

**Oxford Cambridge and RSA Examinations
Advanced Subsidiary GCE**

BUSINESS STUDIES
BUSINESSES, THEIR OBJECTIVES AND ENVIRONMENT

2871

MARK SCHEME

Specimen Paper for June 2003

General

- 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, i.e. 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
OR the structure and presentation of ideas
OR the grammar, punctuation and spelling
are such as to detract from the quality of the answer.

MARK SCHEME

1 State the nature of the market growth in UK passengers as shown in Figure 1. [2]

*It has risen/gone up/upward trend etc.
 Candidates could also make reference to absolute (3%) or relative (60% i.e. from 5 to 8) changes.
 Consideration of time period e.g. “risen over the 5 years”.
 “Not as much as U.S.”
 Etc.*

Level 1	Statement(s) about the data.	(1-2)
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2 The holiday industry is in the tertiary sector of the economy. Giving an example of each, identify the other two sectors of business activity. [4]

*Primary – extractive industries: farming, fishing, mining.
 Secondary – manufacture or construction*

N.B. Allow any appropriate example of an actual business engaged in either sector.

Level 2	Exemplifies sector(s) through activity or actual firm.	(3-4)
Level 1	Other sector(s) identified without example(s)	(1-2)

3 Analyse Carousel’s likely objectives in its proposed take over of R & R. [9]

It would prevent the merger and would thus ‘strangle at birth’ a potential rival. (“RCC, as the merged company is provisionally known, would leapfrog Carousel to become the biggest operator measured by number of berths. That is not a slot Carousel will give up lightly” Lines 5-7)

It will then have access to R&R’s destinations so its market share (and presumably profit) can grow.

If trends are maintained (see Figure 1 & lines 17-21) there could be considerable scope for a larger company to increase profit levels especially in the light of:

Economies of scale; *(the term does **not** have to be used) accept implicit reference to these e.g. “bulk buying”, “better financial deals for raising capital and for in-port services”, “the larger company can buy in the best managers”, “the risk is spread” etc.*

Some assets at R&R could be undervalued. *It may be Carousel’s intention to ‘asset strip’ with the objective of a quick profit.*

“Empire building” by senior executives at Carousel; they may want extra power and prestige.

Level 3	Some analysis of likely objective(s) in context.	(8-9)
Level 2	Some application of likely objective(s) in context.	(4-7)
Level 1	Knowledge recalled about business objective(s)/take-overs.	(1-3)

4 Discuss the main influences on the operation of R & R.

[14]

The question centres on sections 1 and/or 5 and/or 6 of the specification. To reach the highest level of the mark scheme candidates could consider the relative importance of the influences.

Section 1 “What businesses need”

N.B. an in-depth knowledge of these is not required on 2871. (Adequate) Finance, (Motivated) Labour, (Satisfied) Customers, (Reliable) Suppliers etc.

These could be of course put in the context of meeting the needs of its stakeholders.

Section 5 “The economy”

The position of the economy on the business cycle – and therefore consumer spending on products such as cruises. Figure 1 could certainly be used here. Tastes & preferences affecting demand – there seems to be a growing demand for cruises so R&R will have to order more ships.

Effects of government fiscal policy, Bank of England monetary policy, the exchange rate etc. Changes in the nature of the market e.g. behaviour of rivals are clearly important. If Carousel (say) cut price how do P&O respond?

Section 6 “Other influences”

Other influences such as technological change affecting costs etc. Demographic factors affecting demand. Adherence to the relevant legislation e.g. Health & Safety, Trade Description Act. Are there any ethical considerations that may be relevant e.g. the way crew and suppliers are treated? Shock events like “September 11th” may cause holidays to be cancelled.

Level 4	Some evaluation concerning the impact of the influences in context.	(11-14)
Level 3	Some analysis of the influences in context.	(7-10)
Level 2	Some application of the influences in context.	(4-6)
Level 1	Knowledge recalled about factors influencing business operations.	(1-3)

5 Evaluate how the stakeholders in R&R may be affected by the proposed take-over by Carousel.

[14]

As the question asks for evaluation, hopefully candidates will approach it from a “to what extent” and/or “who will benefit most” perspective. Some possibilities include:

Employees – *The concern may be lost of jobs due to rationalisation (the term does not have to be used) and therefore income. On the other hand will wages and conditions improve as the business is now larger and more secure?*

Shareholders – *The concern is with share process and dividends. Presumably Carousel will have to ‘make it worth their while’ (Line 8-9) in which case they would benefit from the take-over. Share prices may rise in expectation of this. The longer-term prospects depend on the actions the new company takes and whether current trends persist. How long can the sort of growth in Figure 1 go on for?*

Customers – *Will there be any effect? Will there be new / better holidays? Will any cost savings be passes on in terms of lower prices?*

Suppliers – More secure? Or less so? – they are now facing a very powerful business that could adopt a ‘take it or leave it’ approach to purchases and payments. Will they still be used at all?

Level 4	Some evaluation concerning the impact on R&R stakeholders.	(11-14)
Level 3	Some analysis of the impact of the merger on R&R's stakeholders.	(7-10)
Level 2	Some application of the issues in context.	(4-6)
Level 1	Knowledge recalled about stakeholder(s)/take-overs.	(1-3)

