



General Certificate of Education

Business Studies 6131

BU5W Business Report and Essay

Mark Scheme

2008 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: 40 marks

Rupa has asked you, an independent management consultant, to advise her on this deal. With reference to the appendices included on pages 4 and 5, write a report analysing the main arguments for and against accepting the French supermarket's order. Based on this analysis, produce a fully justified recommendation on whether Rupa should agree to accept the order or not. *(2 marks are included for appropriate report format)*

Answers might include:**For:**

- the product has been through the growth phase and now seems to be approaching the maturity stage; may be worth looking into new markets for future growth. Despite price cuts and extra spending on marketing the product is losing market share so the UK market at the moment does not look very attractive; abroad may be more promising
- at the moment the business has no presence abroad so this order might be a valuable way of testing the market; the business is a large supermarket so this may lead to larger, bigger orders and therefore further growth (assuming the firm can produce even more orders in the future)
- potential contribution of £34 000 so this will increase profits (assuming development and launch does not overrun); the financial benefit from the order would be relatively high compared to last year's profits although comes with various risks
- order should be achieved on time according to Rupa's estimates; however she does want the order to go through so her estimates may be biased; on the other hand she is experienced so presumably estimates should be relatively accurate.

Against:

- danger of fines if late; how reliable is the network analysis? Three activities with no float; if any one overruns then penalties start to be incurred. May want to assess the risk
- not selling under its own name so not building market awareness if it did want to pursue expansion abroad in the future
- lower price than the UK orders; each item contributes less to overheads (although the precise price and contribution depend on the exchange rates); this might cause problems with existing customers if they find out they are paying more; how likely is this and how much will it matter to them?
- the pressure on staff is already high so the extra order and overtime may cause people problems; would it be better to try and sort these out first? Will staff volunteer for overtime?
- slow payment may cause cashflow problems; net current assets are low - can the firm negotiate better terms?

Recommendations:

- may want to see trade union representative as a matter of urgency. Cannot afford to ignore this especially as 85% of the workforce are in a trade union (and the proportion is growing). Will need the cooperation of staff to fulfil the order, eg to volunteer for overtime
- may depend on the firm's view of what the exchange rate is going to do
- the position of the product in UK market looks to be moving towards maturity. Sales growth is slowing and it is losing market share despite extra marketing expenditure. Overseas expansion may be a sensible way forward and this deal may start a relationship with the supermarket. However, need to consider how likely it is to lead to other orders and the terms of the deal are not very favourable, eg payment terms and fines. Can it renegotiate these in future?
- opportunity cost - what is likelihood of extra UK orders which might have higher contribution per unit? If, for example, the extra spending on developing and promoting the product abroad was spent in the UK what could this lead to?

Business report

Skill	Marks	Description
Content		
Level 3	8–6	Good understanding/explanation of relevant factors, eg range of factors understood and/or depth of understanding
Level 2	5–3	Reasonable understanding/explanation of relevant factor(s)
Level 1	2–1	Limited understanding, eg descriptive or basic/imprecise understanding of relevant factor(s)
Level 0	0	No understanding demonstrated
Application		
Level 3	8–6	Well related to context
Level 2	5–3	Reasonably related to context
Level 1	2–1	Limited relation to context
Level 0	0	No application
Analysis		
Level 3	8–6	Good analysis, eg relevant factor(s) well developed
Level 2	5–3	Reasonable analysis of relevant factor(s)
Level 1	2–1	Limited analysis of relevant factor(s)
Level 0	0	No analysis
Synthesis		
Level 3	5	Well structured report
Level 2	4–3	Reasonable structure
Level 1	2–1	Poor structure
Level 0	0	No structure
Evaluation/judgement/recommendations		
Level 3	11–8	Good recommendation/evaluation/judgement
Level 2	7–3	Reasonable recommendations/evaluation/judgement
Level 1	2–1	Limited recommendations/evaluation/judgement
Level 0	0	No evaluation/recommendations

2

Total for this question: 40 marks

The pharmaceutical market is worth over £300 billion worldwide. It is dominated by a few large global firms such as GlaxoSmithKline and AstraZeneca, which have earned high levels of profits in recent years. To what extent should the UK government attempt to control the prices of new drugs that are launched by these companies? *(40 marks)*

Relevant answers might include the following:

- may be desirable for social objectives, eg so more people can afford them and are healthier; this may then benefit the economy in terms of less sickness/absenteeism; may also win votes!
- may reduce profits of these firms; although some may argue companies of this size make too much profit anyway. Lower profits may reduce funds available for investment and the development of new products and the incentive to undertake these activities. May deter other firms from investing in this industry. Society may lose out overall therefore in the long run. In particular, firms may not sell products in the UK if only the UK government was introducing such a policy - would it be better to have a global policy if possible?
- less profits may mean less investment and less jobs
- may want to consider rates of return not just absolute profits
- if the industry is dominated by a few firms there is the danger of a cartel or collusion so government intervention may be necessary to regulate this
- are the high level of profits earned in recent years 'monopoly profits'? Are consumers being exploited or is this simply a reward for being 'innovative'?
- the UK government through National Health Service buys a high proportion of the drugs so this would reduce its own costs and may free up funds for other spending, eg education
- patents give pharmaceutical companies monopoly power and the ability to earn high profits, so government allows high rewards.

Depends on:

- extent of intervention, eg on how many products and how would these be selected? How much would prices be controlled?
- why select this industry in particular - what about, eg healthcare generally, leisure - should there be intervention here as well?
- how much can the UK government achieve alone?
- how big are their profits? It says 'in recent years'- what is the long run trend?
- method of control. How would the government try to do this? Is it feasible?
- type of drug, eg life saving or not.

3

Total for this question: 40 marks

Macroeconomic factors determine the success of estate agents in the UK far more than they determine the success of businesses in other industries. To what extent do you agree with this statement?
(40 marks)

Relevant answers might include the following:

Macroeconomic factors can affect estate agents for example:

- they may be affected by interest rates - will affect the cost of borrowing money and therefore demand for houses
- they may be affected by GDP growth and unemployment levels; in a booming economy people more likely to 'trade up' (eg buy bigger houses or buy second houses) so demand for estate agents' services likely to rise
- exchange rates may affect foreign buyers (eg expensive London houses) or possibly holiday homes in UK v abroad
- as house prices increase, estate agents' earnings will rise as they often earn a percentage of the price
- the housing market is very dependent on the state of the economy, eg tends to be cyclical.

Other factors include:

- demographic changes affecting demand for houses
- legal factors affecting supply (eg planning permission).

Success likely to be more dependent on the economy than some markets, eg school textbooks.

However, other markets are also very dependent on economic factors, eg car industry.

4

Total for this question: 40 marks

With reference to organisations, markets or industries that you know, to what extent do you think that the internet is a threat rather than an opportunity for business? *(40 marks)*

Relevant answers might include the following:

- makes it possible to reach a wider market more easily and more cheaply
- makes it possible to enter existing markets without so much investment, eg travel agents and insurance firms
- opens up all kinds of possibilities in functional areas, eg marketing via the web, operations – links with suppliers and teleworking
- opportunity for web business and development of new markets, eg Amazon, Google, YouTube.

But:

- customers can compare prices more easily
- customers may be more likely to switch.

Depends on:

- how competitive the firm is, eg will price comparisons help it?
- managers attitude and view of the internet – do they embrace the possibilities or act defensively?
- nature of the market, eg impact on banking likely to be great compared to coffee shops
- may be both an opportunity and a threat
- extent to which the internet is used in the market.

5**Total for this question: 40 marks**

In 2006, Nippon Sheet Glass, a Japanese glass manufacturer, took over Pilkington, a UK glass producer. In the same year, L'Oréal, the cosmetics manufacturer, bought control of the Body Shop, a beauty products retailer. With reference to these or any other takeovers you know, to what extent is taking over another business a good way for a firm to increase its competitiveness? *(40 marks)*

Relevant answers might include the following:

- can lead to economies of scale and so lower unit cost (eg two glass manufacturers)
- can share resources and therefore improve, eg its research and development
- it can provide access for each others products to each others distribution networks (eg in theory, L'Oréal could sell via the Body Shop)
- can provide more power over, eg suppliers and distributors
- widening product offering.

However, can cause problems in terms of:

- culture clashes
- diseconomies of scale.

Depends on:

- what other firms are doing (competitiveness is relative)
- nature of the takeover, eg benefits of Nippon and Pilkington may be very different from L'Oréal and the Body Shop
- motives may not be about competitiveness, may be about, eg security
- how it is handled – many do not do well
- perspective, eg of different stakeholder groups.

Note: Body Shop is a manufacturer as well as a retailer.

Essay

Skill	Marks	Description
Content		
Level 3	8–6	Good understanding/explanation of relevant factors (range and/or depth)
Level 2	5–3	Reasonable understanding/explanation of relevant factor(s)
Level 1	2–1	Limited understanding, eg descriptive or very basic/imprecise understanding of relevant factor(s)
Level 0	0	No understanding
Application		
Level 3	8–6	Well related to context
Level 2	5–3	Reasonably related to context
Level 1	2–1	Limited relation to context
Level 0	0	No application
Analysis		
Level 3	8–6	Good analysis, eg relevant factor(s) well developed
Level 2	5–3	Reasonable analysis of relevant factor(s)
Level 1	2–1	Limited analysis of relevant factor(s)
Level 0	0	No analysis
Evaluation/judgement		
Level 3	16–12	Good judgement/evaluation
Level 2	11–6	Reasonable judgement/evaluation
Level 1	5–1	Limited judgement/evaluation
Level 0	0	No judgement/evaluation