

GCE 2004

June Series



Mark Scheme

Business Studies

Unit BUS4

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

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

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Dr Michael Cresswell Director General

MARK SCHEME

GENERAL MARKING GUIDANCE

You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 18 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates at the end of a full A Level course.

Positive Marking

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.

Mark Range

*You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.*

The use of Levels of Response

Levels of response marking has holistic aspects, yet must conform to the rule of positive marking. A candidate who has built a strong argument must have that achievement recognised fully, even if a subsequent paragraph of ambiguity reduces the power of the whole. For this to occur consistently requires careful annotation of the level of response achieved within each skill category, at each significant stage within an answer.

Fundamental to a Levels of Response approach is that there maybe more than one right answer to a written question. Examiners must use their professional judgement to credit any reasonable answer, whether or not it is listed on the mark scheme.

Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept that would receive credit for knowledge in one context could become a means of analysis in another. It is also possible that a candidate's line of argument could validate knowledge that would not have been recognised if the candidate had simply tabled it. For example, acid test is not listed within the specification as a test of financial efficiency, yet a candidate could build an argument that made it relevant. Then knowledge could be rewarded as well as analysis.

Despite the value of skills such as analysis and evaluation, all answers must be based upon relevant knowledge and understanding. Therefore, it is not possible to credit application, analysis or evaluation unless recognisable knowledge has been rewarded.

The skills we seek from candidates are as follows:

1. Knowledge and understanding: accurate definitions or explanations of relevant terms should always be credited within this category; candidates can also gain credit for knowing and explaining a point relevant to the question, e.g. an advantage of factoring.
2. Application is the skill of bringing knowledge to bear to the business context faced by the candidate. Candidates should not be rewarded for simply dropping the company name or product category into their answer; the response must show recognition of some specific business aspect of the firm, its management or its situation.
3. Analysis: building up an argument using relevant business theory in a way that answers the question specifically and shows understanding of cause and effect.
4. Evaluation is judgement. This can be shown within an answer, through the weighting of an argument or in the perceptiveness shown by the candidate (perhaps about the degree of crisis/strength of the XYZ Company). It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Evaluation is **not** shown simply by the use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment". It is shown through the weighting of the candidate's response plus the logic and justification of his/her conclusions.

Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

LEVEL 4	Complex ideas are expressed clearly and fluently. Sentences and paragraphs follow on from one another smoothly and logically. Arguments are consistently relevant and well structured. There are few, if any, errors of grammar, punctuation and spelling	4 marks
LEVEL 3	Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling	3 marks
LEVEL 2	Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas	2 marks
LEVEL 1	Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas	1 mark
LEVEL 0	Ideas are expressed poorly and sentences and paragraphs are not connected. There are errors of grammar, punctuation and spelling, showing a weakness in these areas	0 marks

Total 4 marks

1**Total for this question: 20 marks**

(a) Analyse how the new Human Resources Director might encourage participation by the employees appointed to the “Riverside” restaurants. (10 marks)

	Content 2 marks	Application 4 marks	Analysis 4 marks
Level 2	2 marks Two or more relevant ideas showing understanding of employee participation	4-3 marks Ideas for participation are clearly put into context	4-3 marks Ideas for participation are analysed using the theory of the subject
Level 1	1 mark One relevant suggestion made or some understanding of employee participation	2-1 marks Some attempt to put into context	2-1 marks Some analysis of the question
Level 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of question set

Possible answers below.

- Teamworking, work groups, employee shareholding, good communication, eg regular meetings or team briefings (Works Council could apply if the new restaurants expand).
- How applicable in this context? The work of a restaurant may not lend itself to these measures. Participation in what kind of decisions within a restaurant?
- These methods will require a change in management approach from existing HR methods. Will need to be well explained to staff if they are to succeed in increasing participation.
- Analysis should be based on how these measures should operate to increase employee participation.

(b) Examine the possible impact of employment legislation on Wayside Restaurants Ltd. (10 marks)

	Content 2 marks	Application 4 marks	Analysis 4 marks
Level 2	2 marks Two or more relevant laws or legal issues identified	4-3 marks Answers applied to the business context with some consistency	4-3 marks Impact of employment laws analysed using relevant theory
Level 1	1 mark One relevant law or legal issue identified	2-1 marks Some application to the business context	2-1 marks Some analysis of the impact of employment laws
Level 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of question set

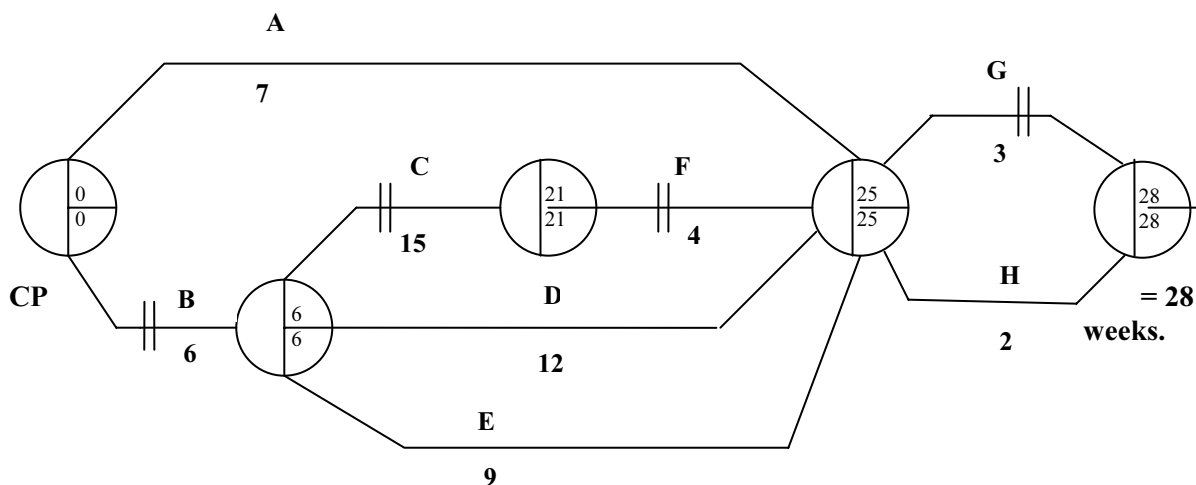
Possible answers below.

- The firm needs to advertise for, recruit, train, pay, and, possibly, end the contracts of staff. May need to deal with Trade Union representatives. All of these issues will require knowledge of employment laws.
- Employment laws: individual and collective labour law; discrimination laws, minimum wage laws, TU laws etc. (Detailed knowledge of specific Acts not required).
- Employers ignore or overlook employment laws at their peril – financial penalties can be imposed for failure to observe legal responsibilities.
- New HR Director wants to avoid conflict and legal disputes – will have to ensure that recruitment of new staff and the contracts that they are offered, do not contravene laws.
- Expensive to observe such laws – but even more expensive and damaging to ignore or be unaware of them?
- Benefits of accepting all aspects of employment laws eg better motivated staff; less chance of legal action.

2

Total for this question: 20 marks

(a) (i) Refer to **Appendix B**. Draw a network diagram for the City B restaurant project and calculate the length of the critical path. (6 marks)



Allow 1 mark for CP length (OFR) plus:

- 5 marks** Correct network
- 4 marks** One error in network
- 3 marks** 2 errors in network
- 2 marks** At least 3 correct activities and nodes
- 1 mark** Weak understanding of network shown
- 0 marks** For no attempt or no understanding shown

Critical Path = B,C,F,G (There is no need to indicate this or show ESTs and LFTs)

(ii) Briefly assess whether the Operations Manager was right to be confident that the project could be completed in 29 weeks. (4 marks)

	Content 1 mark	Application 1 mark	Analysis 1 mark	Evaluation 1 mark
Level 1	Some understanding of CP or network	Point made applied to case	Some analysis of CP/network	Judgement shown on view of the operations manager

Written answers to include:

- Seems to meet his original view that it can be completed within 29 weeks

But:

- Does not leave much spare time for unforeseen hold ups.
- First time a project of this size and complexity has been tackled by this business – how reliable are the time durations?
- How well will the project be managed? Again, lack of experience could be a problem.

(b) With reference to **Appendix A** and analysing any other relevant information, make and justify a recommendation for the location of the first “Riverside” restaurant. *(10 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 2 marks
Level 2	2 marks Identification of relevant points showing understanding	2 marks Point or points made are applied consistently to this business context	4-3 marks Analysis of question set using relevant theory, e.g. clear understanding of investment appraisal results	2 marks Judgement shown in text or conclusion with recommendation
Level 1	1 mark Point or points influencing location are identified	1 mark point or points are applied to case	2-1 marks One or two points applied in a limited way to analyse the question	1 marks Some judgement shown in text or conclusion
Level 0	0 marks No relevant content	0 marks Answer is not applied	0 marks No analysis of question set	0 marks No evaluation or judgement shown

Possible answers below.

- Quantitative data: City B more expensive (problems for this business with limited cash/finance) but with shorter payback – reduces future interest payments.
- Perhaps NPV is crucial factor – value of future cash flow in today’s terms. This supports the case for City B. Useful to have break-even results too?
- Potential market seems larger in City B – but numbers of competitors in each City in this sector?
- Qualitative: City A can be opened more quickly and may be less risky (no structural/planning problems etc). Also has more available staff – but quality and qualification level?
- Final decision may need more information, e.g. no primary data evident, size of populations and numbers of competitors in this segment.

3

Total for this question: 20 marks

Discuss the most important features of a suitable marketing strategy for the “Riverside” restaurants when entering the market for business entertainment. (20 marks)

	Content 4 marks	Application 5 marks	Analysis 5 marks	Evaluation 6 marks
Level 3		5 marks Points made about marketing strategy are all applied to the business context	5 marks Consistent and relevant use of theory to analyse the main features of a marketing strategy	6-5 marks Judgement and evaluation shown in both text and conclusions
Level 2	4-3 marks Point or points made about marketing strategy are identified and understood	4-3 marks Points made about marketing strategy are applied to the case with some consistency	4-3 marks Relevant use of theory to analyse some features of a marketing strategy	4-3 marks Some judgement shown in text and/or conclusion
Level 1	2-1 marks Point or points made about marketing strategy or identifies mix factors	2-1 marks Some application to case of points made	2-1 marks Attempts made to analyse points made	2-1 marks Attempt made to evaluate points made
Level 0	0 marks No relevant content	0 marks Answer not applied to case	0 marks No analysis of points made	0 marks No judgement shown

Possible answers below.

- Define marketing strategy.
- Objective needed – implied as being to enter new market segment (business entertainment/hospitality) and break-even quickly.
- Budget needed – little information about this –will it be enough to support the new concept? If not, will Riverside be too closely connected with Wayside?
- Integrated marketing mix needed aimed at business customers. Do they have enough knowledge of these market segments? Primary research could be essential.
- Price skimming? Quality products (not just British food?). Good service (trained, motivated staff etc) will be needed to support the new image. Locations important.
- Promotion essential – especially if the new business is too closely associated with the old image.
- Success of new strategy will depend on quality of market research within this new market segment and ability to differentiate this new venture – which may depend on the budget available.

4

Total for this question: 20 marks

(a) Consider whether the Chief Executive should allow the use of “window dressing” to make the accounts appear more favourable (lines 45-47). (10 marks)

	Content 2 marks	Application 2 mark	Analysis 3marks	Evaluation 3 marks
Level 2	2 marks Point or points made about window dressing that shows good understanding	2 marks Point or points made are applied in detail to the case	3-2 marks Analysis of question set using relevant analysis	3-2 marks Judgement shown in text and conclusion. Final judgement needed for top mark
Level 1	1 mark Point made about window dressing that shows some understanding	1 mark Some application to the case	1 mark One point analysed in a limited way	1 mark Some judgement shown
Level 0	0 marks No relevant content	0 marks Answer not applied	0 marks No analysis of points made	0 marks No judgement shown

Possible answers below.

- Window dressing: making the published accounts appear more favourable. Could influence investors/bankers in their assessment of balance sheet strength, liquidity etc.
- Analysis demonstrated by explaining the impact of window dressing measures on balance sheet and/or profit and loss account. Could be useful for this business as it hopes to raise more finance – either loans and/or shares.
- In the short term this could be a good move as it may attract investors for the new project – but it cannot be repeated often and may destroy investor confidence when the window dressing “wears off”.
- Will long term impact on investor/banker confidence be worth the potential short term gain?

(b) Discuss whether the proposed expansion should be financed from long-term borrowing.
(10 marks)

	Content 2 mark	Application 2 mark	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks Point or points made about sources of finance showing understanding	2 marks Point or points consistently applied to business context	3-2 marks Analysis of question set using relevant theory	3-2 marks Judgement shown in considering the extent of long term borrowing for this project
Level 1	1 mark Point made about sources of finance.	1 mark Some application to the case	1 mark One point analysed in a limited way to analyse the question	1 mark Some judgement shown in text or conclusion
Level 0	0 marks No relevant content	0 marks No application to the case	0 marks No analysis of points made	0 marks No judgement shown

Possible answers below.

- Either £3 or £2 million needed. Unlikely to be available from internal sources (using Appendix C) – unless dividends reduced. What might be the impact of this policy on future attempts to raise share capital?
- Shareholders may invest further – attracted by existing high and consistent dividend per share (50 pence), but dismayed by static sales and declining profits. Additional borrowing may be essential – currently 55% gearing – if £3m is borrowed then this will rise to 59%. Too high and too risky?
- What is the scope for sale and leaseback?
- May be essential to use long term borrowing if this project is to proceed. May depend on existing and forecasted interest rates.