



**General Certificate of Education (A-level)
January 2012**

Business Studies

BUSS2

(Specification 2130)

Unit 2: Managing a Business

Mark Scheme

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 events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised 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 students' 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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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in students' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Students give accurate definitions of relevant terms. Students can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Students should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Students will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Students use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, students may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Students evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or it can also be shown within a conclusion, perhaps by weighing up the strength of the student's own arguments for and against a proposition. Students will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where students are required to produce extended written material. Students will be assessed according to their ability to: <ul style="list-style-type: none"> • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate. The assessment of the quality of written communication is included in Assessment Objective 4 .

ADDITIONAL GUIDANCE FOR MARKING SCHEME

This marking scheme requires decisions to be made on whether candidates' responses represent reasonable or good application and reasonable or good analysis. If a response demonstrates good analysis and application, award Level 5 full marks. Alternatively, if a response does not contain any relevant knowledge then a mark of zero would be appropriate.

In making a decision about whether a particular response is good or reasonable, use the following guidelines.

APPLICATION

Good application can be demonstrated in three ways.

- **By combining data.** For example, in responding to question 1(a), a candidate might achieve good marks for application by combining the notions that the company needs to improve its cash flow position and that it is receiving good media reviews when developing an argument on reducing expenditure on advertising.
- **By manipulating data.** For example, when answering question 2(d), candidates might use the data in **Figure 2** to calculate that the Lincoln branch of J Bailey Ltd achieved net profit margins of 12.5% and 19.09% respectively for November and December 2011. When used as part of a relevant argument, this can receive appropriate marks for good application.
- **By being consistently in context.** An answer may not demonstrate either of the above characteristics, but it may be in context throughout with each argument related to the scenario.

If a candidate makes a single simple reference to the context when developing an argument, this is reasonable application. An example of this in answering question 1(b) could be that the company expects its sales to grow by 175% over the next two years.

For application to be creditworthy, it must be used as part of a relevant argument. Some candidates simply copy out part of the case. This should **not** receive credit.

ANALYSIS

Good analysis is shown when a candidate develops a chain of argument with a clear focus on the question. For example, when responding to question 2(c), a line of argument which develops the case for using non-financial methods of motivation through the redesign of employees' jobs thereby improving flexibility and productivity and overall workforce performance would represent good analysis. It is important that good analysis focuses on employee performance and not the more general performance of the business.

Reasonable analysis is shown through less developed chains of argument or those with a less clear focus on the question. For example, in question 2(b), the new employees may not have received training to give them the right skills to carry out their jobs effectively. Simple points or ideas expressed without any development would be rewarded with knowledge marks.

EVALUATION

The driving force behind the award of evaluation marks is the quality of evaluation included in the answer and not the Quality of Written Communication. The key is the extent of the support for a judgement. Evaluative comments may be offered throughout a response and may support a judgement fully.

The decision on the Quality of Written Communication should be used to adjust a mark within the level selected on the basis of the candidate's evaluation. For example, a candidate may have been awarded the lower mark in E2 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E2.

A well written answer without any evaluation can receive one mark for quality of language.

1

Total for this question: 40 marks

1 (a) *SMR's train services are entering the growth stage of their product life cycle. Analyse the possible ways in which the company may respond to this. (6 marks)*

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	6	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	5	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	4	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	3	
L1	Knowledge	2–1	

Relevant answers might include the following:

- the product life cycle is a theory describing the stages that a product passes through during its time in the marketplace
- the growth stage of the product life cycle occurs when sales rise rapidly but have not yet reached their maximum.

Themes for application include:

- the company is starting to make a profit as revenues exceed costs offering the chance to launch other services
- rising sales, as a result of its products entering the growth stage, may help the company to overcome the cash flow problems it has suffered since 2009
- because of its favourable reviews in the media, the company may be able to reduce its expenditure on advertising and the use of special offers
- the company may reduce price and, as a result, revenues will rise due to the strong price elasticity of demand.

One way a candidate may achieve **good application** on this question is by linking positive media reviews and the need to improve its cash flow position to a decision to reduce expenditure on advertising.

1 (b) Analyse why it is particularly important for SMR to have an effective system of recruitment. (8 marks)

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	8	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	7–6	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	5–4	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	3	
L1	Knowledge	2–1	

Relevant answers might include the following:

- recruitment is the process of finding and appointing new employees.

Themes for application include:

- the market for its products is forecast to grow by 175% over the next two years
- the company has a high rate of labour turnover – rising from 18.4% in 2009 to 20.6% in 2011
- the company’s financial position is weak (affecting its ability to recruit and train)
- the company offers a distinctive product dependent on high standards of customer service.

Lines of analysis include:

- it is very expensive to recruit and train employees so it is important to appoint the right people first time
- the company will operate more efficiently and cost effectively if it recruits the best people
- the company will only be able to provide a high quality service if it appoints the best employees.

An answer to this question which is in context throughout should be judged to be **good application**.

1 (c) *Has the existence of larger competitors, such as Virgin Trains, been the biggest influence on the design of SMR's marketing mix? Justify your view.* (13 marks)

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	9–8	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	7–6	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	5–4	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	3	
L1	Knowledge	2–1	

Relevant answers might include the following (NB other creditworthy answers exist):

- the marketing mix is the use of price, product, promotion and place to achieve the company's marketing goals.

Themes for application include:

- its major competitor is Virgin Trains and it sells to business travellers
- the company has a weak cash position and its profit margin became positive in 2011
- SMR has targeted a different market segment: leisure travellers
- the company faces strong price elastic demand (-2.2)
- the company has received favourable coverage in the media.

Lines of analysis include:

Yes, it is the biggest influence:

- companies will avoid direct competition with a larger, financially-powerful competitor
- the creation of a USP is an important aim when designing an effective marketing mix.

No, there are other influences:

- finance can limit a business's ability to select its marketing mix, for example promotion may be restricted to cheaper forms of advertising and fewer special offers
- the company's target market will shape its marketing mix. Promotion has to be targeted, price has to reflect the incomes of potential consumers
- market research influences a business's marketing decisions. The business has to meet its customers' needs as fully as possible.

Ideas for Evaluation might include the following:

- the size and competitiveness of Virgin Trains means that a small new entrant to the market such as *SMR* has to avoid price competition with it
- finance is a key issue for this company in designing its marketing mix as it is small and new to the market and has to use its reasonable financial resources effectively.

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' quality of written communication. When deciding on the level to be awarded, consider the degree to which the student offers his/her ideas.

Level	Descriptor	Marks	AO
E3	Judgement with well supported justification. Answer has a logical structure throughout, with effective use of technical terms.	4	AO4
E2	Judgement with reasonable attempt at justification. Evidence of a logical structure and some use of technical terms.	3–2	
E1	Assertion or judgement which is unsupported. Reasonable evidence of a logical structure and little use of technical terms.	1	

1 (d) *To what extent do you agree with the Chief Executive’s view that the company’s main operational target should continue to be ‘increased levels of capacity utilisation’ (lines 24–25)?* (13 marks)

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	9–8	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	7–6	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	5–4	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	3	
L1	Knowledge	2–1	

Relevant answers might include the following:

- capacity utilisation measures the extent to which a business uses the resources that are available to it.

Themes of application include:

- the company’s capacity utilisation has risen from 34.8% in 2009, to 66.7% in 2011
- the company’s average costs have fallen from £54.45 in 2009, to £36.52 in 2011
- the percentage of trains arriving on time has fallen from 91.24 in 2009, to 86.12 in 2011
- Virgin Trains offers a faster service
- a 175% increase in sales is forecast over the next two years
- the company plans to refurbish its trains and offer WiFi.

Lines of analysis include:

Yes, the Chief Executive is correct because:

- increasing capacity utilisation can increase revenues without an appreciable rise in costs
- increasing sales without adjusting capacity will lead to higher capacity utilisation.

No, other targets are more important because:

- quality matters in a competitive market
- reducing average or unit costs of production can help to improve a business’s financial position.

Students may achieve **good application** by combining data, such as average costs and capacity utilisation in a single argument.

Ideas for Evaluation might include the following:

- capacity utilisation links to other operational objectives, such as quality, and should not be considered in isolation
- improving capacity utilisation will assist in reducing unit costs and improving the company's financial position
- if the company expands as intended it will need to increase its capacity and not just utilisation.

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' quality of written communication. When deciding on the level to be awarded, consider the degree to which the student offers his/her ideas.

Level	Descriptor	Marks	AO
E3	Judgement with well supported justification. Answer has a logical structure throughout, with effective use of technical terms.	4	AO4
E2	Judgement with reasonable attempt at justification. Evidence of a logical structure and some use of technical terms.	3–2	
E1	Assertion or judgement which is unsupported. Reasonable evidence of a logical structure and little use of technical terms.	1	

2

Total for this question: 40 marks

2 (a) Calculate the profit variance for the Lincoln branch for **December only**. (6 marks)

Relevant answers might include the following:

“STANDARD” APPROACH

- the company’s budgeted profit for December was £159 220 – £138 650 = **£20 570 F**
(2 marks)
- the company’s actual profit figure for December was £140 850 – £113 950 = **£26 900 F**
(2 marks)
- the company’s profit variance for December was £26 900 – £20 570 = **£6330 F**
(2 marks)

“ACCOUNTING” APPROACH

- The company’s sales revenue variance was **£18 370** (2 marks)
- The company’s total cost variance was £16 440 + £4 180 – £90 + £1 830 + £ 2 340
= **£24 700** (2 marks)
- The company’s profits variance for December was £24 700 – £18 370 = **£6 330** (2 marks)

Up to two marks are available for a formula or other evidence of understanding of variances. This should only be awarded if the student does not offer calculations, or if these do not implicitly reveal understanding of variances.

2 (b) Analyse the factors that may determine the standard of J Bailey Ltd's customer service. (7 marks)

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	7	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	6	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	5–4	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	3	
L1	Knowledge	2–1	

Relevant answers might include the following:

- customer service is the part of a business's activities which is designed to meet customers' needs as fully as possible.

Themes for application include:

- its expenditure is only £300 per employee per year - a major competitor spends £1000 per employee per year
- J Bailey Ltd's* rate of labour turnover rose from 31.7% in 2010, to 36.4% in 2011
- the company engages in little market research (to keep costs to a minimum).

Lines of analysis include:

- the amount that the company invests in training will determine the quality of customer service
- a high rate of labour turnover may affect the level of customer service if new employees do not have the necessary skills and knowledge
- a company's financial position may determine its ability to fund training programmes.

One way in which **good application** may be achieved on this question could be by a student writing an entire answer in context.

2 (c) *J Bailey Ltd has been advised to redesign its junior employees' jobs. To what extent do you think that this would be the best way to improve the performance of the company's workforce?* (12 marks)

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	8	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	7–6	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	5–4	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	3	
L1	Knowledge	2–1	

Relevant answers might include the following:

Themes for application include:

- the company employed consultants to research employees' views at all 16 branches
- *J Bailey Ltd's* rate of labour turnover rose from 31.7% in 2010, to 36.4% in 2011
- levels of pay are not an issue, according to the consultants' report
- the company's current level of expenditure on training is low at £300 per employee per annum
- the company's business model requires that costs are controlled tightly.

Lines of analysis include:

Yes, it is good advice:

- a business should take into account its employees' views if it wishes to improve motivation
- there are a range of non-financial methods of motivation which could be used resulting in greater authority, job enrichment and/or job enlargement and improved long-term motivation
- the work of a number of theorists (Maslow, Mayo etc) support the use of job redesign as a means of improving employee motivation and performance.

No, there are approaches which are preferable:

- financial factors may preclude investment in training which is an essential part of job redesign
- other HR factors such as staffing levels will impact upon employees' performances
- managers might be reluctant to involve employees more in decision making as they may not want to lose control.

One way for a student to achieve **good analysis** on this question is to produce a developed chain of argument which focuses on the effects on the performance of the workforce.

Ideas for Evaluation might include the following:

- employees are all individuals and it is impossible to say which method will result in improved levels of motivation
- redesigning jobs might require increased levels of expenditure which will conflict with the company's policy of controlling costs tightly. The company's managers are unlikely to agree this
- *J Bailey Ltd* might measure the performance of its labour force in terms of how much it costs the company.

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' quality of written communication. When deciding on the level to be awarded, consider the degree to which the student offers his/her ideas.

Level	Descriptor	Marks	AO
E3	Judgement with well supported justification. Answer has a logical structure throughout, with effective use of technical terms.	4	AO4
E2	Judgement with reasonable attempt at justification. Evidence of a logical structure and some use of technical terms.	3–2	
E1	Assertion or judgement which is unsupported. Reasonable evidence of a logical structure and little use of technical terms.	1	

2 (d) *John Bailey is ‘certain’ that the new Lincoln branch will match the financial success of the rest of the business. Do you agree with his judgement? Justify your view. (15 marks)*

Level	Descriptor	Marks	AO
L5	Good application AND Good analysis	10–9	AO1/ AO2/ AO3
L4	Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application	8–7	
L3	Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis	6–5	
L2	Knowledge AND Reasonable application <i>or</i> Knowledge AND Reasonable analysis	4–3	
L1	Knowledge	2–1	

Relevant answers might include the following:

Themes for application include:

- the Lincoln branch has made an increasing level of profit in its first two months of trading (NB: OFR for December figures)
- the profit margin achieved for November and December was 12.5% and 19.09% respectively
- the average profit margin for the entire business is 22%
- this is the company’s 16th branch – all the others are successful
- the Lincoln branch was subject to fierce competition from a local discount store
- the company’s revenue budgets have recorded negative variances and its costs favourable variances.

Lines of analysis include:

Yes, his judgement is correct:

- if its profit figures exceed those of the company as a whole
- if it manages to overcome competition and build a customer base during its vulnerable first few months of trading.

No, his judgement is not correct:

- if there is not sufficient data available to make such a judgement
- if the company fails to achieve sufficient sales or to control its costs effectively
- if the company does not manage its cash flow effectively.

One way a student may receive **good application** is for calculating the Lincoln branch’s profit variances for its first two months as part of a relevant argument.

Ideas for Evaluation might include the following:

- is it possible to judge whether a business will be financially successful on the basis of two months' trading figures?
- this branch is obviously controlling costs effectively – for *J Bailey Ltd* this represents 'financial success'.

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses students' quality of written communication. When deciding on the level to be awarded, consider the degree to which the student offers his/her ideas.

Level	Descriptor	Marks	AO
E3	Judgement with well supported justification. Answer has a logical structure throughout, with effective use of technical terms.	5–4	AO4
E2	Judgement with reasonable attempt at justification. Evidence of a logical structure and some use of technical terms.	3–2	
E1	Assertion or judgement which is unsupported. Reasonable evidence of a logical structure and little use of technical terms.	1	