

GCE 2005

January Series



Mark Scheme

Business Studies

BUS1

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

GENERAL MARKING GUIDANCE

You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary candidates, mainly 17 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates half-way through 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 may be 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, eg 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 require 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 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**

Total 2 marks

1**Total for this question: 25 marks**

(a)	What is meant by the term “budgets” (line 15)?	<i>(2 marks)</i>
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	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of term
Level 1	1 mark Candidate demonstrates some understanding of term

Forward financial plans covering sales, costs, profits

Award:

1 mark for notion of finance

1 mark for notion of future (including targets)

(b)	Outline how Bill could research the market for cycle hire.	<i>(3 marks)</i>
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	Content 1 marks	Application 2 marks
Level 2		2 marks Candidate applies knowledge effectively
Level 1	1 mark Candidate identifies one method of market research/defines market research	1 mark Candidate makes some attempt to apply knowledge

Possible answers might include:

- Primary, secondary research or any reference to surveys etc
- Bill could use evidence gained from other cycle hire firms
- He could obtain details of tourists etc in this region
- Surveys from local or visiting population
- Quantitative, qualitative research

- (c) (i) Calculate the value of W in the cash flow forecast, based on Bill's prediction. (2 marks)
- (ii) Calculate the value of X in the cash flow forecast. (2 marks)
- (iii) Calculate the values of Y and Z in the cash flow forecast, based on your result for W . (2 marks)
- (iv) Analyse **one** method which Bill could use to improve the cash flow position of BettaBikes Ltd. (5 marks)

- (i) $W = \text{£}26\,000$ (C = 1, P = 1)
- (ii) $X = \text{£}10\,000$ (C = 1, ~P = 1)
- (iii) $Y = \text{£}1\,000$, $Z = (\text{£}9\,000)$

	Content 1 mark	Application 1 mark	Analysis 3 marks
Level 2			3 marks Good analysis of method
Level 1	1 mark Candidate identifies one relevant method of improving cash flow/definition of cash flow	1 mark Candidate applies this correctly to BettaBikes	2-1 mark Limited analysis of method

Relevant answers might include some or all of the following:

- If shops are owned they could be sold and leased back
- Delay payment to suppliers
- Acceptable: sales, loan, overdraft, sell shares, cut costs
- Qualified: advertising, market research, cut prices

(d) Discuss whether Bill is right to introduce profit centres within BettaBikes Ltd. (9 marks)

	Content 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 2 marks
Level 2	2 marks Candidate offers two or more relevant arguments/full definition	2 marks Candidate applies knowledge effectively to BettaBikes case	3 marks Good analysis of the argument	2 marks Sound judgement shown in answers and conclusions
Level 1	1 mark Candidate offers single relevant argument/partial definition	1 mark Candidate attempts to apply knowledge to the case	2-1 marks Limited analysis of the argument	1 mark Some judgement shown

Possible answers could include a definition of profit centres plus:

Advantages:

- Very tight central control at present – demotivating. New approach could be motivating via financial target and might improve company performance
- Gives effective method of comparing performances of shops
- Currently, no local information used to inform setting of sales/profit budgets
- Managers unaware of targets

Disadvantages:

- May create over competitive and non co-operative relationship between shops
- Time consuming to discuss budgets with Bill
- May distract managers' attention from main role
- Managers may not have the financial ability/skills required to understand or monitor budgets set for each profit centre

Issues for Application:

- 4 shops
- Retail environment
- Cycle hire as profit centre
- Expansion
- Loss of consistency
- Unaware of targets

2

Total for this question: 25 marks

(a) What is meant by the term “adding value” (line 17)?

(2 marks)

	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of the term
Level 1	1 mark Candidate demonstrates some understanding of the term

The process of making a product appear to have higher value so that consumers are prepared to pay higher prices.

Guide for award:

- Adding/improving
- Value – real/perceived
- Relevant examples (second mark only)

(b) Explain **one** disadvantage to the “easy” group of companies resulting from the 2003 losses.*(5 marks)*

	Content 2 mark	Application 3 marks
Level 2	2 marks Candidate offers definition of losses AND identifies relevant disadvantage OR develops one disadvantage	3 marks Candidate relates chosen disadvantage well to “easy” group
Level 1	1 mark Candidate offers definition of losses OR identifies one disadvantage	2-1 marks Candidate attempts to relate chosen disadvantage to “easy” group

Relevant answers might include:

- Losses may not be sustainable – business might fail
- Losses may force firm to raise prices – and remove the major selling point
- Losses may lead to no finance available to pay for the new projects/future investment
- Losses may affect market confidence and share price
- Losses may damage corporate image
- Losses may result in expensive loan capital needed

(c) Examine **two** benefits that the “easy” group of companies might experience as a result of using the internet as the main sales method. (8 marks)

	Content 2 marks	Application 3 marks	Analysis 3 marks
Level 2	2 marks Candidate identifies two relevant benefits	3 marks Candidate applies knowledge effectively	3 marks Good analysis of benefits arising
Level 1	1 mark Candidate identifies single relevant benefit	2-1 marks Candidate makes some attempt to apply knowledge	2-1 marks Limited analysis of benefits arising from internet use

Possible answers might include:

- Low fixed costs compared to retail premises and other forms of distribution
- Internet now widely available and well established
- Low costs help the group to charge low prices which is its main marketing strategy
- High sales, for example, through convenience for customers and ease of price comparison/open 24 hours and 7 days
- Source of market research data

(d) Evaluate the “easy” group’s low cost – low price strategy for easyCinema. (10 marks)

	Content 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks Candidate offers two or more relevant points	2 marks Candidate applies knowledge effectively to “easy” cinema	3 marks Good analysis of argument	3 marks Sound judgement shown in answers and conclusions
Level 1	1 mark Candidate offers single relevant point	1 mark Candidate attempts to apply knowledge to “easy” cinema’s case	2-1 marks Limited analysis of argument, looking at one side only	2-1 marks Some judgement shown in response

Relevant answers might include:

Advantages:

- Might be price elastic – consumer demand high and high revenue
- Continues the strategy of the easy group and ensures consistent image to public
- Could reduce need for heavy promotion
- Able to undercut competitors
- Penetration pricing – could establish high market share

Disadvantages:

- Consumers might prefer luxuries with higher prices – demand could be inelastic
- Low prices ineffective if latest films cannot be booked
- May not be able to lower costs sufficiently to make a profit