

Mark Scheme (Results)

January 2009

GCE

GCE Business Studies/Economics & Business
(6BS01/6EB01) Paper 01

6BS01/6EB01 January 2009 Unit 1

Section A Mark Scheme

NOTE: If part (a) of the question is INCORRECT, then a maximum of 2 marks can be awarded for part (b), with the exception of question 7.

Question Number	Question	Marks
1(a)	Answer - decreased costs of advertising (C)	1 (Applic)
1(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> - Describes what is meant by subsidy or demand (1 mark) - Costs of advertising are a business cost (1 mark) - In any case advertising costs would need to increase (1 mark) - Switching to alternative products will reduce the supply of wheat (1 mark) and so increase wheat prices which is needed to make pasta (1 mark) - Cattle require wheat as foodstuffs which will increase the demand for wheat (1 mark) and so increase the price of wheat (1 mark) - EC subsidies reduce costs of production (1 mark) which effectively reduce consumer prices of wheat (1 mark) - Award diagram marks <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>K/U Analysis Eval</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
2(a)	Answer - to work independently (D)	1 (Applic)
2(b)	<p>Explain why this answer is correct</p> <p>NB Any script which includes a comment regarding the liquidisation of Denby (G & T Candidate) should be sent to Review for a member of the Senior Team to assess.</p> <ul style="list-style-type: none"> - Defines niche market or non-ethical (1 mark) - Risk taking is naturally increased because she will be running her own business (1 mark) and no longer have the security of employment (1 mark) - Denby Potteries Ltd is a private sector business (1 mark) and so is unlikely to be too concerned with social and environmental benefits (1 mark) - Denby may already provide products for a niche market (1 mark) but Sue could not be in a position to actually develop the market (1 mark) - This decision might enable Sue to earn more money (1 mark) than she received as a salary when employed (1 mark) - Other reasons for selling in business, e.g. something new, make more money (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>K/U Analysis Eval</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
3(a)	Answer - market mapping (A)	1 (K/U)
3(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> - Defines /describes market positioning or other terms in the question (1 mark) - So that the company can undertake the 'right' level of market research (sample size/type) (1 mark); operate at the 'right' level i.e. select an appropriate sized premises, recruit the appropriate number of staff, anticipate stock and equipment levels (1 mark); determine whether there is room in the market for another private leisure company (1 mark) - To determine likely demand (1 mark); which may be specific to a particular market segment, e.g. single men aged 18-30 (1 mark), to avoid unnecessary costs, like excessive marketing and promotions (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>K/U K/U Applic</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Marks
4(a)	Answer - 4.09% (B)	1 (Applic)
4(b)	<p>Explain your answer (show all your workings)</p> <ul style="list-style-type: none"> - formula - net profit /sales x 100 (1 mark); - this is £33m/£807m x 100 (2 marks); - if some of the data is inserted appropriately, e.g. the correct numerator <u>or</u> denominator (1 mark) 	<p>K/U Applic Applic</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
5(a)	Answer - Venture Capitalist (C)	1 (Applic)
5(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> - Describes what is meant by start-up capital or debenture capitalist or trade credit (1 mark) - A commercial bank or debenture company is not likely to lend that amount of money to a university student (1 mark) given the risk involved (1 mark) as he is not likely to maintain the re-payments (1 mark) - Trade credit is a source/method of providing short term capital (1 mark) to customers who have been trading with you for a while which would not be the case (1 mark) and for smaller sums, not \$500,000 (1 mark) - Venture capitalist implies high risk (1 mark) and potentially high returns (1 mark) which this business would have been (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p>	<p>K/U Analysis Eval</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
6(a)	Answer - In-depth interviews (A)	1 (K/U)
6(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> - Defines secondary or primary research (1 mark) - Interviews are primary research methods (1 mark) because the data has been collected first hand in this case by interview (1 mark) - Market intelligence reports have been compiled by a market research company before hand (1 mark) for publication for ease of use/save time by a third party, the university. (1 mark) Similarly UCAS and the TES will have already collected and processed the information (1 mark) before presenting it in their report for academics to use (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>K/U Applic Applic</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
7(a)	Answer - balance of payments (B)	1 (Applic)
7(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> - Defines external economic influences (1 mark) - Describes what is meant by inflation, unemployment or interest rates (1 mark) - The business is not trading internationally (1 mark) because it is providing a service to consumers in the UK (1 mark) - BoP is a consequence of trade/doing business not an external economic influence/cause (1 mark) - Interest rates affect the cost of borrowing (1 mark) which might increase the cost of servicing a loan for renovation (1 mark) or the cost of an overdraft used to pay suppliers (1 mark) - Changes in the level of unemployment might affect the size of the labour pool (1 mark) which will make it more/less difficult to recruit staff (1 mark) which is already a problem in the leisure industry (1 mark) - Changes in inflation might affect people's desire to spend (1 mark) for example if inflation rates increase then disposable income may fall (1 mark) which will cause consumers to cut back spending on luxury goods like leisure (1 mark) - Unemployment tends to reduce an individual's disposable income (1 mark) which may cause them to stop consuming private leisure (1 mark) given that it is a luxury product (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p>	<p>K/U Analysis Eval</p> <p>1-3 marks</p> <p>(Total 4)</p>

Question Number		Marks
8(a)	Answer - Autocratic (C)	1 (Applic)
8(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> - Defines autocratic/describes what is meant by management style or democratic or laissez faire (1 mark) - Ingvar Kamprad's style is restrictive therefore suggests that Ikea workers are not allowed to make decisions (1 mark) and so they have to follow orders (1 mark) because they are not trusted to make the right decision at Ikea (1 mark) - Democratic and Laissez Faire managers implicitly trust their workers (1 mark) so they allow them a certain amount of freedom or flexibility to exercise their duties at Ikea (1 mark) which is not characteristic of an autocratic leader (1 mark) - Assumes that Ikea workers are theory-X type workers (1 mark) which my mean having to be closely monitored or controlled or dictated to (1 mark) <p>Any acceptable answer which shows selective knowledge/understanding/application and/or development</p> <p><i>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are NOT correct</i></p>	<p>K/U Analysis Eval</p> <p>1-3 marks</p> <p>(Total 4)</p>

Section B Mark Scheme

Question Number	Answer	Mark
9(a)	<p>Knowledge/understanding 2, Application 2, Analysis 2</p> <p>Knowledge/understanding: up to 2 marks are available for defining product trial or test marketing</p> <p>Application: up to 2 marks are available for relating the above to Reggae Reggae Sauce, e.g. providing free samples of the sauce to passers by</p> <p>Analysis: up to 2 marks are available for consideration of causes, consequences or costs such as the likely effects on costs, sales, revenue, ability to set or meet sales targets, effects on company's image or reputation, etc. Two reasons needed for full marks (3+3 marks)</p>	<p>1 - 2</p> <p>1 - 2</p> <p>1 - 2</p> <p>(Total 6)</p>

Question Number	Answer	Mark
9(b)	<p>Knowledge/understanding 2, Application 1, Analysis 1</p> <p>Knowledge/understanding: up to 2 marks are available, e.g. for defining or describing what is meant by venture capital/venture capitalist/expect a return on their investment</p> <p>Application: 1 mark is available for contextual answers, e.g. Peter Jones providing £25,000 for a 20% stake in the business or this is about providing a cash injection for growth or improving cash-flow</p> <p>Analysis: 1 mark is available for expanding on the above by including a reference to the conditions which supported the strategy, e.g. Levi Roots had no owner's capital or collateral to support a bank loan so it required a less risk-averse method of financing.</p>	<p>1 - 2</p> <p>1</p> <p>1</p> <p>(</p> <p>Total 4)</p>

Question Number	Answer	Mark
9(c)		
Level	Mark	Descriptor
4	7-8	<p>Evaluation must be present. Up to 2 further marks are available for providing arguments for and against the value of BEA in the context of Reggae Reggae Sauce, e.g. it assumes that all output of sauce is sold, which may not be the case, because a new competitor may enter the market e.g. produced by Jamie Oliver, so rendering the prediction inaccurate.</p> <p>A contextual conclusion could be provided to achieve the highest mark of 8 marks, e.g. Reggae Reggae Sauce is a relatively new single-product business, so it would be quite useful for Levi to use BEA as a tool to improve chances of profitability and avoid loss making.</p>
3	5-6	<p>Analysis must be present. DOES NOT HAVE TO BE IN CONTEXT. (Maximum 5 marks)</p> <p>2 further marks are available for considering the reasons for Levi using BEA, e.g. it will enable Levi to predict what level of output is required in order for the sales revenue from the sauce to cover costs or it will enable Levi to alter production levels of the sauce to ensure that sufficient is produced to provide a margin of safety or at least cover costs.</p>
2	3-4	<p>Application must be present. Up to 2 further marks are available for contextualising the response by referring to Reggae Reggae Sauce, e.g. when the total cost of producing the sauce matches the total sales revenue for the sauce.</p>
1	1-2	<p>Knowledge/understanding must be present. Up to 2 marks are available, e.g. for describing what is meant by break-even, e.g. when total costs = total revenues.</p>

Question Number	Answer	Mark
9(d)	Note: Candidates may confuse market orientation with niche marketing which may not always coincide.	
Level	Mark	Descriptor
4	7-8	<p>Evaluation must be present. Up to 2 further marks are available for significance of this orientation and providing balance to the answer by perhaps mentioning the negative effects of Reggae Reggae Sauce being a market orientated company, e.g. RRS may only be a product with a temporary demand, such that the wishes of consumers may have been misread through the product sampling; RRS will therefore need to ensure long term demand by continuing to undertake market research through further product sampling of new recipes or consumer surveys which might divert financial resources away from improving the production process.</p> <p>A contextual conclusion would be provided to achieve the highest mark of 8 marks, e.g. because Reggae Reggae Sauce is essentially a food product, having resources for improving the production process could be more important than market research. However, if market research costs are negligible Levi Roots and his team may be best advised to maintain contact with the consumer, otherwise they might produce a product which the more discerning consumer will not choose to buy, in what is essentially a niche market.</p>
3	5-6	<p>Analysis must be present. DOES NOT HAVE TO BE IN CONTEXT. (Maximum 5 marks)</p> <p>Up to 2 further marks are available for explaining the possible effects of Reggae Reggae Sauce being a market orientated company, e.g. sales are more likely to be healthy because the RRS is a product which has been produced in response to a genuine consumer want, that is the Caribbean community living in south London.</p>
2	3-4	<p>Application must be present. 2 marks are available for candidates who clearly contextualise their responses, e.g. the Reggae Reggae Sauce was produced for the Caribbean community of south London who may have wanted a spicy condiment.</p>
1	1-2	<p>Knowledge/understanding must be present. Up to 2 marks are available for a definition of market orientated, e.g. when a producer provides a product/service in response to consumer needs or wants.</p>

Question Number	Answer	Mark
9(e)	<i>NB Assessment for QWC will be attached to this question.</i>	
Level	Mark	Descriptor
4	8-12	<p>Evaluation must be present, i.e. the candidate must present arguments for and against - in the context of RRS - a business becoming a plc.</p> <p>One stakeholder = 8-9 marks; 2 stakeholders = 10-11 marks</p> <p>Up to a further 4 marks are available for providing balance to the answer by perhaps mentioning the costs of Reggae Reggae Sauce being a plc, e.g. however, by becoming a plc RRS might find itself in a position where there would be a divorce between ownership and control, in this case the Levi Roots family might find itself the minority shareholder and so be subject to a majority shareholder decision like cutting staff during a recession, which the family would not have otherwise sanctioned. RRS could eventually be subject to a takeover bid, quite possibly by a supermarket buyer, which would therefore lead to Levi Roots losing ownership of his family business altogether.</p> <p><i>QWC: To achieve a mark of 8-11 the candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/good spelling, punctuation and grammar.</i></p> <p>High Level 4: up to 1 further mark is provided to achieve the highest mark of 12 marks, e.g. because Reggae Reggae Sauce is a family run, market orientated business which is essentially successful because it operates in a niche market providing a product which is wanted by a specific market segment (implicitly the Caribbean communities of the UK) then it is unlikely that the owner will want to expand production to the extent that he would require finance from the sale of shares to the public on the stock exchange. It is therefore more likely that Levi Roots will do no more than grow either by seeking finance from lenders such as banks, or inviting other shareholders privately, by only going as far as expanding by becoming a Ltd company.</p> <p>Evaluation is developed to show a real perceptiveness on the part of the candidate. A conclusion which is well contextualised is evident.</p> <p><i>QWC: To achieve a mark of 12 the candidate will use business terminology precisely and effectively/organises their answer to provide a coherent and fluent response/excellent spelling, punctuation and grammar.</i></p>

3	6-7	<p>Analysis must be present, i.e. in this case the candidate must identify and explain the consequences of being a plc to RRS for example of the ability to raise finance and the consequences for production, sales and/or revenue.</p> <p>One stakeholder = 6 marks; 2 stakeholders = 7 marks</p> <p>Up to further 2 marks are available for explaining the benefits of Reggae Reggae sauce being a plc, e.g. if RRS became a plc then it might have greater access to funding through the sale of shares on the Stock Exchange which could provide finance for improving the production process by financing more technological machinery and a bottling plant which would speed up production and could lead to an increase in sales since supply would be enhanced OR if RRS was a plc then this might give it access to further funding to enable the business to expand sales or production overseas, possibly back in the Caribbean or in parts of the world where there is a significant Caribbean population who may wish to buy the sauce, e.g. the USA. This expansion of the market could lead to an increase in turnover for RRS thanks to the plc funded growth.</p> <p><i>QWC: To achieve a mark of 6-7 the candidate will use business terminology quite well/style of writing is appropriate to the question/ reasonable to good spg.</i></p>
2	3-5	<p>Application must be present, i.e. the answer must be contextualised up to 3 further marks are available for candidates who clearly contextualise their responses, e.g. Reggae Reggae Sauce is a relatively small business which has a very important stakeholder in Sainsbury's, the buyer OR the Caribbean community of the UK are likely to be significant external stakeholders as consumers, OR applies stakeholders, e.g. suppliers of chillies/tomatoes</p> <p><i>QWC: To achieve a mark of 3-5 the candidate will use some business terms but the style of writing could be better / there will be some errors in spg / the legibility of the text could have been better in places.</i></p>
1	1-2	<p>Up to 2 marks are available for simple responses such as defining what is meant by limited liability, stakeholder or plc.</p> <p><i>QWC: To achieve a mark of 1-2 the candidate will have struggled to use business terminology or write legibly with frequent errors in spg and/or weak style and structure of writing.</i></p>