

## **Business Studies**

Advanced GCE A2 7811

Advanced Subsidiary GCE AS 3811

### **Mark Schemes for the Units**

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**January 2007**

**3811/7811/MS/R/07J**

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### Advanced Subsidiary GCE Business Studies (3811)

#### MARK SCHEMES FOR THE UNITS

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**Mark Scheme 2871  
January 2007**

**General Marking Instruction**

- 1 The paper is to be marked to AS standard.
  - 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
  - 3 In assessing quantitative answers the "own figure rule" (OFR) must be applied, ie a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
  - 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
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    - (a) the clarity of the candidates' expression,
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are sound in the other regards
    - 0 where the clarity of the candidate's expression  
  
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OR the grammar, punctuation and spelling,  
are such as to detract from the quality of the answer.

- 1 Outline two ways in which technology might affect the operation of Steve's business. [4]

*The term 'technology' can be specific or generic but either must be linked to effect(s).*

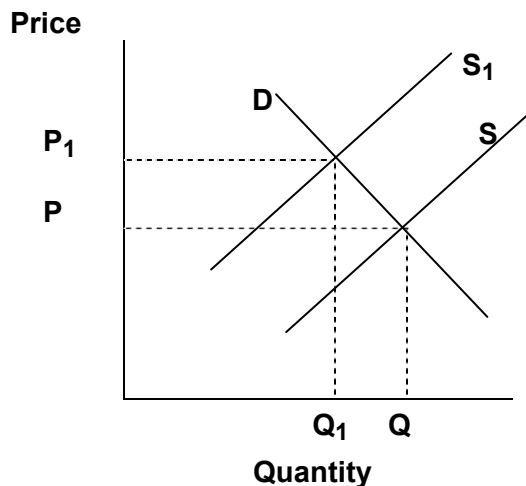
*ARA eg*

- *CCTV - will improve security*
- *Any fish and chip shop technology eg. fish and chip cutter to improve efficiency*
- *A computer to improve stock control or to keep staff records*
- *Internet – to aide marketing*
- *Purchase of technology will increase costs*
- *Technology will incur training costs*

<b>Level 2</b>	Effect(s) outlined.	(4-3)
<b>Level 1</b>	Knowledge of effect(s)/use(s) of technology on a business.	(2-1)

2 Analyse possible effects of the information in Fig. 1 on Steve's business. [9]

A diagram is not necessary to answer this question but it could be an obvious 'route in'.



Allow references to 'a total ban' or 'a reduction in the quota'.

The following are routes into the levels:

Level 1: accept answers along the lines of "the restrictions will cause supply to change/decrease".

Level 2: the effect on Steve's costs; "the (wholesale) price of cod will rise so Steve's costs will rise"

Level 3: the subsequent effect of the increase in Steve's costs

- He may have to supply less cod
- He may therefore, make less profit
- He may (have to) try to cut other costs to make the same amount of profit (NB Line 26 states "in most months he had made a loss")
- He may have to (try to) sell other fish instead, if customers will not pay an increased price
- The price paid by consumers for cod will rise so demand for cod in Steve's shop may fall
- Ditto "but people may still buy it because cod is popular/traditional"

Other possibilities:

- There may be little effect; all fish and chip shop retailers will presumably be affected by the cost increase. Candidates could also consider whether other fast food shops are (close) substitutes.
- The scientists may be proved wrong and/or the government does not lower quotas so therefore, there is no effect.
- If he does not sell much cod then a cost increase will have relatively little effect.

<b>Level 3</b>	Some analysis of effect(s) on Steve's business.	(9-8)
<b>Level 2</b>	Some application understanding of the issues.	(7-4)
<b>Level 1</b>	Knowledge of change in supply demonstrated.	(3-1)



**3 Other than through the imposition of quotas on commercial fishing, evaluate how the government might affect Steve's business. [14]**

*The specification makes reference to "the state as a consumer, provider, supporter and source of constraints" therefore accept references to these in any form.*

**Law**

*N.B. Candidates are NOT expected to have a detailed knowledge of the legislation.*

*Possibilities:*

- *Law relating to Health & Safety. Any breach here could result in criminal prosecution as well as a civil claim for damages. There is also Public Liability relating to customers on the premises.*
- *Contract law relating to Steve and his suppliers. Breaches of this will result in prosecution under Civil Law.*
- *Employment law. Allow reference to the 'standard' Acts ie Sex, Race, Disability Discrimination Acts when employing people.*
- *Law relating to consumers eg Sale of Goods Act, Food and Drugs Act and/or marketing of products eg Trade Descriptions Act. Any implications of the Data Protection Act etc.*
- *"Sole trader legislation" ie legally Steve is the business/unlimited liability etc.*

*Candidates will need to address the effect(s) legislation has on the business. What action(s) must Steve take to comply, what costs will be incurred. N.B. accept references to "EU government legislation" (eg Working Time Directive, Social Chapter, etc).*

**Taxation and public spending**

*Changes in income tax will affect Steve personally since this is the tax that a sole trader pays. The same is true of National Insurance. If income tax (or NI) rises: Steve "will be making less out of the business". He will also have less finance for reinvestment/expansion etc. Customers will have less disposable income. To what extent will purchases of fish and chips be affected? Vice versa, if there is an increase in VAT this will have the effect of increasing his costs. To what extent will purchases of fish and chips be affected?*

**Public spending for economic reasons**

*Rises/falls in public spending to counteract the economic cycle to assist businesses will increase/decrease economic activity. Candidates could consider the extent to which purchases of fish and chips be affected by the cycle.*

**Healthy eating campaigns**

*A healthy eating campaign may deter some people from eating fish and chips. If this is so there will be a negative effect on Steve's sales. It depends on the perception of 'healthy eating'. Are fish and chips 'healthy' or not?!*

**Effects of local government**

*Local government planning permission is mentioned. By allowing/not allowing further expansion of housing/business development in a certain area (say for environmental reasons) this is likely to affect Steve's revenue, profits, growth, etc. Changes in the business rate etc.*

<b>Level 4</b>	Some evaluation of the effect(s).eg from a weighting of the impact of different effects or from 'within' a particular group .	(14-11)
<b>Level 3</b>	Some analysis of effect(s) on Steve's business.	(10-7)
<b>Level 2</b>	Some application/understanding of the issues.	(6-4)
<b>Level 1</b>	Knowledge of government activity on businesses.	(3-1)

- 4 State two stakeholders who have benefited from the survival of Steve's business. [2]

*A stakeholder is a person/party who has an interest in the success of a business.*

- *Steve himself*
- *Steve's wife/Steve's family/Steve's children*
- *Customers*
- *"Local community"*
- *Employees*
- *Steve's bank*
- *Suppliers*
- *Central government*
- *Local government*

*Allow a mark for 'government'*

<b>Level 1</b>	2 x 1 mark	(2)
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**5 Steve has now identified two possible business objectives:**

- to break even at his current location;
- to achieve growth through the purchase of Gerry's shop.

**Discuss the appropriateness of these objectives for Steve's Business. [14]**

*Candidates could approach this question in a variety of ways: concentrate on one or the other and discuss appropriateness/they could contrast them and discuss appropriateness/they could give other objectives and discuss their appropriateness — eg a candidate might argue that if Steve wants to grow he could do it at his present shop (and in doing so also break even!).*

*Ideally, a business objective should be SMART (Specific, Measurable, Achievable, Relevant, Time limited) but there is no requirement to answer within this framework.*

**Break even in his current location**

*Steve has survived but is not an experienced businessman! It could therefore be argued that this is the more realistic and achievable objective especially as:*

- "Repeat business was growing." (line 78)
- Steve has 'a local monopoly' on fish and chip sales
- Presumably the school will sooner or later allow more pupils out at lunchtime - which in Steve's estimation would bring in about £500 pw
- The Wooton estate may still be given "the go ahead" - potential for sales
- These last two factors mean that he could 'grow organically' (the term does not have to be used) rather than by buying Gerry's shop.

**Achieve growth through the purchase of Gerry's shop**

*Is this 'too much too soon' and therefore an unrealistic objective? Also "achieve growth" is not very specific. However:*

- There is a chance to buy a well established shop with a strong customer base at a considerable discount (N.B. how reliable is "Steve's view ...that it was around £40,000 less than the business' true value"?)
- He has survived and managed (a series of unfortunate and difficult events!) and his confidence is high. This is important in a newly established sole trader - a pessimistic outlook is not conducive to an objective of growth.

**BUT**

- Has Steve (so early in his business career) the ability to finance and manage two shops? And although Gerry has "made plenty of money out of the place", presumably this was over a considerable number of years. Steve may not make "a fast buck".
- Would (ambitious) growth via purchasing Gerry's shop jeopardise "the path to personal success and financial security for his family" (line 10).

**Other issues**

- £4000 overdraft "right at the limit". This shows a cash flow problem (detailed knowledge not required on 2871). How might this affect the choice of objective?
- State of the economy — rising incomes and therefore increasing demand for fish & chips? How long is this likely to continue? How important is the state of the economy to this sort of business? Effect of interest rate changes — especially if another loan is taken out.

<b>Level 4</b>	Some evaluation of appropriateness of objective(s)	(14-11)
<b>Level 3</b>	Some analysis of issue(s) in context. eg implication(s) of following objective(s)	(10-7)
<b>Level 2</b>	Some application/understanding of issue(s).	(6-4)
<b>Level 1</b>	Knowledge recalled about nature/purpose of objectives.	(3-1)



**Mark Scheme 2872  
January 2007**

**General Marking instructions**

- 1 The paper is to be marked to AS standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
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and sound in the other regards.
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**1 Outline two ways that MFI has achieved its cost reduction programme. [4]**

- Any costs associated with closing the Hygena@Currys operation
- Reduced spending on marketing
- Cutting down on staffing
- Spending less on consultants
- Customers now bearing the cost of home delivery

<b>Level 2</b>	Types of cost reductions explained/applied to the business	4-3
<b>Level 1</b>	One or two types of cost reductions stated.	2-1

**2 a) Calculate the amount by which MFI could expect its sales from the kitchen market to increase between 2004 and 2009. [5]**

Expected value of kitchen market in 2009 £896.4 million [1]  
 Value of kitchen market in 2004 £847.7 million [1]  
 Increase £48.7 million [1]

MFI market share = 26%  
 £48.7m x 26% Process [1] = £12.662 million correct answer [1]

OR:

Process + correct answer:

Expected value of kitchen market in 2009 £896.4 million x 26% = £233.064m [1] + [1]  
 Value of kitchen market in 2004 £847.7 million x 26% = £220.402m [1] + [1]  
 Increase £12.662m [1] answer [1]

(Apply OFR as appropriate)

**b) Discuss the importance of the issues MFI needs to consider in order to maintain its market share in the kitchen market. [10]**

Ensure good quality of products – links with the other products that it sells  
 Issues related to marketing – market research, promotions, pricing  
 Ensure the supply chain is effective – build up a good reputation for efficient stock control and distribution/delivery  
 Consider the impact of charging for home delivery  
 Awareness of the impact of the competition – more than twice the size of its nearest rival  
 Awareness of the nature of the market its influences – if there is growth in new home building possible links with builders etc  
 The business also operates in other markets eg bedroom market – to what extent does this have an impact on its presence in the kitchen market?  
 Issues relating to how successful or not it is to link with complementary businesses

<b>Level 4</b>	Evaluation of the implications of the issues relating to maintaining market share and their relative importance.	10-9
<b>Level 3</b>	Analysis demonstrated by considering the implications the issues relating to market share used in context	8-5
<b>Level 2</b>	Understanding of concepts involved demonstrated	4-3
<b>Level 1</b>	Appropriate concepts and issues identified	2-1

**3 Discuss the human resource management implications of closing Hygena@Currys. [12]**

*Will depend on who the staff work for. At the most looking at about 3% of the workforce (400/12000). Assuming they work for MFI, can they be redeployed or will they have to be made redundant? Issues relating to loss of experienced staff, redundancy costs, retraining costs if staff are redeployed. On the other hand, possible savings on recruitment and training costs of new staff if these staff are used to fill gaps in the main part of the business.*

*Will this have an impact on the motivation of rest of the staff? Possibly less as these staff are not located in the main MFI stores. However, may create feelings of uncertainty in the rest of the workforce if they feel that one part of the business has failed or possible worry about their own job and roles if these staff are moved back into the stores. Implications for staff in other areas of the firm that service the Hygena@Currys operation. Will other areas of the business generate enough sales to keep all these staff in work? Consideration of timing - long and short terms effects.*

<b>Level 4</b>	Evaluation of the human resources management issues arising from this closure and their relative importance.	12-10
<b>Level 3</b>	Analysis demonstrated by considering the implications of the human resource management issues of this closure used in context.	9-7
<b>Level 2</b>	Understanding of concepts involved demonstrated.	6-4
<b>Level 1</b>	Appropriate concepts and issues identified.	3-1

**4 Evaluate the possible costs and benefits to MFI of improvements to its stock management systems. [12]**

*Benefits - The business felt the new system was essential. Some consideration of why this was the case. The new system links all aspects of the supply chain - giving the business more control of the stages in the production process. Marketing and customer services advantages of improving stock management and hence the delivery service to customers. Need to make sure the system can accommodate the increased levels of sales forecast.*

*Costs - How is it being financed? Have home delivery charges been put in place to pay for the new system? Did it involve recruiting and training new staff eg for the call centre or has it reduced the jobs needed? Problems putting the system into place. Home deliveries disrupted - implications for the reputation of the business and potential sales. Refunds and other costs of putting it right - these have reduced profits by up to £5.4m.*

<b>Level 4</b>	Evaluation of the cost and benefits of the new stock management system and their relative importance.	12-10
<b>Level 3</b>	Analysis demonstrated by considering the implications of the new system used in context.	9-7
<b>Level 2</b>	Understanding of theories involved is demonstrated.	6-4
<b>Level 1</b>	Appropriate concepts and issues identified.	3-1



**Mark Scheme 2873  
January 2007**

**General Marking Instructions**

- 1 The paper is to be marked to AS standard.
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- 1 (a) ECV is considering an investment project supplying vending machines to schools in the Stockport area (Lines 52-53).

- (i) Calculate the Payback period. [2]

2.5 years [2 marks]

Any answer suggesting the payback occurs during year 3 [1 mark]

- (ii) Calculate the Accounting Rate of Return (ARR). [4]

Total addition to net cash inflow = £540,000 - £200,000 = £340,000 [2]

Average addition to net cash inflow = £340,000/6 = £56,667 [1]

ARR =  $\frac{£56,667}{£200,000} * 100$  = 28.3% (Accept 28%) [1]

(Correct answer with no working out=full marks)

Alternative Method

Average addition to cash inflow = £540,000/6 = £90,000 [2]

ARR =  $\frac{£90,000}{£200,000} * 100$  = 45% [2]

(Correct answer with no working out=full marks)

- (b) To what extent are Investment Appraisal techniques (Payback and ARR) helpful to ECV in deciding whether or not to supply vending machines to schools? [10]

*Both payback and ARR are quantitative techniques to assess investment projects. In themselves they have shortcomings due to the way in which they are calculated. For example, neither looks at the returns from the project after the six-year period in question, whereas the contract for the local schools will hopefully last for much longer than that. They are also only as reliable as the data used, most of which will be based on estimates. ECV has no experience of the school-based vending machine market and so the predicted returns for the next six years are tenuous in the least.*

*There are however, many other non-quantitative factors that could affect the risk of this project. The fact that most schools currently have vending machines from well known branded companies means that ECV will face strong, powerful competition if they try to enter this market. Mars and Coca-Cola are not going to "lie down" and accept this relatively small newcomer into their market. Also, the current pressure to improve healthy eating may be a short-lived fad, or the students themselves refuse to accept the "healthy option". Both of these factors will also affect the reliability of ECV's estimated returns for the project.*

*The current suppliers of vending machines are also offering free or heavily subsidised machines. ECV are not. This will again, affect the attractiveness of ECV's machines for the local schools. Who is going to pay the difference?*

*Ultimately, it can be argued that risk can never be removed; only minimised. Payback and ARR are just one part of the decision-making process and should be used as such. Candidates could argue that in this case, because payback and ARR are so favourable, the above qualitative factors are less relevant and so the risk is much smaller. There is however, a danger that a wrong decision is made due to the pressure from the other senior managers, who we are told are enthusiastic to proceed.*

**OFRIARA**

<b>Level 4</b>	Some evaluation shown by supporting any judgement made about whether investment appraisal techniques will be suitable particularly for ECV.	(10-9)
<b>Level 3</b>	Some analysis shown of the usefulness of ARR/Payback for ECV in identifying the least risky option.	(8-6)
<b>Level 2</b>	Some understanding shown of how investment appraisal techniques can be used to assist in decision-making.	(5-4)
<b>Level 1</b>	Some knowledge of investment appraisal techniques.	(3-1)

- 2** **“...we could try to carry out some market research to help us identify specific trends about snack demands in different types of business.” (Lines 40-41). Evaluate appropriate methods of market research that ECV might use. (16)**

*Candidates may discuss any methods of market research from all of those available. However, it is important that they are sensible and relevant to a company such as ECV.*

Primary:

Questionnaires. *ECV could ask to carry out its own research in a sample of the businesses that use ECV's vending machines. Designing a questionnaire to find out what trends exist should not be too difficult, although it would be important to think about sampling methodology. It will of course be time consuming and as ECV is quite a small company it may be relevant to question whether they have the necessary time to do this.*

Interviewing. *Similar to questionnaires but even more time consuming. Will the client firms want their employees work patterns and efficiency interrupted by people asking them questions about what they would like in their vending machine? It may create increased expectations for those employees, although the research may not affect what appears in that particular client's vending machine at all. It is very unlikely that ECV could carry out the necessary number of interviews in sufficient client firms themselves. They would probably have to employ a market research company which would make the procedure much more costly.*

Focus Groups. *This would remove the need to go into clients' businesses. By simply selecting a small number of people (usually off the street), as long as the sample is appropriate, it is possible to get reliable insights into what different workers want from a vending machine. Again, due to the skills required of the researcher, it is likely that ECV would need to bring in outside help, although this method is likely to work out cheaper than the previous two suggestions.*

Secondary:

Published research. Both Peter and Jacqui seem to be aware of recently published research into vending machines. It would be sensible to try and obtain the original research results from the company that carried out the research. Although this is likely to cost a significant amount of money, the research would contain much relevant and specific detail that could reduce the need for ECV to do their own primary research.

Other relevant research data. Companies such as Mintel or BMRB are constantly carrying out research that may be freely available or available for a fee. This may be less specific than the data quoted by Peter and Jacqui but could be useful at little overall cost to ECV. Peter wants his sales team to work more closely with branded suppliers such as Nescafe and Kenco over the next year. Maybe these companies have some research of their own that ECV could tap into.

ECV's own sales records. It may be possible for Jacqui to identify patterns from what previous clients in different locations have demanded. As ECV supply the contents for refilling all the machines that they have provided they should know what different clients have used the most of.

Consideration needs to be made of the relative advantages and disadvantages between primary and secondary research with specific reference to the context facing ECV. Primary research will be much more expensive and time consuming for ECV, although the resulting data will be much more relevant and specific to ECV'S needs (assuming that the primary research is carried out successfully).

<b>Level 4</b>	Some evaluation shown by assessing the most appropriate methods that ECV could use and why they would, or would not, work in this specific context.	(16-13)
<b>Level 3</b>	Some analysis of specific method(s) of market research that would be appropriate to ECV, engaging with the contextual information available.	(12-9)
<b>Level 2</b>	Some understanding shown of how market research method(s) help to identify demand patterns.	(8-5)
<b>Level 1</b>	Some knowledge of method(s) of market research.	(4-1)

- 3) Nima Kumar has proposed that ECV should pay a bonus to all workers if there are no accidents over a three month period.

To what extent is this proposal likely to be effective in reducing accidents? [16]

*The fact that Nima has now suggested a policy of paying bonuses on top of Ken's comment about the cost of Stephanie's course being better spent on bonuses suggests that there is a feeling among the senior management at ECV that giving money to the workers is the way to solve problems. If this is the prevailing culture at ECV, Stephanie may find it difficult to get her own way. Any change in company policy needs to be supported from the top of the organisation.*

*Stephanie is keen to make changes to company policy to improve the accident rate. However, she appears to face some resistance to her proposals. Stephanie wrote the memo two months ago, asking for an urgent meeting with the senior managers. However, at the time when this case study is set, late November 2006, she has still heard nothing. Also, the fact that Stephanie had to fight to get approval from Ken, the Finance Manager, to go on the course suggests that safety is not seen as a priority by him. The actual cost of the course is minimal when compared to the actual and potential costs that the accidents create.*

*The cost of introducing policies to reduce accidents will be substantial, (not just the actual costs but also opportunity costs) and candidates may consider that paying the bonuses will be cheaper in the short-run. Given that profit margins are low and the company is looking to increase them, there will be pressure to reduce costs in the short-term.*

*However, ECV has a legal obligation to protect its workforce and third parties. It is blatantly not doing this at the moment and so a failure to rectify identified shortcomings in the accident rate could lead to severe financial penalties and may impact on ECV's reputation. For example, the accident in September where a potential client was injured when having a tour of the warehouse may have led to it not getting any business from him/her.*

*There appears to be no real safety training or policies in place. Looking at the types of accidents mentioned in Table 1 they are mainly caused by obvious things such as poor training (over stacked pallets, poorly stacked containers, poor lifting technique), poor workplace discipline (playing with fire extinguishers) and poor supervision (falling over tools left out). Even more worryingly, the cause of recent accidents with the new conveyor belt implies that no training took place, with employees expected to read safety manuals.*

*Ultimately, the payment of bonuses will not address the cause of the problems concerning safety at ECV. The most significant being the lack of a safety culture and the lack of urgency or even interest amongst senior managers to do something 'real' about the problem.*

<b>Level 4</b>	Some evaluation shown by concentrating on the extent to which bonuses will or will not work for ECV.	(16-13)
<b>Level 3</b>	Some analysis of whether bonuses would help in reducing the accident rate at ECV and/or other methods available.	(12-9)
<b>Level 2</b>	Some understanding shown of how a bonus may reduce accidents.	(8-5)
<b>Level 1</b>	Some knowledge of bonuses and/or other motivational methods.	(4-1)

4) Discuss how ECV might improve its operational efficiency. [10]

*Operational efficiency could be implied to mean many things, but in general is concerned with how ECV carry out their business in terms of time, manpower and ultimately cost.*

*Dealing with the health and safety issues already mentioned could improve operational efficiency. The impact of accidents on absenteeism and motivation will lead to poor operational efficiency.*

*The only quantitative data that we have for ECV about operational efficiency is found in Table 2 where we are given the average repair time of vending machines at ECV compared to an industry benchmark. There is clear evidence that ECV's repair time was better than industry standard until the middle of 2004. There is mention that machinery is outdated and this may have been a contributory factor in the steady decline in repair time seen. An obvious solution to this would be to invest in new machinery. However, can ECV afford this given its recent investment in the new operations centre with its teething problems?*

*What is very clear from Table 2 is how repair time has drastically got worse since the opening of the new operations centre at the start of 2006. The average repair time at ECV is now over three times as long as the industry standard at a time when this standard is gradually improving. Without a significant improvement ECV will find its competitiveness is seriously harmed.*

*A major concern about the operations centre is its layout. It would appear that no thought has been put into how the work of the two departments - warehouse and maintenance - have to work together. Obvious problems include:*

- *All deliveries in and out have to come through the maintenance area to get to the main entrance. This will mean that the engineers are interrupted/distracted in their work. They may also have to keep moving things out of the way.*
- *The location of the maintenance office reduces the width of the main access route in and out of the warehouse area. The office would be better placed at the top or bottom of the plan.*
- *Storage of non-chilled items in the warehouse is at critical locations, either too near to the conveyor belt or reducing access routes where space is already tight.*
- *The ends of the conveyor belt (presumably the busiest points) are located by the entrance to the canteen and the main path of goods in and out. This could be improved by turning the conveyor belt around by 90 degrees.*

*Given the unwillingness of senior managers to deal with the health and safety issue are they going to be prepared to deal with this issue? Is there a danger that they will put the problems down to "teething issues" when in fact a significant change to the operations centre layout is needed. This will require an explicit or implicit admission of failure by the managers involved in the original layout's design.*

<b>Level 4</b>	Some evaluation shown by assessing the likelihood of suggested methods actually working in the context of ECV.	(10-9)
<b>Level 3</b>	Some analysis of methods to improve operational efficiency at ECV, with specific reference to the context available.	(8-6)
<b>Level 2</b>	Some understanding shown of ways in which operational efficiency can be improved.	(5-4)
<b>Level 1</b>	Some knowledge of what operational efficiency is and/or the problems faced as a result of poor operational efficiency.	(3-1)





**Mark Scheme 2874  
January 2007**

**General Marking Instructions**

- 1 The paper is to be marked to A2 standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- 3 In assessing quantitative answers "the own figure rule" (OFR) must be applied, ie a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- 4 Candidates should be regarded as achieving the highest level of response, which accurately describes their answer. They do not necessarily pass through all lower levels of response.
- 5 Sections in bold refer to possible issues/content that the candidate might use. These are neither exhaustive nor necessarily required.
- 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
  - (a) the clarity of the candidates' expression
  - (b) the structure and presentation of ideas
  - (c) their grammar, punctuation and spelling
- 2 where the demonstration of communication is as good as could be expected under time constrained examination conditions
- 1 where the candidate's demonstration of communication is good in terms of clarity of expression  
OR structure and presentation of ideas  
OR the grammar, punctuation and spelling  
and sound in the other regards.
- 0 where the clarity of the candidate's expression  
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are such as to detract from the quality of the answer.

- 1 (a) Analyse the benefits of a website in the promotion of the services provided by TGS. [6]

*Many possible answers. The web site can provide a visual image including moving pictures, video etc. On the negative side, the web site is 'simple' and will not allow ordering etc. The site must be maintained etc.*

<b>Level 3</b>	Analysis of the effectiveness of the website as shown in the text.	(6-5)
<b>Level 2</b>	Application and/or understanding of a website.	(4-3)
<b>Level 1</b>	Identification of the advantages of a website.	(2-1)

- (b) (i) Using Table 1, calculate the final price quoted to the customer wanting the major landscaping work (Quote Three). [4]

*Calculation:*

*Labour*  $2 \times £140 \times 15 = £4200$  (1)

*Material:*  $£4000 + 20\% = £4800$  (2)

*Total:*  $£4200 + £4800 = £9000$  (1)

- (ii) Evaluate different ways that Paul could set prices for the services provided by TGS. [16]

*Several pricing methods available to Paul dependent on the type of work, the nature of the customers etc. Should Paul consider a degree of price discrimination? Does Paul need to rely on a structured approach or can he price in an ad hoc way? Better answers may well focus on the effectiveness of particular methods in the context.*

<b>Level 4</b>	Evaluation of pricing factors/methods in relation to TGS.	(16-10)
<b>Level 3</b>	Analysis of the method(s)/factor(s) in the context.	(9-6)
<b>Level 2</b>	Application/Understanding of the method(s)/factor(s).	(5-3)
<b>Level 1</b>	Identification of pricing method(s).	(2-1)

- 2 (a) Analyse how Paul can ensure that he keeps sampling error to a minimum when carrying out market research? [6]

*Sampling error is the extent to which the sample chosen is representative of the 'population' from which it is drawn. Paul must try to ensure that the sample used in the market research is as representative of the likely population as it can be. This may be achieved by carefully considering what the characteristics of the population might be and making sure that as many of these are included as possible. There are issues of sample size. Better candidates will consider what the research is and the purpose for which it is being gathered.*

<b>Level 3</b>	Analysis of sampling error in the context.	(6-5)
<b>Level 2</b>	Application/understanding of sampling error.	(4-3)
<b>Level 1</b>	Knowledge of sampling error/sampling	(2-1)

- (b) **Recommend and justify a market research strategy for gathering the information for the proposed TGS/BG link.** [10]

*A typical market research strategy will consider the objectives of the research, who to ask, what to ask, cost, timescale etc in the context of the proposed link. Discussion about questionnaire design, types of question and a strong consideration of desk/field-primary/secondary factors will also help to raise the discussion. Better answers will develop the ideas into a coordinated strategy to include the timeframe and cost.*

<b>Level 4</b>	Evaluation of the strategy in the context	(10-9)
<b>Level 3</b>	Analysis of elements of the strategy in the context	(8-6)
<b>Level 2</b>	Application/understanding of market research	(5-3)
<b>Level 1</b>	Some knowledge of market research.	(2-1)

- (c) **Develop and justify a suitable marketing plan for TGS.** [16]

*Marketing planning involves an assessment of the present situation, the setting of marketing objectives, and some discussion of the marketing mix, with a follow up to monitor results and to adjust the plan. Aspects of the plan may well include trying to illustrate the gaps in the market, the type, size and location of the market, an assessment of competition etc. Paul may well need to look at different plans for different ideas. Better candidates will try to determine the marketing objectives and some indication of the current position related to Paul.*

<b>Level 4</b>	Evaluation of the marketing plan in the context	(16-10)
<b>Level 3</b>	Analysis of the plan/ aspects of the plan, in the context	(9-6)
<b>Level 2</b>	Application/understanding of the elements of a marketing plan	(5-3)
<b>Level 1</b>	Identification of the aspects of a marketing plan	(2-1)

**Mark Scheme 2875  
January 2007**

**General Marking Instructions**

- 1 The paper is to be marked to A2 standard.
- 2 Marking should be positive: marks should not be subtracted for errors or inaccuracies.
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- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
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  - (b) the structure and presentation of ideas
  - (c) the grammar, punctuation and spelling.
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  - 1 where the candidate's demonstration of communication is good in terms of clarity of expression  
OR structure and presentation of ideas  
OR the grammar, punctuation and spelling  
and sound in the other regards.
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OR the grammar, punctuation and spelling, are such as to detract from the quality of the answer.

- 1 (a) (i) Calculate the budgeted gross profit target set by Head Office for the 12 week period for the Dreamwater Hotel. [4]

*Sales revenue at full capacity per night = 60 @ £80 = £4800*

*40% occupancy target generates a nightly revenue of= £1920 [2]*

*Therefore for 12 weeks = £161280 [1]*

*Gross profit margin = 45%*

*Therefore gross profit = £72576 [1]*

*Correct answer alone gains [4]*

*Method marks eg gross profit margin = Gross profit / turnover can be awarded up to [2]*

*Numerical accuracy up to [2]*

- (ii) Analyse two possible reasons why the Dreamwater hotel was below the gross profit target set by Head Office. [6]

*The shortfall was caused by two factors namely revenue down because of lower occupancy rates and direct costs higher. The situation can be analysed as follows*

	<i>Budget</i>	<i>Actual</i>
<i>Revenue</i>	<i>161280</i>	<i>100800</i>
<i>Cost of Sales</i>	<i>88704</i>	<i>60000</i>

*Although cost of sales appear lower than budgeted target this was because volume of customers was down. If 45% gross profit margin had been achieved then cost of sales should have been £55440. Thus sales not as profitable as should have been.*

<b>Level 3</b>	Candidate analyses causes with reference to data	(6-5)
<b>Level 2</b>	Candidate applies understanding of concepts [variance] to context of case	(4-3)
<b>Level 1</b>	Candidate shows knowledge of variance analysis	(2-1)

- (b) Assess the usefulness of profit centre analysis in helping the management of the Dreamwater Hotel in making decisions. [10]

*Cost centres are a way of allocating costs to specific areas of a businesses activities. They are useful in identifying where money is being spent. If allied to profit centres then the revenue generating nature of the activity can also be identified and hence its value to the business as a whole can be better assessed. Therefore management become better informed. They can better assess factors like staffing levels in the bar and restaurant. If no disaggregating is done then it is difficult for management to exercise any real financial control. Given the losses being made by the business at certain times of the year it is clearly essential that better cost control is implemented.*

<b>Level 4</b>	Candidate demonstrates evaluative skills when assessing the usefulness of the technique probably by weighing up the advantages and dangers of the approach.	(10-9)
<b>Level 3</b>	Candidate demonstrates analytical skills when considering the technique considering how the measures would benefit the business.	(8-6)
<b>Level 2</b>	Candidate explains the technique in context of the hotel and its management.	(5-3)
<b>Level 1</b>	Candidate shows knowledge of the concepts of cost and profit centres.	(2-1)

- (c) Using both qualitative and quantitative information evaluate the proposal to hold theme weekends at the Dreamwater Hotel. [16]

*The quantitative data shown can be analysed as follows:*

60 @ £150 = £9000  
 Cost of Sales = £4200  
 Contribution = £4800  
 Overheads = £3000  
 Net profit = £1800

*This is per theme weekend and 6 planned. Thus profit = £10800*

*This assumes full occupancy.*

*Breakeven number needed per event = £3000/£80 = 37.5*

*This represents 62.5% capacity.*

*Thus clear possibility that this might not be achieved.*

*Furthermore if no theme weekend, guests would be in the hotel paying a higher rate without the need for the extra overheads.*

*Financial data not entirely conclusive but on balance the potential for profit exists.*

*Qualitative comments might include reference to the following points:*

*Good for cash flow / good publicity for the hotel / might encourage future visits / in off season hotel 75% under-utilised / good marketing tactic. However, no market research and hence no evidence of potential market / product might not suit needs of market segment / take-up might be low and events might have to run at loss or be cancelled. On balance concept seems good - low capital outlay / positive move towards tackling losses / might convince head office that hotel worth investing in.*

<b>Level 4</b>	Candidate evaluates the information and uses it to generate a reasoned conclusion.	(16-10)
<b>Level 3</b>	Candidate analyses the information and processes it so that issues become clearer.	(9-6)
<b>Level 2</b>	Candidate discusses the issues in context.	(5-3)
<b>Level 1</b>	Candidate shows knowledge of some of the relevant issues.	(2-1)

- 2 (a) Analyse the accuracy of the statement "profit equals guess work, while cash is fact". [6]

*Profit is the accounting surplus remaining after all allocated costs have been deducted from declared sales. This calculation is different from cash because it ignores whether sales are for cash or on credit and also whether costs have been paid for or indeed are simply imputed. Thus in the case of this hotel the budgeted profit clearly may not occur and on the P/L statement for the 3 months costs like depreciation do not represent cash movements.*

<b>Level 3</b>	Analysis of the statement assessing the reasons for the difference between cash and profit.	(6-5)
<b>Level 2</b>	Candidate shows some understanding of the reasons that explain the differences.	(4-3)
<b>Level 1</b>	Candidate shows knowledge of difference between cash and profit.	(2-1)



- (b) Discuss the value to the management at Head Office of setting financial targets for the hotels in its group such as the Dreamwater. [16]

*Target setting is part of the management technique of management by objectives. This involves setting clear goals against which performance can be assessed. It is generally thought that targets should be specific, measurable and time specific [often referred to as SMART]. The advantages are that management are driven forward to meet their goals often encouraged by financial rewards or threatened by action for failure. For a large organisation such targets are necessary as a means of exerting management control. They also represent a method of two way communication within the business. In the case of Dreamwater hotel it would appear that the management was somewhat amateurish and lacking in attention to detail and depth. The performance was also poor and clearly no parent company can allow this to continue indefinitely. The downside can be that if targets are unrealistic they can be demotivating and can often involve middle managers in excessive administration. They can also generate stress for those asked to achieve the unachievable. Evaluation will involve considering the pros and cons of the strategy applied to the case in order to come to a balanced and reasoned conclusion.*

<b>Level 4</b>	Candidate demonstrates evaluative understanding of the issues.	(16-10)
<b>Level 3</b>	Candidate analyses the technique and investigates its approach and methodology.	(9-6)
<b>Level 2</b>	Candidate demonstrates an understanding of the technique in context.	(5-3)
<b>Level 1</b>	Candidate shows knowledge of technique.	(2-1)



**Mark Scheme 2876  
January 2007**

**General Marking Instructions**

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- 4 Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily pass through all lower levels of response.
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- 6 Up to 2 marks will be awarded for quality of written communication, which in this context refers to:
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  - (c) the grammar, punctuation and spelling.
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OR structure and presentation of ideas,  
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0 where the clarity of the candidate's expression,  
OR structure and presentation of ideas,  
OR the grammar, punctuation and spelling, are such as to detract from the quality of the answer.

- 1 (a) (i) **Freddie hoped that his outworkers could earn the equivalent hourly rate to his workers formerly employed at the industrial unit.**

**Calculate the payment per cracker required to achieve this. [4 marks]**

*£2880 divided by 12 = £240.00 (1) divided by 40 hours = £6.00 (1)*

*If the best worker can make 120 crackers per hour*

*£6.00 divided by 120 crackers (1) = £0.05 per cracker (1)*

**For correct answer with no workings - 4 marks. OFR may apply.**

- (ii) **Analyse two possible human resource implications to FKCL of paying the outworkers by performance rather than hourly rates. [6 marks]**

*It would depend upon the type of performance related payment method.*

*However, at the moment it can be calculated that the workers are in receipt of £6.00 per hour. This is more than minimum wage, but still not a high wage.*

*We are not told in the case study about wages in the local area, but we are told that the business is located in a rural area where wages are usually lower. It could be inferred that the workers would strive to produce more products to earn more money, but there may be negative implications on quality of products as quality may be sacrificed in order to make more money. The case study does tell us that there were problems with the quality of production at the industrial unit and that this caused friction between Freddie and those workers. Similar problems may occur with his outworkers.*

*The wages bill for FKCL may increase but this may be offset by an increase in quantity of products produced. At certain times this may enable the business to generate more revenue from sales, particularly at busy times (ie the run up to Christmas). However, if there is any pronounced downturn in orders at any time, as may be the case with this type of business, increased levels of production may not be beneficial and outworkers may have to be laid off or given reduced quantities of work. This might mean that some of the outworkers may become even less motivated and even more unreliable. Some may quit, in which case Freddie will have the time, effort and expense of trying to recruit more outworkers.*

<b>Level 3</b>	Candidate demonstrates analytical skills when considering the implications of payment by performance for workers at FKCL's industrial unit.	(6-5)
<b>Level 2</b>	Candidate demonstrates the ability to apply knowledge to a consideration of the implications of introducing performance related methods in a business.	(4-3)
<b>Level 1</b>	Candidate demonstrates theoretical knowledge of performance related payment methods only.	(2-1)

- (b) Evaluate Freddie's decision to cease production at the industrial unit and use outworkers. [16 marks]

*From FKCL's point of view there will obviously be a cost saving and also a change in the method of operating. However, the company may get a bad reputation locally, both as a potential employer and maybe with customers.*

*Several of the workers being made redundant may have been with the company right from the start and will qualify for redundancy payments. However, labour turnover figures given in the case study might indicate that this may not be a big problem, or even a problem at all, as labour turnover figures are high.*

*There is also the consideration as to whether the redundancies are actually legitimate as the jobs are not really disappearing. The company is merely seeking to replace workers at the industrial unit with outworkers. It could be argued that the work is the same, the jobs are not being phased out and therefore the company is in breach of relevant legal protection offered to workers placed in such a predicament. This may involve FKCL in various legal actions, which may cost time and money.*

*The aggrieved former employees may decide to take some form of industrial action against FKCL as recently seen with Gate Gourmet and previously with Timex, Magnet and Southern etc.*

*Another obvious consequence is that it will allow Freddie to go ahead with his plan to outsource production and achieve the various benefits which he envisages from the change.*

	Candidate demonstrates evaluative skills when considering the possible consequences of Freddie's decision to make workers at the industrial unit redundant.	(16-10)
<b>Level 3</b>	Candidate demonstrates analytical skills when considering the possible consequences of Freddie's decision to make workers at the industrial unit redundant.	(9-6)
<b>Level 2</b>	Candidate demonstrates the ability to apply knowledge to issues relating to redundancy.	(5-3)
<b>Level 1</b>	Candidate offers theoretical knowledge of redundancy issues only.	(2-1)

- (c) To what extent might the specialisation of tasks affect levels of motivation at FKCL.

[10 marks]

*The case study tells us that the workers at the industrial unit find their jobs boring and mundane as a result of the specialised/production line approach with specific tasks allocated by Freddie.*

*Simple, repetitive work may make the workers dissatisfied/demotivated - hence a link to Herzberg's assertions.*

*It may also mean that there is little social interaction and so the workers become alienated - hence a link to elements of Maslow's hierarchy.*

*The case study also raises issues relating to quality problems. This could arise because the workers feel unchallenged, bored etc and take little pride in their work.*

*There is little empowerment and more able workers have little to motivate them.*

*However, such an approach does enable workers to become very efficient, and less able workers may get some basic satisfaction from being able to perform their*

*element of the cracker making process consistently well. If workers had been able to rotate between jobs/tasks, the case study does indicate that the workers at the*

*industrial unit have been trained in all aspects of the companies various products,*

*that would mean that motivational levels would not necessarily be low. However, without job rotation workers might be extremely bored and this might be one reason*

*why labour turnover levels are so high and why outworkers feel alienated. The problem might also be attributed to outworkers who, whilst they make the whole product are only allocated to one specific type of product.*

*However, if workers are paid by performance, it might give them the opportunity to earn more money by being particularly good/fast at their allocated task.*

<b>Level 4</b>	Candidate demonstrates evaluative skills when considering the potential impact of specialisation on levels of motivation at FKCL.	(10-9)
<b>Level 3</b>	Candidate demonstrates analytical skills when considering the potential impact of specialisation on levels of motivation at FKCL.	(8-6)
<b>Level 2</b>	Candidate demonstrates the ability to apply knowledge of motivational issues to a business.	(5-3)
<b>Level 1</b>	Candidate offers theoretical knowledge relating to motivation only	(2-1)

- 2 (a) Analyse the potential impact on training at FKCL now that outworkers have been employed. [6 marks]

*Freddie will need to train the new warehouse staff who are based at the industrial unit which was formerly used for production. Ideally, he should also give them some induction training. This will take time for Freddie to organise and deliver, time which he might be using to focus on other aspects of the business. He will also need to give some basic training to his newly recruited van driver.*

*More significantly, Freddie would have needed to train all his outworkers to have the same sort of skills to those needed by his former employees at the industrial unit when it was used for production. The case study tells us that these 12 employees received one weeks training to learn the necessary skills. It could, therefore, be safely assumed that the newly recruited outworkers would have none of these skills and would need to be trained. As these outworkers are going to be working in their own homes, as opposed to a centralised workplace, it would be more difficult for Freddie to organise training for them. He would either have to get them all together to deliver the training, or train them individually. In both cases, to greater or lesser degrees, this would be time consuming to organise and deliver, and would add to Freddie's costs.*

*This would also delay the initial production of crackers and would probably add to the cost of waste materials whilst people were being trained. This would be an added opportunity cost due to using outworkers rather than workers at the industrial unit.*

<b>Level 3</b>	Candidate demonstrates analytical skills when considering the potential impact on training at FKCL.	(6-5)
<b>Level 2</b>	Candidate demonstrates the ability to apply knowledge relating to training new workers at FKCL.	(4-3)
<b>Level 1</b>	Candidate offers relevant theoretical knowledge only.	(2-1)



- (b) Evaluate methods Freddie could use to enhance the performance of employees at FKCL. [16 marks]

*The case study indicates that there are several grievances/problems beginning to emerge with KFCL's outworkers. Firstly, there is some discontent over the repetitive nature of the specific tasks being currently allocated to the two different categories of outworkers. In order to enhance levels of performance and reduce the repetitive nature of the particular tasks it would be possible for both groups to work on all the different types of products rather than specific ones, provided that they are able and/or are trained to do so. The variety of tasks may encourage the outworkers to work more hours and/or enjoy a wider variety of tasks.*

*The outworkers have collectively expressed some concern over the amount of time they have to work in relation to the payment they currently receive, bearing in mind that they are currently being paid by performance. It may be necessary for Freddie to increase the amount paid and/or revise the actual formula/method he currently uses to reward the performance of the outworkers. He could also encourage outworkers to work together/work in groups to ensure more social contact, encourage a more competitive working atmosphere. He could possibly organise get togethers/social functions to give the outworkers a greater feeling of belonging and lessen the degree of alienation/isolation that some of them might be feeling. He also may need to find more effective ways of communicating with them to overcome the problems with delivery of materials, collection of finished products, and a better way of monitoring when they are working, how much work they do.*

*There is obviously no right answer but better candidates should be expected to be able to come up with meaningful alternatives within the context of the case study.*

<b>Level 4</b>	Candidate demonstrates evaluative skills when considering appropriate methods Freddie could utilise to enhance levels of performance amongst the outworkers.	(16-10)
<b>Level 3</b>	Candidate demonstrates analytical skills when considering appropriate methods Freddie could use to enhance levels of performance amongst the outworkers.	(9-6)
<b>Level 2</b>	Candidate demonstrates the ability to apply knowledge of outsourcing to a business.	(5-3)
<b>Level 1</b>	Candidate offers theoretical knowledge only.	(2-1)



**Mark Scheme 2877  
January 2007**

**General Marking Instructions**

- 1 The paper is to be marked to A2 standard.
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OR structure and presentation of ideas,  
OR the grammar, punctuation and spelling,  
and sound in the other regards,
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- 1 (a) Analyse two operational problems of team working in a business like NCC. [6 marks]

- Success depends on whether members of the team get on well
- Teams must be empowered – how much control will be delegated
- Too many unproductive meetings
- Although people can specialise in what they are best at the team might not have all the necessary skills to work at optimum efficiency.
- The team is only as efficient as the least productive worker in the group.
- In NCC it may be difficult maintaining quality across all the three teams.
- Having teams means NCC will have to have duplicate sets of resources, tools, machines etc. for each of the cells.

<b>Level 3</b>	For analysing the operational problems of team working in a small business like NCC.	(6-5)
<b>Level 2</b>	For demonstrating an understanding of there may be operational problems of team working in a small business like NCC. If the answer is not in context but shows a clear understanding of the issues involved, then mark at the lower end of this level.	(4-3)
<b>Level 1</b>	For knowledge of the operational problems of team working in a small business like NCC.	(2-1)

- (b) Refer to table 1. Currently NCC makes 3000 Disco alarm clocks per month at a cost of £5.10 per unit.

Calculate the annual cost saving to NCC of outsourcing production of the clock to Shining Star. [4 marks]

$$\begin{aligned} \text{Cost for 3000 units} &= £5700 + (3000 * £2.20 = £ 6600 \text{ (1 mark)})/3000 \\ &= £ 4.10 & [1] \\ \text{Savings per month} &= £1 * 3000 & = £ 3000 & [1] \\ \text{Annual savings} &= £3000 * 12 & = £36000 & [1] \\ & & \text{For the correct answer of £36000} & [4] \end{aligned}$$

- (c) Evaluate the implications to NCC of “sub-contracting production to a wide range of small businesses in the Far East, mainly China”. (line 57-58) 16 marks

The advantages of out sourcing production to China are that:

- the company is on a better financial footing – its survival may have been under threat due to the problems of the year 2001;
- the significant cost savings exemplified above should increase the profitability of the firm;
- there should be few problems with quality and delivery as the suppliers have been good so far.

However, there also could be problems such as:

- an unfavourable movement in the exchange rate – raising the price;
- problems of meeting delivery times eg if there are distribution difficulties;
- quality issues;
- lead times would be longer;
- language problems – misunderstandings over orders, designs etc;
- demotivating effect on staff of having to make many workers redundant.

There may be other relevant points made by the candidate.

<b>Level 4</b>	For evaluating the benefits of NCC of sub-contracting all the manufacturing of its products to a wide range of small businesses in the Far East, mainly China.	(16-10)
<b>Level 3</b>	For analysing the benefits to NCC of sub-contracting all the manufacturing of its products to a wide range of small business in the Far East, mainly China.	(9-6)
<b>Level 2</b>	For demonstrating an understanding of benefits to NCC of sub-contracting all the manufacturing of its products to a wide range of small businesses in the Far East, mainly China.	(5-3)
<b>Level 1</b>	For knowledge of the benefits to NCC of sub-contracting all the manufacturing of its products to a wide range of small businesses in the Far East, mainly China.	(2-1)

**2 (a) Analyse the implications to NCC of carrying out regular work-study investigations. [6 marks]**

Work-study investigates the best possible way to use a business's resources. It is divided into two elements – work measurement and method study.

- *Can identify the optimum way of carrying out tasks at NCC*
- *Can see if the factory layout could be improved*
- *Can find ways of minimising effort and reducing fatigue in the assembly plant*
- *Can improve the use of labour and machines*
- *Can measure the time it takes to do a job therefore can plan production schedules accurately – may help if orders have to be met*
- *Candidates might also comment that work study might have negative implications for NCC eg workers might be suspicious as to why NCC is carrying out the study – may feel their jobs are threatened.*

<b>Level 3</b>	For analysing the benefits to NCC of carrying out regular work-study investigations.	(6-5)
<b>Level 2</b>	For demonstrating an understanding of the benefits to NCC of carrying out regular work-study investigations.	(4-3)
<b>Level 1</b>	For knowledge of the benefits to NCC for carrying out regular work-study investigations.	(2-1)

**(b) Discuss the operational advantages and disadvantages to NCC of having its own design team to develop new product ranges. [10 marks]**

- *The design team can come up with design ideas for new products that are appropriate for the local market. The merchandising ideas will usually come from films/TV in the local market or from the USA*
- *Designs can more easily be tested out*
- *Lead times should be shorter*
- *It is good for the company's image*
- *Should help with employee motivation – staff can satisfy their higher order needs of self-esteem and self-actualisation, being able to carry a project through to fruition*
- *The Design team can liaise with production over technical issues. This should lead to fewer problems in manufacturing and also products should be designed to suit the resources/production methods at NCC.*

*However*

- *Design and research is expensive – it would be a significant overhead expense for business*
- *There is no guarantee that products designed will sell well*
- *The productivity of a design team is difficult to measure – it is hard for NCC to know if they are getting value for money*
- *The design is for products – not processes. That is in the hands of the sub-contractor to look for better ways of producing the products*

**Reward other relevant responses.**

<b>Level 4</b>	For evaluating the operational advantages to NCC of having its own design team to develop its new product ranges.	(10-9)
<b>Level 3</b>	For analysing the operational advantages to NCC of having its own design team to develop its new product ranges.	(8-6)
<b>Level 2</b>	For demonstrating the operational advantages to NCC of having its own design team to develop its new product ranges. If the answer is not in context but shows a clear understanding of the issues involved, then mark at the lower end of this level.	(5-3)
<b>Level 1</b>	For knowledge of the operational advantages to NCC of having its own design team to develop its new product ranges.	(2-1)

**(c) Evaluate the implications to NCC of having to hold large quantities of stocks. [16 marks]**

- *Businesses prefer to minimise stock holdings because it is costly. Candidates may mention opportunity cost*
- *There is the high cost of storage and also the various administrative costs such as insurance, processing, handling and checking*
- *There may be significant costs if demand for the goods stocked changes eg seasonal demand for products. If anticipated demand fails to materialise eg from a new film/TV production then stock may be left unsold with the problems this creates*
- *There could be issues of security – there is always the possibility of theft*
- *However, stocks of finished goods have to be held by NCC because there may be an increase in demand eg an order from a customer*

- *Goods may take a long time to be delivered from China due to the distance and the lead-time to produce extra orders*
- *If they hold lower levels of stock, NCC might have to place more orders and the costs per item might increase as a result*
- *If lower stocks are held then customers orders may not be met with the consequent loss of reputation for NCC and customers might go elsewhere.*

<b>Level 4</b>	For evaluating the implications to NCC of having to hold large quantities of frequently changing stocks of finished products.	(16-10)
<b>Level 3</b>	For analysing the implications to NCC of having to hold large quantities of frequently changing stocks of finished products.	(9-6)
<b>Level 2</b>	For demonstrating an understanding of the implications to NCC of having to hold large quantities of frequently changing stocks of finished products. If the answer is not in context but shows a clear understanding of the issues involved, then mark at the lower end of this level.	(5-3)
<b>Level 1</b>	For knowledge of the implications to NCC of having to hold large quantities of frequently changing stocks of finished products.	(2-1)



**Mark Scheme 2879  
January 2007**

## Marking Strategy

This module is assessed by applying the criteria designed for the Business Project. In those criteria a levels of response strategy is used but it is fundamentally different from levels as used in other units. In this component and in 2878 the four statements in each criterion are levels of excellence of the same skill. Level 4 represents the best that we can reasonably expect in the time available and not perfection. Level 1 represents the least rewardable achievement.

In using the criteria:

- (a) **The whole work should be read before deciding on any level for any criterion.**  
It is possible to meet the requirements of each criterion at any point in the work and it is the total achievement which must be assessed.
- (b) The approach must be **positive** working from the top down in each case. The object is to define the highest statement which fits the work the candidate has presented.
- (c) It is sufficient that a given level is identified once. Any further demonstrations of that level simply serve to increase the mark awarded within the band.
- (d) There are no right conclusions to the report, what we look for is sufficient use of evidence in logical support of a stated conclusion, recommendation or strategy.
- (e) There are many routes through the report and it is sufficient that the route chosen could be supported by evidence in the case.
- (f) There are 90 marks available for the report and the plan together. These marks will be awarded by reference to the detailed criteria found on pages 45-49 of the OCR Business Studies specification. These criteria enable distinct features of the whole work to be assessed.
- (g) All discussion and use of theory should be within the context of the case and in relation to the risk and reward problem posed. Candidates are expected to focus on their perceptions of the factor(s) which they see as most relevant to the question posed but their line of argument must lead to an answer to that question.

### **Criterion 1: The skill with which the problem has been explained in context (5 marks)**

*This criterion requires the candidate to define, explain and discuss the problem and the choices available. Parameters within which the problem is presented and aspects of it measured, should be explained and justified. The candidate should show that there is a problem to be solved and present the context in which it needs solution. In this examination the context is strategies for survival and the features of the present position of the business which might impinge upon the problem or the solution selected.*

<b>Level 4</b>	The nature of the problem is well demonstrated, the need to solve it clear and the context is well developed.	(4-5)
<b>Level 3</b>	The quality of the presentation of the problem is sufficient to enable the development of a solution strategy.	(3)
<b>Level 2</b>	The presentation might make it difficult to develop a solution.	(2)
<b>Level 1</b>	There is an attempt to define or explain the problem.	(1)

### Assessing the Plan

The plan has four requirements and is capable of satisfying criterion 1 completely (5 marks available). The definition of the problem and aspects of its context which explain the need for solution satisfy this criterion.

If there is no plan at all or if it fails to address tasks 1 (i) or 1 (ii) then the mark awarded from criterion 1 should be **zero**. A plan which shows a clear perception of the problem and a context which is well explained should gain **five marks**.

### Criterion 2: The skill with which appropriate and realistic objectives have been set and used (10 marks)

*This criterion requires the candidate to set objectives for the investigation as a whole and for distinct stages of it. Once these are set and their realism established they should provide the framework within which the research will take place. The success of the investigation should also be assessed by comparing actual achievements with the intended outcomes.*

<b>Level 4</b>	The objectives set are appropriate to the investigation and have been used as a framework of the report and to evaluate outcomes.	(8-10)
<b>Level 3</b>	Good use has been made of objectives but there are some limitations to their effectiveness or to the candidate's use of them.	(5-7)
<b>Level 2</b>	Either the overall use of objectives is below average or good objectives have been set but not used.	(3-4)
<b>Level 1</b>	There is some evidence of attempts to make, explain, or refer to objectives.	( 1-2)

The objectives have to relate to the answering of the question set as the title of the report. They should be listed in the plan together with any assumptions related to them and relevant to the work undertaken. If not in the plan objectives can be rewarded in the report itself. Objectives which are merely listed and play no further part in the report can **only satisfy level 2**. To reach higher levels there must be some use of the objectives in the body of the report and/or in the concluding stages of the work. The fact that there is no list of objectives does not preclude reward under this criterion provided that there is evidence in the report of an objective based approach.

Normally, it is expected that level 2 will have been satisfied in the plan and that higher levels will be evidenced in the report.

**Criterion 3: Evidence of appropriate Research Methods****(10 marks)**

*This criterion requires the candidate to give careful thought to the nature of the problem, the purpose of the research, the data available and the form in which it is best collated. Candidates should refer to research undertaken and the methodology involved, where it is relevant to the problem and the choices being considered.*

<b>Level 4</b>	A method of approach has been selected and effectively justified in the context of the problem and its potential solutions.	(8-10)
<b>Level 3</b>	The approach is good but there is a weakness in it which is not crucial but which should have been avoided.	(5-7)
<b>Level 2</b>	There are sufficient weaknesses in the method or its use, to make the solution of the problem difficult.	(3-4)
<b>Level 1</b>	There is some attempt to develop and apply a method.	(1-2)

Rewardable effort to meet this criterion is to be found in the way the candidate collates evidence. The majority of that evidence should come from the case itself and need not be fully spelt out provided it is being accurately and contextually presented. This criterion should be applied in the knowledge that candidates may sensibly adopt an approach or a focus which sees one or two aspects of the situation as more relevant than others. The extent to which candidates must use external information is not great but such use must be of value to the line of argument adopted and certainly more than mere presentation.

**Criterion 4: Evidence of Appropriate Primary and Secondary Research****(10 marks)**

*This criterion looks at the evidence collected and the justification for doing so. Sufficient primary research will be expected but it should be supplemented by appropriate secondary research including specialist reading around the theme of 'coping with seasonality'. Candidates are recommended to make good use of the Internet as a source and to have collected their evidence in a form likely to facilitate analysis and evaluation as the basis of solution. Data is presented in the case which is not necessarily relevant to the issue being considered and candidates are expected to select effectively. The evidence presented should be a balance of that collected in preparatory work and that selected from the case.*

<b>Level 4</b>	Evidence collected is balanced, appropriate, sufficient and in a usable form. It is collated in ways which will make analysis and evaluation effective.	(8-10)
<b>Level 3</b>	The evidence is sufficient to enable analysis and evaluation but there are non-crucial weaknesses.	(5-7)
<b>Level 2</b>	The quality and/or sufficiency of the evidence collected is likely to make analysis and evaluation unrealistic or difficult.	(3-4)
<b>Level 1</b>	Evidence has been collated.	(1-2)

We are most concerned with the appropriateness, quality, sufficiency and balance of the evidence used for the line of argument adopted. In judging sufficiency factors like critical awareness of the context and the evidence offered in the case should be rewarded. We should also bear in mind that the time constraint in the examination does not permit the treatment of a large amount of evidence.

**Criterion 5: Evidence of collection, understanding and use of appropriate Business Studies Knowledge (15 marks)**

*This criterion requires that the candidate has selected from subject knowledge, concepts which are appropriate to risk and reward and to the choices available. Theories or techniques should be critically explained, justified in their selection and effectively used. This use may be in methodology, the collection, collation and presentation of evidence or in its analysis and evaluation. It is expected that the candidates will draw and use knowledge from across the specification and not limit themselves to highly specialised areas.*

**Knowledge which, though correctly explained or presented, has not been used, will not be rewarded.** The knowledge used in compiling the report should relate to the case and the approach adopted.

<b>Level 4</b>	There is evidence of good explanation and use of knowledge consistent throughout the report.	(12-15)
<b>Level 3</b>	Opportunities for the use of knowledge have not been consistently taken and/or understanding and application have been occasionally unclear.	(7 -11)
<b>Level 2</b>	Understanding and/or application are consistently flawed or subject based support is lacking in significant areas of the work.	(3-6)
<b>Level 1</b>	There is evidence of application and/or use of relevant subject knowledge.	(1-2)

**Criterion 6: Selectivity, Analysis and Synthesis (15 marks)**

*This criterion assesses the candidate's ability to turn data into evidence, to reject some which will not be relevant, to draw some together (synthesis) and to break other bits down and interpret them (analysis). It looks at the selection of methods of presentation and their appropriateness for the data collected and the use to be made of it. It may become clear that some evidence is weak and candidates who show understanding of this and evaluate the consequences will be credited. Candidates should be using the data which they consider relevant both from the case and from their preparatory studies.*

<b>Level 4</b>	Evidence is appropriately presented and considered forming a good basis for decisions or for strategy development.	(12-15)
<b>Level 3</b>	The overall handling is good but there is a non-crucial weakness.	(7-11)
<b>Level 2</b>	Skills shown will give a basis for some limited evaluation.	(3-6)
<b>Level 1</b>	Some analysis can be identified.	(1-2)

**Criterion 7: Evaluation, Recommendation or Strategy Development****(15 marks)**

*This criterion looks for ability to make logical and reasoned judgements and to select and justify best solutions. Evaluation may be shown at all stages of the work eg in developing criteria for explaining and presenting the problem, in determining a method of approach or in deciding which Business Studies ideas to use. We do not look for 'right answers' but we do expect that any judgements made will also be supported by reference to evidence and to logical argument. We also expect that candidates will evaluate in the light of their own objectives and will show understanding of the limitations placed on their findings by weaknesses at earlier stages in the report. The candidates must also show awareness of the extent to which any strategies or recommendations are realistic in business terms, and appropriate to the problem the business faces and the solutions available.*

<b>Level 4</b>	Reasoning and logic are of a high standard throughout the work. There is clear evidence of critical awareness in the recommendations.	(12-15)
<b>Level 3</b>	Good in the main but some non-crucial opportunities to show evaluation or critical skills have been missed.	(7 -11)
<b>Level 2</b>	Judgements made and critical awareness shown are weak in at least one crucial aspect of the report.	(3-6)
<b>Level 1</b>	There is evidence of attempts to support judgement.	( 1-2)

**Criterion 8: Presentation****(5 marks)**

*The report is meant to be well structured and easy to read. This criterion gives credit for features which add to the cohesion and readability of the report. This includes such aspects as, work sectioned into paragraphs, diagrams correctly labelled and explained, statistics and other data sourced and quotations attributed. This criterion is not concerned with communication skills but it is concerned with the effective use of specialist subject language and diagrammatic or graphical presentations.*

There is a specific demand for a report. Candidates should be aware of the structural nature of a report and be able to write in that format. Those who write in essay form are limited to a maximum mark of 2 and, in most instances, 1.

<b>Level 4</b>	The report is excellent or good in nearly all presentational aspects.	(4-5)
<b>Level 3</b>	The standard is acceptable but there are some weaknesses.	(3)
<b>Level 2</b>	The standard detracts from the readability of the work.	(2)
<b>Level 1</b>	There is some evidence of an attempt to develop structure.	(1)

**Criterion 9: Written Communication Skills****(5 marks)**

*This criterion is concerned with the ability of candidates to use the English language effectively. It relates to clarity of expression, the structure and presentation of ideas, grammar, punctuation and spelling. **The standard required is not as demanding as that for the Business Project because the candidate is under the time and other pressures of a closed examination.***

<b>Level 4</b>	Communication skills are consistently good throughout the report.	(4-5)
<b>Level 3</b>	The overall standard of written communication is acceptable.	(3)
<b>Level 2</b>	The standard of written communication is acceptable in some respects.	(2)
<b>Level 1</b>	There is some evidence of written communication skills.	(1)

**General**

It is expected that a comment (up to three sentences) will be written at the end of all scripts marked. The purpose is to highlight the strengths and/or weaknesses of each script.





**Mark Scheme 2880  
January 2007**

**General Marking Instructions**

- The paper is to be marked to A2 standard.
- Marking should be positive; marks should not be subtracted for errors or inaccuracies.
- Candidates should be regarded as achieving the highest level of response which accurately describes their answer. They do not necessarily have to pass through all lower levels of response.
- In assessing quantitative answers the “own figure rule” (OFR) must be applied, ie a candidate must be given credit for calculations which, though wrong, are consistent with an earlier error.
- Materials in italics below refer to possible issues/content that candidates might use. These suggestions are neither exhaustive nor necessarily required.
- The emphasis throughout this paper should be upon the integration of the material learnt and the context described within the stimulus material. Candidates are expected to treat both in a synoptic manner, considering situations from a variety of perspectives rather than a series of discrete issues by adopting a holistic/multi-disciplinary approach.
- Up to 4 marks will be awarded for Quality of Written Communication, QWC, which in this context refers to:
  - The clarity of the candidate’s expression
  - The structure and presentation of ideas
  - The grammar, punctuation and spelling.

Marks will be awarded as follows:

- 4 where the demonstration of communication is as good as could be expected under time constrained examination conditions.
- 3 where the candidate’s demonstration of communication is good in terms of clarity of expression  
or structure and presentation of ideas  
or grammar, punctuation and spelling  
and sound in other regards.
- 2 where the candidate’s demonstration of communication is sound
- 1 where the clarity of the candidate’s expression  
or structure and presentation of ideas  
or grammar, punctuation and spelling  
are such as to detract from the quality of the answer.
- 0 where the demonstration of communication generally detracts from the quality of the answer.

## Question 1

To what extent are DMW's 2008 objectives realistic?

[18]

*Objectives not consistent across key players*

- *Mary (Chair) 10% ROE, £2.50 EPS and returning as much cash to the shareholders as possible*
- *Rupert (MD) revenues rising by 5% and profits by 7.5%*
- *Alison – conservatories*
- *Minseh – Stet*

*Without goal congruence achieving any objective will be difficult. 2006 year,*

$$\text{ROE} = 64,117 / 698,334 * 100\% = 9.18\% \text{ (also accept } 11.4\%, 11.7\%)$$

$$\text{EPS} = 64,117 / 25,000 = £2.56$$

*To achieve 10% ROE, np has to rise by 8.8%*

*To boost np DMW will either have to increase sales at current margins or to increase margins. But, sales are increasingly difficult to find due to maturation of the market. Further, a boost to margins will be difficult given the industry structure. So, Mary's objectives look unlikely.*

*However, returning cash to shareholders does look likely if DMW relocate, site is worth £400,000/75%= £533,333, or £21.33 per share. But, is it realistic to relocate purely to release cash given the employees' possible hostility to it. N.B. Employees are a major source of competitive position and as such DMW cannot afford to lose them in significant numbers.*

*From Pie charts revenues rose on average 3.55% pa between 1995 and 2000 and 1.99% pa between 2000 and 2006 (and 2.9% between 1995 and 2006). Hence, average sales are below target and the growth in sales is declining. So, 5% growth looks optimistic. For profits to rise 7.5% on the back of 5% sales then margins have to improve. However, a gain in gross profit would mean a rise in net profits if indirect costs do not rise Again, how realistic is this in the current climate? Candidates may well discuss the performance of the UK economy across this time period to contextualise DMW's performance.*

*Shareholders. No one shareholder holds a majority and thus cannot force through a particular view. Rather, shareholders have to work in collaboration. Indeed, Rupert as MD can be outvoted. But as major shareholder he and Alison can combine to achieve a majority and so set the objectives for the firm. That said, if Alison can gain the support of other family members she can set the objectives. But, if that happens Rupert might then walk away, so family members might feel they have to support him.*

<b>Level 4</b>	Discussion is evaluative in balancing different possibilities.	(18-13)
<b>Level 3</b>	Case material is subject to analysis in discussing realism of objectives.	(12-8)
<b>Level 2</b>	Describes DMW's ability to met its objectives.	(7-4)
<b>Level 1</b>	Demonstrates knowledge of objectives.	(3-1)

**Question 2**

**Evaluate how the strategic direction of DMW might be affected by increasingly stringent Health and Safety legislation. [19]**

*The question requires a consideration of what DMW does in the face of legislation, not merely how the law might impact upon DMW. Good answers will do this. As such the question is about strategic response to an external change.*

*First, DMW need to audit whether the firm is complaint with any new legislation. If the firm is already compliant then it can be argued that the firm need do nothing and as such there is no impact, stet.*

*If the firm is non-complaint need to assess the costs of compliance. This includes staff training and equipment as well as setting up systems to show compliance. If costs are modest then the firm may simply carry on as it is and accept the increase in cost. As law applies to all firms then theoretically all firms will face the same cost uplift and so unlikely to disturb relative competitive positions. But, rests on enforcement, so expect candidate reference to the press article. Article implies an effective enforcement regime and so acts as an incentive to comply. N.B. Law can impose fines, compliance orders and prohibition orders. Also, consider employee reaction. If employees are aware of the new law they may well demand compliance simply because it is they who are at risk. This, rather than HSE supervision may cause reaction.*

*The case focuses on working at height, but answers need not be limited to this. An increased cost supports the case for Alision's argument to exit the soffit market. Expect reference to Table 1. But analysis shows soffits make a contribution of £7,133 hence using this evidence as reason to exit the market is spurious. Of course, it depends on what the additional costs are and what happens to the indirect costs, as well. But, because of the height of soffits, gutters etc. compliance with legislation would fall most heavily on this aspect of the business. Fine of £5,000 is nearly 10% of post tax profit and as such is material. Might HSE press for a larger fine on DMW because they are a larger business? If so, cost of non-compliance is higher.*

*Might legislation be the final burden on DMW in the soffit/gutters market? Figure 1, 2 and Table 1 show this is a declining market. Further, lowest margins because of the competitive position within this market (low added value, low barriers to entry, lots of competition). But, according to Minseh, does generate other business.*

*Major source of competitive position comes from regional reputation, so the cost of non-compliance is significant because it could tarnish that hard won reputation. The difference between DMW and other firms is not the windows (these are bought in as manufactured units) rather it is the customers experience (enquiry, quote, fitting). As such DMW cannot afford to gain a reputation as being outside the law. Hence, reinforces the idea of leaving the soffit market rather than accept increasing costs.*

<b>Level 4</b>	A view of direction(s) is reasoned explicitly in context.	(19-14)
<b>Level 3</b>	Discussion of direction(s) is supported by analysis of case material	(13-9)
<b>Level 2</b>	Describes possible impact(s) of H&S legislation.	(8-5)
<b>Level 1</b>	Identifies ways legislation impact(s) on strategy	(4-1)

## Question 3

The summer holiday for London Road Primary School is six weeks.

Should DMW bid for the London Road Primary School contract? Justify your view. [19]

*N.B. CPA is not a requirement, but it does offer a route into the question.*

		<i>est</i>	<i>eft</i>	<i>lst</i>	<i>lft</i>	<i>tf</i>	<i>ff</i>
<b>a</b>	4	0	4	2	6	2	0
<b>b</b>	6	0	6	0	6	0	0
<b>c</b>	8	4	12	6	14	2	0
<b>d</b>	5	6	11	6	11	0	0
<b>e</b>	0	11	11	14	14	3	2
<b>f</b>	15	12	27	14	29	2	2
<b>g</b>	12	11	23	11	23	0	0
<b>h</b>	6	23	29	23	29	0	0

*Analysis of the network shows it should be completed in 29 days, ie 1 day spare (critical activities are B, D, G, H). But, six weeks is 42 days if weekends are included, so if prepared to paywork overtime than there's plenty of time.*

*GPM is 25% on a £80,000 contract, so gross profit is forecast to be £20,000. With a £5,000 daily fine means if there is a delay of 4 days or more then the venture becomes loss making. Four days represents a 13.8% overrun – how likely is this to happen? GPM on usual jobs is 22%, so this job is more attractive than the usual run of the mill work that DMW do (GPM of other work is windows 29.8%, Doors 22.0%, Soffits 6.4% and Conservatories 1.64%). So, this is a more profitable market (can ignore overheads and other costs as they are not specific to this contact and as such, don't change). A one day overrun reduces the GPM to 18.8%, so the issue rests on how likely the project is to be completed on time. Reward system seems to focus on cash incentives, so possibly offer fitting crews a bonus if the job comes in on time. If accept a 22% gpm then that bonus could be as much as £2,400 and still make the contract as attractive as regular work.*

*Go for the contract, increased efficiency because of the higher GPM. Foothold in a new market, possibility of future orders in a market DMW don't yet tap into. We're told its growing and there is government money being invested in schools. Focus on what DMW do best – fitting replacement windows - so reduces risk for the firm. Further, guaranteed work for 60% of capacity for 6 weeks. But, might have to turn away regular domestic work, so assess the opportunity cost. (LRPS gp/ week is £3,333, compares to £4,715 for regular work, so actually not that great).*

*Don't bid. No risk of alienating domestic market, if assets are at LRPS then can't do regular work. Is DMW's reputation sufficiently robust that customers will wait for them or would business be lost to other competitors.*

*In essence, the issue boils down to “..so it depends on.....”*

- *how confident DMW are that there won't be an overrun,*
- *what markets they want to be in.*

<b>Level 4</b>	Discussion is balanced in evaluating recommendation	(19-14)
<b>Level 3</b>	Analyses case material in support of recommendation	(13-9)
<b>Level 2</b>	Recommendation is supported by descriptive use of the material	(8-5)
<b>Level 1</b>	Offers a view without support	(4-1)

**Question 4**

**Discuss the extent to which different stakeholders might be able to influence DMW's relocation decision. [20]**

*DMW's site is mainly for storage of equipment and vehicles, administration etc. N.B. the display area is 16% of the current site. Is a display area needed, particularly now with more focus on conservatories? So, first need to establish what the site needs to deliver vis-à-vis show room. If DMW pull out of soffits etc then the need for a show room declines. This makes the decision dependent upon what the firm is going to do in the future. As such, managers will have a significant influence.*

*Shareholders. Site value £400,000, but reckoned to be undervalued by 25%, so value £533,333 (accept £500,000) DMW ROCE 8.2% and ROE 9.2%, so sell site and invest this money into the more productive assets to grow the business. Alternatively, distribute the capital to the owners. So, good candidates will ask whether the capital investment in the site is delivering a respectable return which should exceed its opportunity cost. But, if sell the site then reduce the asset value of the business, so need to think about shareholder reaction/objectives. Do they want the cash now or are they happy to sit tight and watch the site value appreciate? Hence, influence depends upon the needs of the shareholders. We only know of three (Rupert, Alison and Mary). So, if others want cash then they'll seek to ensure a move happens. With 36% of the shares they have influence, assuming of course they all feel the same! Relocate means swapping a non-rent option for on-going rent. Also, removes from DMW a degree of control over their future. Sign a lease now, but what then happens in the future? Might rents rise, so meaning increased costs or the need to start searching for another new site? Move causes several one off increases in menu costs, promotional literature, stationery, moving etc. Capital released would pay the rent at Pound road rent for 14 years, 23.3 years at Cheery Tree Farm.*

*Customers may not care too much if they can still access the firm. N.B. Once an enquiry has been made, possibly over the phone, the firm comes to customer rather than the other way around and as such where the firm is based is not material. Does a good position near the station actually lead to any "passing" business? Given the nature of the product it's not exactly an impulse purchase so media profile is arguably more important than physical location, so customers exert little influence.*

*Employees' reaction is implied as being negative. Is this normal resistance to change or real? Why might employees not want to move? Pound Road is walking distance so that can't be a major issue. Also, site is a base not a place of work for the fitting crews. So, is the resistance down to how to get there or might bit just be a ploy to extract more reward from DMW knowing they are in a strong bargaining position with the business. But if employees are genuinely resistant then they can exert real influence depending upon the unanimity amongst them. The more united they appear to management the greater the influence they will have.*

<b>Level 4</b>	Achieves an overall view having evaluated different stakeholders	(20-15)
<b>Level 3</b>	Analysis of material supports discussion of stakeholders	(14-9)
<b>Level 2</b>	Applies stakeholders to the situation, describing how they might be able to exert influence.	(8-4)
<b>Level 1</b>	Offers knowledge of stakeholders	(3-1)



**Advanced GCE Business Studies  
January 2007 Assessment Series**

**Unit Threshold Marks**

Unit		Maximum Mark	a	b	c	d	e	u
2871	Raw	45	34	31	28	25	23	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	27	24	22	20	18	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	40	36	32	29	26	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	36	33	30	27	24	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	40	36	32	28	24	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	39	35	32	29	26	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	37	33	29	25	22	0
	UMS	90	72	63	54	45	36	0
2878	Raw	90	72	63	54	46	38	0
	UMS	90	72	63	54	45	36	0
2879	Raw	90	68	62	57	52	47	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	58	52	47	42	37	0
	UMS	120	96	84	72	60	48	0

**Specification Aggregation Results**

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
3811	300	240	210	180	150	120	0
7811	600	480	420	360	300	240	0



The cumulative percentage of candidates awarded each grade was as follows:

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>U</b>	<b>Total Number of Candidates</b>
<b>3811</b>	6.7	28.5	53.2	79.0	96.3	100	282
<b>7811</b>	10.5	38.6	59.6	78.9	94.7	100	61

For a description of how UMS marks are calculated see;  
[http://www.ocr.org.uk/exam\\_system/understand\\_ums.html](http://www.ocr.org.uk/exam_system/understand_ums.html)

Statistics are correct at the time of publication

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