



General Certificate of Education

Business Studies 6131

BUS6 External Influences and Objectives and Strategy

Mark Scheme

2006 examination – June series

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.

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 requires examiners to follow the logic of a candidate's answer. A concept which would receive credit only for knowledge in one context could become a means of analysis in another. For instance, in the question: 'Discuss the BGD Company's marketing strategy', a candidate who writes: 'approaches to a strategy include SWOT and the Boston Matrix' is showing knowledge. A brief, accurate explanation of the Matrix shows understanding, whereas a candidate who uses the Matrix to examine the BGD Company's case is showing the skill of analysis. **Please note that there are other ways to show analysis.***

*What then of evaluation? This is the hardest skill to define because judgement can only be shown in context - and that context is not only the one set in the assessment unit, but also by the candidate's own answer. Evaluation is **not** shown by drilled phrases or approaches such as: 'On the other hand ...' or 'Business operates in an ever-changing ...'. It is shown through the weighting of the candidate's arguments, the logic (and justification) of his/her conclusions.*

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 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**

Total 4 marks

1

Total for this question: 14 marks

Assess the value to Shell of carrying out a social audit.

(14 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 6 marks
Level 3				6–5 marks Good judgement shown in weighing up the value of a social audit to Shell
Level 2	2 marks Relevant point(s) explained or good understanding of the term	2 marks Application of the issue(s) to this context, in some detail	4–3 marks Good analysis of issue(s), with good use of relevant theory	4–3 marks Some judgement shown in weighing up the value of a social audit
Level 1	1 mark Relevant point(s) identified or some understanding of the term	1 mark Some application of the issue(s) to this context	2–1 marks Limited analysis of issue(s)	2–1 marks Limited judgement shown

Possible answers include:

- Shell might be more willing to invest in environmentally and socially responsible activities
- The marketing benefits such as improved PR and reputation
- The independent audit might attract/reassure environmentally conscious investors
- Competitors are likely to be producing similar reports (BP do).

BUT

- It will cost, and given the complexity of the industry, it is likely to be expensive
- What if it reveals a negative picture? It is independently audited after all.

Evaluation might question the value of the audit in terms of public relations and its relationship to actual actions. Evaluation might also include a recognition of the fact that Shell has at least to appear to take these issues into account.

2

Total for this question: 16 marks

To what extent might there be conflicts of interests amongst Shell’s stakeholders? (16 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 6 marks
Level 3				6–5 marks Good judgement shown in weighing up the extent of conflict amongst stakeholders
Level 2	3 marks Relevant point(s) explained or good understanding of the term	3 marks Application of the issue(s) to this context, in some detail	4–3 marks Good analysis of issue(s), with good use of relevant theory	4–3 marks Some judgement shown in weighing up the extent/nature of conflict amongst stakeholders
Level 1	2–1 marks Relevant point(s) identified or some understanding of the term	2–1 marks Some application of the issue(s) to this context	2–1 marks Limited analysis of issue(s)	2–1 marks Limited judgement shown

Possible answers include:

- Shareholders – high dividends, but some will want long-term security
- Management – long-term security and success, together with growth
- Workforce – wages and job security
- Consumers – low prices and high quality products, product innovation and choice
- Environmental pressure groups – less impact on environment.

Evaluation might include judgement about the relative power and influence of the various stakeholder groups. There might be discussion about how some stakeholder interests coincide rather than conflict. A judgement might be made about which have to be met.

3

Total for this question: 16 marks

Many people have argued that companies should have a windfall tax imposed on large profits. Evaluate the actions that Shell might take if the introduction of such a tax became increasingly likely. *(16 marks)*

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 6 marks
Level 3				6–5 marks Good judgement shown in weighing up the actions Shell could adopt
Level 2	3 marks Relevant point(s) explained or good understanding of the issue(s)	3 marks Application of the issue(s) to this context, in some detail	4–3 marks Good analysis of issue(s), with good use of relevant theory	4–3 marks Some judgement shown in weighing up the actions
Level 1	2–1 marks Relevant point(s) identified or some understanding of the issue(s)	2–1 marks Some application of the issue(s) to this context	2–1 marks Limited analysis of issue(s)	2–1 marks Limited judgement shown

Possible answers include:

- Publicity campaign to convince decision makers against such a decision – perhaps by emphasising the high cost/risk of oil exploration and the need for Shell to increase its reserves
- Emphasise the fact that 75% of petrol price is already going to the Exchequer
- Move tax base to another country – Holland for instance (which is what they are doing – the new restructured company will be registered in the UK but tax resident in Holland)
- Increase capital investment and reduce overall profit levels.

Evaluation might involve discussion of the relative value of each action. It might also include a recognition that such a tax is inevitable and therefore unavoidable, or a judgement that the power of Shell et al make it unlikely anyway.

4

Total for this question: 16 marks

Oil companies, such as Shell and BP, are very large companies that have pursued a strategy of ‘horizontal, vertical and conglomerate growth’. Do you think the rewards of such methods of growth are greater than the risks? Justify your answer. *(16 marks)*

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 6 marks
Level 3				6–5 marks Good judgement shown in weighing up the rewards and risks to the oil companies
Level 2	3 marks Relevant point(s) explained or good understanding of the various methods of growth	3 marks Application of the issue(s) to this context, in some detail	4–3 marks Good analysis of issue(s), with good use of relevant theory	4–3 marks Some judgement shown in weighing up the arguments
Level 1	2–1 marks Relevant point(s) identified or some understanding of the various methods of growth	2–1 marks Some application of the issue(s) to this context	2–1 marks Limited analysis of issue(s)	2–1 marks Limited judgement shown

Possible answers include:

- Horizontal growth – reduction of competition and increase in market share – but possible anti-competitive accusations
- Vertical growth – securing outlets and supplies and embedding profits at other stages of supply chain – but strains on logistics
- Conglomerate growth – risk spreading and potential for continued earnings growth as oil becomes more difficult – but problems of coordination across activities
- Economies and diseconomies of scale are relevant if related to a method of growth rather than as a general issue.

Evaluation might include judgement about the relative importance of the rewards against the risks.

5

Total for this question: 18 marks

Using **Appendix A** and the text, together with any other relevant information, discuss the view that shareholders should be concerned about Shell's future prospects. *(18 marks)*

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 8 marks
Level 3				8–6 marks Good judgement shown in weighing up the data and information and arriving at a reasoned judgement on Shell's future prospects
Level 2	3 marks Relevant point(s) explained showing good understanding	3 marks Application of the issue(s) to this context, in some detail	4–3 marks Good analysis of issue(s), with good use of relevant theory	5–3 marks Some judgement shown in arriving at a conclusion about Shell's future prospects
Level 1	2–1 marks Relevant point(s) identified showing some understanding	2–1 marks Some application of the issue(s) to this context	2–1 marks Limited analysis of issue(s)	2–1 marks Limited judgement shown

Possible answers include:

- Profit levels are higher than those for BP, and have been for the last two years
- Turnover is higher than BP
- Capital investment is lower – is this a sign of a lack of future planning?
- Reserves are lower – is Shell more vulnerable to oil price changes?
- Dividends are higher – good for investors, but should not that money be reinvested into the business?
- Diversification may be successful – eg Shell Select
- Rise in share price is higher than that for BP – does this reflect long-term growth potential though?
- Problems implied in the structure of Shell – are they resolved?
- Reserve replacement ratio suggests a lack of oil reserves.

Evaluation might include a reasoned judgement about the data and how it can be used to predict long-term future potential.