



General Certificate of Education

Business Studies 6131

**BUS4 Marketing and Accounting and
Finance, People and Operations
Management**

Mark Scheme

2007 examination - January 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.

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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 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 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: 20 marks

(a) Analyse **two** likely benefits of more extensive use of information technology in managing the White Hart Hotel. *(8 marks)*

	Content 2 marks	Application 4 marks	Analysis 2 marks
Level 2	2 marks Two benefits or one benefit plus definition	4–3 marks Well applied to this business	2 marks Good use of theory to explain benefits
Level 1	1 mark Some knowledge shown	2–1 marks Some application to this business	1 mark Some use of theory

Possible answers might include the following:

- define IT – The use of electronic technologies (or computers) to gather, store, process and communicate information
- improve communication –especially if couple move abroad
- allow a much more effective accounting and budgetary system –which is a weakness of the present business
- could be used to assist with CPA for new project and stock control (both of existing and new business)
- these uses will improve record keeping and allow for quick analysis of financial records, eg of profit centres.

(b) Evaluate the case **for** and **against** Gill and Savan using critical path analysis in the period up to the launch of the French chateau catering courses. *(12 marks)*

	Content 2 marks	Application 3 marks	Analysis 4 marks	Evaluation 3 marks
Level 2	2 marks Good definition or two points made	3 marks Well applied to case	4–3 marks Use of theory to explain points for and against	3 marks Good judgement shown based on points for and against
Level 1	1 mark Weak definition or one point made	2–1 marks Some application to case	2–1 marks Some use of theory	2–1 marks Some judgement shown

Possible answers might include the following:

CPA is a planning technique – tasks put in correct order, simultaneous ones identified, durations added to calculate CP and floats. Cash, time saved.

- planning of the project – several tasks to perform – CPA could be used to help meet six month target
- analysis of benefits to this project – simultaneous activities and effective time management would help achieve six month target. Clearer planning of new project
- **but** may not have the experience to operate this technique and how could the durations be estimated?
- any of the tasks could be delayed – do they know how to use float times to reallocate resources etc?
- use of IT likely to be essential – are they prepared and trained for this?
- CPA may speed up project – but quality of this project is important too.

2

Total for this question: 20 marks

(a) Do you consider Gill and Savan to be asset led or market led in their approach to marketing? Justify your answer. *(10 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 2 marks
Level 2	2 marks Clear knowledge of both concepts	2 marks Well applied to case	4–3 marks Good use of theory to explain answer	2 marks Good judgement shown
Level 1	1 mark Knowledge of one concept demonstrated	1 mark Some application to case	2–1 marks Some use of theory to explain answer	1 mark Some judgement shown

Possible answers might include the following:

- definitions: market led: basing firm’s marketing strategy on consumers needs, as established by market research
- asset led: basing firm’s marketing strategy on its strengths not just what market
- use of text – to illustrate both of these, eg research undertaken before opening hotel but seem to be going into the French project based on their strengths rather than detailed research
- seem to use both approaches – market led for hotel and asset led for French project. Gill seems to be leaning more towards market led than Savan as she recognises importance of market research for pricing/promotion decisions.

(b) To what extent might the effectiveness of the marketing plan for the French project be dependent on close coordination with other functional areas? (10 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 2 marks
Level 2	2 marks Clear understanding of marketing plan or some knowledge of both	2 marks Answer well applied to case	4–3 marks Good use of theory to explain links between marketing plan and functional area(s)	2 marks Good judgement shown
Level 1	1 mark Some knowledge shown of marketing plan or functional areas	1 mark Some application to the case	2–1 marks Some use of theory to explain marketing plan, functional areas or link between them	1 mark Some judgement shown

Possible answers might include the following:

- definition: a detailed report of a firm’s marketing objectives, marketing strategy and marketing budget
- yes, it does need to be coordinated with other functional depts. Effective plan needs linking with HR – need staff recruited in time; with Ops Man – needs resources in place; with Finance – need adequate budget
- **but** not only factor in a successful plan. Need for clear objectives and budget – no real mention of objectives and disagreement over budget
- do they have enough information to devise a suitable plan?
- external changes such as economy could influence the success of plan
- may take too long – they plan to start in six months time.

3

Total for this question: 20 marks

(a) Using **Appendix B** and appropriate ratios, briefly analyse how the business might raise the £2 million needed to invest in the French project. *(8 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Two appropriate ratios given or one ratio and one other relevant factor	2 marks Both accurately calculated or one calculated and another point applied	4–3 marks Good use of theory to explain answer
Level 1	1 mark One appropriate ratio or relevant point mentioned	1 mark One accurately calculated or point made is applied	2–1 marks Some use of theory to explain answer

Possible answers might include the following:

Gearing ratio % = $\frac{\text{LTL}}{\text{Cap. Emp}} \times 100 = 41.7\%$ and becomes 50% if all £2m is borrowed

Acid test = $\frac{1.5}{2} = 0.75$

- acid test seems healthy – could use cash (not clear what holdings are) or call back debtors to raise internal finance
- may be possible to reduce stocks – not clear how these compare with similar businesses
- may be unwise to raise all capital from LTL – but 50% may not be too high if interest rates are low and/or the French project turns out to be very profitable
- could sell assets to raise capital (eg the land owned by the hotel)
- new gearing ratio of 58.3% if capital employed is not increased – no additional marks unless **analysis** of sources of finance is based on this own figure rule.

(b) Using **Appendix C** and any other relevant **financial** information, do you agree that Gill and Savan were right to go ahead with this overseas expansion project? Justify your answer. (12 marks)

	Content 2 marks	Application 3 marks	Analysis 4 marks	Evaluation 3 marks
Level 2	2 marks Two relevant points made	3 marks Well applied to case	4–3 marks Good use of theory to explain answer	3 marks Good judgement shown
Level 1	1 mark One relevant point made	2–1 marks Some application to case	2–1 marks Some use of theory	2–1 marks Some judgement shown

Possible answers might include the following:

- if finance can be raised it seems to be a profitable project – ARR of 30% is comfortably above the cost of borrowing
- payback is half length of project 2 yrs 6 months– is this acceptable, especially if the financial performance of the hotel worsens?
- NPV seems acceptable as discount rate is above the cost of borrowing. NPV is positive – in today’s money values the project is forecast to make a positive return
- how were cash flows forecasted?
- could results have been biased? Other information would have been useful
- sources of finance seem not to be too much of a problem – may be able to attract private investors too
- supported recommendation is required.

4

Total for this question: 20 marks

(a) Calculate the difference in the rate of labour turnover between the two six-monthly periods referred to in **Appendix A**. (4 marks)

Labour turnover rate % = $\frac{\text{No. of staff leaving}}{\text{Total staff employed}} \times 100\%$ 1 mark (content)

Up to 31.12.06 = 16.6% (accept 16% or 17%) 1 mark (application)

Up to 30.06.06 = 10% 1 mark (application)

Difference = 6.6% (accept 6% or 7%) 1 mark (application)

Award mark for formula if implied correctly.

(b) Discuss how Gill and Savan could most effectively resolve the human resource issues at the White Hart Hotel. (16 marks)

	Content 3 marks	Application 4 marks	Analysis 4 marks	Evaluation 5 marks
Level 2	3 marks Three relevant points made	4–3 marks Well applied to case	4–3 marks Good use of theory to explain answer	5–3 marks Good judgement shown in text or conclusion
Level 1	2–1 marks Up to two relevant points made	2–1 marks Some application to case	2–1 marks Limited use of theory	2–1 marks Some judgement shown

Possible answers might include the following:

- method of recruiting new manager – external or internal? Does worsening employee data suggest that a new (external) approach is needed or would internal recruitment help to overcome the problem of “no opportunities for promotion”?
- should a union be recognised – make bargaining easier for new manager but would it have the upper hand without Gill and Savan on site?
- participation of staff – would this help improve the declining employee performance ratios – scope for using data, result from (a) and further calculations here to help outline the problem

	six months to 31/12/06	six months to 30/06/06
Customer complaints	1.24%	0.35%

- would profit sharing scheme help to motivate staff? Would this limit the ability of business to finance the French project?
- how might improved participation be achieved?
- pros and cons applied to this business – which would be the most effective ways of resolving these issues?