them greater flexibility in terms of their capacity. It would also give them greater control over the quality of the final product. One disadvantage is that the location is some way away.</p> <p>Customers may see imported juice as inferior to British juice.</p> <p>There is no clear “right answer” it depends how much weight they put on the various factors. On a purely monetary basis the bottling plant is the best option.</p> <p>Allow OFR.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>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><b>“In a rapidly changing environment the most successful businesses are those that empower, rather than control, their workforce”. Discuss.</b></p> <p>Answers might include the following:</p> <p>An explanation of the term ‘empowerment’, e.g., “A management practice of sharing information, rewards, and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance.</p> <p>Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction.</p> <p>Reference to motivation theorists e.g. Herzberg and McGregor’s Theory X and Y.</p> <p>Empowerment is considered to be particularly effective in rapidly changing business environments. This is because it can take time for consultation to take place between workers and managers and in the meantime opportunities may be lost. Also the workforce may be in a better position to understand the requirements of the customer and so will provide better quality service than workers who are constrained by management controls.</p> <p>On the other hand traditional methods of controlling the workforce, so that they only do what they are told to do, can be effective in certain situations. This is especially true when dealing with young, inexperienced workers. Even companies that believe in empowering their workers will need to retain to management certain responsibilities, such as setting prices for example.</p> <p>Empowerment is a matter of degree; all workers need to operate within certain parameters it would not be possible to give them total freedom of action. There are inevitably rules regarding such things as attendance, quality control, treatment of customers etc, within these limits the empowered employee will be allowed to use his or her initiative. Even so, there is likely to be inconsistency when workers are empowered.</p> <p>In order to empower workers it is necessary to train them. This can be expensive and time-consuming so a business needs to make sure that the outcome justifies the expense.</p> <p>Although it is often argued that empowering workers is likely to motivate them it should be recognised that not all workers like to be empowered. Many workers prefer to leave the responsibility for making decisions to their managers.</p> <p>In practice there are many things which may or may not contribute to business success in a rapidly changing environment. An empowered workforce without the necessary equipment and resources will not be able to function effectively. Even though the workforce is empowered managers are still ultimately responsible for the success of the business. Nevertheless more and more companies see empowering their workforce as an excellent way of improving their business’s performance.</p> <p>This may be reflected in lower absenteeism and labour turnover and hence increased productivity.</p> <p>Empowered workers are less likely to resist change.</p> <p>Any other valid response should be credited.</p>	20	AO1 1 AO2 1 AO3 8 AO4 10

Question	Answer	Mark allocation	Assessment objective
7	<p><b>Discuss the view that consumers in the UK would, on the whole, benefit from a larger public sector and a smaller private sector.</b></p> <p>Answers might include the following:</p> <p>A definition of the public sector: that part of the economy that is controlled and financed by the government.</p> <p>Benefits of a larger public sector:</p> <p>The government provides public goods and services that would not otherwise be provided, e.g., street lighting, police and armed services. If there is more money for these things there will be commensurate benefits for the public who will feel safer and more secure.</p> <p>If more money is provided for merit goods, more will be spent on health and education. For those people that cannot afford to pay for these services privately there will be a direct benefit. There will also be a general social benefit due to there being a better educated workforce and a fitter population.</p> <p>The government might also consider controlling some industries, particularly the utilities that were previously privatised. These include telephone, water, electricity, gas and rail companies. In the public sector these corporations might, arguably, provide a cheaper and better service as they will no longer operated with the main objective of making a profit for their shareholders.</p> <p>The government might spend more money on infrastructure, which could benefit the public due to faster and more reliable communication as well as, potentially, less pollution. Also some industries are natural monopolies, e.g. water, electricity, rail etc.</p> <p>Drawbacks of a larger public sector</p> <p>Those consumers that are also in receipt of incomes would have to pay more tax to finance the larger public sector. This would leave them less disposable income for other expenditure. In other words there is an opportunity cost.</p> <p>Public sector organisations are not subject to the discipline of the market. They do not face competition and as a result are likely to be less efficient.</p> <p>A larger public sector will not necessarily provide the things that all consumers desire. For example consumers without children might resent having more money spent on schools and colleges. People who are healthy may not wish to pay for the treatment of others.</p> <p>There may be a crowding-out effect on the private sector causing sales and profits to fall and unemployment in the private sector to rise.</p> <p>In conclusion, it could be argued that some groups of consumers, particularly those at the lower end of the income scale, might benefit from a larger public sector, but other consumers might lose out.</p> <p>Any other valid point/example should be credited.</p>	20	AO1 1 AO2 1 AO3 8 AO4 10

Question	Answer	Mark allocation	Assessment objective
8	<p><b>Consider the view that, when judging business success, financial results will always be the most important factor.</b></p> <p>Answers might include the following:</p> <p>There are a number of ways of judging business success. Financial results include the following:</p> <p>Total revenue from sales; gross and net profit margins and the return on capital employed. If these are growing and are high relative to other similar businesses it can be assumed that the business is achieving business success.</p> <p>Liquidity ratios can be an indication of the financial health of a business. Gearing ratios indicate whether or not a business has taken on too much debt or has the potential to expand further.</p> <p>However, financial statements may have been window-dressed.</p> <p>There are other measures that can be used to gauge success.</p> <p>Rapid growth may be considered an indicator of business success. Many businesses have targets to open so many new stores over a specified period. If these targets are met then the company will have been successful. Size can also be measured by the numbers of people employed or, in the case of shops, the total surface area devoted to sales.</p> <p>Achieving a high market share. This may well indicate success. For instance Tesco has over 30% of the grocery market in the UK and is widely regarded as the leading business in the industry.</p> <p>Customer satisfaction surveys give an indication of the popularity of a business, for example Waitrose is often cited as the most popular supermarket, even though it is neither the largest nor the most profitable.</p> <p>The share price of a business is often considered to be a good indicator of success as it anticipates future profits as well as current performance. If a business has a low share price it may become the subject of an unwelcome takeover bid: the opposite of business success.</p> <p>Employee satisfaction surveys may also be considered a measure of success. Lists of the best UK companies to work for are regularly published with Iceland often appearing near the top of the list.</p>	20	AO1 1 AO2 1 AO3 8 AO4 10

Question	Answer	Mark allocation	Assessment objective
	<p>Environmental audits may be used to judge a business's success. Companies are very keen to reduce their carbon footprint and will often seek to persuade the public that they are doing everything in their power to become 'green'.</p> <p>Business will be concerned about their reputation and the need to be seen as acting ethically. Companies like the Body Shop and the Cooperative see being ethical as part of their USP. On the other hand some banks have seen their reputations tarnished by their apparent greediness, whilst other businesses, such as Starbucks, Google and Amazon, have been castigated for not paying their fair share of taxes</p> <p>As far as shareholders are concerned it is likely that financial results are the most important factor but other stakeholders in a business, for instance, customers, employees and the local community may consider other indicators to be more important.</p> <p>Not for profit businesses have other aims, by which they will gauge their success.</p> <p>Some small businesses may be satisficing rather than maximising profits.</p> <p>Any other valid point.</p>		





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