

GCE

Specimen Papers with Mark Schemes

Edexcel Advanced Subsidiary GCE in Business Studies (8076)

First examination 2001

Edexcel Advanced GCE in Business Studies (9076)

First examination 2002

January 2000

Contents

Question Papers

Unit Test 1	p 4
Unit Test 2	p 8
Unit Test 3	p 11
Unit Test 4	p 14
Unit Test 5	p 18
Unit Test 5 Coursework Assessment	p 24
Unit Test 6 Case Study	p 28
Unit Test 6	p 36

Mark Schemes

Unit Test 1	p 45
Unit Test 2	p 53
Unit Test 3	p 59
Unit Test 4	p 65
Unit Test 5	p 70
Unit Test 5	p 75
Unit Test 6	P 81

The GCE awarding bodies have prepared new specifications to incorporate the range of features required by the new GCE and subject criteria. The specimen assessment material accompanying the new specifications is provided to give centres a reasonable idea of the general shape and character of the new planned question papers in advance of the first operational examination.

6121

Edexcel GCE

Business Studies

Unit Test 1- Business Structures, Objectives and External Influences

Advanced Subsidiary / Advanced

Time: 1 hour 15 minutes

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered.

Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Information for Candidates

The marks for individual questions and the parts of questions are shown in **BOLD TYPE**

There are 3. questions in this question paper. There are no blank pages.

The total marks for this paper is 84.

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

© 2000 Edexcel Foundation
This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Business Structures, Objectives and External Influences

Specimen Paper Unit 1

Answer all the questions

1. Southern Foods plc is a large company with interests in food processing and the retail trade. Its directors are devising a new mission statement based on a draft submitted by the company's managing director. In its current mission statement the company seeks "honourably to serve the needs of the community by providing products and services of superior quality at a fair price to all our customers." The draft of the new mission statement includes references to environmental concerns and to stakeholders other than customers.

(a) Explain what is meant by a mission statement. **2 marks**

(b) Suggest reasons why the directors might be considering a reference to environmental concerns in its revised mission statement.

5 marks

(c) Suggest and justify amendments to the mission statement which might refer to a stakeholder other than a customer.

9 marks

(d) Suggest problems of motivation which might arise for assembly line workers employed in the food processing division of this firm. Evaluate methods of maintaining and improving motivation.

10 marks

Total 26 marks

2. A manufacturer discovers that the demand for its well known chocolate bar varies with price as shown in the schedule below:

Price in pence	Quantity demanded in million bars per year
35	50
34	52
33	54
32	56
31	58
30	60
29	62
28	64
27	66
26	68
25	70

(a) Calculate and comment upon the price-elasticity of demand when price rises from 30p to 32p. **2 marks**

(b) Assess the possible effects on the firm of a rise in the price of a product which is a close substitute and evaluate the responses which the firm might make.

9 marks

(c) Assess the possible effects on the firm of a sharp rise in consumers' disposable income. **6 marks**

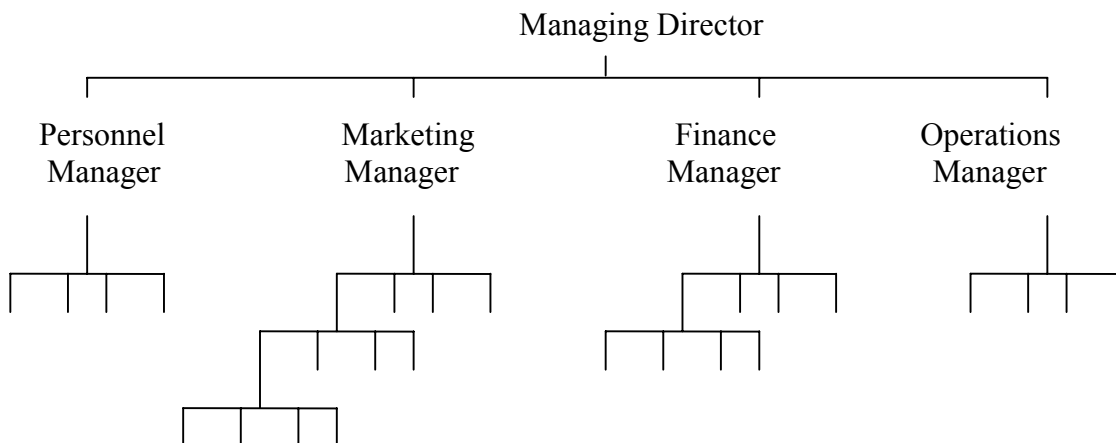
(d) Analyse the effects of a vigorous 'healthy eating' campaign by the government upon this firm and evaluate possible responses the firm might make. **11 marks**

Total 28 marks

3. Fizzy Drinks plc produces a range of six soft drinks at five different plants throughout the U.K. Two of the products are well-established; the other four have been introduced within the last four years. Two of these new products have produced disappointing results. The Marketing Manager has complained to the Managing Director that the Operations Department, one of whose departments is Research and Development, have not responded to a series of memos outlining consumer dissatisfaction with these products. The Operations Manager has responded that his department is fully stretched trying to co-ordinate production on five different sites.

The board of directors has commissioned a firm of management consultants to advise them on the possible restructuring of the organisation of the company. The preliminary report of the management consultants stated that the span of control seems too narrow.

Here is the current organisational chart of Fizzydrinks plc.



- (a) Analyse the problems, resulting from a narrow span of control, which could be created for large-scale manufacturing firms like Fizzydrinks. **8 marks**
- (b) State possible reasons why there is conflict between the Marketing and Operations Manager and evaluate possible solutions for this problem. **10 marks**
- (c) Discuss alternative structures which a firm producing a range of soft drinks on several sites might introduce and recommend what you consider to be the most appropriate structure. **8 marks**

Total 26 marks

6122

Edexcel GCE

Business Studies

Unit Test 2- Marketing and Production

Advanced Subsidiary / Advanced

Time: 1 hour 30 minutes

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered.

Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Information for Candidates

The marks for individual questions and the parts of questions are shown in **BOLD TYPE**

There are 6 questions in this question paper. There are no blank pages.

The total marks for this paper is 126.

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

Marketing and Production

Specimen Paper Unit 2

Answer all the questions

Harry Ramsden's plc is no mere fish and chip shop. There are 36 restaurants where fresh fish is served in an atmosphere created with glass chandeliers and by smartly dressed staff. The chain has created a distinct theme. More outlets have been franchised for overseas operations as far afield as Australia, Hong Kong and Saudi Arabia. Harry Ramsden's has become an international brand name.

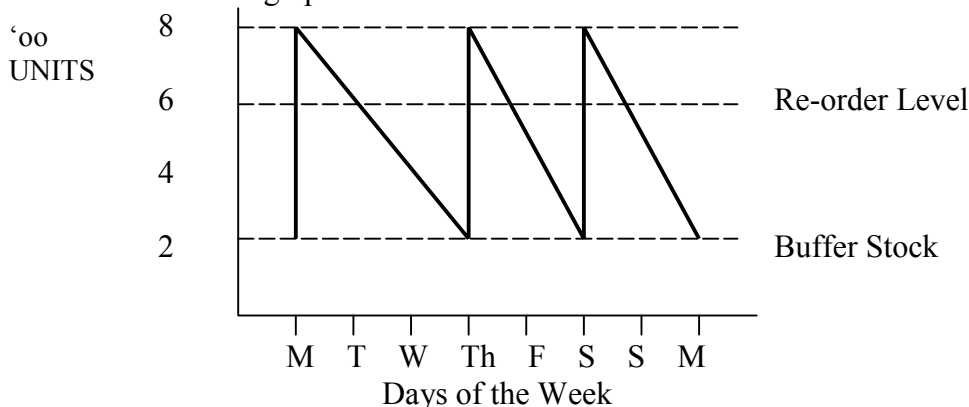
However, losses of £1.9 million in 1998-1999 have forced management to re-think the marketing strategy. The firm, established over 50 years ago, is now operating in an industry where themed restaurants such as Planet Hollywood and Hard Rock Café are common and the competition is getting fiercer. Despite the growth in the market (see Table 1) Harry Ramsden's has failed to maintain its market share. Chairman John Barnes has been quoted as believing the future is in the opening of small scale restaurants rather than the large 200 seater establishments favoured in the past.

Table 1

UK expenditure on eating out		Fast food sales
	£billion	
1997	22.6	6.0
1998	23.6	6.4
2004 forecast	31.0	8.4

Producing the right meal at the right time in the right place is a critical factor in achieving success in fast food chains. With the rising costs of raw materials, their short shelf life and the pattern of daily and weekly sales batch, production is the preferred method. The development of a large number of small scale units to be supplied by the logistics section of Harry Ramsden's will mean a sophisticated stock control system, particularly as costs per meal are likely to rise.

Model stock control graph for small unit restaurant



Source: Adapted from the Financial Mail on Sunday

Answer all the questions:

1. Assess TWO benefits a franchise operator receives from using the brand name of Harry Ramsden's. **16 marks**
2. Assess the ways in which an understanding of price elasticity of demand could determine the pricing policy of Harry Ramsden's for both takeaway food and restaurant meals. **20 marks**
3. Suggest TWO promotional techniques Harry Ramsden's could use to create awareness of the new outlets. Analyse the factors which will determine the success of these techniques **20 marks**
4. Using the stock control graph shown state:
 - (a)(i) the re-order quantity; **2 marks**
 - (ii) the weekly usage quantity; **2 marks**
 - (iii) the number of orders each week. **2 marks**
 - (b) Evaluate the factors which would influence Harry Ramsden's when deciding upon the buffer stock level and the reorder quantity **20 marks**
5. Assess why the average cost of a meal might be higher at one of Harry Ramsden's smaller restaurants and lower in a larger restaurant **18 marks**
6. Evaluate the case for and against adopting a Just In Time approach to stock holding in the fast food industry. **20 marks**

6123

Edexcel GCE

Business Studies

Unit Test 3- Financial Management

Advanced Subsidiary / Advanced

Time: 1 hour 15 minutes

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered.

Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Information for Candidates

The marks for individual questions and the parts of questions are shown in **BOLD TYPE**

There are 2. questions in this question paper. There are no blank pages.

The total marks for this paper is 84.

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

© 2000 Edexcel Foundation
This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Financial Management

Specimen Paper Unit 3

Answer all the questions

1. (a) Courtmills Ltd makes sports clothing. One product line is sports sweaters which it sells to retailers at £20 each. The firm's projected output is 80 000 units a year although it has the capacity to make 100 000. The figures below show the relevant costs for the sweaters.

Overhead costs	£300 000
Labour cost/unit	£2
Material cost/unit	£8
Other variable costs	£2

Showing your working in full calculate:

- (i) the contribution of each sweater sold **2 marks**
- (ii) the break even level of output in respect of quantity and revenue **4 marks**
- (iii) the margin of safety at the proposed level of output **2 marks**
- (iv) the standard cost of each sweater at the proposed level of output **4 marks**
- (b) Courtmills Ltd has been approached by a high street retail chain with an order for 20 000 sweaters at £13 each. The sweaters would be produced under an own brand label and would require the purchase of a new machine costing £20 000.

Assessing the numerical and non-numerical factors together what advice would you give to Courtmills Limited in accepting or rejecting the order

20 marks

- (c) Below is an extract from the profit and loss account and balance sheet of Courtmills Ltd for 1998. Some items have not been calculated yet.

	£million		£million
Sales revenue	1.4	Fixed assets	2.5
Cost of sales	<u>0.58</u>	Current assets	0.7
Gross profit		Less current liabilities	<u>0.3</u>
Less expenses	<u>0.65</u>	Net assets	
Net profit		Long term liabilities	1.6
		Shareholders funds	<u>1.3</u>
		Capital employed	

Showing your workings in full, calculate the:

- (i) gross profit margin; **2 marks**
- (ii) net profit margin; **2 marks**
- (iii) return on capital employed. **2 marks**

(d) Calculate and comment on the firms:

- (i) current ratio; **4 marks**
- (ii) gearing ratio. **4 marks**

Total 46 marks

2. (a) Hilights Ltd makes soft toys for a number of chain stores. The most expensive pieces of production equipment are the two cutting and sewing machines that are computer aided. Each machine costs £70 000 and is expected to have a working life of five years. The company accountant expects to sell the machines at the end of their useful lives for about £3 500 each.

Assess how the use of an alternative method of depreciation would affect the company's reported profits. **12 marks**

- (b) In August the company accountant prepares a cash flow forecast. Most sales are on credit terms. The chart below shows a summary of the cash flow for Hilights Ltd.

Month	Sept £000	Oct £000	Nov £000	Dec £000	Jan £000	Feb £000	Mar £000	Apr £000
Opening Balance	10	(21)	(96)	(252)	(335)			
Sales receipts	18	15	37	92	225	178	24	20
Expenses;								
Purchases	14	20	45	50	8	8	8	10
Wages	15	45	120	90	17	12	18	17
Overheads	20	25	28	35	25	20	20	20
Balance	(21)	(96)	(252)	(335)				

- (i) Use the information above to calculate the projected cash balance of Hilights Limited at the end of January and February

2 marks

- (ii) Evaluate the ways in which a business such as Highights Limited could overcome its cash flow problems.

20 marks

Total 34 marks

6124

Edexcel GCE

Business Studies

Unit Test 4- Analysis and Decision Making

Advanced Subsidiary / Advanced

Time: 1 hour 15 minutes

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered.

Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Information for Candidates

The marks for individual questions and the parts of questions are shown in **BOLD TYPE**

There are 2. questions in this question paper. There are no blank pages.

The total marks for this paper is 84.

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

© 2000 Edexcel Foundation

This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Analysis And Decision Making

Specimen Paper Unit 4

Answer all the questions

- 1 Ransom Ltd is a manufacturer of fashion garments. It is considering investing in a new machine. The cost of this will be £180 000 and the machine is expected to have a lifespan of 4 years and a scrap value of £20 000.
The projected net cash flows are given below:

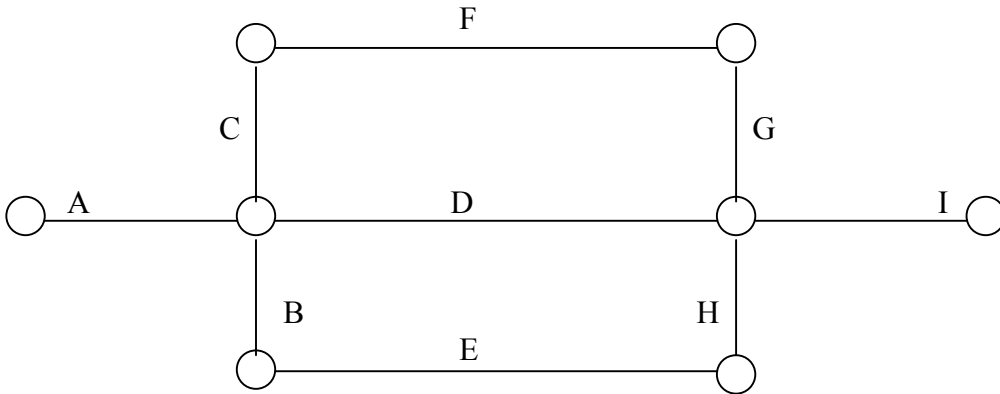
Year	£000
0	-180
1	40
2	70
3	120
4	50

The cost of capital is estimated to be 10%. The 10% discount factors are as follows:
Year 1: 0.91 Year 2: 0.83 Year 3: 0.75 Year 4: 0.68 Year 5: 0.62

- (a) Evaluate the relevant numerical and non numerical factors Ransom Ltd should consider and recommend whether it should invest in the new machine. **18 marks**
- (b) The rapid changes in the fashion industry have convinced Ransom Ltd of the importance of the need to add more value to its products and to reduce the development time for new products and the manufacturing time.
- (i) Assess how the use of information technology can reduce product development time **4 marks**
- (ii) Evaluate different ways of adding value to fashion clothes. **10 marks**
- (c) In the past, Ransom Ltd has experienced industrial disputes that have made it difficult for it to complete all the orders on time. Assess the role of unions in the workplace today and the strategies used by businesses to resolve industrial disputes. **16 marks**

Total 48 marks

2. A building project consists of a number of distinct activities (A to I) as shown in the table and network diagram below.



Activity	Duration in days	Labour requirements
A	1	4
B	3	6
C	5	4
D	2	3
E	3	6
F	4	6
G	4	5
H	2	4
I	2	9

- (a)(i) What is the earliest starting date for each of activities C, H and I? **3 marks**
(ii) What is the latest finishing time for each of the activities D, E and H? **3 marks**
- (b) Identify and calculate the duration of the critical path for this network **3 marks**
- (c)(i) Explain what is meant by the term total float? **2 marks**
(ii) Calculate the float times that exist on each activity. **3 marks**

- d) On a previous project the same firm prepared a Gantt chart, as shown below, to identify ways of making effective use of sub-contractors and other outside firms.

Gantt chart for building 2 new houses

Task	Week											
	1	2	3	4	5	6	7	8	9	10	11	12
Clear site	x											
Prepare foundations		x	x									
Lay drains and power cables			x	x								
Erect buildings				x	x	x	x	x	x			
Paint exteriors woodwork								x	x	x		
Install electrics and plumbing							x	x				
Decorate interiors									x	x		
landscape gardens										x	x	
remove all unwanted materials												x

Evaluate the issues which this Gantt chart raises for the firm with particular reference to the effective use of sub-contractors

18 marks
Total 32 marks

6125/01

Edexcel GCE

Business Studies

Unit Test 5- Business Planning

Advanced Subsidiary / Advanced

Time: 1 hour 30 minutes

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered.

Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Information for Candidates

The marks for individual questions and the parts of questions are shown in **BOLD TYPE**

There is 1 question in this question paper. There are no blank pages.

The total marks for this paper is 80.

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

© 2000 Edexcel Foundation
This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Business Planning

Specimen Paper Unit 5 (Alternative to Coursework)

You are advised to spend at least 15 minutes reading time

Stratford Paint Pigments Limited is part of a multinational corporation, PIP plc, that manufactures a large range of paints for industry and household use. Stratford Paint Pigments Limited was founded in 1936 by the two Stratford brothers who built the factory in a small village. It produces a wide variety of paint pigments that form the basis for creating colours in paint and these are sold to the parent company.

Over the years the firm expanded, although in a haphazard way, with the site split by a public road. In 1970 the firm installed new production lines, which are now due for replacement. The problems for many villagers is a combination of heavy traffic flows caused by delivery lorries and the levels of dust pollution caused by the manufacturing and storage process. In the last three years the firm has been fined twice for discharging untreated waste into the local river, on both occasions it was the result of old equipment failing to work correctly.

The village has a population of 450 residents, 30 of whom are employed at the factory and many of these have worked there for more than 20 years. There are few other local employment opportunities. Public transport is poor but the village is well served by a small Post Office and shop and a popular public house.

In recent months the parent company has been considering closing Stratford Paint Pigments Limited. Rising distribution costs, new legislation concerning pollution levels and changes in the use of traditional paints have made its continued existence as part of the company's portfolio less attractive. Three options have been considered as an alternative to closure. These include:

- Option A relocating the plant and the core employees to an established industrial zone 100 miles away on which PIP plc already has a factory.
- Option B negotiating a management buyout for the business by two of the directors of Stratford Paint Pigments Limited.
- Option C demolishing the present plant and building a new factory which will manufacture a new range of household paints for use by home decorators.

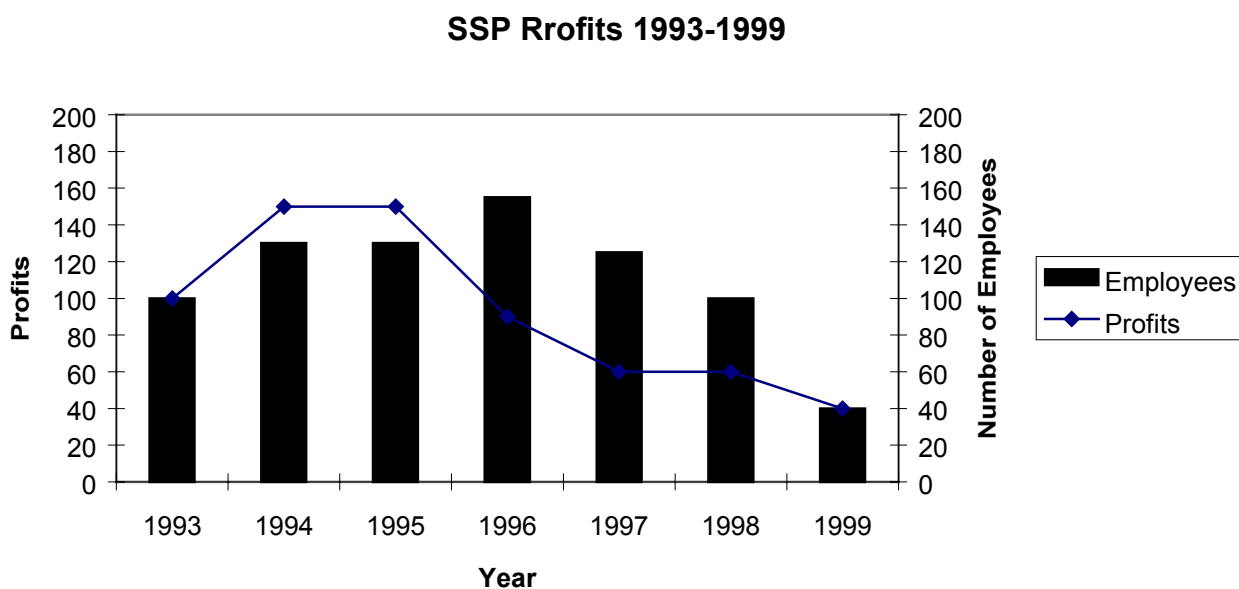
The following information may be of use to you in answering the questions.

Appendix A

UK RETAIL SALES VOLUME INDEX: Indices at constant prices		UK HOUSEHOLD EXPENDITURE: Indices at constant prices 1971 index = 100		
1989	92.3	Year	Household goods (includes home improvement)	Housing (excludes home improvement)
1990	93.0			
1991	91.7			
1992	92.4			
1993	95.2			
1994	98.7	1981	138	121
1995	100.0			
1996	103.1	1991	227	140
1997	108.6			
1998	111.9	1992	293	150

Appendix B

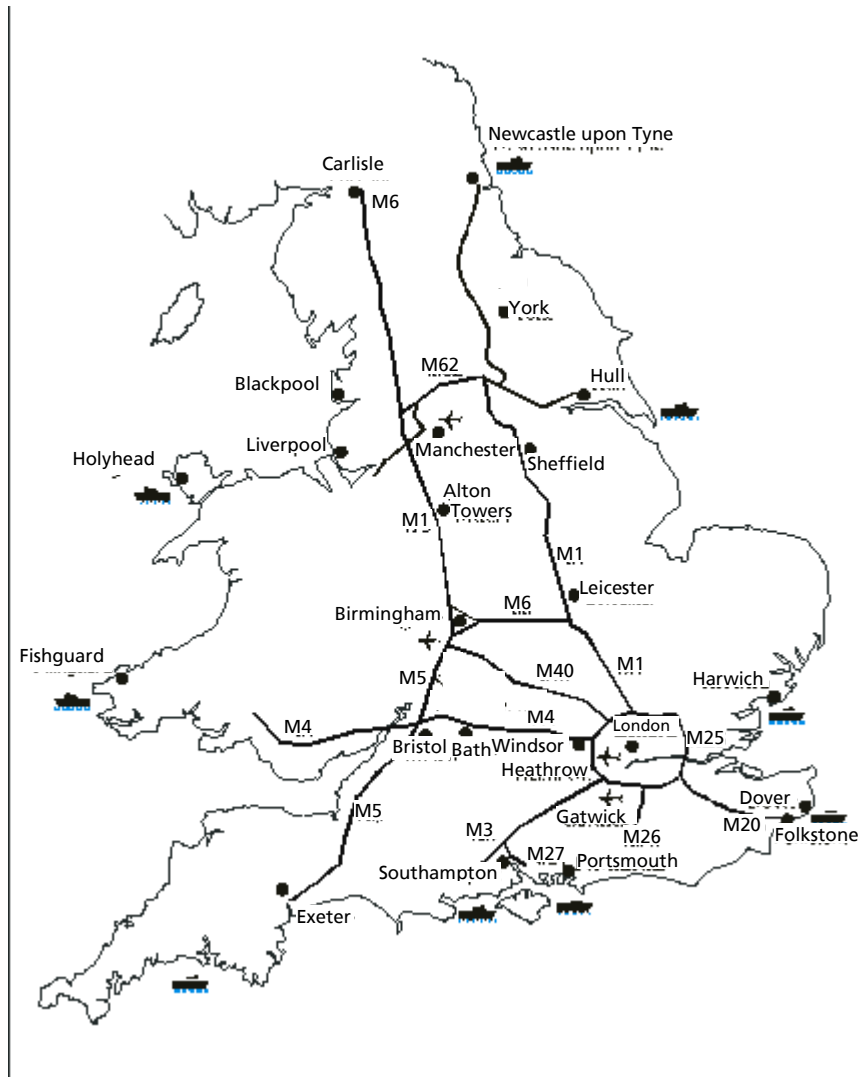
SSP Profits 1993 - 99



Nature of work undertaken by employees at Stratford Paint Pigments Limited.

Appendix C

Location and Communication



Appendix D

Memo from Finance director to Chairman of PIP plc

Estimate costs of demolishing the present factory and building a new one to produce the new range of paints is £5 million. This should lead to a net cash inflow of £625,000 p.a for 10 years.

Estimated costs of relocation to the site PIP plc already own is £700,000 and this should lead to a net cash inflow of £100,000 for ten years.

If the site is sold for £1 million we could expect a return of 6% a year on this in the money markets.

The two directors at Stratford Paint tell me that they can raise the £1 million using a combination of bank loans and personal savings, I understand they have the backing of another local business person, if they need it, who doesn't want to see the plant shut down. I am sure their bid is serious and should be considered in the options available to us.

Memo from Personnel Director to Chairman of PIP plc

I have contacted our accountants and they have given me some food for thought about the proposed plant to shut the Stratford plant and move the core staff over to our east coast factory. They believe there are two sets of significant factors to consider. The qualitative ones are:

- availability of schools for staff families
- the quality of life in the area
- job prospects in the area

Also they have done some calculations on the likely financial costs these are to cover:

- redundancy payments
- disruption to production caused by the move
- need for staff training and familiarisation
- removal of IT systems
- wage salary adjustments

The final cost will be about £700,000

Memo from Marketing Director to Chairman of PIP plc

I have been thinking about the proposals to move some of the staff up to our east coast plant to raise production of the present paint range. Given the level of competition from our overseas competitors and the continuing strength of the pound I do not think we can increase sales to Europe any further. The attraction of a new range of paints for the "Do it yourself" market is that this is a real growth area at the moment. All these recent TV programmes promoting home decoration should be a real boost for us in the next two to three years. It would appear to be a good idea for us to try and move into this market as soon as possible.

Answer the following question:

With reference to the given data and other relevant information you would wish to include, evaluate the three options (A, B, C) available to PIP plc. Write a report to the company recommending a suitable course of action.

Total 80 marks

6125/02

Edexcel GCE

Business Studies

Unit Test 5- Business Planning Coursework Assignment

Advanced Subsidiary / Advanced

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered.

Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

© 2000 Edexcel Foundation
This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Business Planning

Specimen Paper Unit 5 (Coursework Option)

Edexcel will prescribe annually two assignment questions relating to Business Studies, from which candidates taking the coursework option select ONE to be undertaken and submitted by 1 May. It is expected that the Coursework Assignment will be word-processed.

It should be noted that candidates not taking the coursework option in unit 5 will be required to take a Written Paper which will be a 1½ hour paper based on an unseen case study set by Edexcel.

Aims

Candidates will be involved in the process of primary research and data collection. The assignment will provide opportunities for candidates to collect and collate both primary and secondary information in a variety of ways. Candidates will be required to analyse and evaluate the information, including making judgements and drawing conclusions. Their findings should be presented in an appropriate form. It should encourage candidates to:

- (a) investigate specific business activities through individual studies;
- (b) collect, select and use business information in ways which are appropriate to the prescribed assignment;
- (c) demonstrate awareness of a variety of solutions to business problems and the need to make reasoned statements and to communicate these effectively;
- (d) enhance underpinning knowledge.

Assessment and Moderation of Coursework Assignments

The Coursework Assignment will be assessed by the candidate's teacher, according to the criteria given below, and will be externally moderated by Edexcel.

Sampling will be undertaken by post. A sample of candidates' work will be requested from each centre. Additional samples may be called for where necessary.

All candidates' marks, together with completed Record Sheets, and the coursework sample, should be submitted to the moderator assigned to the centre, by 1 May. Details of the procedures and the address of the assigned moderator will be sent to the centre in April. No work should be submitted for moderation until these details have been received. Teachers will be responsible for ensuring that each candidate's Coursework Assignment is authenticated as the candidates own work. A Statement of Authentication must be attached to the front of each Coursework Assignment.

The coursework assignment should be about 3000 words, and no longer than 3500 words.

Specimen Coursework Assignments

You must choose ONE of the following Assignments

COURSEWORK ONE: BUSINESS PLANNING

Identify a good or service for which there is a gap in the market in your area. Evaluate the evidence and recommend a start-up plan for a firm to enter this market.

COURSEWORK TWO: MANUFACTURING

Select a firm in your area which is considering some form of change (eg expansion, diversification, relocation).

Assess the implications of the change and recommend a plan in the areas of either human resources or marketing which will be involved in making this change.

6126

Edexcel GCE

Business Studies

Unit Test 6- Corporate Strategy

Advance Notice of Case Study

Advanced Subsidiary / Advanced

Materials required for the examination

Nil

Items included with these question papers

Nil

Instructions to Candidates

In preparing candidates for the Case Study paper, candidates are advised to undertake general revision as well as detailed investigation of issues relating to the Case Study

Information for Candidates

Advice to Candidates

You must ensure that your answers to parts of questions are clearly numbered.

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking account of your use of grammar, punctuation and spelling.

© 2000 Edexcel Foundation
This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Corporate Strategy

Specimen Paper Module 6

Sweeting & Lea Ltd

Sweeting & Lea Ltd was founded in 1875 by two cousins, Henry Sweeting and Josiah Lea. The firm was set up in Lancashire as a furniture manufacturer, but quickly began to specialise in the production of wooden desks and chairs for schools, thus taking advantage of the expansion of education following the 1871 Education Act, which made provision of education compulsory in England and Wales.

The firm was subsequently owned by succeeding generations of the two families, who retained the £1000 share capital. In 1972 Frederick Lea took over as Managing Director. He was a bachelor and the last surviving member of his family. His fellow shareholders were Nicholas Sweeting, an architect and Nicholas's sister, Alison Barker, a doctor. Neither they nor their respective children, who were also in other occupations, played any active part in Sweeting & Lea Ltd. It was clear that there was no member of either family able or willing to take over when Frederick Lea retired.

Frederick Lea had run the business in the paternalistic manner typical of his predecessors and, although conscientious, was regarded by others in the industry as rather unimaginative. He had no family to provide for, had a comfortable lifestyle, and appeared to lack the incentive to run the firm ambitiously or in an innovative manner. At its peak, in the 1950s, the firm had 8% of the market share in school furniture, but this had declined to 2% by 1990. Profits were generally in decline, though adequate for the undemanding shareholders.

The market for wooden school furniture had declined since the 1950s and the firm had diversified into desks with tubular metal frames, though some furniture was still made all in wood. There had been no major investment for some time and much of the capital equipment was over 20 years old. The firm had a reputation for sound products, reliably delivered to order and its prices were very competitive. However, little marketing or promotion had taken place for some years, the firm depending mainly on orders from existing customers.

At its peak, the firm had employed over 100 people but by 1994 there were only 32. Frederick Lea had been reluctant to make compulsory redundancies, so the workforce has declined through natural wastage. Most of the employees were over 40 years old, many coming from families who had served Sweeting & Lea Ltd for several generations.

In 1994 the shareholders of Sweeting & Lea Ltd decided to sell the firm, as Frederick Lea was anxious to retire. At first, a buyer had proved difficult to find, but in June 1995 a bid of £450 000 was accepted from Northern Engineering plc. This seemed a modest price, but the owners saw little alternative but to accept. Northern Engineering plc took over in January 1996, the only proviso being that David Black retained his position as Works Manager. David Black was 50 years old and had, like his father and grandfather, spent all his working life at Sweeting & Lea Ltd. He was skilled in keeping the old machinery working and was highly regarded by the employees who thought that he was the man who had played a major part in keeping Sweeting & Lea Ltd going during Frederick Lea's rather stolid leadership.

Northern Engineering plc had a reputation in some quarters as an asset-stripper, but it seemed genuinely interested in making a success of Sweeting & Lea Ltd, which was to trade under its existing name as a fully-owned subsidiary of Northern Engineering plc. In January 1996 the new owners appointed as Managing Director an ambitious, hard-working 38-year-old chartered accountant, Maggie Gunter. She had held senior posts in the Northern Engineering group in the finance and planning areas but, although she had been on several management courses, had not held an executive post of overall management responsibility. Maggie Gunter was given 18 months to improve the efficiency of Sweeting & Lea Ltd and to produce an action plan for its long-term development. She saw her appointment as a challenge which, if successfully carried out, could greatly help her reputation and promotion prospects in the Northern Engineering group. She had not been happy about having to accept David Black as Works Manager, but she had been involved in the appointment of Bob Forrest as Marketing Manager. Bob Forrest was 32, with experience of marketing in other areas of Northern Engineering plc, but this was his first senior post. Maggie Gunter thought that Bob Forrest showed promise, but that she would need to play a leading part in marketing while he gained experience.

Before taking up her appointment, Maggie Gunter had spent several weeks studying the records of Sweeting & Lea Ltd and had prepared a plan, which she put to David Black. She was critical of the firm's stock control, the level of stock being high. This particularly applied to supplies of wood, £30 000 being in stock at the time of the takeover. She also believed that distribution could be improved. David Black had replied that the firm produced and delivered to order, so no regular pattern could be predicted. Wood was ordered every three months, in order to gain a discount from the regular supplier.

Maggie Gunter claimed that production could be made more efficient, with less material wasted. David Black felt rather insulted by this, as he had kept the old, inefficient machinery going for years and he did not think that more could be achieved without new investment. The meeting had not appeared to be fruitful, though there was agreement that £25 000 had to be spent on replacing one machine immediately. David Black was instructed to produce a report showing where efficiency could be improved and was told to formulate a plan for reducing the workforce by at least five people.

Maggie Gunter was very keen to reorganise the firm and had been most impressed by a recent course she had attended on Japanese management practices. Within three weeks of her appointment, she had called a meeting of all employees at which she issued a briefing paper (Appendix A) which put forward her ideas for reform. Employees had been encouraged to put forward their ideas.

Maggie Gunter and Bob Forrest then left in February for a month's visit to Eastern Europe, where they considered that a potential market existed with the growth of the demand for education in the post-Communist countries. Some interest was shown, though there was potential competition, with a German firm setting up a manufacturing plant in the Czech Republic. After several more visits to the area, Maggie Gunter and Bob Forrest came back with orders worth in total about £300 000 over four years from Slovakia, Bulgaria and Albania. There were problems about payment to be sorted out, as these countries lacked reserves of hard currencies, and distribution had not been finalised. Bob Forrest was also keen to appoint an agent in Eastern Europe. Despite these loose ends, Maggie Gunter was hopeful of future business in the area.

Maggie Gunter had also done some research about the possibility of diversification into the industrial furniture market within the United Kingdom, being particularly interested in the supply of furniture for works canteens. Hopefully, the economy would continue to recover and firms would be setting up and expanding, thus requiring such items. Some prospective customers showed interest and Maggie Gunter also carried out some desk research on economic and market trends and on the potential here, though £400 000 would be needed for new equipment, training and sales promotion. She worked out a five year plan for expansion in this area.

Meanwhile, progress had been slow in improving efficiency at Sweeting & Lea Ltd. Few employees had come forward with suggestions, though Maggie Gunter had frequently been unobtainable because of her absences on marketing expeditions, and the suggestion boxes had not produced a meaningful plan, though two employees had taken early retirement. Maggie Gunter insisted on three compulsory redundancies, which were subsequently made. Some progress had been made on stock control, however, (Appendix B) and on improving the working capital situation. The long-term loan of £240 000 remained, but a large cash surplus had been accumulated, pending the intended expenditure on new capital in 1997. Maggie Gunter was not satisfied with the efficiency and waste situation, however, and declared her intention of carrying out a work study exercise in the firm once the new machinery had been installed.

Morale seemed to be low amongst the employees. Complaints seemed to be channelled through David Black, whom Maggie Gunter regarded as too sympathetic to the employees' grievances. She was extremely annoyed to find that he and two long-serving employees had visited the retired Frederick Lea to express their unhappiness. Frederick Lea had felt sympathy with his former employees and had written to Maggie Gunter to tell her this. She made David Black aware of her displeasure.

In March 1997 Maggie Gunter prepared her report and her strategic action plan, which were to be discussed by the Board of Northern Engineering plc in April. Based on the accounts for 1996 (Appendix C) she felt reasonably pleased with her first year. She had two alternative plans for consideration, one for continuing Eastern Europe expansion at an initial cost of £250 000, and the other for entering the industrial furniture market at an outlay of £400 000 (Appendix D). She knew the board would not approve both these projects.

A week before the Board Meeting, David Black resigned. His letter of resignation complained that he had continued to run the firm during Maggie Gunter's frequent absences. He had kept the machinery working and production going, despite low morale on the shop floor, but had received no recognition. His experience had not been used in formulating future plans. He considered that he no longer had any part to play and that his position was therefore untenable. Maggie Gunter was happy to accept his resignation.

Appendix A

Briefing Paper to All Employees of Sweeting & Lea Ltd

If Sweeting & Lea Ltd is to continue trading then all-round improvement is necessary. The firm must adopt Japanese-style practices on the Kaizen Model immediately in order to improve efficiency and competitiveness.

1. Stock Control

Far too much money is tied up in stocks. We must move quickly towards a “Just-in-Time” stock ordering policy so that we receive our supplies only a short time before they are used.

2. Waste

Although much of our equipment is old, it can be used more efficiently. Too much waste of material is being incurred through careless workmanship and failure to keep a close check on the settings of the machines. We also need to cut down on the cost of our non-productive activities, particularly administration and distribution. A work study exercise will be carried out in order to improve our efficiency. I intend to introduce a system of Lean Production, eliminating all those costs which are not absolutely necessary. Some redundancies are inevitable, which I hope can be achieved voluntarily, as we are overstaffed for our present level of production.

3. Continuous improvement

We must see to improve our performance in all aspects of our business at all times. My door is always open to those of you with constructive ideas for improvement. If you have anything to suggest, please come and see me or use the suggestion boxes I have had placed in the workshop. I am anxious to establish a system of employee-centred management in which everyone has a part to play.

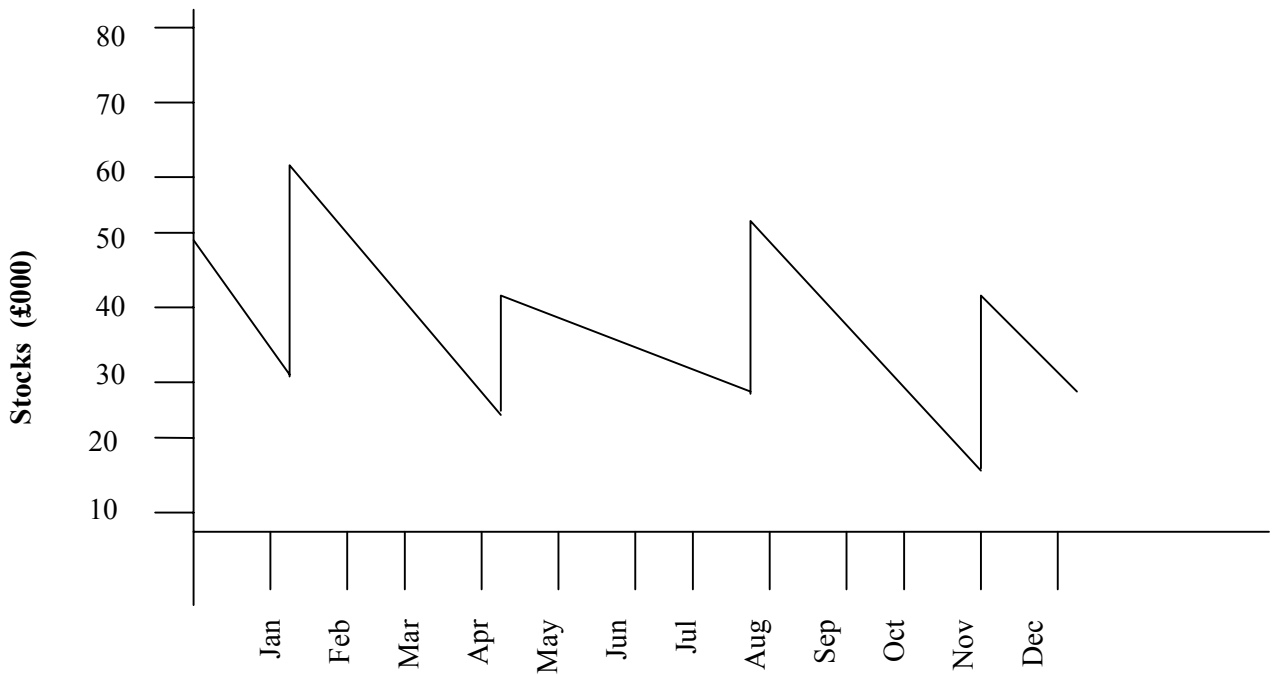
4. The future

We shall be seeking to expand our markets and our product range and to promote our products more actively. I intend to instigate a programme of re-investment in new machinery when our expansion plans are approved by our parent company. With hard work by all we can improve our performance and turn the Company round. Achieving this success is the only way to guarantee jobs and increase wage packets.

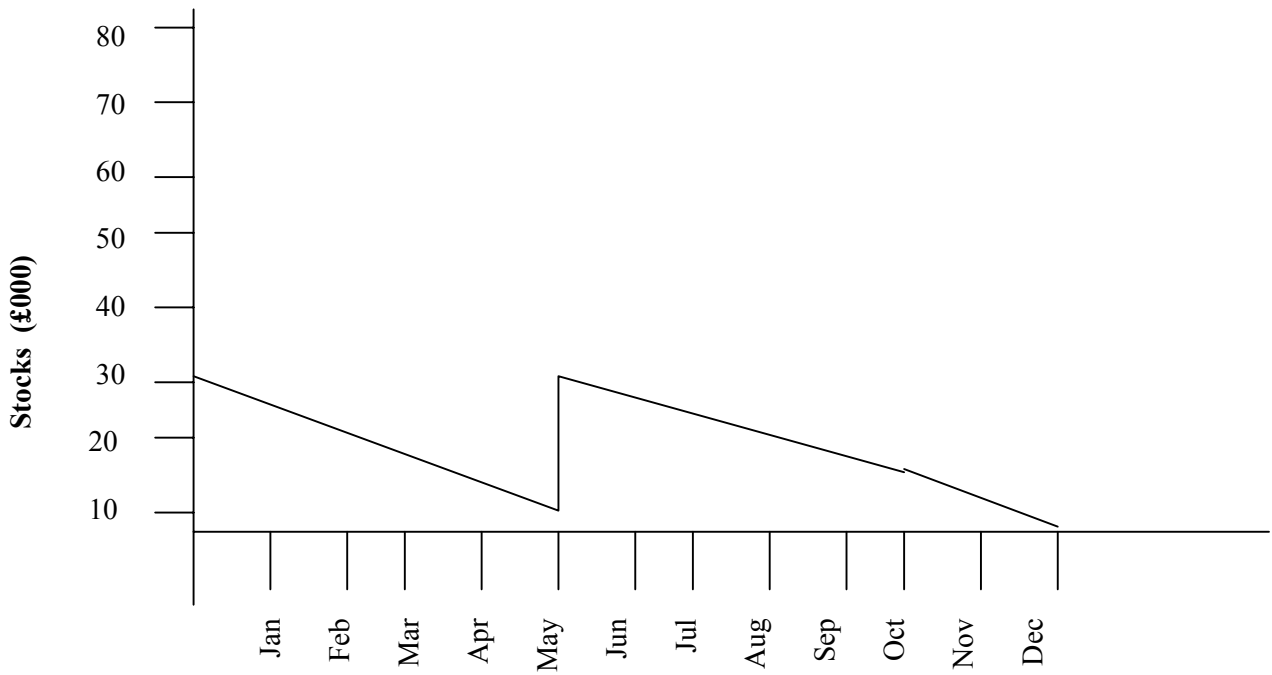
**M. Gunter
M.D.
20/1/96**

Appendix B

Usage Chart Stocks of Wood: Financial Year 1995



Usage Chart Stocks of Wood: Financial Year 1996



Appendix D

Sweeting & Lea's expansion plans presented to Board of Northern Engineering plc, 1997

PLAN X Expansion to Eastern Europe		PLAN Y Expansion into Industrial furniture	
	£000		£000
Expenditure in Year 1997	250	Expenditure in Year 1997	400
Net Cash Flow		Net Cash Flow	
Year 1998	90	Year 1998	60
Year 1999	80	Year 1999	80
Year 2000	80	Year 2000	120
Year 2001	60	Year 2001	140
		Year 2002	160

6126/02

Edexcel GCE

Business Studies

Unit Test 6- Corporate Studies

Advanced Subsidiary / Advanced

Time: 1 hour 30 minutes

Materials required for the examination

Nil

Items included with these question papers

(AB34)

Instructions to Candidates

Answer ALL questions

In the boxes on the Answer Book provided, write the name of the Examining Body (Edexcel), your Centre Number, Candidate Number, the Subject Title, the Paper Reference, your surname, other names and signature.

The Paper Reference is shown towards the top left-hand corner of the page. If more than one Paper Reference is shown, you should write the one for which you have been entered. Show all the steps in any calculations and state the units. Calculators may be used.

Additional Answer Sheets may be used.

Information for Candidates

This question paper is designed to give you the opportunity to make connections between different areas of Business Studies and to use skills and ideas developed throughout the course in new contexts. You should include in your answers **relevant** information from the whole of your course, where appropriate. Candidates will be assessed on their ability to organise and present information, ideas, descriptions and arguments clearly and logically, taking into account the quality of their written communication.

Advice to Candidates

This paper has 3 questions

The total marks for this paper is 120

© 2000 Edexcel Foundation

This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

Edexcel
Success through qualifications

Turn over

Corporate Strategy

Specimen Paper Module 6

You have already seen the following text which gives details of a case study. It is included in the paper for reference. Read it again carefully and then answer ALL questions. You are advised to pay particular attention to the marks allocated to each question.

Sweeting & Lea Ltd

Sweeting & Lea Ltd was founded in 1875 by two cousins, Henry Sweeting and Josiah Lea. The firm was set up in Lancashire as a furniture manufacturer, but quickly began to specialise in the production of wooden desks and chairs for schools, thus taking advantage of the expansion of education following the 1871 Education Act, which made provision of education compulsory in England and Wales.

The firm was subsequently owned by succeeding generations of the two families, who retained the £1000 share capital. In 1972 Frederick Lea took over as Managing Director. He was a bachelor and the last surviving member of his family. His fellow shareholders were Nicholas Sweeting, an architect and Nicholas's sister, Alison Barker, a doctor. Neither they nor their respective children, who were also in other occupations, played any active part in Sweeting & Lea Ltd. It was clear that there was no member of either family able or willing to take over when Frederick Lea retired.

Frederick Lea had run the business in the paternalistic manner typical of his predecessors and, although conscientious, was regarded by others in the industry as rather unimaginative. He had no family to provide for, had a comfortable lifestyle, and appeared to lack the incentive to run the firm ambitiously or in an innovative manner. At its peak, in the 1950s, the firm had 8% of the market share in school furniture, but this had declined to 2% by 1990. Profits were generally in decline, though adequate for the undemanding shareholders.

The market for wooden school furniture had declined since the 1950s and the firm had diversified into desks with tubular metal frames, though some furniture was still made all in wood. There had been no major investment for some time and much of the capital equipment was over 20 years old. The firm had a reputation for sound products, reliably delivered to order and its prices were very competitive. However, little marketing or promotion had taken place for some years, the firm depending mainly on orders from existing customers.

At its peak, the firm had employed over 100 people but by 1994 there were only 32. Frederick Lea had been reluctant to make compulsory redundancies, so the workforce has declined through natural wastage. Most of the employees were over 40 years old, many coming from families who had served Sweeting & Lea Ltd for several generations.

In 1994 the shareholders of Sweeting & Lea Ltd decided to sell the firm, as Frederick Lea was anxious to retire. At first, a buyer had proved difficult to find, but in June 1995 a bid of £450 000 was accepted from Northern Engineering plc. This seemed a modest price, but the owners saw little alternative but to accept. Northern Engineering plc took over in January 1996, the only proviso being that David Black retained his position as Works Manager. David Black was 50 years old and had, like his father and grandfather, spent all his working life at Sweeting & Lea Ltd. He was skilled in keeping the old machinery working and was highly regarded by the employees who thought that he was the man who had played a major part in keeping Sweeting & Lea Ltd going during Frederick Lea's rather stolid leadership.

Northern Engineering plc had a reputation in some quarters as an asset-stripper, but it seemed genuinely interested in making a success of Sweeting & Lea Ltd, which was to trade under its existing name as a fully-owned subsidiary of Northern Engineering plc. In January 1996 the new owners appointed as Managing Director an ambitious, hard-working 38-year-old chartered accountant, Maggie Gunter. She had held senior posts in the Northern Engineering group in the finance and planning areas but, although she had been on several management courses, had not held an executive post of overall management responsibility. Maggie Gunter was given 18 months to improve the efficiency of Sweeting & Lea Ltd and to produce an action plan for its long-term development. She saw her appointment as a challenge which, if successfully carried out, could greatly help her reputation and promotion prospects in the Northern Engineering group. She had not been happy about having to accept David Black as Works Manager, but she had been involved in the appointment of Bob Forrest as Marketing Manager. Bob Forrest was 32, with experience of marketing in other areas of Northern Engineering plc, but this was his first senior post. Maggie Gunter thought that Bob Forrest showed promise, but that she would need to play a leading part in marketing while he gained experience.

Before taking up her appointment, Maggie Gunter had spent several weeks studying the records of Sweeting & Lea Ltd and had prepared a plan, which she put to David Black. She was critical of the firm's stock control, the level of stock being high. This particularly applied to supplies of wood, £30 000 being in stock at the time of the takeover. She also believed that distribution could be improved. David Black had replied that the firm produced and delivered to order, so no regular pattern could be predicted. Wood was ordered every three months, in order to gain a discount from the regular supplier.

Maggie Gunter claimed that production could be made more efficient, with less material wasted. David Black felt rather insulted by this, as he had kept the old, inefficient machinery going for years and he did not think that more could be achieved without new investment. The meeting had not appeared to be fruitful, though there was agreement that £25 000 had to be spent on replacing one machine immediately. David Black was instructed to produce a report showing where efficiency could be improved and was told to formulate a plan for reducing the workforce by at least five people.

Maggie Gunter was very keen to reorganise the firm and had been most impressed by a recent course she had attended on Japanese management practices. Within three weeks of her appointment, she had called a meeting of all employees at which she issued a briefing paper (Appendix A) which put forward her ideas for reform. Employees had been encouraged to put forward their ideas.

Maggie Gunter and Bob Forrest then left in February for a month's visit to Eastern Europe, where they considered that a potential market existed with the growth of the demand for education in the post-Communist countries. Some interest was shown, though there was potential competition, with a German firm setting up a manufacturing plant in the Czech Republic. After several more visits to the area, Maggie Gunter and Bob Forrest came back with orders worth in total about £300 000 over four years from Slovakia, Bulgaria and Albania. There were problems about payment to be sorted out, as these countries lacked reserves of hard currencies, and distribution had not been finalised. Bob Forrest was also keen to appoint an agent in Eastern Europe. Despite these loose ends, Maggie Gunter was hopeful of future business in the area.

Maggie Gunter had also done some research about the possibility of diversification into the industrial furniture market within the United Kingdom, being particularly interested in the supply of furniture for works canteens. Hopefully, the economy would continue to recover and firms would be setting up and expanding, thus requiring such items. Some prospective customers showed interest and Maggie Gunter also carried out some desk research on economic and market trends and on the potential here, though £400 000 would be needed for new equipment, training and sales promotion. She worked out a five year plan for expansion in this area.

Meanwhile, progress had been slow in improving efficiency at Sweeting & Lea Ltd. Few employees had come forward with suggestions, though Maggie Gunter had frequently been unobtainable because of her absences on marketing expeditions, and the suggestion boxes had not produced a meaningful plan, though two employees had taken early retirement. Maggie Gunter insisted on three compulsory redundancies, which were subsequently made. Some progress had been made on stock control, however, (Appendix B) and on improving the working capital situation. The long-term loan of £240 000 remained, but a large cash surplus had been accumulated, pending the intended expenditure on new capital in 1997. Maggie Gunter was not satisfied with the efficiency and waste situation, however, and declared her intention of carrying out a work study exercise in the firm once the new machinery had been installed.

Morale seemed to be low amongst the employees. Complaints seemed to be channelled through David Black, whom Maggie Gunter regarded as too sympathetic to the employees' grievances. She was extremely annoyed to find that he and two long-serving employees had visited the retired Frederick Lea to express their unhappiness. Frederick Lea had felt sympathy with his former employees and had written to Maggie Gunter to tell her this. She made David Black aware of her displeasure.

In March 1997 Maggie Gunter prepared her report and her strategic action plan, which were to be discussed by the Board of Northern Engineering plc in April. Based on the accounts for 1996 (Appendix C) she felt reasonably pleased with her first year. She had two alternative plans for consideration, one for continuing Eastern Europe expansion at an initial cost of £250 000, and the other for entering the industrial furniture market at an outlay of £400 000 (Appendix D). She knew the board would not approve both these projects.

A week before the Board Meeting, David Black resigned. His letter of resignation complained that he had continued to run the firm during Maggie Gunter's frequent absences. He had kept the machinery working and production going, despite low morale on the shop floor, but had received no recognition. His experience had not been used in formulating future plans. He considered that he no longer had any part to play and that his position was therefore untenable. Maggie Gunter was happy to accept his resignation.

Appendix A

Briefing Paper to All Employees of Sweeting & Lea Ltd

If Sweeting & Lea Ltd is to continue trading then all-round improvement is necessary. The firm must adopt Japanese-style practices on the Kaizen Model immediately in order to improve efficiency and competitiveness.

5. Stock Control

Far too much money is tied up in stocks. We must move quickly towards a “Just-in-Time” stock ordering policy so that we receive our supplies only a short time before they are used.

6. Waste

Although much of our equipment is old, it can be used more efficiently. Too much waste of material is being incurred through careless workmanship and failure to keep a close check on the settings of the machines. We also need to cut down on the cost of our non-productive activities, particularly administration and distribution. A work study exercise will be carried out in order to improve our efficiency. I intend to introduce a system of Lean Production, eliminating all those costs which are not absolutely necessary. Some redundancies are inevitable, which I hope can be achieved voluntarily, as we are overstaffed for our present level of production.

7. Continuous improvement

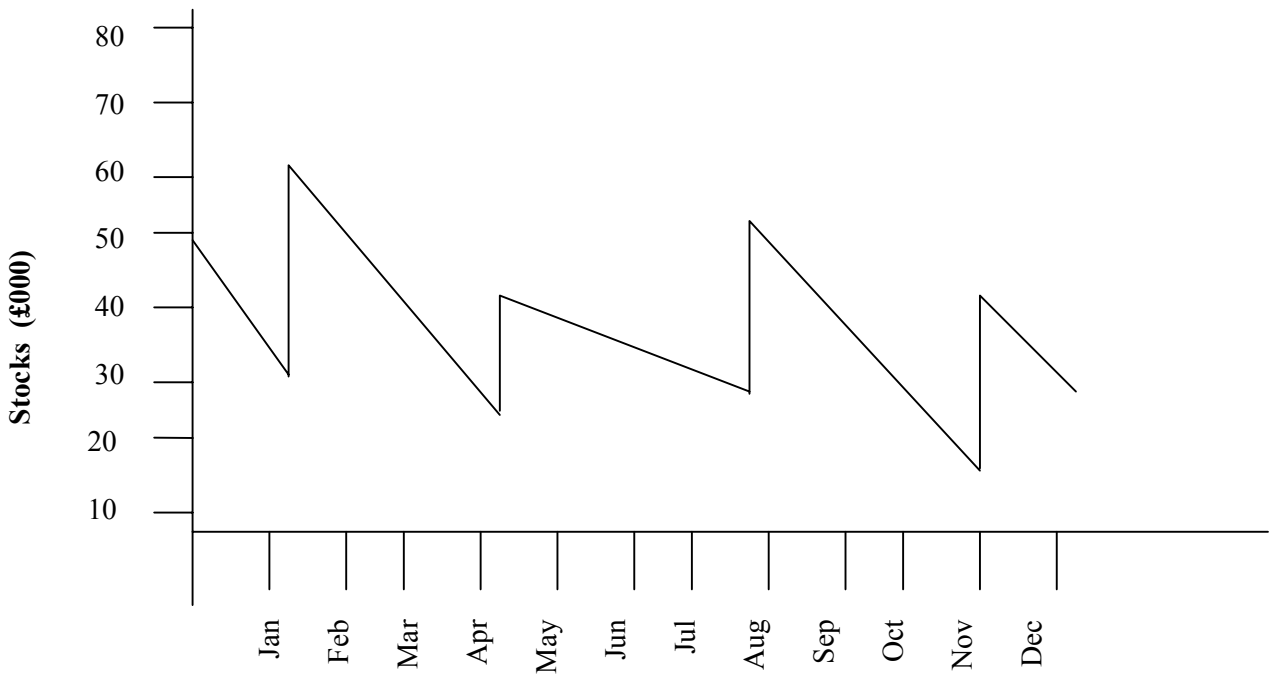
We must see to improve our performance in all aspects of our business at all times. My door is always open to those of you with constructive ideas for improvement. If you have anything to suggest, please come and see me or use the suggestion boxes I have had placed in the workshop. I am anxious to establish a system of employee-centred management in which everyone has a part to play.

8. The future

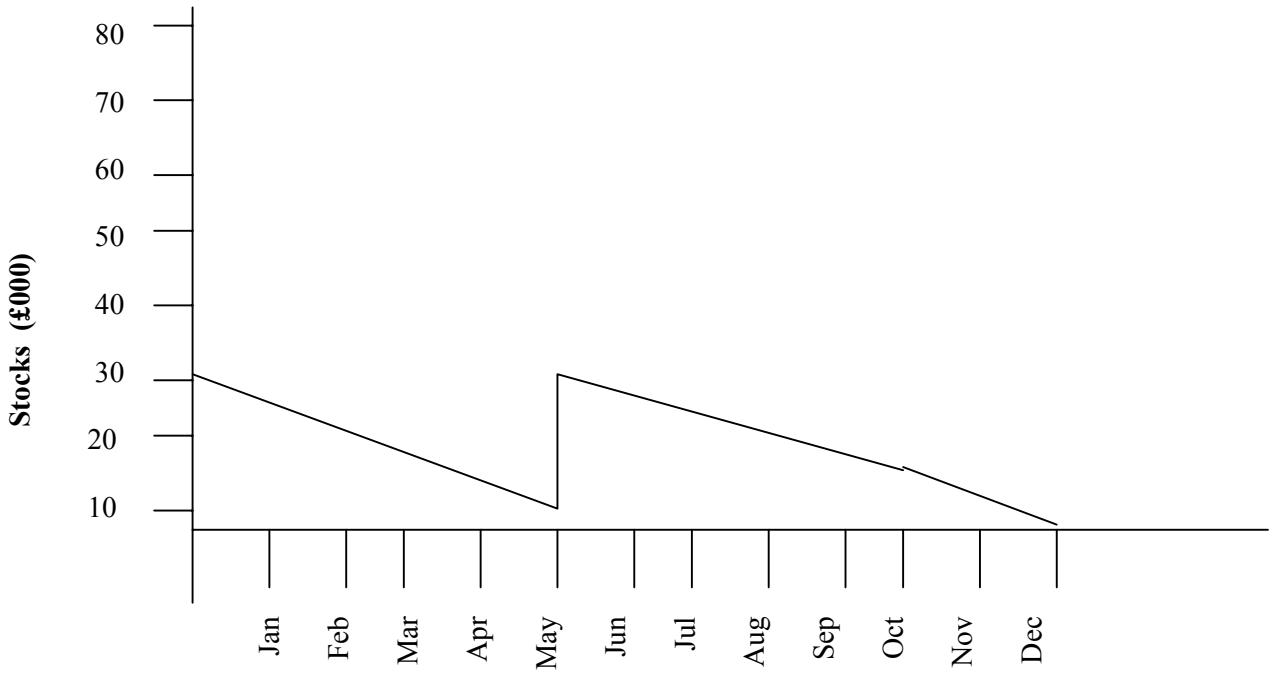
We shall be seeking to expand our markets and our product range and to promote our products more actively. I intend to instigate a programme of re-investment in new machinery when our expansion plans are approved by our parent company. With hard work by all we can improve our performance and turn the Company round. Achieving this success is the only way to guarantee jobs and increase wage packets.

**M. Gunter
M.D.
20/1/96**

Appendix B
Usage Chart Stocks of Wood: Financial Year 1995



Usage Chart Stocks of Wood: Financial Year 1996



Appendix C

Profit and Loss Account and Balance for Sweeting & Lea for the year ending 31 December 1996, with comparative figures for 1995

Profit and Loss Account for Year ending 31 December 1996		Balance Sheet for Sweeting & Lea Ltd at 31 December 1996	
1995 £000	1995 £000	1995 £000	1995 £000
		(Figures rounded to nearest £000)	
980	900	400	400
610	520	225	250
370	380	180	<u>195</u>
<u>106</u>	131	45	55
264	249	30	50
<u>24</u>	<u>24</u>	10	<u>15</u>
240	225	20	<u>35</u>
<u>80</u>	<u>75</u>	465	490
160	150		
8	10	60	20
152	140	5	10
		15	10
		80	60
		5	80
		165	180
			0
			30
			<u>85</u>
			<u>115</u>
			65

			555
			240
			1
			314
			555

Appendix D

Sweeting & Lea's expansion plans presented to Board of Northern Engineering plc, 1997

PLAN X Expansion to Eastern Europe		PLAN Y Expansion into Industrial furniture	
	£000		£000
Expenditure in Year 1997	250	Expenditure in Year 1997	400
Net Cash Flow		Net Cash Flow	
Year 1998	90	Year 1998	60
Year 1999	80	Year 1999	80
Year 2000	80	Year 2000	120
Year 2001	60	Year 2001	140
		Year 2002	160

Corporate Strategy

Specimen Paper Unit 6

Answer ALL the questions

1. Recommend a strategic plan which Sweeting and Lea Ltd should construct in order to achieve long term success in implementing **either** plan X **or** Y.
40 marks

2. Maggie Gunter “felt reasonably pleased with her first year” in charge of Sweeting & Lea Ltd. Evaluate the results of the first year of her strategic plan for the company.
40 marks

3. Evaluates how a rise in interest rates in the UK accompanied by a fall in the rates of direct tax, could affect Sweeting & Lea Ltd’s strategic plans suggesting appropriate responses which the firm could make.
40 marks

Total 120 marks

**TOTAL MARKS FOR PAPER 120
(120 Plus 6 marks for Quality of Language)**

Unit 1 Mark Scheme

General Instructions for Marking

1. The paper is to be marked to AS standard, including Quality of Written Communication.
2. Questions, other than those solely requiring numerical calculations, are to be marked in Levels of Response. Candidates achieving Level 4 are judged to be producing an evaluative response. Level 3 indicates achievement of analysis. Level 2 indicates application of theoretical knowledge to the case or data. Level 1 indicates knowledge without application.
3. Marking of levels should be ‘top down.’ Examiners should look for the highest level of response achieved by the candidate.
4. The highest level achieved **MUST** be indicated in the left-hand margin of the candidate’s answer to each question, or a comment at the end of the answer must be made to explain why a certain level is being awarded. It is not necessary to indicate the lower levels of response.
5. In numerical responses, the ‘own figure rule’, must be applied. Candidates can only be ‘penalised’ (i.e. not rewarded) once for an error. All calculations following an error must be followed and credited if they are ‘correct’ in terms of the original error.
6. Mark in red.
7. Only sub-totals and totals must appear in the right-hand margin. Question totals must be ringed and transferred to the front of the script. Please indicate a Quality of Written Communication mark at the end and transfer this to the front of the script.
8. Please annotate scripts as fully as possible so that your thought processes may be followed. Any script may be used in the awarding process or may be the subject of an enquiry into results so it is essential to follow the logic of an examiner’s marking.
9. The mark scheme indicated possible content that candidates might use in their answers, but is neither exhaustive nor complete. Except in numerical questions, credit should be given to all correct or logical points. If in doubt, contact the Principal Examiner.
10. Marking must be positive. Negative marking is not allowed. Irrelevant material may be indicated and cannot be credited, but it cannot be penalised.

Mark Scheme

1. (a) A statement of the firm's products, markets and technology expressed in a manner that reflects the fundamental values and priorities of the organisation

2 for correct definition
1 for a reasonable attempt
Total 2 marks

- (b) Valid points could include:

- + action from pressure groups
- + legislation or fear of government intervention
- + genuine concern for the environment
- + adverse publicity e.g. re genetically modified foods
- + pressure from shareholders or other stakeholders
- + similar action from rival firms

Level 2: Valid ideas concerning environmental concerns, related to the industry or products **3-5 marks**

Level 1: Valid ideas but little or no reference to the industry or product **1-2 marks**
Total 5 marks

- (c) References could be made to:

- + fair and just employer
- + fair dealings with suppliers and creditors (e.g. re prompt payment) and with purchasers
- + fair dealings with shareholders
- + being on good terms with residents in the locality

Level 3: Amendments are suggested which refer to other stakeholders with clear statements of purpose coupled with valid justifications **7-9 marks**

Level 2: Amendments are suggested which refer to at least one other stakeholder with statements of purpose. There may be some attempt at justification **4-6 marks**

Level 1: Some knowledge of stakeholders and their interests is shown **1-3 marks**
Total 9 marks

(d) References could be made to:

- + boredom of repetitive tasks
- + work discipline tied to speed of machine
- + inability to influence output and possible earnings

Motivation could be improved by

- + job rotation, job enlargement or introduction of some sort of flexibility and variety
- + better working conditions or pay incentives or other perks Candidates will almost certainly refer to ideas of various motivation theorists.

Level 4: Candidate evaluates methods of improving motivation in the context of assembly line work.

7-10 marks

Level 3: Candidate analyses the problem and applies theories in context, but the proposals do not fully realise the particular problems of assembly line work

5-6 marks

Level 2: Candidate applies theory to the problem, but the response is neither analytical nor evaluative

3-4 marks

Level 1: Candidate shows knowledge of motivational theory but does not apply it to data or merely makes descriptive comments about the data

1-2 marks

Total 10 marks

- 2 (a) PED=1: total revenue remains the same ; % change in demand cancels % change in price

1 mark for answer

1 mark for comment

Total 2 marks

(b)

- + demand curve would shift to right; more demanded at any price the firm might charge compared with earlier situation; identification of cross-elasticity
- + firm would have to produce more, even at same price – implications for cost and scale.
- + would firm alter price to take further advantage? Depends on PED
- + if competitor's rise was due to increase costs, same might be true of this firm?
- + if competitor's rise was due to quality change what are implications for this firm?

Level 4: Candidate sees consequences and produces evaluative response

7-9 marks

Level 3: Candidate analyses consequences but does not balance all points or show insight into issues like quality or cost

5-6 marks

Level 2: Candidate confines answer to shift in demand or other basic points

3-4 marks

Level 1: Candidate shows some knowledge of demand theory

1-2 marks

Total 9 marks

(c)

- + rise in disposable income may lead to increased demand, the extent being dependant on the income-elasticity of demand for this product
- + chocolate likely to be income-elastic because it is not an expensive item
- + price charged is somewhere between 25p and 35p, so it is not a luxury brand
- + the distribution of the income rise is important; how would it affect consumers of chocolate, who may have a young age profile
- + effects will be shared by other producers of chocolate

Level 2: Candidate makes good assessment, with reference to likely income elasticity of demand and to factors such as effects of income distribution

3-6 marks

Level 1: Candidate shows knowledge on income elasticity, but with no consideration of the product or market

1-2 marks

Total 6 marks

(d)

- + depends on success of campaign and how prominently it featured chocolate
- + depends on whether aimed at children – though all groups eat chocolate to some extent
- + depends if any ‘sanctions’ involved, or just a persuasive campaign
- + firm would react only if sales dropped or poor image was achieved
- + presumably, similar effects would be felt by rivals

Firm could change its:

- + image
- + product (e.g. ingredients)
- + promotion
- + target market (e.g. export)
- + range of products
- + firm could mount a response against the healthy eating campaign, claiming its products are healthy

Level 4: Candidate analyses effects and produces a strategy or evaluates policies firm could follow

9-11 marks

Level 3: Candidate analyses effects, but produces few ideas for firm’s reactions

6-8 marks

Level 2: Candidate makes valid points about effects on firm or suggests some reactions, but does not like the two elements

3-5 marks

Level 1: Candidate produces basic but rewardable material about effects or response

1-2 marks

Total 11 marks

3(a) Problems could include

- ÷ long lines of communication
- ÷ stifled initiative
- ÷ low morale
- ÷ grapevine, rumour or unofficial sources of communication
- ÷ bureaucratic and possibly autocratic management
- ÷ impersonal management
- ÷ all this seems magnified in a firm operating on several sites, with no site or plant managers apparent in the organisation chart
- ÷ work overload for some senior managers is possible

Level 4: -

Level 3:

Candidate analyses problems thoroughly and convincingly in the context of mass production **7-8 marks**

Level 2:

Candidate produces some valid points about spans of control, but in a descriptive rather than analytical manner **4-6 marks**

Level 1: Candidate shows knowledge of span of control or describes chart

1-3 marks

Total 8 marks

(b) Possible reasons could include:

- ÷ clash of personalities or a personality problem of at least one of the managers
- ÷ method of communication, eg memos used
- ÷ lack of formal contact or meetings
- ÷ poor management by managing director in not tackling issue
- ÷ work overload in operations department
- ÷ poor Research and Development

Solutions could include:

- ÷ a change in management personnel, either Managing Director, Marketing or Operations
- ÷ restructuring or enlargement of operations Department, eg Create separate Research and Development Department independent from Operations
- ÷ meetings or more formal communications
- ÷ training for managers in communication or in appreciation of each other's problems

Level 4:

Candidate suggests valid reasons for the problem and evaluates solutions in context **7-10 marks**

Level 3:

Candidate analyses the problem but solutions are not evaluated or are unconvincing **5-6 marks**

Level 2:

Some suggestions are made concerning the causes of the problem **3-4 marks**

Level 1:

Some valid remarks are made or some knowledge of communication problems is shown **1-2 marks**

- (c) Could be reorganised on a product basis (several products are involved), a geographical basis (there are several plants), a matrix structure or any other recognised and rewardable basis. Candidate must justify structure in context of the firm and product.

The small span of the operations department in a multi-product and geographically spread firm may be criticised, especially in contrast with the larger marketing and financial structures.

Level 4: Candidate considers alternatives in context and makes a recommendation, selecting a realistic one in the context of the firm and product. Candidate may consider restructuring the size and spread of the departments (eg operations, marketing and finance) or propose a wider change, such as a product or geographically based structure.

7-8 marks

Level 3: Candidate considers alternatives in context, but with no clear choice or judgement made. Discussion may be confined to departmental reorganisation

5-6 marks

Level 2: Candidate discusses alternative with some reference to the data

3-4 marks

Level 1: Candidate shows some knowledge of alternative structure(s)

1-2 marks

Total 84 marks

Quality of Written Communication

Quality of written communication will be assessed in all questions. The assessment will take place for each candidate's script **as a whole** by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar. **4 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **3 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark
Total 4 marks

Assessment Grid – Unit 1

Question	Specification	AO1	AO2	AO3	AO4
1 (a)	1/2	2			
1 (b)	1/3	2	3		
1 (c)	1/2	3	3	3	
1 (d)	1/7	2	2	2	4
2 (a)	1/3	2			
2 (b)	1/3	2	2	2	3
2 (c)	1/3	2	4		
2 (d)	1/4	2	3	3	3
3 (a)	1/5	3	3	2	
3 (b)	1/5	2	2	2	4
3 (c)	1/5	2	2	2	2
Totals		24	24	16	16

**Total for paper 80 marks plus 4 marks
for Quality of Written Communication**

Total 84 marks

Unit 2 Mark Scheme

General Instructions for Marking

1. The paper is to be marked to AS standard, including Quality of Written Communication.
2. Questions, other than those solely requiring numerical calculations, are to be marked in Levels of Response. Candidates achieving Level 4 are judged to be producing an evaluative response. Level 3 indicates achievement of analysis. Level 2 indicates application of theoretical knowledge to the case or data. Level 1 indicates knowledge without application.
3. Marking of levels should be ‘top down.’ Examiners should look for the highest level of response achieved by the candidate.
4. The highest level achieved **MUST** be indicated in the left-hand margin of the candidate’s answer to each question, or a comment at the end of the answer must be made to explain why a certain level is being awarded. It is not necessary to indicate the lower levels of response.
5. In numerical responses, the ‘own figure rule’, must be applied. Candidates can only be ‘penalised’ (i.e. not rewarded) once for an error. All calculations following an error must be followed and credited if they are ‘correct’ in terms of the original error.
6. Mark in red.
7. Only sub-totals and totals must appear in the right-hand margin. Question totals must be ringed and transferred to the front of the script. Please indicate a Quality of Written Communication mark at the end and transfer this to the front of the script.
8. Please annotate scripts as fully as possible so that your thought processes may be followed. Any script may be used in the awarding process or may be the subject of an enquiry into results so it is essential to follow the logic of an examiner’s marking.
9. The mark scheme indicated possible content that candidates might use in their answers, but is neither exhaustive nor complete. Except in numerical questions, credit should be given to all correct or logical points. If in doubt, contact the Principal Examiner.
10. Marking must be positive. Negative marking is not allowed. Irrelevant material may be indicated and cannot be credited, but it cannot be penalised.

Mark Scheme

1. Valid points could include:

- ÷ loyalty from customers
- ÷ established product identity
- ÷ generic advertising by franchisor
- ÷ established product quality
- ÷ financial backing
- ÷ expertise

Level 4: clearly assess the benefit to a franchise operator of the use of a brand name in establishing product identity, quality, loyalty etc

7-8 marks (each)

Level 3: analyses some of the benefits to the franchise operator

5-6 marks (each)

Level 2: identifies TWO advantages of a brand name in context

3-4 marks (each)

Level 1: explains and describes TWO benefits in context

1-2 marks (each)

Total 16 marks

2. Valid points could include:

- ÷ That when demand is elastic and price is reduced turnover rises but profit may not
- ÷ If demand is inelastic in some market segments then price could be maintained or increased
- ÷ Prices could be described as penetration or competitive if elastic, or skimming if inelastic
- ÷ The issue of profits as opposed to revenue should arise.

Level 4: evaluates the usefulness of knowing the PED **16- 20 marks**

Level 3: analyses impact of different elasticities in terms of valid pricing policies **13 -15 marks**

Level 2: proposes pricing policies, related to elasticity in context **7-12 marks**

Level 1: shows understanding of elasticity and offers pricing policy **1-6 marks**

Total 20 marks

3. Valid points could include:

- ÷ identifying the specific needs of the new style outlets in terms of cost effectiveness and likelihood of persuading customers to buy the product in the context of the situation
- ÷ types of advertising, above and below the line
- ÷ local and national sponsorship
- ÷ sales promotions.

Good analysis will examine how an effective technique will bring about the desired outcome

Level 4: - 9-10 marks each
Level 3: fully analyses in context 5-8 marks each
Level 2: describes in context 1-4 marks each
Level 1: offers two techniques
Total 20 marks

4. (i) 600 2 marks
 (ii) 1800 2 marks
 (iii) 3 2 marks

- (b) Valid ideas include:
 ÷ storage facilities
 ÷ fluctuations in demand
 ÷ deterioration of stock
 ÷ transport costs
 ÷ anticipated usage rates
 ÷ frequency of deliveries offered

Level 4: makes evaluative comments in context of Harry Ramsden 16-20 marks
Level 3: Analyses the factors in context of Harry Ramsden 11-15 marks
Level 2: offers relevant ideas about stock levels 6-10 marks
Level 1: elements of knowledge, simple insights into the factors involved 1-5 marks

Total 20 marks

5. Valid points should refer to economies of scale including:
 ÷ Bulk buying
 ÷ Fixed costs including rent and managerial salaries
 ÷ Storage facilities

Level 4: makes relevant judgements concerning achievements of economies of scale 13 -18 marks
Level 3: analyses effect of scale of economies 11-13 marks
Level 2: focus of answer is on economies of scale in context 6-10 marks
Level 1: as above but not in context 1-5 marks

Total 18 mark

6. Valid points include:
- ÷ need for reliable suppliers
 - ÷ loss of transport economies
 - ÷ problems of coping with sudden changes in demand
 - ÷ cost of stock outs
 - ÷ need for a good management information system
 - ÷ note context of fast food industry

Level 4: evaluation of issues using JIT methods in context

16-20 marks

Level 3: analysis of relevant issues

11-15 marks

Level 2: offers relevant ideas concerning JIT methods

6-10 marks

Level 1: provides statements on JIT methods

1-5 marks

Quality of Written Communication

Quality of written communication will be assessed in all questions. The assessment will take place for each candidate's script **as a whole** by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar. **6 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **4-5 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2-3 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

Total 6 marks

Assessment Grid – Unit 2

Unit 2	AO1	AO2	AO3	AO4	TOTAL
1	4	4	4	4	16
2	6	6	3	5	20
3	8	8	4		20
4(a) i	1	1			2
ii	1	1			2
iii	1	1			2
4 (b)	5	5	5	5	20
5	5	5	3	5	18
6	5	5	5	5	20
Total	36	36	24	24	120

**Total for Paper 120 marks plus 6 marks for
Quality of Written Communication**

Total 126 marks

Unit 3 Mark Scheme

General Instructions for Marking

1. The paper is to be marked to AS standard, including Quality of Written Communication.
2. Questions, other than those solely requiring numerical calculations, are to be marked in Levels of Response. Candidates achieving Level 4 are judged to be producing an evaluative response. Level 3 indicates achievement of analysis. Level 2 indicates application of theoretical knowledge to the case or data. Level 1 indicates knowledge without application.
3. Marking of levels should be ‘top down.’ Examiners should look for the highest level of response achieved by the candidate.
4. The highest level achieved **MUST** be indicated in the left-hand margin of the candidate’s answer to each question, or a comment at the end of the answer must be made to explain why a certain level is being awarded. It is not necessary to indicate the lower levels of response.
5. In numerical responses, the ‘own figure rule’, must be applied. Candidates can only be ‘penalised’ (i.e. not rewarded) once for an error. All calculations following an error must be followed and credited if they are ‘correct’ in terms of the original error.
6. Mark in red.
7. Only sub-totals and totals must appear in the right-hand margin. Question totals must be ringed and transferred to the front of the script. Please indicate a Quality of Written Communication mark at the end and transfer this to the front of the script.
8. Please annotate scripts as fully as possible so that your thought processes may be followed. Any script may be used in the awarding process or may be the subject of an enquiry into results so it is essential to follow the logic of an examiner’s marking.
9. The mark scheme indicated possible content that candidates might use in their answers, but is neither exhaustive nor complete. Except in numerical questions, credit should be given to all correct or logical points. If in doubt, contact the Principal Examiner.
10. Marking must be positive. Negative marking is not allowed. Irrelevant material may be indicated and cannot be credited, but it cannot be penalised.

Mark Scheme

1. (a) (i) £8
 (ii) 37 500 units - Break even in quantity
 £750 000 - Break even in revenue
 (iii) 42 500 accept £950 000

For each of the above four answers, 1 for method, 1 for correct answer

- (iv) 15.75

2 marks for average overhead cost per unit - £3.75, 1 mark for adding costs, 1 mark for correct answer

(Total 12 marks)

- (b) (i) On purely numerical grounds the contribution of £1 and the cost of the machine at £20 000 means the firm only breaks even, it does have the capacity however and the machine could be used for future orders possibly. The rivalry of the own label product can be considered but the new customer may provide more orders.

Level 4	Makes recommendation after evaluation of numerical and non-numerical factors	15-20 marks
Level 3	Analyses numerical and non-numerical factors	5-14 marks
Level 2	Identifys relevant factors in context	3-4 marks
Level 1	Shows some knowledge of relevant factors	1-2 marks

(Total 20 marks)

- (c) (i) 58.6% 1 for method, 1 for answer
 (ii) 12.1% as above
 (iii) 5.7% as above

(Total 6 marks)

- (d) Comments could identify results of current ratio of 2:3 as being a good one with reasons such as ability to meet short term creditors demands and a sound working capital position. The gearing ratio of 0.55 seems reasonable as demands to meet interest payments relative to shareholders needs are balanced. Could be seen as highly geared by comparison to some industries.

For **each** ratio:

Level 4: -

Level 3: makes valid comment consistent with calculation **3-4 marks**

Level 2: calculates ratios **1-2 marks**

Level 1: -

(Total 8 marks)

2. (a) An evaluative use of the data that shows the effect of different methods, expect to see straight line which takes the same amount off each year and reduces balance which takes an increasing amount each year. Cost is £140 000 and £7000 scrap value. Own figure rule to apply for calculations.

Level 4: makes full assessment of the problem considering all relevant factors	9-12 marks
Level 3: analyses figures to produce valid response	6-8 marks
Level 2: provides reasoned response in context	4-5 marks
Level 1: makes relevant comments or shows knowledge of methods of depreciation	1-3 marks
	(Total 12 marks)

- (b) (i) Correctly calculates the balances and identifies positive/negative values
 (160) (22)
1 mark each = 2 marks

- (ii) The firm faces significant seasonal fluctuations in sales and has to pay out wages and materials purchases before receiving the income from sales. Also increasing overheads occur as the sales change, clearly once receipts have caught up and output falls the firm is in an improved situation. Figures can be quoted as can the months of significance.

a number of solutions could be proposed, these include

overdraft
 factoring
 new credit terms
 stock control
 delaying payments
 seeking new markets and products with more stable sales.

Level 4	Evaluates the information and produces a reasoned response	11-20marks
Level 3	Analyses the information to identify the more difficult periods and the reasons for them	8-10 marks
Level 2	uses some of the figures to provide an overview of the problem	5-7 marks
Level 1	shows some understanding of the cash flow problem	1-4 mark

(Total 20 marks)

Quality of Written Communication.

Quality of written communication will be assessed in all questions. The assessment will take place for each candidate's script **as a whole** by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar. **4 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **3 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

Total 4 marks

Assessment Grid - Module 3

Module 3	AO1	AO2	AO3	AO4	Total
1(a)(i)	1	1			2
(a) (ii)	2	2			4
(a) (iii)	1	1			2
(a) (iv)	2	2			4
(b)	2	2	10	6	20
(c)(i)	1	1			2
(c) (ii)	1	1			2
(c) (iii)	1	1			2
(d) (i)		2	2		4
(d) (ii)		2	2		4
2 (a) (i)	3	2	3	4	12
(b) (i)	2				2
(b) (ii)	4	3	3	10	20
Total	20	20	20	20	80

**Total for Paper 80 marks plus 4 marks
For Quality of Written Communication**

Total 84 marks

Unit 4 Mark Scheme

General Instruction for Marking

1. The paper is to be marked to Advanced standard, including Quality of Written Communication.
2. Questions other than those solely requiring numerical calculations, are to be marked in Levels of Response. Candidates achieving Level 4 are judged to be producing an evaluative response. Level 3 indicates achievement of analysis. Level 2 indicates application of theoretical knowledge of the case or data. Level 1 indicates knowledge without application.
3. Marking of levels should be ‘top down.’ Examiners should look for the highest level of response achieved by the candidate.
4. The highest level achieved **MUST** be indicated in the left-hand margin of the candidate’s answer to each question, or a comment at the end of the answer must be made to explain why a certain level is being rewarded. It is not necessary to indicate the lower levels of response.
5. In numerical responses, the ‘own figure rule’ must be applied. Candidates can only be ‘penalised’ (i.e. not rewarded) once for an error. All calculations following an error must be followed and credited if they are ‘correct’ in terms of the original error.
6. Mark in red.
7. Only sub-totals and totals must appear in the right-hand margin. Question totals must be ringed and transferred to the front of the script. Please indicate a Quality of Written Communication mark at the end and transfer this to the front of the script.
8. Please annotate scripts as fully as possible so that your thought process may be followed. Any script may be used in the awarding process or may be subject of an enquiry into results so it is essential to follow the logic of an examiner’s marking.
9. The mark scheme indicates possible content that candidates might use in their answers, but is neither exhaustive nor complete. Except in numerical questions, credit should be given to all correct or logical points.
10. Marking must be positive. Negative marking is not allowed. Irrelevant material may be indicated and cannot be credited, but it cannot be penalised.

Mark Scheme

1 (a) Relevant factors could include:

- + calculated results (accept reasonable own figures): payback 2 years 7 months
NPV 232.1
- + reliability of forecasted net cash flows
- + possible changes in economic activity
- + changes in interest rates
- + changes in labour force required
- + opportunity cost of funds
- + predicted scrap value of machine
- + the return on capital is only 4% more than cost of capital
- + firm is in fashion industry so may value quick returns before fashion changes

Level 4: evaluates numerical and non-numerical factors and makes a valid recommendation **14-18 marks**

Level 3: analyses numerical and non-numerical factors **9-13 marks**

Level 2: identifies numerical and non-numerical factors **5-8 marks**

Level 1: considers either numerical or non-numerical factors **1-4 marks**

(1 mark for payback o.f.r and 1 mark for NPV o.f.r)

(b) (i) Points could include:

- + CAD
- + graphics
- + simulation
- + data for production planning and scheduling
- + controlling

Level 4: assesses relevant points and relates them clearly to reducing time **3-4 marks**

Level 3: analyses relevant points **1-2 marks**

Level 2:-

Level 1:-

(ii) Points could include:

- + improvements in quality
- + range of choices, styles
- + distribution and availability
- + status of labels.

(Must show clear understanding of concept for Level 3)

Level 4: evaluates those factors that are relevant when adding value, in context **5-10 marks**

Level 3: -

Level 2: show understanding of concept in explanation **3-4 marks**

Level 1: only offers methods **1-2 marks**

- (c) Points include
 the role and functions of unions in working for employees interests and in communicating with employees as well as acting as pressure groups
 resolving industrial disputes
 identifying the role of negotiators
 ACAS tribunals
 the changing nature of industrial democracy
 new legislation
Level 4: Provides evaluative comments upon role of unions and the methods businesses use to reduce and resolve industrial conflict **9-16 marks**

Level 3: Provides discrete, analytical and valid points about unions and industrial relations policy **3-8 marks**

Level 2: Makes statements about union's role and methods of resolution **2 marks**

Level 1: Makes a statement about unions or methods of resolution **1 mark**

(Total 48 marks)

- 2 a) (I)C= 1 H=6, I=14 **3 marks**
 (ii)D=14, E=12, H=14 **3 marks**

- (b) A, C, F, G, I 16 days **3 marks**

- (c)i) The amount of time an activity can be delayed without affecting the overall earliest project completion time. **2 marks**

- ii) D=11 B=6 E=6 **3 marks**

- d) Material could include:
 ÷ reliability of data
 ÷ identifies parallel activities and sequential tasks
 ÷ flexibility of sub-contractors
 ÷ control over sub-contractors
 ÷ effect of external factors, eg weather, stock deliveries
 ÷ possible redeployment of resources

Level 4: Evaluates the issues in the context of the employment of sub-contractors **16-18 marks**

Level 3: Analyses the issues raised by the Gantt chart **5-15 marks**

Level 2: Describes some of the issues raised **3-4 marks**

Level 1: Shows knowledge of Gantt charts **1-2 marks**

(Total 32 marks)

Quality of Written Communication.

Quality of written communication will be assessed in all questions. The assessment will take place for each candidate's script **as a whole** by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar. **4 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **3 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

Total 4 marks

Assessment Grid Unit 4

Unit 4	AO1	AO2	AO3	AO4	TOTAL
1(a)	4	4	5	5	18
(b) (i)			2	2	4
(b) (ii)	2	2		6	10
(c)	1	1	6	8	16
(2) (a) (i)	1	2			3
(a) (ii)	1	2			3
(b)	2	1			3
(c) (i)	1	1			2
(c) (ii)	2	1			3
(d)	2	2	11	3	18
Total	16	16	24	24	80

**Total for paper 80 plus 4 marks for
Quality of written communication**

84 marks total

Mark Scheme for Module 5 (Alternative to Coursework)

The purpose of the paper is to test candidates using the same assessment objectives as the coursework.

Therefore candidates need to select appropriate information in a systematic way using a range of sources, providing a detailed and critical understanding of the specific content.

The application of detailed knowledge and understanding needs to be applied to the problems and issues identified.

Analysis should be undertaken using a range of techniques and a detailed appreciation of the limitations of the techniques should be evident.

Evaluation and assessment of information should distinguish between fact and opinion and conclusions and recommendations should be based upon a synthesis of information from a variety of sources.

Mark Scheme

Material which should be considered in the evaluation includes:

Option A: Relocation.

- Better site on industrial zone: PIP factory already there
- Forecast break-even in 7 years plus 6% annual return on sale of present site
- No more fines for pollution on present site
- Redundancy costs; need for recruitment
- Disruption during move, including IT transfer

Unknown factors:

- New products, existing products or mixture (Ansoff relevant)
- Attitude to move of key staff
- Possible industrial action
- Distribution links and costs; where exactly is the site? (Appendix C)
- Will PIP want to amalgamate firms on new site, involving management changes?

Option B: Management Buyout

- Managers can raise money, with a backer keen to keep firm on present site
- Pollution problems and unsuitability of existing site will continue
- No need for redundancies and relocation costs

Unknown factors:

- New products, existing products or a mixture?
- Is the backer genuine and reliable? Can the directors raise the money?
- Production lines need replacement; are funds available?

Option C: Rebuild factory

- New product lines to take advantage of changes in demand
- New capital equipment needed
- Break-even 8 years
- Still on a poor site with possible environmental problems

Unknown factors:

- Training or personnel reorganisation needed?
- Will trends in Appendix A continue? Memo from Marketing Director says “two or three years”.

Unknown factors relevant to all Options:

- Economic trends (eg present high value of £ may not continue and exports may become more attractive again.)
- Competitors, particularly in DIY market. Marketing expenses needed in order to establish firm in new market.
- What is the parent company’s attitude? Would they really prefer to close the firm in the light of the trends shown in Appendix B?

Assessment Criteria

AO1 Demonstrate knowledge and critical understanding of the specified content.

	Mark Range
÷ shows detailed evidence of information used from available sources together with effective use of such information in order to demonstrate critical understanding of the specified content	16-20
÷ shows evidence of information used and a systematic approach to use of data with a demonstration of an understanding of the specified content	11-15
÷ shows evidence of selection and use of information from more than one source in order to address the question.	6-10
÷ shows evidence of relevant knowledge and understanding of content	1-5

AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations

	Mark Range
÷ shows the application of detailed knowledge and critical understanding to issues arising from the problem, underpinned by synthesis of theory	16-20
÷ shows the application of knowledge and critical understanding to issues arising from the problem, underpinned by theory	11-15
÷ shows the application of knowledge and understanding to issues arising from the problem with some use of theory	6-10
÷ shows the application of knowledge and understanding to the issues arising from the problem	1-5

AO3 Analyse problems, issues and situations

	Mark Range
÷ analyses problems, issues arising and situations making valid suggestions as to the data required for a full analysis	16-20
÷ analyses problem and issues arising and appreciates the limitations of the data	11-15
÷ attempts to analyse problem and issues arising from problem	6-10
÷ attempts to analyse problem	1-5

AO4 Evaluate, distinguish between fact and opinion and assess information from a variety of sources

	Mark Range
÷ evaluates and distinguishes between fact and opinion and offers a valid recommendation based on the synthesis of the available information	16-20
÷ evaluates information, distinguishing between fact and opinion and offers a conclusion	11-15
÷ attempts to evaluate problem and issues arising from problem	6-10
÷ makes a recommendation	1-5

Quality of Written Communication.

Quality of written communication will be assessed in all questions. The assessment will take place for each candidate's script **as a whole** by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar. **4 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **3 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

Total 4 marks

Assessment Grid - Module 5 (Alternative to coursework)

Section	AO1	AO2	AO3	AO4	TOTAL
Total	20	20	20	20	80

**Total marks for this paper 80 plus 4 marks
for Quality of Written Communication**

Coursework Assessment Criteria – Unit 5

AO1 Demonstrate knowledge and critical understanding of the specified content.

	Mark Range
÷ shows detailed evidence of information used from available sources together with effective use of such information in order to demonstrate critical understanding of the specified content	16-20
÷ shows evidence of information used and a systematic approach to use of data with a demonstration of an understanding of the specified content	11-15
÷ shows evidence of selection and use of information from more than one source in order to address the question.	6-10
÷ shows evidence of relevant knowledge and understanding of content	1-5

AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations

	Mark Range
÷ shows the application of detailed knowledge and critical understanding to issues arising from the problem, underpinned by synthesis of theory	16-20
÷ shows the application of knowledge and critical understanding to issues arising from the problem, underpinned by theory	11-15
÷ shows the application of knowledge and understanding to issues arising from the problem with some use of theory	6-10
÷ shows the application of knowledge and understanding to the issues arising from the problem	1-5

AO3 Analyse problems, issues and situations

	Mark Range
÷ analyses problems, issues arising and situations making valid suggestions as to the data required for a full analysis	16-20
÷ analyses problem and issues arising and appreciates the limitations of the data	11-15
÷ attempts to analyse problem and issues arising from problem	6-10
÷ attempts to analyse problem	1-5

AO4 Evaluate, distinguish between fact and opinion and assess information from a variety of sources

	Mark Range
÷ evaluates and distinguishes between fact and opinion and offers a valid recommendation based on the synthesis of the available information	16-20
÷ evaluates information, distinguishing between fact and opinion and offers a conclusion	11-15
÷ attempts to evaluate problem and issues arising from problem	6-10
÷ makes a recommendation	1-5

Notes for Guidance

Candidates opting for coursework in unit 5 are required to choose ONE assignment question from the two set by Edexcel. As the questions will change from year to year it is essential that teachers and candidates ensure that they are using the assignment questions set for the year in which the unit is entered.

The assignment will require candidates to make selections, analyse, make judgements and to evaluate. It is the demonstration of the higher order skills that will provide access to higher marks. Candidates' attention should be drawn to the Assessment Criteria in which marks are allocated. The coursework must address the question set by Edexcel and candidates should make recommendations for action that the firm could adopt, where these are appropriate.

The Coursework assignment must show evidence of individual enquiry, analysis and evaluation, even when several candidates have based their study on the same business.

Successful Coursework Assignments will demonstrate an integration of both primary and secondary research with appropriate techniques and concepts drawn from relevant parts of the syllabus. Candidates should be reminded of the importance of explaining their course of action when undertaking research. The use of a particular technique of research or of analysis should be justified in the assignment. The source material should be acknowledged in full. Quotations must be attributed. Once information has been collected it needs to be interpreted and its validity and reliability will need to be considered.

Candidates should appreciate the importance of Quality of Written Communication.

Assignments should be submitted in soft covered binders with the following information clearly visible from the outside:

- ÷ Syllabus name and number;
- ÷ Candidate name and number;
- ÷ Centre name and number;
- ÷ The exact title of the assignment.

Appendix material should be included only if directly referred to in the text but it should be kept to a minimum, avoiding multiple copies of questionnaires and excessive pre-printed material from firms.

Centres are advised to distribute these notes and criteria for Assessment and Quality of Written Communication to candidates.

Quality of Written Communication.

Quality of written communication will be assessed in all questions. The assessment will take place for each candidate's script **as a whole** by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar. **4 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **3 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

Total 4 marks

**EDEXCEL – ADVANCED GCE BUSINESS STUDIES
COURSEWORK ASSIGNMENT ASSESSMENT FORM**

Centre Name: _____ Centre No: _____ Candidate Name: _____ Candidate No: _____

Please select the appropriate mark range and enter the mark you assess as appropriate within that range. ONLY ONE MARK MUST APPEAR IN EACH BOX.

AO1: Demonstrate knowledge and critical understanding of the specified content

AO3: Analyse problems, issues and situations

- 16-20 shows detailed evidence of information used from available sources together with effective use of such information in order to demonstrate critical understanding of the specified content
- 11-15 shows evidence of information used and a systematic approach to use of data with a demonstration of an understanding of the specified content
- 6-10 shows evidence of selection and use of information from more than one source in order to address the question.
- 1-5 shows evidence of relevant knowledge and understanding of content.

T/M Mod

1-5 attempts to analyse problem

T/M Mod

Mark awarded for AO1

--	--

Mark awarded for AO3

--	--

AO2: Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations

- 16-20 shows the application of detailed knowledge and critical understanding to issues arising from the problem, underpinned by synthesis of theory
- 11-15 shows the application of knowledge and critical understanding to issues arising from the problem, underpinned by theory
- 6-10 shows the application of knowledge and understanding to issues arising from the problem
- 1-5 shows the application of knowledge and understanding to the issues arising from the problem

T/M Mod

6-10 attempts to evaluate problem and issues arising from problem

T/M Mod

Mark awarded for AO2

--	--

Mark awarded for AO4

--	--

Quality of Written Communication
(Level 4 = 4 marks, Level 3 = 3 marks, Level 2 = 2 marks, Level 1 = 1 marks)

Teacher's mark

--

Moderator's mark

--

TOTAL MARKS
(excluding Quality of Written Communication)

--

Moderator's mark

--

Teacher's signature

_____ Date _____

General Instruction for Marking

- 1 The paper is to be marked to A Level standard, including Quality of Written Communication.
- 2 Questions other than those solely requiring numerical calculations, are to be marked in Levels of Response. Candidates achieving Level 4 are judged to be producing an evaluative response. Level 3 indicates achievement of analysis. Level 2 indicates application of theoretical knowledge of the case or data. Level 1 indicates knowledge without application.
- 3 Marking of levels should be ‘top down.’ Examiners should look for the highest level of response achieved by the candidate.
- 4 The highest level achieved **MUST** be indicated in the left-hand margin of the candidate’s answer to each question, or a comment at the end of the answer must be made to explain why a certain level is being rewarded. It is not necessary to indicate the lower levels of response.
- 5 In numerical responses, the ‘own figure rule’ must be applied. Candidates can only be ‘penalised’ (i.e. not rewarded) once for an error. All calculations following an error must be followed and credited if they are ‘correct’ in terms of the original error.
- 6 Mark in red.
- 7 Only sub-totals and totals must appear in the right-hand margin. Question totals must be ringed and transferred to the front of the script. Please indicate a Quality of Written Communication mark at the end and transfer this to the front of the script.
- 8 Please annotate scripts as fully as possible so that your thought process may be followed. Any script may be used in the awarding process or may be the subject of an enquiry into results so it is essential to follow the logic of an examiner’s marking.
- 9 The mark scheme indicates possible content that candidates might use in their answers, but is neither exhaustive nor complete. Except in numerical questions, credit should be given to all correct or logical points. If in doubt, contact the Principal Examiner.
- 10 Marking must be positive. Negative marking is not allowed. Irrelevant material may be indicated and cannot be credited, but it cannot be penalised.

Mark Scheme

All questions in this unit are synoptic. Thus, in their responses, candidates are expected to demonstrate the connections between different aspects of the business studies specification. The synoptic unit, although having a specific range of topics, also requires candidates to refer to knowledge and techniques learned in earlier units. Analytical and evaluative responses that effectively integrate elements of the specification will be rewarded appropriately.

Synoptic content is incorporated into the mark scheme for each question.

1. Recommend a strategic plan which Sweeting and Lea Ltd could construct in order to achieve long term success in implementing either plan X or plan Y **40 marks**

Candidates may choose EITHER Plan X OR Plan Y

1 Relevant material would include:

Plan X:

takes 3 years: ARR is 6% pa: Lasts 4 years: costs £250 000: brings in £60 000.

Problems include:

- + timing and method of payment
- + distribution problems; pros and cons of an agent
- + competition from German firm
- + economic and political unreliability of some of the countries mentioned
- + possible trade restrictions and exchange rate problems
- + language and cultural problems
- + general problems of entering foreign markets

Synoptic approach could include:

- + effects on labour force and morale if the markets do not emerge (eg possible redundancies)
- + opportunity cost effect on finances if money has to be poured into marketing or there are problems caused by exchange rates, trade restrictions etc.
- + effects on organisation if M/D and marketing manager are absent a great deal on marketing missions
- + general problems and effects of risk in the light of unreliable market research
- + effect on existing customers and contracts

Plan Y:

takes 4 years: ARR 8% pa: lasts 5 years: costs £400 000: produces £160 000

Problems include:

- + little research or evidence of future orders
- + economic variables may change
- + need for new capital equipment, training and possibly recruitment
- + need to establish name in new markets
- + effects on existing customers and equipment: are they going to continue with current products?

Material could include:

- ÷ carry-out reliable market research, including existing competition
- ÷ obtain contracts, preferably long term and reliable
- ÷ carry-out DCF appraisal on new investment required
- ÷ construct manpower plan, including training and reorganisation of production in the light of research or contracts signed

Level 4: **29-40 marks**
Candidate makes recommendation after full evaluation of the problems

Level 3: **17-28 marks**
Candidate analyses the relevant factors

Level 2: **9-16 marks**
Candidate applies theory to the problem

Level 1: **1-8 marks**
Candidate identifies some relevant points or shows knowledge of relevant theory

Total 40 marks

2. **Maggie Gunter “felt reasonably pleased with her first year” in charge of Sweeting & Lea Ltd. Evaluate the results of the first year of her strategic plan for the company.**
40 marks

Relevant material would include:

Financial performance:

ratios and comments, including some of the following:

	1995	1996
R.O.C.E	0.64	0.45
Profit down, but capital old, so any return may seem exaggerated; new £25000 investment offsets this slightly		
Profit mark-up	0.27	0.28
No change, despite lower turnover; firm reported to be competitive, although market share falling, so has price changed? Elasticity of demand?		
Asset turnover	2.38	1.62
Lower turnover, although investment in assets has risen		
Current	0.76	1.56
Greatly improved, no longer negative working capital, mainly due to cash surplus and stock reductions; overdraft paid-off		
Acid test	0.39	1.22
Greatly improved, mainly due to cash accumulation		
Stock turnover	12.25 times	22.5 times
Astonishingly good for manufacturer, caused mainly by stock control Improvements		
Debtor days	29.8	24.33
Not a problem, anyway?		

Productive efficiency:

Stock control improved, but low at end of year – no buffer? Discount lost?
 Less w-i-p and finished goods – more efficient or few orders?

Human relations:

morale low; David Black resigned
 redundancies made – effect on morale as well as efficiency
 absentee MD; Theory Y approach in Briefing paper not borne out by subsequent events
 fear of work study
 no preparation for change in management style; relate to motivation/leadership theories.

Approach could include:

- ÷ Productive performance improved at the expense of low morale and alienation of David Black
- ÷ Money saved on stocks but possibly squandered on dubiously successful marketing activities
- ÷ Figures on waste and productivity not known; some points of plan may not have been achieved
- ÷ Management of change not carried-out well; some points achieved at the expense of others
- ÷ Work study not carried-out; still pending; effects on morale?
- ÷ Effects on consultation; despite briefing paper; effect on performance and motivation?

Level 4:

29-40 marks

Candidate makes sound evaluation of the problem

Level 3:

17-28 marks

Candidate produces sound analysis

Level 2:

9-16 marks

Candidate applies theory to the problem

Level 1:

1-8 marks

Candidate shows knowledge of relevant theory or identifies relevant factors

Total 40 marks

3. Analyse how a rise in interest rates in the UK accompanied by a fall in the rates of direct tax, could affect Sweeting & Lea Ltd's strategic plans and evaluate appropriate responses which the firm could make. **40 marks**

Relevant material would include:

Interest rates:

Cost of borrowing up

Possible pressure on wage demands and higher material costs

Effects on expansion plans, especially Plan Y and CAD if borrowing expensive or there is a downturn in economic activity

possible rise in exchange rate

Direct taxes:

less pressure on wages

more retained profit if Corporation Tax is reduced

more buoyant UK market – encourage Plan Y?

Firm's response

Depends on which of the two variables is stronger and the extent of the interest rate rise / tax rate fall; which direct taxes are involved?

Will economy rise or fall?

Postpone expansion or try to get fixed-rate loan or reschedule debt?

turn to Plan X, unless exchange rate moves unfavourably

reduce costs, e.g. more redundancies

can firm survive a recession – attitude of Northern Engineering important

Can firm take advantage of a rise in the domestic market?

Need for more R+D and promotion – at a cost

Level 4: **29-40 marks**

Candidate produces a coherent and convincing recommendation following logically from a sound evaluation of both elements

Level 3: **17-28 marks**

Candidates produces a sound analysis of both elements, analysing the contradiction between the two elements

Level 2: **9-16 marks**

Candidate applies knowledge of the appropriate areas of economic theory. There may be some realisation of the contradiction between the two elements.

Level 1: **1-8 marks**

Candidate shows knowledge of appropriate areas of theory and identifies relevant points.

Total 40 marks

Quality of Written Communication

Quality of Written Communication will be assessed in all questions. The assessment will take place for each candidate's script as a whole by means of the following criteria:

Level 4

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well-developed. There are few, if any, errors in spelling, punctuation and grammar. **6 marks**

Level 3

Candidate expresses moderately complex ideas clearly and answers are well-structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling. **4-5 marks**

Level 2

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments may be weakly presented. There may be some errors in grammar, punctuation and spelling. **2-3 marks**

Level 1

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation. **0-1 mark**

TOTAL 6 MARKS

Assessment Grid – Unit 6

Question	Assessment Objective 1	Assessment Objective 2	Assessment Objective 3	Assessment Objective 4	Quality of Language
1	8	8	12	12	
2	8	8	12	12	
3	8	8	12	12	
Total	24	24	36	36	6

Total for paper 120 marks plus 6 marks for Quality of Written Communication

N.B By the nature of corporate strategy and because of the need for synoptic assessment, some topics from earlier modules (e.g. accounting ratios, investment appraisals, stock control, leadership and motivation) are drawn upon in these questions, as well as some topics from module 6.

Order code: UA006980

© 2000 EDEXCEL Foundation

This publication may only be reproduced in accordance with Edexcel copyright policy.
Edexcel Foundation is a Registered charity.

For more information on Edexcel qualifications please contact our
Customer Response Centre on 020 7393 4500
or email: enquiries@edexcel.org.uk
or visit our website: www.edexcel.org.uk

Edexcel
Success through qualifications