

Mark Scheme (Results)

Summer 2012

GCE Business Studies (6BS04)
Paper 01

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Marks may be awarded for any correct responses, not just the indicative answers which appear on the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- The requirement to define business terms is implicit within the questions and marks are awarded for this.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Quality of written communication will be assessed in Section B, Question 7a & 7b. The mark scheme for this question will indicate which strands of Quality of Written Communication are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear;
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter;
 - iii) Organise information clearly and coherently, using specialist vocabulary where appropriate.

Unit 4A: Making Business Decisions

Question Number	Question	Mark
1.	What is meant by the term competitive advantage ?	
	Answer	Mark
	<p>Knowledge up to 2</p> <ul style="list-style-type: none"> • A characteristic of the business product/service/process (1 mark) that differentiates it positively making it distinctive and defensible from the competition/rivals (1 mark) • Gives customer value for money (1 mark) – e.g. ‘cost leadership’ (1 mark); ‘differentiation’ (1 mark) • The ‘Toyota Way’ (1 mark) as an example of specific characteristic <p>Note: 1 mark for partial or vague definition (but a valid example lifts to 2 marks). Any valid extension or plausible application to the context demonstrating understanding will also gain the 2 mark.</p>	1-2

Question Number	Question	Mark
2.	What is meant by the term Average Rate of Return ?	
	Answer	Mark
	<p>Knowledge up to 2:</p> <ul style="list-style-type: none"> • = Average Profit ÷ Cost of initial investment x 100 (2 marks) • A calculation showing total projected net cash flow for a project (1 mark) divided by the number of years expressed as a percentage of the capital cost (1 mark) • How much on average a project will repay (1 mark), as a percentage of the initial investment cost (1 mark) • Shows the expected profitability of an investment project (1 mark) over the projected cash flow period (1 mark) <p>Note: 1 mark for partial or vague definition (but a valid example lifts to 2 marks). Any valid extension or plausible application to the context demonstrating understanding will also gain the 2 marks.</p>	1-2

Question Number	Question	
3.	Explain how one stakeholder group might be affected by Toyota's decision to recall some of its cars.	
	Answer	Mark
	<p>Knowledge and understanding 1 mark</p> <ul style="list-style-type: none"> • Examples of stakeholders: dealership, customers, government, employees, suppliers, shareholders/owners, community, managers (1 mark) • Stakeholders are individuals or groups that affect or are affected by the actions of a business (1 mark) <p>Application 1 mark</p> <ul style="list-style-type: none"> • Toyota's dealership network have to deal with the recall/Customers are used to quality products and are unlikely to be impressed/Governments will be looking at the possible safety legal issues/employees may be forced to worked overtime (1 mark) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • This involves dealers in additional costs (1 mark) which can disrupt planning budgets (1 mark) • Customers may lose confidence in the brand (1 mark) and will be likely to buy fewer Toyotas (1 mark) • Government may have to pass new regulations (1 mark) which may cost time and money (1 mark) • Employees may have to work extra hours or shifts (1 mark application), and this may allow them to earn extra income (1 mark); it may be seen negatively if they are forced to work extra hours that damage home life (1 mark) • Shareholders may experience a decrease in their dividends (1 mark) as a result of Toyota's profits decreasing as a result of the recall (1mark) <p>NB the second analysis mark must be a development from the first.</p>	<p>1</p> <p>1</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question	
4.	Explain one possible effect of the car scrappage scheme (additional evidence H) on Toyota's corporate strategy in the UK.	
	Answer	Mark
	<p>Knowledge and understanding 1 mark</p> <ul style="list-style-type: none"> • Identifies an effect, for example modify, adapt, not change • States what is meant by corporate strategy e.g. the way a business attempts to achieve its objectives (1 mark) • Accurate use of Ansoff's categories of strategy e.g. Market penetration <p>Application 1 mark</p> <ul style="list-style-type: none"> • Toyota UK sales increase (1 mark) • Toyota might have to re-plan their labour force (1 mark) • Staff at Burnaston had their hours cut by 10% before the scrappage scheme (1 mark) • The factory returned to a full working week after the scrappage scheme (1 mark) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • A sales increase will mean it will have to plan for increasing its capacity (1 mark) which will mean increasing labour hours (1 mark) • A re-plan for capacity will involve it in sourcing additional resources (1 mark) which may increase its costs (1 mark) • Toyota may attempt further market penetration (1 mark) if customers have the incentive to buy more new cars due to the scrappage scheme (1 mark) • Toyota may try to increase market share (1 mark) through more aggressive marketing in order to take advantage of this government incentive (1 mark) <p>NB the second analysis mark must be a development from the first.</p>	<p>1</p> <p>1</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question		
5.	Analyse how Toyota might use the Boston Matrix to contribute to its corporate planning.		
Level	Mark		Descriptor
Level 1	1-2	Candidate shows knowledge of the Boston Matrix/ corporate planning.	e.g. Boston Matrix helps to identify products in a business portfolio/how they perform in terms of market share/how the market performs in terms of growth e.g. Corporate planning is a long term plan detailing the business' objectives and future strategies
Level 2	3-6	Answers should be applied to Toyota or the car industry. Matches the category of Boston Matrix to possible example (2 marks) (2 x 2)	e.g. The Prius may be seen as a 'Dog', Corolla as a 'Cash Cow' e.g. Toyota's range of cars sell at different rates in different markets (Evidence C) e.g. Evidence C shows market size changing at different rates
Level 3	7-8	Candidate analyses by offering reasons/causes/ consequences NB Maximum of 7 marks if analysis not in context	e.g. Boston Matrix allows Toyota to identify product ranges that are successful/allows them to direct resources towards those 'problem children' that need it

Question Number		Question	
6.		Assess the usefulness to Toyota of using decision tree analysis when it considered recalling its products.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of decision trees.	e.g. Decision trees help businesses to attach probabilities to the outcomes of decisions e.g. Expected outcomes/values give a financial value to the results of decisions which account for different probabilities
Level 2	3-4	Answers should be applied to Toyota.	e.g. Toyota could estimate the financial cost of recalls in different markets e.g. Toyota is an established business and will have lots of previous sales data to help construct probabilities and expected outcomes
Level 3	5-6	Candidate analyses by offering reasons/causes/consequences Arguments will be one-sided. NB Analysis not in context cap at 5 marks	e.g. Decision tree analysis will help Toyota to quantify their recall decision as this can be more easily communicated to key stakeholders such as managers e.g. If the full financial implications of the recall decision can be estimated accurately this means decision trees may be a rational basis for making decisions e.g. Decision trees take time to construct accurately and customers need immediate feedback on the status of their vehicle
Level 4	7-10	<u>Low Level 4: 7-8 marks</u> Arguments for and against Toyota using decision tree analysis when considering the recall NB award only 7 marks if one side not in context <u>High Level 4: 9-10 marks</u> Expect to see convincing evaluative points with a contextual conclusion. Candidate will draw a clear conclusion about the value of decision trees to Toyota with reference to the Market, Objectives, Product, and Situation of the business.	e.g. Decision trees are based on predicted data of the potential impact of a decision such as a recall e.g. Decision tree does not take into account unforeseen costs and circumstances such as a delay in shipping. e.g. Using decision trees might fit with the cautious culture exhibited by the business but this is likely to be overridden by the need to act quickly, which would suggest the decision trees are not that useful in this instance

Section B

Question Number		Question	
7.(a) QWC i-iii		Assess the importance of Toyota's corporate culture in influencing its response to concerns over the safety of its cars.	
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of corporate culture</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be a problem with the legibility of the text.</i></p>	<p>e.g. culture is 'the way things are done here'</p> <p>e.g. can be categorised as power, role, person etc.</p>
Level 2	4-7	<p>Candidate applies knowledge of corporate culture to the Toyota example.</p> <p><u>Low Level 2: 4-5 marks</u> Application is weak.</p> <p><u>High Level 3: 6-7 marks</u> Application to Toyota and/or strategy is clear.</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar</i></p>	<p>e.g. strong links between Japanese culture and that of the Toyota corporation</p> <p>e.g. examples include deference, an unwillingness to question authority, continuous improvement etc.</p> <p>e.g. emphasis on quality and company tradition</p> <p>e.g. culture has evolved as the business has become more multinational</p> <p>e.g. growth has been more important</p>
Level 3	8 -14	<p><u>Low level 3: 8 – 9 marks</u> Analysis weak: only one reason/cause/cost/ consequence etc. of culture shaping strategy given.</p> <p>Cap at 8 for no context.</p> <p><u>Medium level 3: 10 – 11 marks</u> Analysis is more developed either one reason is developed or two reasons/ causes/costs/consequences are given.</p> <p><u>High Level 3: 12 – 14 marks</u> Analysis is wide-ranging either two reasons are developed or three or more explained reasons/causes/costs/ consequences given.</p> <p>Answer will be one-sided.</p> <p><i>The candidate uses business terminology quite well/style of writing is appropriate</i></p>	<p>e.g. culture of continuous improvement with a strong emphasis on quality has led to question marks over Toyota's ability to innovate</p> <p>e.g. extended 'family-run' business has given the business stability in the past and allowed it to grow carefully</p> <p>e.g. quality and safety embedded in the culture of Toyota, which has shaped strategy</p> <p>e.g. a culture that reacts slowly to change and emergency</p> <p>e.g. examples include</p>

		<i>for the question/ reasonable to good spelling, punctuation and grammar.</i>	deference, an unwillingness to question authority, continuous improvement leads to barriers to faults being reported.
Level 4	15-20	<p><u>Low Level 4: 15 marks</u> One evaluative point is made, based on analysis of the business situation and/or case study information.</p> <p><u>Medium Level 4: 16-17 marks</u> Two or more evaluative point are made, based on analysis of the business situation and /or case study information.</p> <p><u>High Level 4: 18 – 20 marks</u></p> <p>18 A judgement is attempted with some effort to show the relative importance of corporate culture in relation to the concerns over safety.</p> <p>19-20 Works to a convincing conclusion on the relative importance of corporate culture in relation to the concerns over safety.</p> <p>Candidate will draw a clear conclusion about Toyota’s corporate culture with reference to the Market, Objectives, Product, and Situation of the business.</p> <p><i>Candidate uses business terminology fluently with good spelling, punctuation and grammar.</i></p>	<p>e.g. culture has evolved as Toyota has expanded into new markets and countries</p> <p>e.g. strategy likely to have been driven by need to compete and expand market share in relation to other car companies</p> <p>e.g. if corporate objectives shift from quality to growth then the culture may follow</p> <p>e.g. strategy could be more important in shaping culture than the other way around</p> <p>e.g. possible culture clashes between the directors and those with links to the founding companies and the more ‘modern’ managers based in the North American and European markets.</p>

Question Number	Question																										
7.(b) QWC i-iii	Assess Toyota's performance between 2009 and 2010, using ratio analysis and any other relevant information .																										
Level	Mark	Descriptor	Possible Content																								
Level 1	1-3	<p>Candidate shows knowledge of ratio analysis.</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</i></p>	e.g. candidate defines ratio analysis e.g. Gross Profit Margin, Operating Profit Margin, ROCE, Current Ratio, Acid Test Ratio are defined/formulae given																								
Level 2	4-7	<p>Candidate applies knowledge of ratio analysis to the Toyota example.</p> <p><u>Low Level 2: 4-5 marks</u> Candidate accurately calculates 1 or 2 ratios.</p> <p><u>High Level 3: 6-7 marks</u> Candidate accurately calculates 3 or 4 ratios.</p> <p><i>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<table border="1"> <thead> <tr> <th></th> <th>2009</th> <th>2010</th> </tr> </thead> <tbody> <tr> <td>GPM</td> <td>10%</td> <td>12%</td> </tr> <tr> <td>NPM</td> <td>-0.2%</td> <td>0.8%</td> </tr> <tr> <td>ROCE</td> <td>-2.5%</td> <td>0.75%</td> </tr> <tr> <td>CURRENT</td> <td>1.06</td> <td>1.22</td> </tr> <tr> <td>ACID TEST</td> <td>0.93</td> <td>1.09</td> </tr> <tr> <td>GEARING</td> <td>43%</td> <td>44%</td> </tr> <tr> <td></td> <td>(30%)</td> <td>(31%)</td> </tr> </tbody> </table>		2009	2010	GPM	10%	12%	NPM	-0.2%	0.8%	ROCE	-2.5%	0.75%	CURRENT	1.06	1.22	ACID TEST	0.93	1.09	GEARING	43%	44%		(30%)	(31%)
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<p>Level 3</p>	<p>8-16</p>	<p><u>Low Level 3: 8-9 marks</u> Candidate will attempt very basic analysis of the results of ratio calculations. Either profitability (NPM; GPM; ROCE) or liquidity (CR; AT) or Gearing.</p> <p>Cap at 8 for analysis of other relevant information, but not ratios.</p> <p><u>Mid Level 3: 10-12 marks</u> Candidate looks at two of: profitability (NPM; GPM; ROCE); liquidity ratios(CR; AT); Gearing and makes accurate analytical points.</p> <p><u>High Level 3: 13-16 marks</u> Candidate looks at profitability, liquidity and gearing ratios (13-14)</p> <p>as well as relevant other information needed to assess performance. (15-16)</p> <p><i>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</i></p>	<p>e.g. Toyota's profitability as measured by the GPM and NPM and ROCE has improved e.g. this means that Toyota is turning sales/ capital into profits more effectively e.g. liquidity as measured by the current and acid test ratio has also improved e.g. liquidity was below 1 as measured by the acid test ratio in 2009 which suggested Toyota was unable to meet its current liabilities e.g. small difference between acid test and current ratios reflects lean operations at Toyota e.g. Gross Profit Margin has not changed a huge amount, so it is suggested that expenses for Toyota was the problem in 2009 (due to the costs of recalls) e.g. other relevant information might include: sales information; reputation; diversification of the business; business growth etc.</p>
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<p>Level 4</p>	<p>17-30</p>	<p><u>Threshold Level 4: 17-18 marks</u> Candidate attempts to make one counter-argument to analytical points made.</p> <p><u>Low Level 4: 19-21</u> Candidate makes two counter-arguments, or possibly identifying some of the problems with using ratio analysis.</p> <p><u>Mid Level 4: 22-25</u> Candidate gives a wide range of counter-arguments, and/or some of the limitations of ratio analysis.</p> <p><u>High Level 4: 26-30</u> Candidate will draw a clear conclusion about the performance of Toyota with reference to the Market, Objectives, Product, and Situation of the business.</p> <p><i>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar</i></p>	<p>e.g. NPM rising, but still low which suggests expenses associated with recall could still be harming profit</p> <p>e.g. Gearing creeping up, which is not a problem in a low interest environment, but would be if interest rates began to rise.</p> <p>e.g. The financial information might say one thing, but intangible measures such as reputation and brand trust might have been lost forever.</p> <p>e.g. financial performance of the business is only one aspect – this will be of interest to shareholders and managers</p> <p>e.g. the car industry has been affected by difficult external economic factors (recession) and it would be useful to compare Toyota's information to a range of competitors</p> <p>e.g. historical data from Toyota would also be useful</p> <p>e.g. car sales data (evidence G) suggests that sales in the UK have varied for all manufacturers</p> <p>e.g. in the past Toyota has been concerned with the long-term profitability of the business and will be less worried about short-term decreases as long as the brand value is maintained</p> <p>e.g. the short-term expense of the recall will be worth it if the reputation and safety of the business and its customers is safeguarded.</p> <p>e.g. information about staff morale, etc. would be useful to help judge the wider performance of the business.</p> <p>e.g. financial information is only a 'snapshot' of performance and may be inaccurate; therefore judgements made on this should be kept in context.</p> <p>e.g. Toyota is a business in a highly competitive market and therefore financial performance is paramount in determining its success. Ratio analysis suggests they have had a very difficult period between 2009 and 2010 however this has occurred during a period of world recession.</p>
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Assessment objectives and Specification coverage

Question No.	Knowledge	Application	Analysis	Evaluation	Total	Specification Coverage
1	2				2	4.3.1d
2	2				2	4.3.2b
3	1	1	2		4	4.3.1b
4	1	1	2		4	4.3.1d
5	2	4	2		8	4.3.1d
6	2	2	2	4	10	4.3.2c
7 (a)	3	4	7	6	20	4.3.1c
7 (b)	3	4	9	14	30	4.3.3a
Total	16	16	24	24	80	
Total Required	16	16	24	24	80	

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