

Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

Unit 3: Understanding the Business Environment

Pre-Release Case Study Material

To be opened on receipt.

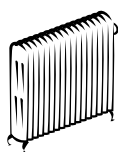
F242/CASE STUDY

INSTRUCTIONS TO TEACHERS

- This case study may be opened and given to candidates on receipt.

INFORMATION FOR CANDIDATES

- You **must** make yourself familiar with the case study before you take the question paper.
- You **must not** take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.
- The question paper may include additional information not originally included in this pre-release material.



Hot Property !!

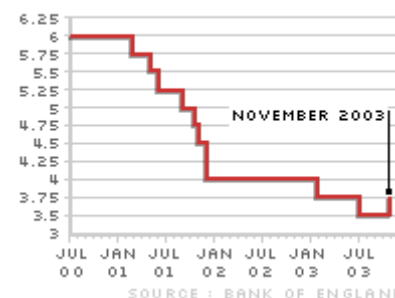


Simon Gladstone has worked in the heating and plumbing industry for over **ten** years and has gained a wealth of knowledge and expertise about all aspects of the industry. He has, for many years, struggled to obtain specific parts for his heating business due to the lack of suitable suppliers to the industry. Many of the parts he has required are supplied by overseas manufacturers and have long lead times in periods of high demand.

Simon decided some months ago that he had an idea of a gap in the UK market for a specialist heating valve which he had used to great effect many times, but had to import from abroad. Simon decided that he would investigate the possibility of setting up his own business in manufacturing these components in the UK. Simon looked into the benefits and drawbacks of setting up as a private limited company as opposed to a partnership when setting up his new business. Simon realises that he may not be able to compete on production costs but, if he were to concentrate on supplying in the UK, he feels that he may be able to compete with the foreign firms as they have to cover larger transport costs. He is also of the feeling that customers will be willing to pay a small amount extra for a more efficient and reliable supply of the product. Simon has also identified a Unique Selling Point for his product in that it will make household heating far more efficient, thus ensuring that fewer valuable environmental resources are used up.

Simon has been working on this idea for some months; he has already produced some preliminary financial analysis in the form of a projected cash-flow forecast (**Figure 1**) and break-even graph (**Figure 2**) for his proposed new business, SG Heating Ltd. With this financial information, coupled with some strong market research results, Simon has secured a bank loan of £10 000 which he is very pleased with and confident of paying back, particularly with the low interest rates the UK is currently experiencing. He has also identified some of the equipment he will need and their costs.

Bank of England's base rate



Much of Simon's optimism is based upon a booming housing market in the UK (**Figure 3**), both in the demand for new houses and in the regeneration and development of older properties. Simon believes that the effect of the market growth in that sector will ensure that he is able to gain sales for his product almost immediately.

Simon is confident that the time is right to strike. The market conditions appear to be favourable as his main competitor, Italia Heating Ltd, are experiencing production problems in Italy as industrial action by employees has occurred. Simon has identified a unit factory on the new Bagshaw Village development in Lancashire at a monthly rental cost of £2 000, a small workforce has been assembled and trained and suppliers are all in place. Simon feels it's now or never, important business decisions have to be made.

Cash Flow Forecast	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Income												
Cash Sales	9 600	14 400	14 400	14 400	14 400	14 400	14 400	14 400	14 400	14 400	14 400	14 400
Credit Sales			7 200	7 200	7 200	7 200	7 200	7 200	7 200	7 200	7 200	7 200
Capital - Loan	10 000											
Total Income	19 600	14 400	21 600	21 600	21 600	21 600	21 600	21 600	21 600	21 600	21 600	21 600
Expenditure												
Direct Materials	2 500	3 500	4 000	4 000	4 000	4 000	4 000	4 000	4 000	4 000	4 000	4 000
Direct Labour	2 000	2 800	3 200	3 200	3 200	3 200	3 200	3 200	3 200	3 200	3 200	3 200
Fixtures & Fittings	6 000						6 000					
Rent	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
Insurance	50	50	50	50	50	50	50	50	50	50	50	50
Electricity	25	25	25	25	25	25	25	25	25	25	25	25
Stationery	10	10	10	10	10	10	10	10	10	10	10	10
Postages	15	15	15	15	15	15	15	15	15	15	15	15
Advertising	75	75	75	75	75	75	75	75	75	75	75	75
Bank Loan Repayments	500	500	500	500	500	500	500	500	500	500	500	500
Total Expenditure	13 175	8 975	9 875	9 875	9 875	9 875	15 875	9 875	9 875	9 875	9 875	9 875
Net Cash Flow	6 425	5 425	11 725	11 725	11 725	11 725	5 725	11 725	11 725	11 725	11 725	11 725
Opening Balance	0	6 425	11 850	23 575	35 300	47 025	58 750	64 475	76 200	87 925	99 650	111 375
Closing Balance	6 425	11 850	23 575	35 300	47 025	58 750	64 475	76 200	87 925	99 650	111 375	123 100

Figure 1: Cash Flow Forecast for SG Heating Ltd

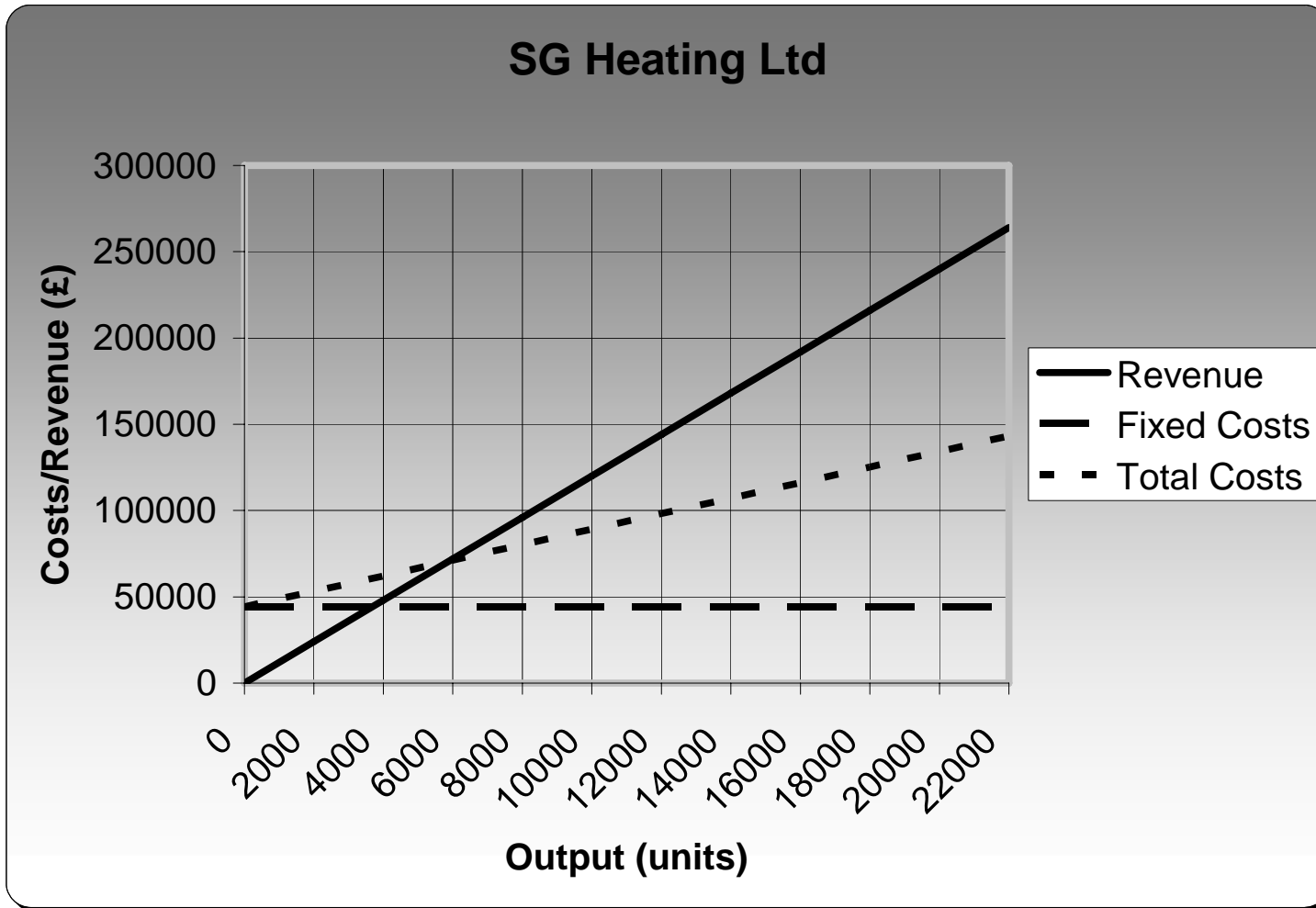


Figure 2: Break-even graph for SG Heating Ltd

Cautious thumbs-up for UK economy



The UK is still not wholly business-friendly, the OECD says

UK economy pros and cons

Pros:

- Solid growth prospects
- Low unemployment
- Low inflation
- Sound government finances
- Better expenditure planning

Cons:

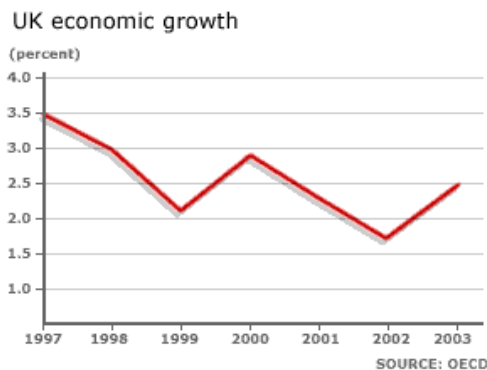
- High external risks
- Over-strong pound
- Too many spending targets
- Low productivity
- Regulatory muddle
- Outmoded company law

The British economy has slowed over the past 12 months, but remains among the strongest in the developed world, a report has said.

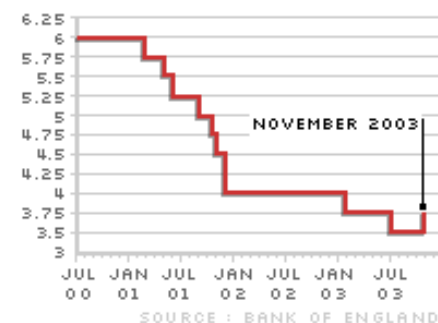
Bouncing back

The main headline growth forecasts showed that Britain is among the most resilient developed economies, even taking into account the effects of the 11 September attacks. The forecast that the UK's economic output growth, or GDP, would dip from 2.3% this year to just 1.7% in 2002. While below the UK's long-term growth rate of around 2.25%, the growth figure for 2002 is higher than that other developed economies are thought likely to achieve.

Information adapted from <http://news.bbc.co.uk> Monday 26 November 2001



Bank of England's base rate



The Bank of England has raised interest rates to 3.75% – the first rise in almost four years.

The move was widely expected and follows concerns that consumer debt and house prices were rising to dangerously high levels. Raising rates will put a heavier burden on borrowers, with the average mortgage of £60 000 set to rise by about £9 a month. And manufacturers are concerned that increasing the cost of borrowing will stifle their attempts to recover from tough times.

Figure 3: Economic Data

Unemployment at 28-year low

The number of people out of work and claiming benefits in the UK is at a 28-year low.

The claimant count dropped by 6 900 to 930 800 - much better than the 2 000 decline forecast by economists and the lowest level since September 1975, the Office for National Statistics (ONS) said. The government's preferred measure for unemployment, counting the number of people out of work over the past three months, fell by 1 000 to 1 493 000 people - resulting in a jobless rate of 5.1%. At the same time, the overall size of the UK workforce continued its steady rise, adding another 63 000 in the quarter to a new record high of 27.93m.



Factory workers bear brunt

The main areas of jobs growth were in construction, financial and business services, and in public administration, education and health the ONS said. However, hard-pressed manufacturers had continued to shed tens of thousands of jobs.

Information adapted from <http://news.bbc.co.uk> Wednesday 17 September 2003

Lending to home-buyers hits record

Mortgage lending for house purchases hit a new record of £11.5bn (\$18.6bn) in August, smashing the previous record set in July, according to figures from the Council of Mortgage Lenders (CML).

The figures suggest that consumers' confidence in the property market remains strong, despite repeated suggestions that the UK's inflated housing market may collapse.

House purchases now account for 48% of all lending - the highest proportion since last December.



Information adapted from <http://www.findaproperty.co.uk> 18 September 2003

Figure 3: Economic Data (continued)

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General Certificate of Education

APPLIED BUSINESS

Unit 3: Understanding the Business Environment

F242/TEST

Specimen Paper

Additional materials: Candidates answer on the question paper;
Pre-released case study material (clean copy);
Calculator.

TIME 1 hour 30 minutes

Candidate Name

Centre Number

Candidate Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the spaces above.
- Write your answers, in blue or black ink, in the spaces provided on the question paper.
- Answer **all** the questions.
- Read each question carefully and make sure you know what you have to do before starting your answer.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.

Question number	For examiner's use only
1	
2	
3	
4	
5	
TOTAL	

- 1 (a) Identify and describe **two** advantages to Simon of setting up his business, SG Heating Ltd, as a private limited company.

Advantage 1: _____
_____ [1]

Description: _____
_____ [1]

Advantage 2: _____
_____ [1]

Description: _____
_____ [1]

- (b) Simon's bank manager has agreed the bank loan for his new business for the £10 000 required, but has also recommended that Simon arranges an overdraft with the bank, even though his cash flow forecast appears positive. He explained that this would be part of contingency planning.

(i) Define the term bank loan.

_____ [2]

(ii) Define the term overdraft.

_____ [2]

(iii) Describe **two** differences between a bank loan and an overdraft.
Difference 1: _____
_____ [2]
Difference 2: _____
_____ [2]

2 (a) (i) Complete the SWOT grid below for SG Heating Ltd.

SWOT analysis for SG Heating Ltd.

STRENGTHS	WEAKNESSES
1	1
2	2
OPPORTUNITIES	THREATS
1	1
2	2

[10]

2 (a) (ii) Complete the SLEPT grid below for SG Heating Ltd.

SLEPT analysis for SG Heating Ltd.

SOCIAL	
1	2
LEGAL	
1	2
ECONOMIC	
1	2
POLITICAL	
1	2
TECHNOLOGICAL	
1	2

[10]

3 Until now, much of the environmental responsibility in the heating market has been left to the individual competitors within the market and their business ethics. However, this is all about to change with the passing of a new European law governing heating emissions for new houses. Italia Heating Ltd, SG Heating Ltd's main competitor, is finding these new standards difficult to meet, whereas Simon is confident he can take advantage of their weakness.

(a) Define the term 'business ethics'.

[2]

(b) (i) Describe what is meant by legal responsibility.

[2]

(ii) Describe what is meant by ethical responsibility.

[2]

(iii) State **one** likely negative impact on SG Heating Ltd if it behaves in an unethical way.

[2]

4 Simon had identified the following financial information for his new business. He estimated:

Selling price £12 per specialist heating valve
Variable Costs/Unit £4.50
Fixed Costs £44 100

(a) Define the term 'break-even point'.

[3]

(b) (i) State the formula for the calculation of a break-even point.

[1]

(ii) Give the break-even point for SG Heating Ltd.

Show your working: Break-even point =
--

[1]

(c) Calculate SG Heating Ltd's margin of safety if a production target of **18 500** units is achieved in the first year of trading.

Show your working: Margin of safety =
--

[3]

- 4 (d) (i) Using the graph below, estimate the profit SG Heating Ltd would make if the production target of **18 000** units were met in the first year of trading.

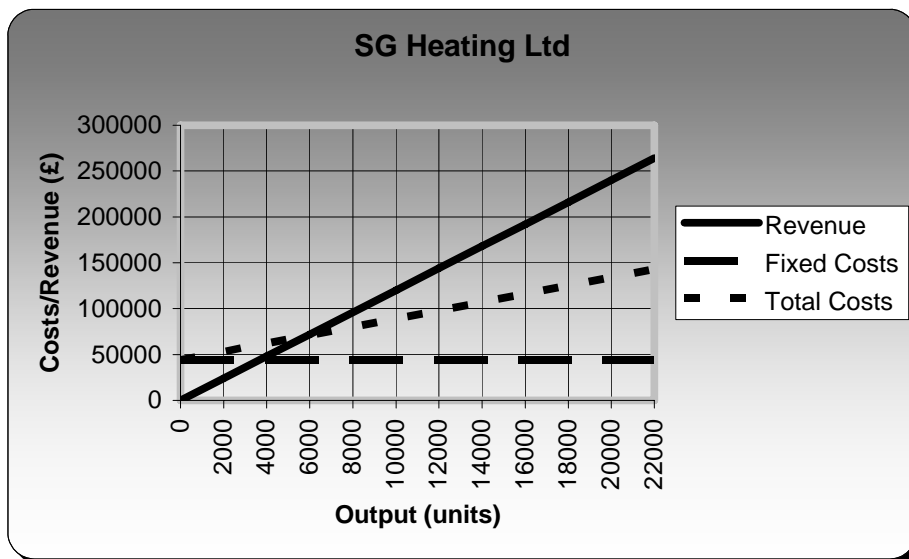
Show your working:

Estimated profit =

[1]

- (ii) On the graph below, illustrate how the following quote from **Figure 3** of the case study would affect SG Heating Ltd's break-even graph.

'The Bank of England has raised interest rates to 3.75% - the first rise in almost four years'.



[2]

- (e) Assess the implications for SG Heating Ltd of a rise in interest rates, as identified in **Figure 3** of the pre-release material.

[4]

5 At the end of his first year of trading, not everything had progressed exactly as Simon had planned. He has been called to a meeting with the bank's small business advisor to discuss his budgeting figures.

(a) Define the term 'budget'.

[2]

(b) Outline why SG Heating should undertake budgetary control.

[4]

- 5 (c) (i) Calculate the following variances of SG Heating Ltd's budget figures for the first year of trading.

Cash Budget Actual	Budget	Actual	Variance
Income			
Cash Sales (£)	168000	170000	
Credit Sales (£)	72000	90000	
Capital – Loan (£)	10000	10000	
Total Income	250000	270000	
Expenditure			
Direct Materials	46000	47000	
Direct Labour	36800	39000	
Fixtures & Fittings	6000	6000	
Rent	24000	24000	
Insurance	600	600	
Electricity	300	500	
Stationery	120	150	
Postage	180	200	
Advertising	900	1000	
Bank Loan Repayments	6000	6000	
Total Expenditure	120900	124450	

[8]

- (ii) Apart from inaccurate record keeping, analyse **one** reason why the direct labour variance might have occurred.

[3]



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APPLIED BUSINESS

UNIT 3: Understanding the Business Environment

Mark Scheme

G242/MS

Testing of QWC

In this external assessment the assessment of QWC will take place in Question **3(d)** which is a levels of response question and carries 12 marks.

Marks are embedded within this question for assessing the quality of written communication.

The following criteria are embedded within the levels of response for Question **3(d)**.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response]

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Question	Answer	AO	Mark
1(a)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> • access to capital is better than for unincorporated companies(1) because: <ul style="list-style-type: none"> – there is no limit to the number of shareholders(1); – limited liability means less risk, which in turn attracts more investors(1); • some control of the business is possible because: <ul style="list-style-type: none"> – the shares are sold privately(1); • any other valid suggestion. 	AO1 AO2	1x2 1x2
1(b)(i)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • a bank loan is a sum of money(1) that is borrowed from a bank(1) to then be paid back over a period of time(1); • any other valid suggestion. 	AO1	2
1(b)(ii)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • an overdraft is an agreement that the business can use money from the bank(1) which does not belong to the business itself(1); • any other valid suggestion. 	AO1	2
1(b)(iii)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> • an overdraft is a short-term (1), external (1) source of finance provided by banks to aid short term cash flow difficulties with a business; the overdraft outstanding, may be recalled by the bank at any time(1). • any other valid suggestion. 	AO1	2x2
2(a)(i)	<p><i>Up to ten marks:</i></p> <ul style="list-style-type: none"> • Strengths: Simon's knowledge and experience of the market(1) which may impact on his ability to carry out effective decision making(1); • Weaknesses: Simon's lack of business management experience(1); • Opportunities: Market growth in the new house sector(1). • Threats: Competition from abroad (1), i.e. Italia(1). This may impact on Simon's decision to expand (1); • any other valid suggestions. 	AO1 AO2	6 4
2(a)(ii)	<p><i>Up to ten marks:</i></p> <ul style="list-style-type: none"> • Social: Increased levels of disposable income (1) from dual income families (1); • Legal: Legal changes may restrict business activity (1); • Economic: Changes in interest rates (1) affecting demand for housing (1); • Political: Government housing policy (1); • Technical: Technical machinery from larger scale competitors may reduce our competitive advantage (1); • any other valid suggestions. 	AO1 AO2	6 4

Question	Answer	AO	Mark
3(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • business ethics are a series of principles(1) that govern or influence how a business may behave(1); • any other valid suggestion. 	AO1	2
3(b)(i)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • legal responsibility is about standards laid down by the law(1) that a business must incorporate within their business practices(1); • any other valid suggestion. 	AO1	2
3(b)(ii)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • ethical responsibility is about being seen to do the right thing (1), despite it not being a legal requirement (1); • any other valid suggestion. 	AO1	2
3(b)(iii)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • the business's growing reputation may suffer (1) ultimately resulting in a loss of custom (1) as people may turn to more ethical competitors; • any other valid suggestion. 	AO1	2
3(c)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate identifies potential implication(s). [1-2 marks]</i></p> <p><i>Level 2: candidate describes potential implication(s). [3-4 marks]</i></p> <p><i>Level 3: candidate analyses potential implication(s). [5-6 marks]</i></p> <p><i>Level 4: candidate evaluates potential implication(s). [7-8 marks]</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • any change in the law (L1) for environment reasons relating to emissions in the heating industry is likely to result in increased manufacturing costs for the companies producing within that market (L2) – this increase in production costs is likely to initially destabilise the market as competitive advantage is altered and profit margins reduced (L3) – SG Heating Ltd appears to be in a favourable position with its product regarding this technique whereas Italia (its main competitor) is already experiencing production problems; this may therefore, result in an increase in competitive advantage for SG Heating Ltd (L4); • any other valid suggestion. 	AO1 AO2 AO3 AO4	2 2 2 2

Question	Answer	AO	Mark
3(d)	<p>See also QWC levels of response criteria. Use level of response criteria.</p> <p>Level 1: candidate identifies evidence that supports decision. [1-3 marks]</p> <p>Level 2: candidate describes evidence that supports decision. [4-6 marks]</p> <p>Level 3: candidate analyses evidence that supports decision. [7-9 marks]</p> <p>Level 4: candidate evaluates evidence that supports decision. [10-12 marks]</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • housing: The continuing increase in demand for housing in the UK (L1), as the evidence in Figure 3 suggests, 48% of all UK lending (L2), is a major reason why Simon may decide that the time is right to expand SG Heating Ltd even though the company is a relatively new one (L3) – is this evidence enough however for Simon to make a wise decision given the fragile nature of the housing market? (L4); • similar process for economic trends and market conditions; • any other valid suggestion. 	<p>AO1 AO2 AO3 AO4</p>	<p>3 3 3 3</p>
4(a)	<p>Possible responses may include:</p> <ul style="list-style-type: none"> • the break even point is the level of output in units where a firm's revenue is equal to its costs(1); it is expressed in units of output(1) and indicates that the firm is neither making a profit or a loss(1); • any other valid suggestion. 	AO1	3
4(b)(i)	Fixed Costs / (Selling Price – Variable Cost/Unit)	AO1	1
4(b)(ii)	44 100/(12-4.5) 5 880 units(1).	AO1	1
4(c)	Margin of Safety = Output – Break Even Point(1) 18 500 – 5 880(1) 12 620 units(1)	AO2	3
4(d)(i)	£90 000 – £100 000 (actual £94 650)(1)	AO2	1
4(d)(ii)	Rising FC(1) Rise of TC(1)	AO2	2

Question	Answer	AO	Mark																								
4(e)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate analyses potential implication(s). [1-2 marks]</i></p> <p><i>Level 2: candidate assesses potential implication(s). [3-4 marks]</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> increased interest rates may lead to increased loan repayments for SG Heating Ltd on the start up capital borrowed (L1) – the implication of this may be reduced profit margins experienced by the firm if prices are kept constant or the increase in costs must be passed on to consumers in the form of a price rise (L2); any other valid suggestion. 	AO3 AO4	2 2																								
5(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> a budget is a financial plan for the future (1) looking at revenues and costs for a given budget period of time (1); any other valid suggestion. 	AO1	2																								
5(b)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> budgetary control is the monitoring of budgets within a business over the budget period(1) to ensure against major differences occurring in the budgeted and actual figures (1) – SG Heating Ltd should be using this technique particularly because it is a small firm(1) with moderate capital reserves(1), thus budgets must be monitored strictly(1); any other valid suggestion. 	AO2	4																								
5(c)(i)	<table> <tr> <td>Cash Sales</td> <td>2 000</td> <td>Favourable</td> </tr> <tr> <td>Credit Sales</td> <td>18 000</td> <td>Favourable</td> </tr> <tr> <td>Direct Materials</td> <td>1 000</td> <td>Adverse</td> </tr> <tr> <td>Direct Labour</td> <td>2 200</td> <td>Adverse</td> </tr> <tr> <td>Electricity</td> <td>200</td> <td>Adverse</td> </tr> <tr> <td>Stationary</td> <td>30</td> <td>Adverse</td> </tr> <tr> <td>Postages</td> <td>20</td> <td>Adverse</td> </tr> <tr> <td>Advertising</td> <td>100</td> <td>Adverse</td> </tr> </table>	Cash Sales	2 000	Favourable	Credit Sales	18 000	Favourable	Direct Materials	1 000	Adverse	Direct Labour	2 200	Adverse	Electricity	200	Adverse	Stationary	30	Adverse	Postages	20	Adverse	Advertising	100	Adverse	AO2	8x1
Cash Sales	2 000	Favourable																									
Credit Sales	18 000	Favourable																									
Direct Materials	1 000	Adverse																									
Direct Labour	2 200	Adverse																									
Electricity	200	Adverse																									
Stationary	30	Adverse																									
Postages	20	Adverse																									
Advertising	100	Adverse																									
5(c)(ii)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> SG Heating needs to appoint more workers than originally anticipated (1) to cope with the increased demand for the specialist heating valve (1) brought on by the problems his main competitor, Italia Heating Ltd is facing (1). 	AO1 AO2 AO3	1 1 1																								

Question	Answer	AO	Mark
5(d)	<i>Use level of response criteria.</i>	AO1	2
		AO2	2
	<i>Level 1: candidate identifies way(s) in which technology might help.</i> [1-2 marks]	AO3	2
		AO4	2
	<i>Level 2: candidate describes way(s) in which technology might help.</i> [3-4 marks]		
	<i>Level 3: candidate analyses evidence that supports decision.</i> [5-6 marks]		
	<i>Level 4: candidate evaluates evidence that supports decision.</i> [7-8 marks]		
	<i>Possible responses may include:</i>		
	<ul style="list-style-type: none"> • candidates will be expected to display knowledge of possible ICT uses to SG Heating (small firm – L1 and L2) and link this to accurate record keeping and variances (L3) and indicate how useful this would be to SG Heating Ltd in keeping accurate financial records (L4). • any other valid suggestions. 		

Total mark available: 100

Analysis of marks:

Question	AO1	AO2	AO3	AO4	Total
1(a)	2	2			4
1(b)(i)	2				2
1(b)(ii)	2				2
1(b)(iii)	4				4
2(a)(i)	6	4			10
2(a)(ii)	6	4			10
3(a)	2				2
3(b)(i)	2				2
3(b)(ii)	2				2
3(b)(iii)	2				2
3(c)	2	2	2	2	8
3(d)	3	3	3	3	12
4(a)	3				3
4(b)(i)	1				1
4(b)(ii)	1				1
4(c)		1	2		3
4(d)(i)		1			1
4(d)(ii)		2			2
4(e)			2	2	4
5(a)	2				2
5(b)		4			4
5(c)(i)		8			8
5(c)(ii)	1	1	1		3
5(d)	2	2	2	2	8
Total	45	34	12	9	100



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APPLIED BUSINESS

UNIT 4: The Impact of Customer Service

F243/CASE STUDY

Pre-Release Case Study Material

To be opened on receipt.

INSTRUCTIONS TO TEACHERS

- This case study may be opened and given to candidates on receipt.

INFORMATION FOR CANDIDATES

- You **must** make yourself familiar with the case study before you take the question paper.
- You **must not** take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.
- The question paper may include additional information not originally included in this pre-release material.

Profiting from Customer Delight
'The man without a smiling face shouldn't open a shop' - Chinese proverb

Benchmarking customer satisfaction

It is **ten** times easier to get business from an existing, happy customer than it is to find business from a new **one**. Research shows that a decrease in customer defection rate by 5% can boost a business's profits by 25-95%. Most of a business's existing customers will break their link to a business for **two** reasons; perceived lack of service or they just forget about a business's existence.

Good customer service is the **one** thing that separates a business from its rival competitors. Do you honestly know how many customers businesses lose because of poor attitude or lack of skills on the part of staff? Their front line employees have the greatest opportunity to influence a business's most important asset - customers. How many customers go to a rival competitor because someone doesn't have the skills to make the customer feel welcome, or to proactively resolve a complaint?



Radical success story proves that improving customer service increases profits

Focusing on customer satisfaction

Logic dictates that the more satisfied customers a business has, the more successful a business will be and the higher the profits. Of course, running a multi-million pound business means one cannot be at the front line making sure staff are delivering service to customers in the way one wants.

Radical UK has seen its share of the UK car sales market increase significantly over the past couple of years. Certainly the company has produced some very popular models but the company has also taken customer satisfaction very seriously. It has proved the link between customer satisfaction and profitability - and found in the process that just training front line staff in how things should be done isn't always enough.

Shifting the Customer Satisfaction Index

When Radical UK found that its Customer Satisfaction Index (CSI) had remained static for over **12** months, it started to look around for innovative ideas to make an impact on this very stubborn set of statistics. It wasn't that the figures were poor, but simply that they had hit a plateau. Radical UK knew there was scope for improvement. Standing still wasn't an option it wanted to consider.

In the search for a new approach that would increase Radical UK's standing in the CSI, Radical UK employed the Managewise Consulting Group to look at the very issues that Radical UK knew it needed to address: improving the CSI by motivating the people who interact with customers to improve their service performance.

The pilot study

Very quickly Radical UK decided to undertake a pilot study using Managewise. This involves analysing what constitutes 'ideal service' in the eyes of customers and then developing a data collection and measurement system to motivate staff to focus on ensuring customers' service priorities are met.

Involving staff

One of the important differences between the new process and traditional customer opinion surveys is that staff are involved in the process from the outset. They are consulted on their views of the issues that are important to customers, are able to help with the design of the questionnaires and are trained to ask customers directly about their own performance.

Involving staff in this way creates enormous buy-in for the process and makes them very aware of how their behaviour impacts on customers. The results of customer research are far more personal, providing a powerful incentive for improving performance and for acting on the feedback. Because staff know when the research has taken place, they are far more likely to believe in, and act on, the results than with other methodologies such as mystery shopping and post purchase telephone or postal questionnaires.

'The Difference is YOU!'

Branded within Radical UK as 'The Difference is YOU!' the starting point was a pilot programme involving **two** dealerships. There were **four** key objectives:

- engaging dealership staff in developing and delivering service behaviours that customers said were desirable;
- fostering a coaching culture amongst managers to provide support for change;
- creating a system capable of measuring behavioural aspects of service;
- supporting a monitoring process to ensure that improvements were sustained in the long term.

Radical UK already had very detailed customer research, so this was carefully analysed to define key customer-service behaviours about which customers would be asked.

The **two** areas for focus were sales and after-sales, where there are differing and distinct customer-service priorities. Managers from both groups attended events where their views about service performance were sought.

Collecting data from customers

The front-line sales and after-sales staff, who would be engaging customers in completing the questionnaires, were then introduced to the process. They contributed their ideas both to the questionnaire content and design and to the proposed reporting process. This ensured that the reporting process would fit with their working patterns and that the data being gathered would be relevant and actionable. Although some people were initially sceptical about finding the time to hand out questionnaires, they found it very easy to fit into the conversation and were pleasantly surprised by customer reaction. A Sales Advisor said 'Customers were pleased that the company thought their views were valued, and we found that people were happy to complete the questionnaire there and then.'

Personal results

There were **two** rounds of questionnaire collection and analysis. After each round the results were distributed to the individual staff who had been gathering data. They were encouraged to use the information to form a personal action plan, which they reviewed with their manager. Both staff and managers found the results very useful. For example, a Service Adviser said the results 'highlighted a delay in our parts back order system which we have been able to resolve and now we can get information back to the customer more quickly'.

A New Car Sales Executive was surprised by some of the results: 'I learned that I was falling short on closing sales, so I got my manager involved so that I could learn from him.'

The front-line staff's individual scores improved over the **two** rounds of data collection, demonstrating that personal action planning was effective. As **one** of the Service and Body Shop Managers said 'It is difficult to get honest, reliable and instant feedback; this programme allowed us to do so.'

Rolling out the programme

The majority of Radical UK dealers are franchisees and **one** of the first, and major, challenges had been to persuade the franchisees involved in the pilot they would derive benefit by investing their time in this programme. High on the dealers' agenda was whether there would be a direct business benefit, so when the pilot was judged Radical UK knew that the dealers were seeing a return on their investment.

Following the success of the pilot, Radical UK decided to extend the programme to the **50** dealers who were performing least well. Moving their scores and improving their profitability was a real challenge.

Success criteria for the roll-out included each participating dealership signing a contract of commitment to the process.

Payment by results

Formal measures for success included the scores for the roll-out showing an improvement over the scores from the pilot, and clear evidence of a positive impact on the CSI scores for participating dealers. Managewise Consulting was certain that CSI scores would improve; so certain that a part of its fee was staked on meeting the success criteria.

Business results

Over **150** managers and **450** sales and after-sales staff from **55** dealerships participated in this phase of the programme and the results were impressive.

The scores for the dealerships involved in 'The Difference is YOU!' programme increased across all the agreed indicators and by a greater percentage than those not in the programme. The improvement was reflected across both sales and after-sales experience.

This was clear evidence that involving staff and developing their skills through coaching was a highly effective way of improving customer service. To measure performance and profitability, Radical UK groups dealerships of a similar type (size, location, number of staff) into **six** leagues. Across every league, the results of the top performing dealerships in terms of CSI score are also reflected in higher average net profit. In addition, the top 10% of dealerships in terms of CSI scores contribute almost one-third of the total net profit for the whole of the dealership network. The motivation to improve the CSI scores could not be more compelling.

The conclusion is inescapable. There is a direct correlation between customer satisfaction and profitability. It clearly pays to invest in keeping customers happy.

Appendix A

Radical UK first to launch new online parts service

Radical has become the first manufacturer to introduce a specially dedicated website which allows independent repairers, bodyshops and fleet operators to order genuine manufacturer's parts and accessories online.

The new service is absolutely free and, thanks to the benefits of Internet access, is quick and easy to use. Users can view parts on-screen and the fail-safe ordering system cross-references orders against a vehicle's chassis number (VIN) to ensure that only the correct part is ordered. A separate search module also allows users to find parts using diagrams or by entering a key word.

Companies can register to use this safe and secure service either via the dedicated website or through their nearest Radical UK dealer. They are then issued with a unique password and ID which helps combat the threat of fraud.

The convenience of the on-line system allows companies to order parts **24** hours a day, **seven** days a week, whilst additional information can be requested from the dealer via a handy dialogue box. The new service may be seen by many as a means of expanding the company's retail operation through the ability to provide the full range of Radical UK accessories and car care products.

The service has been piloted in **80** of Radical UK's dealerships that belong to another recent Radical UK initiative, the Trade Parts Association (TPA), which was established last year to help the company's franchised dealers develop training and service levels with firms in the independent retail and repair market.

Commenting on the new service, Bob Lawton, Radical UK's Services and Parts Director, said 'many businesses have already registered for the scheme, and with the industry likely to do more business like this in the future, Radical UK is considerably ahead of the game.'

Appendix B

Radical UK sales reach an all time high

Radical UK has announced record UK sales of some **153 619** vehicles in 2002, continuing the company's recent run of success in this country and helping to consolidate its position in the top **six** of the automotive premier league, with a car market share of over 5%, well ahead of rivals such as Toyota, Nissan and MG Rover.

The Allargo was the country's best-selling MPV for the second year in a row, while the newly-launched Supermini clocked up sales of over **15 000**, combining with those of the ever-popular Togo to give Radical UK a record share of the growing small car sector.

Further notable achievements saw sales of the family saloon D5 rise by 50%, as did sales of the multispace van. Not only was this model the UK's most popular budget MPV, but in December alone it sold almost **900** units – more than in its first full year!

And in a year in which UK diesel sales rocketed to an all time high, with almost a quarter of all new car sales, Radical UK reinforced its reputation in this rapidly growing sector by performing even better than the market with an increase of almost 47%, overtaking Vauxhall to move into fourth place in the diesel sales table.

Radical UK also made great gains overseas, with global sales in excess of 1.3 million vehicles – the company's sixth successive record year. This performance helped Radical UK to an all time record, strengthening its position as Western Europe's second biggest manufacturer.

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APPLIED BUSINESS

Unit 4: The Impact of Customer Service

F243/TEST

Specimen Paper

Additional materials:

- Candidates answer on the question paper;
- Pre-released case study material (clean copy);
- Calculator.

TIME 1 hour 30 minutes

Candidate Name

Centre Number

Candidate Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the spaces above.
- Write your answers, in blue or black ink, in the spaces provided on the question paper.
- Answer **all** the questions.
- Read each question carefully and make sure you know what you have to do before starting your answer.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is 100.

Question number	For examiner's use only
1	
2	
3	
4	
TOTAL	

- 1 (a) Identify and describe **two** reasons why effective customer service is important to any business organisation.

Reason 1: _____

Description: _____

_____ [2]

Reason 2: _____

Description: _____

_____ [2]

- (b) Outline **three** examples of good customer-service practice. Use examples from the case study to illustrate your answer.

Example 1: _____

_____ [2]

Example 2: _____

_____ [2]

Example 3: _____

_____ [2]

1 (c) Identify and describe **three** Acts or regulations that protect the customer.

Act 1: _____

Description: _____

_____ [3]

Act 2: _____

Description: _____

_____ [3]

Act 3: _____

Description: _____

_____ [3]

(d) Discuss the possible reasons for Radical UK re-focussing its aims and objectives on customer service.

_____ [10]

2 (a) (i) Identify **three** different customer groups that Radical UK may wish to target.

Customer group 1: _____ [1]

Customer group 2: _____ [1]

Customer group 3: _____ [1]

(ii) Explain how Radical UK might make adequate provision for **one** of the customer groups identified in **2(a)(i)**.

_____ [3]

(b) Outline **three** ways in which Radical UK could gather information on its current business practices in order to improve its customer-service provision.

Way 1: _____

_____ [3]

Way 2: _____

_____ [3]

Way 3: _____

_____ [3]

- 2 (c) For the **three** methods identified in **2(b)**, describe what type of information may be obtained from each of the **three** methods.

Method 1: _____

_____ [2]

Method 2: _____

_____ [2]

Method 3: _____

_____ [2]

- 3 (a) Analyse the implications for Radical UK's staff if the company's new customer-service focus is introduced.

_____ [9]

- 3 (b) Outline **three** advantages and **three** disadvantages to Radical UK of its new, on-line parts service.

Advantage 1: _____
_____ [1]

Advantage 2: _____
_____ [1]

Advantage 3: _____
_____ [1]

Disadvantage 1: _____
_____ [1]

Disadvantage 2: _____
_____ [1]

Disadvantage 3: _____
_____ [1]



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APPLIED BUSINESS

Unit 4: The Impact of Customer Service

Mark Scheme

F243/MS

Testing of QWC

In this external assessment the assessment of QWC will take place in Question **3(c)** which is a levels of response question and carries 12 marks.

Marks are embedded within this question for assessing the quality of written communication.

The following criteria are embedded within the levels of response for Question **3(c)**.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response]

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Question	Answer	AO	Mark
1(a)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> • good customer service is important to any business to encourage repeat business(1) which enables a business to grow and gain in market share based on customer loyalty(1); • new customers through recommendations; • increased market share; • increased sales/profit; • Any other valid suggestion. <p><i>[1 mark for identification, 1 mark for description]</i></p>	AO1	2x2
1(b)	<p><i>Three from:</i></p> <ul style="list-style-type: none"> • providing good after-sales service is an example of customer service as it provides customers with a degree of security in their purchase (1); this is particularly important to customers purchasing technical products due to the complexity of their use, e.g. computers (1); • providing accurate information; • providing additional customer facilities; • keeping accurate records; • catering for customers with special needs; • good problems/complaints procedures. <p><i>[1 mark for identification, 1 mark for explanation]</i></p>	AO1 AO2	3x1 3x1
1(c)	<p><i>Three from:</i></p> <ul style="list-style-type: none"> • Sale and Supply of Goods (1979/94) (1); this act dictates that goods must be of 'merchantable quality' and fit for their purpose by this, it is law that the goods should perform the task for which they are purchased with a 'reasonable' degree of durability (2); • Supply of Goods and Services Act (1982); • Trades Descriptions Act (1968); • Consumer Protection Act (1987); • Consumer Credit Act (1974); • Weights and Measures Act (1985); • Data Protection Act (1984/98); • any other valid suggestion. <p><i>[1 mark for identification, 2 marks for description]</i></p>	AO1	3x3

Question	Answer	AO	Mark
1(d)	<p><i>Use level of response criteria</i></p> <p><i>Level 1:</i> candidate identifies the possible reasons for the re-focus [1-2 marks]</p> <p><i>Level 2:</i> candidate applies knowledge to Radical case study in relation to the question. [3-4 marks]</p> <p><i>Level 3:</i> candidate analyses the possible reasons for the re-focus in terms of cause and effect. [5-7 marks]</p> <p><i>Level 4:</i> candidate evaluates the possible reasons for the re-focus in terms of cause and effect. [8-10 marks]</p> <p><i>Candidates will be expected to discuss the links between issues related to the new customer-service initiative and the aims and objectives of the business.</i></p> <p><i>Discursive points may include:</i></p> <ul style="list-style-type: none"> • Radical UK may have been forced to re-focus on the importance of their customer service as the car market is one of high levels of competition, and therefore there is a need to remain extremely competitive; • Radical UK would of course be hoping that the effect of this increase in the level of customer service will result in increased customer loyalty and satisfaction thus generating repeat sales and ultimately, levels of profit; • any other valid suggestion. 	AO1 AO2 AO3 AO4	2 2 3 3
2(a)(i)	<p><i>Three from:</i></p> <ul style="list-style-type: none"> • individuals or private customers; • groups or corporate fleet clients; • different age groups; • cultures; • special needs, e.g. disabilities; • any other valid suggestion. 	AO1	3x1
2(a)(ii)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • individuals or private customers – who may be identified in different market segments with specific target strategies for customer service (1); Radical, by taking this approach, will be able to achieve higher levels of customer satisfaction tailored to the needs of the customer type (1); • any other valid suggestion. 	AO2	3

Question	Answer	AO	Mark
2(b)	<p><i>Three from:</i></p> <ul style="list-style-type: none"> questionnaires(1) could be used by Radical to try to ascertain the views of their customers and staff as a basis for an analysis of current customer-service provision (1); Radical may gain both quantitative and qualitative information from this source to aid with their improvements for the future (1); mystery shoppers; informal comments; suggestion boxes; focus groups; general observation; any other valid suggestion. <p><i>[1 mark for identification, up to 2 marks for development]</i></p>	AO1 AO2	3x1 3x2
2(c)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> focus groups may provide the company with qualitative information indicating the perceptions and views of consumers(1) of Radical's product portfolio and the customer service which supports it (1); any other valid suggestion. <p><i>[Any answers given for 2(b) can be expanded for up to 2 marks]</i></p>	AO1	3x2
3(a)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate identifies the possible impacts of the re-focus for staff. [1-3 marks]</i></p> <p><i>Level 2: candidate applies knowledge to Radical case study in relation to the question. [4-6 marks]</i></p> <p><i>Level 3: candidate analyses the implications of the initiative in terms of staff training and responsibilities in making the whole project work. [7-9 marks]</i></p> <p><i>Candidates will be expected to ANALYSE the issues for STAFF in terms of expectations, training and responsibility.</i></p>	AO1 AO2 AO3	3 3 3

Question	Answer	AO	Mark
3(b)	<p><i>Three advantages from:</i></p> <ul style="list-style-type: none"> increased customer satisfaction; possible increased sales; increased efficiency; any other valid suggestion. <p><i>Three disadvantages from:</i></p> <ul style="list-style-type: none"> cost; technological hardware maintenance; staff training requirements; any other valid suggestion. 	AO2	6x1
3(c)	<p><i>See also QWC levels of response criteria. Use level of response criteria.</i></p> <p><i>Level 1: candidate names the customer-service policies, charters and codes of practice. [1-3 marks]</i></p> <p><i>Level 2: candidate applies knowledge of customer-service policies, charters and codes of practice to Radical case study. [4-6 marks]</i></p> <p><i>Level 3: candidate analyses the roles of the customer-service policies, charters and codes of practice in relation to the achievement of objectives. [7-9 marks]</i></p> <p><i>Level 4: candidate evaluates the extent to which the role of policies, charters and codes of practice plays in the achievement of business objectives. [10-12 marks]</i></p> <p><i>Candidates will be expected to display knowledge of customer-service policies and charters and the case study issues of Radical. This is then to be linked to the evidence within the case of the role of these elements of customer service in the achievement of objectives showing judgement on the issue (evaluation).</i></p>	AO1 AO2 AO3 AO4	3 3 3 3
4(a)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate describes the customer-service performance of Radical. [1-2 marks]</i></p> <p><i>Level 2: candidate applies knowledge of customer-service methods to Radical case study. [3-4 marks]</i></p> <p><i>Level 3: candidate analyses the performance of the new customer-service initiative in relation to the evidence in the case. [5-6 marks]</i></p> <p><i>Level 4: candidate evaluates the extent to which the success of Radical could be attributed to customer service. [7-9 marks]</i></p> <p><i>Candidates will be expected to display knowledge of customer service and the case study issues of Radical. This is then to be linked to the evidence within the case of the relative success or failure of the initiative showing judgement on the issue (evaluation).</i></p>	AO1 AO2 AO3 AO4	2 2 2 3

Question	Answer	AO	Mark
4(b)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> one way in which Radical may measure the success of the customer-service initiative is by a questionnaire of customer satisfaction(1); the questionnaire provides valuable and measurable feedback(1) which may, in turn, allow Radical to improve their customer service further(1); any other valid suggestion. <p><i>[1 mark for identification, up to 2 marks for development]</i></p>	AO1 AO2	2x1 2x2
4(c)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> the accuracy of the recorded responses and views of customers is vital to the success of customer service at Radical as it will allow them to identify strengths and weaknesses accurately(1); if the information is inaccurate this may result in the wrong decisions being made in the future(1); any other valid suggestion. <p><i>[Similar approach taken for safety, quality and ethics.]</i></p>	AO1 AO2	4 4

Total mark available: 100

Analysis of marks:

Question	AO1	AO2	AO3	AO4	Total
1(a)	4				4
1(b)	3	3			6
1(c)	9				9
1(d)	2	2	3	3	10
2(a)(i)	3				3
2(a)(ii)		3			3
2(b)	3	6			9
2(c)	6				6
3(a)	3	3	3		9
3(b)		6			6
3(c)	3	3	3	3	12
4(a)	2	2	2	3	9
4(b)	2	4			6
4(c)	4	4			8
Total	44	36	11	9	100



Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

Unit 9: Strategic Decision-Making

Pre-Release Case Study Material

F248/CASE STUDY

On The Crest Of A Wave !!!

Aquasport Ltd has been a very successful producer of windsurfing equipment and related apparel for many years in the North West of England and has built up a reputation for both quality of production and service in a growing marketplace. Aquasport Ltd currently supplies retail outlets across Europe with contracts in Italy, Spain, France and Portugal as well as outlets in the UK. Its UK sales currently make up approximately 40%, with 60% being made across European partner countries.

Aquasport Ltd currently has **two** factories, **one** in Wigan and the other in St Helens, and employs approximately **1 000** staff at each. The production processes are much as they have always been -- producing the boards and sails with a large requirement for human input. The manufacturing process at present requires a certain amount of skilled labour and thus wage levels are relatively high.

Aquasport Ltd – Mission Statement

Aquasport Ltd aims to provide windsurfing equipment and associated apparel with quality that ensures endurance and high-level performance in the water and at a price which provides value for customers.

Paul Sampson, the Managing Director of Aquasport Ltd, believes that this is a very exciting time for the company. The market for windsurfing equipment in Europe has been growing at an average of 20% per annum and Aquasport Ltd has used the change in market conditions to their advantage. Paul recognises the achievements that have been made by Aquasport Ltd in recent years and believes that the time may be right for a strategic change of direction for the organisation given that they have achieved a solid financial position.

Paul and his Board of Directors have been investigating the opportunities that may be available to the company. They have taken feedback from staff working in the major functional areas of the organisation, from marketing to production and finance. Paul and his Board have now reached the stage where they have short-listed **three** possible options which the business could take to build on the solid foundations that have been created.

Option 1

The marketing department has forecast that the windsurfing market will grow at a steady rate in Europe and there may be opportunities for sales in the USA. Supporters of **Option 1** feel that the company should 'concentrate on its core business' and look to achieve even greater market share and power in the windsurfing market. Senior staff in the production department investigated the options for pursuing this aim and identified a change in work practices at the Wigan factory to introduce more hi-tech machinery to lower unit costs as a possible way of increasing competitive advantage.



Option 2

The marketing department has recognised another related market opportunity which has occurred in the sport of 'Kite Surfing'. Marketing and production have been very excited by the possibilities in this area, as they would be able to use their current knowledge of existing customers and production techniques to launch what would effectively be an existing product but in a new market. Research has been carried out which suggests that of the **three** options, this would be the most sustainable in the long term. Senior staff in the production department have, however, identified that with little spare capacity at either factory, an extension to the manufacturing operation at Wigan may need to be developed.



Option 3

Option 3 appears more radical. The re-emergence of the sport of skateboarding amongst young people may present an opportunity, with currently the major manufacturing operations being in the USA and exporting to Europe. Senior staff in the marketing department have identified the levels of opportunity in this area through initial market research, and have seen weaknesses in the current supplier situation with problems over late deliveries to European outlets and high logistics costs being passed on to European consumers.

Senior staff in the production department have accepted that the manufacturing processes are similar for this new product type, but have also indicated to Finance that a larger investment may well be needed for a new manufacturing plant to be developed. It has been suggested by staff in the Human Resources and Finance departments that the company consider locating this new venture in the North East, as lower skill levels are needed and possible labour cost saving opportunities may make the option more attractive and profitable.

Paul is very excited about the times ahead for Aquasport Ltd. He is anxious that the company remains a major player in the windsurfing markets but is particularly interested in the change of strategic direction and opportunities that may be offered by Options **2** and **3**. He does however, recognise that with any change of strategic direction comes a risk, but as he has always said, 'If you don't buy a lottery ticket, you'll never win!!!'

Appendices:

US basks in dollar decline

The dollar has reached record lows against many currencies in recent weeks. But there seems to be little sense of concern within the US.



You bump into the living pieces of evidence of the weak dollar every day in New York's Times Square - literally bump into them.

The place is packed with Europeans hunting for bargains: jeans at half the price they might cost back in London; or the digital cameras, at perhaps a third less than on the other side of the Atlantic.



Boost for business

But the beneficiaries of the weak dollar are not confined to the tourist bits of Manhattan.

The dollar at an eleven-year low against the pound, an all-time low against the euro and a three-year low against the yen, is an obvious boon not just for tourists but also for great swathes of American business.

Adapted from <http://news.bbc.co.uk> 7 January 2004

Euro: Business winners and losers

The government's decision to delay a possible referendum on euro entry has split the business community.

It has been met with dismay by some manufacturers, who claim the vagaries of the exchange rate harms trade with the euro zone.



The euro debate rages on

While many retailers - spared the expense of converting to euros - have no doubt breathed a sigh of relief.

But beyond that, it is difficult to pick out unequivocal winners and losers.

Depending on whom you speak to, delaying euro entry will lead to the loss of thousands of jobs - or it will save the UK economy from recession.

After displaying initial enthusiasm for the single currency, the main business organisations have largely fallen silent on the issue.

Adapted from <http://news.bbc.co.uk> 7 January 2004



Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

Unit 9: Strategic Decision-Making

F248/TEST

Specimen Paper

Additional materials: None.

TIME 2 hours

Candidate Name

Centre Number

Candidate Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the spaces above.
- Write your answers, in blue or black ink, in the spaces provided on the question paper.
- Answer **all** the questions.
- Read each question carefully and make sure you know what you have to do before starting your answer.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.

Question number	For examiner's use only
1	
2	
3	
TOTAL	

Section A

1 (a) Describe what is meant by the term 'stakeholder'.

_____ [2]

(b) Identify **four** possible stakeholders in Aquasport Ltd.

Stakeholder 1: _____ [1]

Stakeholder 2: _____ [1]

Stakeholder 3: _____ [1]

Stakeholder 4: _____ [1]

(c) Conflict may occur between stakeholder groups whichever option Aquasport Ltd were to choose.

Explain the reasons why conflict may occur between **two** stakeholder groups for each of the **three** options.

Option 1: _____

_____ [3]

Option 2: _____

_____ [3]

Option 3: _____

_____ [3]

- 1 (d) If Aquasport Ltd was to launch the new line of skateboard products (**Option 3**), which business objective would it be following?

_____ [1]

- (e) State **two** other business objectives which Aquasport Ltd might try to achieve.

Business Objective: _____ [1]

Business Objective: _____ [1]

- (f) If Aquasport Ltd were to launch the new line of skateboard products, outline a *new* mission statement for the company.

Mission Statement: _____

_____ [3]

Section B

- 2 (a) Before deciding which of the **three** options to choose, Aquasport Ltd should consider each option in relation to Ansoff's Matrix. Assess each of the **three** options in relation to Ansoff's Matrix.

Option 1: _____

_____ [5]

Option 2: _____

_____ [5]

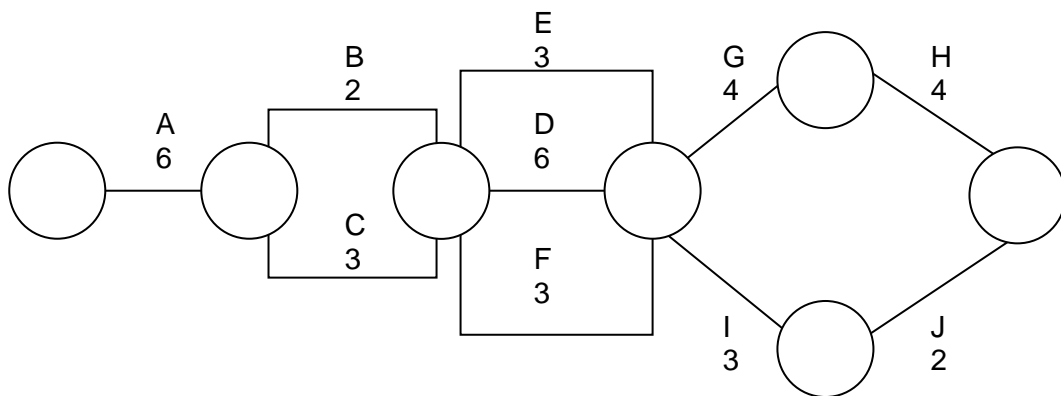
2 continued

Given that **Option 3**, launching a whole new product line of skateboarding equipment, represented the most challenging of the options, Paul asked a team of staff to develop a critical path network to represent the planning and implementation of the project.

The steps in the process were decided to be:

Activity	Task	Time Duration (weeks)
A	Complete market research	6
B	Identify appropriate sources of finance	2
C	Identify an appropriate production site	3
D	Apply for planning permission	6
E	Identify building contractors	3
F	Identify appropriate machinery	3
G	Select and recruit workforce	4
H	Train workforce	4
I	Source raw materials	3
J	Order raw materials	2

Having completed all of these activities, it was felt production could start. The team drew up the following network:



(b) Assess the EST (earliest start time) and LFT (latest finish time) for each node on the network. [14]

(c) Identify the critical path
 Critical Path: _____ [2]

(d) After how many weeks can production commence?
 Number of weeks: _____ [1]

2 (e) Give the total float for each of the **ten** activities.

ACT	EST	DUR	LFT	TOTAL FLOAT
A				
B				
C				
D				
E				
F				
G				
H				
I				
J				

[5]

(f) Assess the extent to which critical path analysis is useful in the management of a project such as **Option 3**.

[9]

- 3 The Finance department of Aquasport Ltd has come up with the following predictions of returns for the **three** proposed options:

Option 1: Cost £500 000

Net Returns:

Year	Net Return
1	200 000
2	250 000
3	250 000

*Net Present Value **Option 1:** +£77 000*

Option 2: Cost £800 000

Net Returns:

Year	Net Return
1	200 000
2	400 000
3	500 000

*Net Present Value **Option 2:** +£89 000*

Option 3: Cost £1 000 000

Net Returns:

Year	Net Return
1	150 000
2	250 000
3	250 000
4	250 000
5	250 000
6	250 000
7	250 000
8	250 000

Discount Factors:

Year	Discount Factor
1	0.91
2	0.83
3	0.75
4	0.68
5	0.62
6	0.56
7	0.51
8	0.47



Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

Unit 9: Strategic Decision-Making

Mark Scheme

F248/MS

Testing of QWC

In this external assessment the assessment of QWC will take place in Question **3(d)** which is a levels of response question and carries 15 marks.

Marks are embedded within this question for assessing the quality of written communication.

The following criteria are embedded within the levels of response for Question **3(d)**.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response]

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Question	Answer	AO	Mark
1(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> a stakeholder is anyone or anything that has and is affected by or can affect on a business(1); they are said to have a 'stake' in the activities or performance of an organisation(1); any other valid suggestion. 	AO1	2
1(b)	<p><i>Four from:</i></p> <ul style="list-style-type: none"> customers; suppliers; employees; managers; local communities; any other valid suggestion. 	AO2	4x1
1(c)	<p><i>In each option up to four marks for explaining the nature of the conflict between two stakeholder groups. Maximum 9 marks for this question.</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> <i>Option 1:</i> <ul style="list-style-type: none"> If Aquasport Ltd were to select this option, a conflict may well occur between the managers and the workforce (1); this may be caused as the managers want to move the business from being labour intensive to being more capital intensive (1) which is something that the workforce may object to as it may lead to redundancies or changes in working practices (1); any other valid suggestion. <i>Option 2:</i> <ul style="list-style-type: none"> if Aquasport were to select this option, a conflict may well occur between the managers/the company and the local community (1); this may be caused by disruption during the building of the (new) extension factory (1) and by more traffic/congestion when the (new/extended) factory starts operating (1); any other valid suggestion. <i>Option 3:</i> <ul style="list-style-type: none"> if Aquasport were to select this option, a conflict may well occur between the managers and the workforce (1); this may be caused because the managers want to move production away from St Helens/Wigan (1) leading to a loss of jobs (1) or a need to move away from family/friends and relocate in an unfamiliar area (1); any other valid suggestion. 	AO1 AO2 AO3	3 3 3
1(d)	Diversification/growth.	AO2	1

Question	Answer	AO	Mark
1(e)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> • growth/diversification; • profit (maximisation); • survival; • increased market share; • satisficing. 	AO1	2x1
1(f)	<p><i>Candidates will be awarded one mark for a superficial attempt at a new mission statement.</i></p> <p><i>Candidates will be awarded an additional two marks for devising a new mission statement reflecting the change of strategic direction of Aquasport Ltd.</i></p> <p><i>Possible responses may include:</i></p> <p>(i) For one mark:</p> <ul style="list-style-type: none"> • A general/visionary statement (1); • a brief summary of a firm's objectives (1); • immediate and long term goals (1); • any other valid suggestion; <p>(ii) Additional two marks:</p> <ul style="list-style-type: none"> • Sets objectives only in qualitative terms (1); • will often focus on needs of customers (1) identifying specific service(s) to be provided (1); • may emphasise desire of business to become best in field (1); • qualitative objectives are not set here but in business/strategic and departmental development plans (1); • any other valid suggestion. 	AO1 AO2	1 2

Question	Answer	AO	Mark
2(a)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate applies knowledge to Aquasport Ltd case study proposals. [1-2 marks]</i></p> <p><i>Level 2: candidate analyses links between the options and Ansoff's Matrix. [3 marks]</i></p> <p><i>Level 3: candidate assesses links between the options and Ansoff's Matrix. [4-5 marks]</i> <i>[Criteria above apply to the answers given for each option]</i></p> <p>Suggested links are: Option 1: Market Development Option 2: Product Development Option 3: Diversification</p> <p><i>Possible response may include:</i></p> <ul style="list-style-type: none"> • Option 1: <ul style="list-style-type: none"> - market penetration (L1), existing products/existing market (L1), safest form of growth/expansion (L2), all factors are known (L2), but must be able to increase sales in expanding market (L3) or attract sales from competitors if to be successful (L3); - any other valid suggestion; • Option 2: <ul style="list-style-type: none"> - market development (L1), existing products in new markets (L1), same product but unknown market – not all factors are known (L2), need to research opportunities (L2), assess competition (L2), need to review (potential) outlets (L2), reasonably safe approach but there may be unknown issues related to the new market (L3); - any other valid suggestion; • Option 3: <ul style="list-style-type: none"> - diversification (L1), new product/new market (L1), most risky form of growth (L2), need to produce and market a new product (L2), many issues unknown (L2), research required/development/production requirements/sales issues – where/how to sell (L2), least unlikely approach to succeed and often resort of business struggling to survive (L3); - any other valid suggestion. <p style="text-align: center;"><i>[maximum of five marks for linking each of the options to a quadrant of Ansoff's Matrix.]</i></p>	AO1 AO2 AO3 AO4	3x1 3x1 3x1 3x2
2(b)	<p>One mark for each identification up to a maximum of 14 identifications.</p> <p style="text-align: right;"><i>[See rear of mark scheme]</i></p>	AO1 AO2 AO4	6 6 2
2(c)	<p>ABDGH for full marks</p> <p style="text-align: right;"><i>[one mark awarded if one error]</i></p>	AO1 AO2	1 1
2(d)	23 weeks	AO1	1

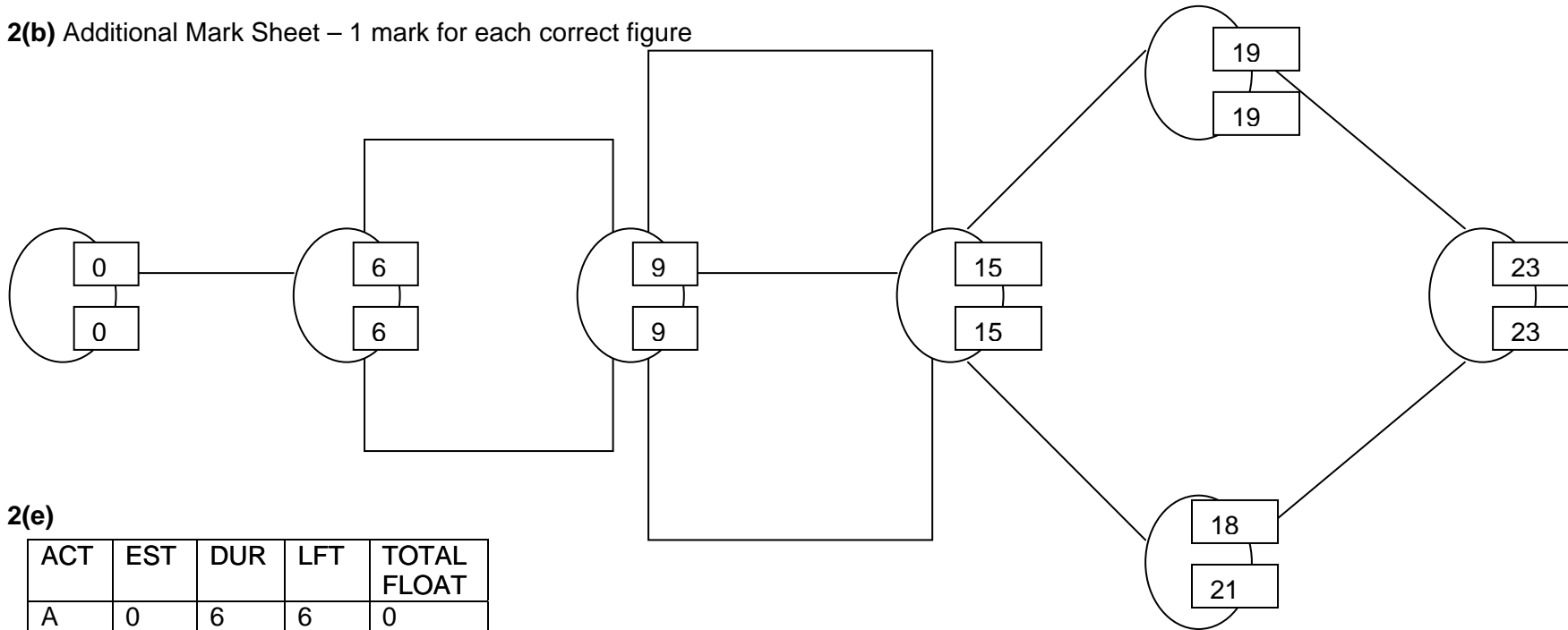
Question	Answer	AO	Mark
2(e)	[See rear of mark scheme]	AO1	5x1
2(f)	<p>Use level of response criteria.</p> <p>Level 1: candidate shows knowledge of CPA. [1-2 marks]</p> <p>Level 2: candidate applies knowledge to Aquasport Ltd case study of usefulness of CPA. [3-4 marks]</p> <p>Level 3: candidate analyses issues surrounding the usefulness of CPA to Aquasport Ltd. [5-6 marks]</p> <p>Level 4: candidate evaluates the extent to which CPA may be useful to Aquasport Ltd. [7-9 marks]</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • advantages: <ul style="list-style-type: none"> – provides decision makers with a picture which may be easier to interpret; – can be used to suit a range of circumstances; – can help to solve a variety of business problems; – it helps to reduce the time lost between tasks (L1) ensuring projects are more likely to run smoothly (L2); – it encourages forward planning (L1) as it ensures that all tasks have been identified and timed (L2); preparation of network forces business to consider all aspects of project (L3); – it helps to improve efficiency (L1) as, for example, level of funds committed can be reduced through just in time ordering and delivery (L2) and by identifying critical path and floats resources (such as machinery and workers) can be utilised more effectively (L3); – it can also help to control the cash flow of the business (L1) as ordering and purchasing only need to be undertaken when required (L2); • disadvantages: <ul style="list-style-type: none"> – simply preparing a network diagram will not ensure that the project runs smoothly (L1) as all of the team must co-operate and be committed to the project (L2) in order to ensure that each task is completed on schedule (L3); – staff must be consulted when management is devising the schedules (L1) otherwise project may not operate successfully (L2); – some projects are so large that a network diagram may become far too complex and will not be understood by those dealing with it (L1) – although unlikely to be the case in this instance; – network diagrams will only assist the implementation of the project if all the information contained within it is reliable and accurate (L1) – if durations, ESTs, LFTs are wrong or the tasks are in the wrong order (L2) then the critical path will not be appropriate or relevant (L3); • conclusions: <ul style="list-style-type: none"> – likely to be beneficial to Aquasport but will need to take into account issues which may impinge upon the accuracy and effectiveness of critical path analysis (L3). 	AO1 AO2 AO3 AO4	2 2 2 3

Question	Answer	AO	Mark																																																
3(a)	Option 1 – 2.2 years/2 years, 73 days. Option 2 – 2.4 years/2 years, 144 days. Option 3 – 4.6 years/4 years, 219 days. <i>[Award one mark for each process, and one for the correct answer]</i>	AO1 AO2	3x1 3x1																																																
3(b)	ARR – defined as Net Profit (Return) per annum/Capital Cost/Outlay – there are other definitions which will give slightly different results – these would need to be incorporated into a mark scheme for an actual examination Option 1: $700 - 500 = 200/3 = 66.67/500 (1) = 13.33\% (1)$ Option 2: $1100 - 800 = 300/3 = 100/800 (1) = 12.50\% (1)$ Option 3: $1850 - 1000 = 850/8 = 106.25/1000 (1) = 10.63\% (1)$	AO1 AO2	3x1 3x1																																																
3(c)	<table border="1"> <thead> <tr> <th>Year</th> <th>Net Income</th> <th>Discount Factor</th> <th>NPV</th> </tr> </thead> <tbody> <tr><td>1</td><td>100</td><td>0.91</td><td>91.00 (1)</td></tr> <tr><td>2</td><td>250</td><td>0.83</td><td>205.50 (1)</td></tr> <tr><td>3</td><td>250</td><td>0.75</td><td>187.50</td></tr> <tr><td>4</td><td>250</td><td>0.68</td><td>170.00</td></tr> <tr><td>5</td><td>250</td><td>0.62</td><td>155.00</td></tr> <tr><td>6</td><td>250</td><td>0.56</td><td>140.00</td></tr> <tr><td>7</td><td>250</td><td>0.51</td><td>127.50</td></tr> <tr><td>8</td><td>250</td><td>0.46 (1 for all)</td><td>117.50</td></tr> <tr><td>Total</td><td></td><td></td><td>1196.00 (1*) OFR</td></tr> <tr><td>Outlay</td><td></td><td></td><td>1000.00 (1)</td></tr> <tr><td>Net Present Value</td><td></td><td></td><td>196.00 (1*) OFR</td></tr> </tbody> </table>	Year	Net Income	Discount Factor	NPV	1	100	0.91	91.00 (1)	2	250	0.83	205.50 (1)	3	250	0.75	187.50	4	250	0.68	170.00	5	250	0.62	155.00	6	250	0.56	140.00	7	250	0.51	127.50	8	250	0.46 (1 for all)	117.50	Total			1196.00 (1*) OFR	Outlay			1000.00 (1)	Net Present Value			196.00 (1*) OFR	AO1 AO2	3x1 3x1
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3(d)	<p><i>See also QWC levels of response criteria. Use level of response criteria.</i></p> <p><i>Level 1: candidate shows knowledge of investment appraisal techniques. [1-3 marks]</i></p> <p><i>Level 2: candidate applies knowledge to Aquasport Ltd case study to make a decision. [4-6 marks]</i></p> <p><i>Level 3: candidate analyses issues surrounding the decision including quantitative and qualitative factors/lower part of band for one factor. [7-10 marks]</i></p> <p><i>Level 4: candidate evaluates the issues surrounding the decision looking at judgements of the importance of the qualitative and quantitative information available. [11-15 marks]</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • Option 1 has the shortest payback and the highest ARR but the lowest NPV (L1/2); • Option 2 has the middle payback, the middle ARR and the middle NPV (L1/2); • Option 3 has the longest payback, the lowest ARR but the highest NPV (L1/2). 	AO1 AO2 AO3 AO4	3 3 4 5																																																

Question	Answer	AO	Mark
<p>3(d) cont</p>	<p>Which option is chosen by Aquasport depends upon the objectives which it has set for the project – if the business needs a quick payback then Option 1 is the likely choice – although the payback period is only slightly shorter (73 days) than Option 2 (L3/4). Similarly if the business places an emphasis on ARR than Option 1 would appear to be likely choice – although it is only slightly better performing (by 0.83% per annum) than Option 2 (L3/4). Both of these projects are seen by management as short term – only a three year consideration - no account is taken of future inflows – or costs (L3/4). Option 3 has the highest initial capital cost but over its eight year (longer term) life span it produces a higher NPV than either of the other projects – but it is a long term commitment. Business may not be prepared to wait that long for returns (L3/4). Other factors which the business would need to take into account before making a decision as to which project to choose would include:</p> <ul style="list-style-type: none"> • human relations (workforce reactions); • market research; • ethical/social/environmental considerations; • corporate strategy; • availability of funding; • current cash flow; • appropriateness of discount factor; • investment appraisal skills of managers; • accuracy of predicted costs and revenues; • sunk costs; • personal values of owners. <p>Knowledge of such issues would be L1, their application to Aquasport would be L2, analysis of such issues would be L3 and an evaluation of such issues would be L4.</p> <p>When considering any investment decision it is crucial that all quantitative information is combined with qualitative information before forming a final decision – that decision is likely to combine a number of issues such as data, experience and, often gut feeling (L4).</p> <p>NB – Quantitative responses must reflect own figures from candidates' calculations of payback and ARR for all three projects and of NPV for Option 3.</p>		

Total Mark Available: 100

2(b) Additional Mark Sheet – 1 mark for each correct figure



2(e)

ACT	EST	DUR	LFT	TOTAL FLOAT
A	0	6	6	0
B	6	2	9	1 (1)
C	6	3	9	0
D	9	6	15	0
E	9	3	15	3 (1)
F	9	3	15	3 (1)
G	15	4	19	0
H	19	4	23	0
I	15	3	21	3 (1)
J	18	2	23	3 (1)

Analysis of marks:

Question	AO1	AO2	AO3	AO4	Total
1(a)	2				2
1(b)		4			4
1(c)	3	3	3		9
1(d)		1			1
1(e)	2				2
1(f)	1	2			3
2(a)	3	3	3	6	15
2(b)	6	6		2	14
2(c)	1	1			2
2(d)	1				1
2(e)	5				5
2(f)	2	2	2	3	9
3(a)	3	3			6
3(b)	3	3			6
3(c)	3	3			6
3(d)	3	3	4	5	15
Total	38	34	12	16	100

Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

Unit 17: Business Law

F256/TEST

Specimen Paper

Additional materials: Answer booklet.

TIME 2 hours

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the spaces on the answer booklet.
- Write your answers, in blue or black ink, in the spaces provided on the answer booklet.
- Answer **all** the questions.
- Read each question carefully and make sure you know what you have to do before starting your answer.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.

Text 1

For **three** years Silas Frank and Vladimir Stein had planned *Fright*. They had been following the trend in cult teenage vampire television programmes and, being fascinated by the Dracula legend, decided to set up a 'weekend experience'. The general idea was that paying guests would spend a weekend in a large manor house, dressed in very gothic clothes, with the objective of being scared out of their wits. Silas and Vladimir would stage-manage the whole event, including creaking floorboards, muffled shouting in the night, 'murders' and all manner of other 'incidents' to create an unforgettable stay.

Eventually, Silas and Vladimir got around to putting their plan into action. They rented some premises for **six** months, invested in all manner of ghostly gimmicks and set about formulating their marketing and operation plans. It was at this point that they considered formalising their business organisation. They viewed it as rather too tacky to join their surnames together, and instead named their partnership after their product – *Fright*.

1 Refer to **Text 1**

- (a) *Fright* is governed by the Partnership Act, 1890. Describe **two** main legal provisions of this Act. [4]
- (b) If Silas and Vladimir were to draw up a Deed of Partnership, outline **three** legal statements that should be included: [6]
- (c) Recommend and justify whether Silas and Vladimir should draw up a Deed of Partnership. [10]

Text 2

Vladimir's father is a solicitor and warned them both always to think about how they could be affected by the law. Indeed, he even showed them a previous case that had involved an organisation not dissimilar to their own.

Richards v Canal Weekends Partnership (1998)

The defendant was sued for failing to provide the canal weekend as agreed in contract. The canal barge hired by the plaintiff sank after sailing for **100** metres and all **eight** members of the Richards family had to swim to the canal side. Their escape was impeded by the fact that the barge, advertised as accommodating **ten** persons, had only **four** beds, and the cramped conditions made emergency evacuation virtually impossible.

2 Refer to **Text 2**

- (a) Describe what is meant by case law. [3]
- (b) Vladimir's father mentioned that in the case of *Richards v Canal Weekends Partnership (1998)*, the main issue was that Supply and Sales of Goods legislation was being broken.
Outline briefly **three** legal principles covered in this area of law. [6]
- (c) Case law and Sale of Goods law suddenly seemed important to Silas and Vladimir. Evaluate the impact that these areas of law might have on them in the future. [14]

Text 3

Silas Frank and Vladimir Stein decided to advertise their *Fright* evenings in order to increase demand. *Fright* took payment in advance from guests, and ensured that the guests signed a contract stating that they did not mind being scared and put in 'just a little danger'. Indeed the whole enterprise seemed to attract similar minded people to themselves and, when guests had the full weekend programme explained to them upon arrival at 6pm on Friday night, the excitement was immense.

3 Refer to **Text 3**

- (a) Explain why the Trade Descriptions Act would affect the way in which a business such as *Fright* would advertise its events. [5]
- (b) Outline **two** features for the contract between *Fright* and the guests to be legally binding. [4]
- (c) Outline **two** ways in which these contracts could be dissolved. [4]

Text 4

As the first few months of operation passed, Silas and Vladimir realised that they were on to a winner. They began to look for new ways of enhancing the, as they called it, 'fright factor'.

One wild, stormy November night they were approached by a somewhat peculiar, yet apparently very wealthy, hermit who went by the name of Michael Bright-Blood. He was keen to join the partnership and advance them considerable sums of money to spend on the production of the whole *Fright* experience. He claimed to be very familiar with a number of hotels in the Midlands and envisaged using them for further *Fright* weekends. Silas and Vladimir could see the benefits of expansion but were unsure about whether to change their business status.

4 Refer to Text 4

Silas and Vladimir were considering whether to become a private limited company, but eventually decided to remain a partnership. Evaluate this decision.

[15]

Text 5

Michael Bright-Blood was taken on as a partner in *Fright*. Silas and Vladimir knew that they really ought to make the relationship a little more formal and promised, when they had more time, to draw up a contract for him. Michael settled in very quickly and was a huge help at organising the weekends. He delighted in creating all manner of frightening illusions and was a genius when it came to scaring the guests. One evening however things went a little too far...

On the Halloween weekend of 2004, Silas and Vladimir put Michael in charge of organising a '*Fright Special*'. The weekends had always been advertised as 'ultimately safe', but Michael had said that, for this occasion, he would 'spice things up a little'. Among a number of changes he:

- set about sawing through a few floor joists to create a special 'creak' in the floorboards;
- installed motors in old suits of armour so that they swung axes around;
- turned off the illuminated 'Fire Exit' signs to create total darkness;
- ensured that a number of guests were rendered unconscious by his 'sleeping potion' and then woke up to find themselves sleeping in coffins.

As one guest fled screaming through the house, being pursued by Michael in full Dracula costume, he ran into Silas and their combined weight on an old floorboard sent them plunging through to the floor below.

Half an hour later, bemused paramedics took the gibbering guest away on a stretcher. They heard him complain that the 'quality of the weekend was not open to question, but it was far too dangerous'. Meanwhile, Silas had discovered that Michael had invited a friend from a regional television company to hide in the house and video the night's events. It sounded as though Michael had a little moneymaking scheme here on the side.

5 Refer to Text 5

Silas and Vladimir considered their future. The injured guest was likely to take legal action against the partnership and there were any number of legal issues involved, including Health and Safety, Vicarious Liability, Sales of Goods, and Employment Law.

(a) Outline **three** main legal issues in this case. [9]

(b) *Quality of Written Communication is assessed in this question.*
Making full reference to appropriate areas of law, discuss the likely outcome of this case. [20]



Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

UNIT 17: Business Law

Mark Scheme

F256/MS

Testing of QWC

In this external assessment the assessment of QWC will take place in question 5(b) which is a levels of response question and carries 20 marks.

Marks are embedded within this question for assessing the quality of written communication.

The following criteria are embedded within the levels of response for question 5(b)

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response]

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Question	Answer	AO	Mark
<p>1(a)</p>	<p><i>Two from:</i></p> <ul style="list-style-type: none"> • all profits or losses to be shared equally; • no capital withdrawal allowed; • if a partner leaves or dies, the partnership must be dissolved; • no partner can be paid a salary; • sick pay cannot be paid; • all partners are jointly and severally liable for the debts of the partnership; • each partner is an agent of the form making decisions on behalf of all other partners. <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • all partners are jointly liable for debts (1) – this means that responsibility is shared equally for any loss the partnership experiences (1); • any other valid suggestion. 	AO1	2x2
<p>1(b)</p>	<p><i>Three from:</i></p> <ul style="list-style-type: none"> • share of profit and losses; • if capital can be withdrawn; • sick pay and sick leave etc; • duties and responsibilities of partners; • if salary is to be paid to anyone; • arrangements in case of dissolution; • identity of partners; • business name; • duration; • any other valid suggestion. <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • The Deed will state whether or not one or all of the partners is entitled to withdraw any of their capital at any stage within the partnership (1) – it will specify who and how much or state a percentage (1); • any other valid suggestion. 	AO1 AO2	3x1 3x1

Question	Answer	AO	Mark
1(c)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1:</i> candidate identifies reason(s) [1-3 marks]</p> <p><i>Level 2:</i> candidate applies knowledge and understanding to suggest reason(s) in context. [4-6 marks]</p> <p><i>Level 3:</i> candidate analyses reason(s). [7-8 marks]</p> <p><i>Level 4:</i> candidate evaluates reason(s). [9-10 marks]</p> <p><i>Award upper end of level for answer in context.</i> <i>Possible responses may include:</i> Pros:</p> <ul style="list-style-type: none"> • more content with individual roles and responsibility; • gives a sense of purpose to arrangements; • foster a sense of teamwork; • less risk of dispute over profits/roles etc; • sets out plan for the future; • any other valid suggestion; <p>Cons:</p> <ul style="list-style-type: none"> • possible legal costs in drawing up; • may encourage work to rule; • time consuming; • may not actually want formalisation; • any other valid suggestion. 	<p>AO1</p> <p>AO2</p> <p>AO3</p> <p>AO4</p>	<p>3</p> <p>3</p> <p>2</p> <p>2</p>
2(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • these laws are made by the decisions of judges in court cases (1) – some of these decisions may have been made in the nineteenth century but are still valid today (1) – often, the decisions are revised in the light of differences in evidence presented but the principles stay the same (1) – the application of case law is important in common law jurisdiction (1). • legal principles are laid down in previously decided cases (1) – Judges can exercise ‘judicial precedent’ which means to ‘stand by what has already been decided’ (1) – can discuss acting in good faith, secret profit, conflict of interest, health and safety (water), unreasonable behaviour etc (1). • any other valid suggestion. 	AO1	3

Question	Answer	AO	Mark
2(b)	<p><i>Three from:</i></p> <ul style="list-style-type: none"> principally looking at 1979/82/94 Acts – consolidation of previous laws, including: <ul style="list-style-type: none"> – authority to transfer ownership; – merchantable/satisfactory quality; – as described; – fit for purpose for which intended; – goods match any sample shown to buyer prior to contract; – 1982 Act covers Contracts of barter; any other valid suggestion. <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> Goods must be of satisfactory quality (1), which means that goods must be of the quality expected of them, which is different for different types of goods and depends on the price paid (1). 	AO1 AO2	3x1 3x1
2(c)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1:</i> candidate identifies potential impact(s). [1-2 marks]</p> <p><i>Level 2:</i> candidate applies knowledge and understanding to suggest potential impact(s) in context. [3-6 marks]</p> <p><i>Level 3:</i> candidate analyses potential impact(s). [7-10 marks]</p> <p><i>Level 4:</i> candidate evaluates potential impact(s). [11-14 marks]</p> <p><i>Possible responses may include:</i> continuous possibilities as the firm expands (or doesn't) in terms of breaking Sale of Goods issues in 2(b), e.g. may introduce new products that may not be 'as described' could also discuss other legal issues that relate to case law, but not Sales of Goods, e.g.:</p> <ul style="list-style-type: none"> – more people = more adherence to law affecting recruitment, promotion, dismissal etc.; – contracts; – more potential for disputes; – more hours to be worked – contravention of EU 48 hour law; – minimum wage legislation; – expansion – health and safety in new premises; – possible monopoly/competition issue; <ul style="list-style-type: none"> any other valid suggestion. 	AO1 AO2 AO3 AO4	2 4 4 4

Question	Responses	AO	Mark
3(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> Fright has to be careful not to contravene the points in this legislation i.e. Fright could not provide misleading information on the types of events they offer(1) or in addition give out wrong costs for the murder mystery weekend(1) – the promotional material and advertising they used would have to be carefully considered (1) as although they may want to increase their customer base they would have to remain within the confines of the law (1) – if not they would of course face serious consequences (1). any other valid suggestions. 	AO1 AO2	4 1
3(b)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> offer – a statement without misrepresentation; acceptance – unconditional consent to all terms; consideration – or some element of mutual exchange; intention – by both parties to be legally bound; capacity – ability/authority to make a contract; any other valid suggestions. 	AO1 AO2	2x1 2x1
3(c)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> discharge by performance (1) – both parties completed what they had agreed to (1); mutual agreement (1); event that frustrates performance (1) – e.g. change in law (1); breach of contract (1) – other than leaving mid term (1); any other valid suggestion. 	AO1 AO2	2x1 2x1

Question	Responses	AO	Mark
4	<i>Use level of response criteria.</i>	AO1	4
		AO2	4
	<i>Level 1: candidate identifies reason(s). [1-4 marks]</i>	AO3	2
		AO4	5
	<i>Level 2: candidate applies knowledge and understanding to suggest reason(s) in context. [5-8 marks]</i>		
	<i>Level 3: candidate analyses reason(s). [9-10 marks]</i>		
	<i>Level 4: candidate evaluates reason(s). [11-15 marks]</i>		
	<p>Partnership:</p> <ul style="list-style-type: none"> • taxed on share of profits; • no start-up requirements; • unlimited liability; • no published accounts; • governed by PA 1890; • jointly and severally liable; • keep profits; • keep ownership; • any other valid suggestions. <p>Limited company:</p> <ul style="list-style-type: none"> • Corporation Tax; • many legal requirements; • limited liability; • must publish accounts; • governed by CAs; • separate legal entity; • pay dividends/share profit; • may dilute ownership; • any other valid suggestions. 		

Question	Responses	AO	Mark
5(a)	<p><i>Three from:</i></p> <ul style="list-style-type: none"> • Sale of Goods(1): <ul style="list-style-type: none"> – product is not as described (not ultimately safe) (1); – fit for purpose (1) (could be argued that the purpose is to be mildly frightening, not dangerous); • Health and Safety: <ul style="list-style-type: none"> – many issues here, e.g. floorboards, axes, fire exits etc; • Employment Law: <ul style="list-style-type: none"> – common law duty of care to fellow employees/partners, reasonable behaviour etc; – Act in Good Faith – secret profit being made by selling TV rights? – also is Michael an employee? • Deed of Partnership: <ul style="list-style-type: none"> – Michael included? – was one signed? • Vicarious Liability: <ul style="list-style-type: none"> – Liable for employee/partner; – is he an employee? – Is there a contract etc? • any other valid suggestion. <p><i>[Candidate can focus on one area of law (looking at different legal aspects) or can look at separate areas of law.]</i></p>	AO1	3x1
		AO2	3x2
5(b)	<p><i>See also QWC levels of response criteria.</i></p> <p><i>Use level of response criteria.</i></p>	AO1	6
		AO2	6
		AO3	4
	<p><i>Level 1: candidate identifies likely outcome(s). [1-6 marks]</i></p>	AO4	4
	<p><i>Level 2: candidate applies knowledge and understanding to suggest likely outcome(s) in context. [7-12 marks]</i></p>		
	<p><i>Level 3: candidate analyses likely outcome(s). [13-16 marks]</i></p>		
	<p><i>Level 4: candidate evaluates likely outcome(s). [17-20 marks]</i></p>		
	<p><i>Lower level in each band for discussing only one possible outcome. Higher levels in band for good use of law and terminology in the scenario context.</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> • depends on whether candidate looks at legal action from the guest or at possible dismissal of Michael; • also can look at court solution (e.g. compensation, re-engagement etc); • also likelihood of going to court; • also look at any of the legal areas in 5(a); • any other valid suggestion. 		

Total Mark Available: 100

Analysis of marks:

Question	AO1	AO2	AO3	AO4	Total
1(a)	4				4
1(b)	3	3			6
1(c)	3	3	2	2	10
2(a)	3				3
2(b)	3	3			6
2(c)	2	4	4	4	14
3(a)	4	1			5
3(b)	2	2			4
3(c)	2	2			4
4	4	4	2	5	15
5(a)	3	6			9
5(b)	6	6	4	4	20
Total	39	34	12	15	100

Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS:

Unit 18: Managing Risk in the Workplace

F257/TEST

Specimen Paper

Additional materials: Answer booklet.

TIME 2 hours

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the spaces on the answer booklet.
- Write your answers, in blue or black ink, in the spaces provided on the answer booklet.
- Answer **all** the questions.
- Read each question carefully and make sure you know what you have to do before starting your answer.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **100**.

Text 1

Ian Alcester-Young is the owner of Supertoys. The business makes a range of plastic baby toys, including rattles, pram mobiles, and teething rings. Ian is keen to make his business a success and is convinced that the best way to do this is to minimise production costs and other overheads. With this in mind, he set up the business in two old barns which belong to a local farmer friend, because it was a cheaper option than taking a custom-built factory unit on a small, recently-completed industrial estate.

Ian's employees frequently complain that the temperature in the barns is often below that required by legislation, and that the concrete floors are uneven and potentially dangerous. Ian's view of these complaints is that his workforce should be happy that they have jobs, and should stop complaining. During a recent team-briefing held with his workforce of 12 production operatives, he told them that any extra money spent on health and safety improvements would make Supertoys' products too expensive and the business would lose orders. One of the workers, angered by Ian's statement, tried to tell Ian that Supertoys had a duty of care towards all the employees and should make health and safety a priority issue. Ian was not impressed.

1 Refer to **Text 1**

- (a) Define the term 'duty of care'. [2]
- (b) (i) Ian thinks that the *workforce* is responsible for its own work areas and, if the workers get injured as a result of their own untidiness Ian cannot be held legally responsible. Using your knowledge of the concept of duty of care, explain whether you agree with Ian's view. [4]
- (ii) Ian also thinks that any *customers* or *contractors* visiting Supertoys who are injured by a fall on uneven floors are *personally* to blame because they should look at what they are doing. Using your knowledge of the concept of duty of care, explain whether you agree with Ian's view. [4]
- (c) Outline **three** implications for the business if Ian fails to take his duty of care seriously. [8]

Text 2

Supertoys uses polypropylene granules which are processed at high temperature. The plastic is then extruded from the machines, still at high temperature, before being injection-moulded to make the shapes of the various toys. Ian brought this machinery, second-hand, from a factory in Romania which was closing down. The machinery, though old, is quite reliable, and produces toys which are up to European Union standards. However, there are no guards on any of the motors which drive the machines, and there is no protection for the production workers from the sharp cutting knives which remove the surplus plastic from the toy moulds. There have not been any serious accidents since Supertoys began production a year ago, but there have been numerous minor accidents, including some injured production workers taking time off work.

Gary Bishop suffered the worst accident, losing the ends of two of his fingers when using the machinery, jeopardising his budding tennis career. He has been off work for six weeks and is threatening to take legal action against Supertoys. Gary has phoned Ian to tell him that he intends to notify the Health and Safety Executive about the dangerous working conditions at Supertoys. Ian, however, seems to show no particular concern with regard to these issues. He continues to ignore hazards in the workplace, such as the floor near the extrusion machinery covered in slippery extruded plastic waste, and the untidy and potentially dangerous amount of tools and raw materials left lying around by the production workers.

2 Refer to **Text 2**

- (a) Define the term 'hazard', as used in Health and Safety matters. [2]
- (b) Define the term 'risk' as used in Health and Safety matters. [2]
- (c) Outline **two** examples of risks to which Ian has exposed his workforce. [4]
- (d) Identify and explain **two** measures that Ian should have taken to make sure that the toy-making machinery is safe to work with. [4]

3 Refer to **Text 2**

- (a) Identify the **five** stages involved in carrying out risk assessments. [5]
- (b) Outline **two** potential benefits to Supertoys of carrying out risk assessments. [4]
- (c) Gary Bishop decides to take legal action against Supertoys as a result of his accident. Evaluate the potential consequences to Supertoys of any legal action taken by Gary Bishop. [9]

4 Refer to **Text 2**

- (a) Identify and describe **two** reasons why the Health and Safety Executive might decide to investigate working conditions at a business such as Supertoys. [4]
- (b) Identify and explain **two** actions that the Health and Safety Executive could take against a business such as Supertoys if they considered that the Health and Safety legislation had been breached. [4]
- (c) *Quality of Written Communication is assessed in this question.*
Discuss the potential measures available to businesses, such as Supertoys, to ensure that the risk of injury to employees, visitors and contractors is minimised. [20]

Text 3

Ian Alcester-Young has been advised by the Health and Safety Executive that he needs to undertake the following actions as a matter of urgency.

1. Create a coherent Health and Safety policy for Supertoys.
2. Draw up an induction programme for all new employees which incorporates appropriate Health and Safety awareness training.
3. Identify all hazards in the Supertoys workplace and carry out a detailed risk assessment.

Ian has been told that a revisit will be made to the business in four weeks time to check that all necessary activities have been carried out. Ian has been given the name of a reputable Health and Safety consultant who can carry out all these tasks for a fee of £500 per day. The consultant tells Ian that it will take him eight days to do all the work thoroughly. Ian is horrified because he thinks that this will add unnecessary costs to the overheads of his business.

5 Refer to **Text 3**

- (a) Identify and explain **four** activities that you would include in the induction programme if you were Ian's consultant, which are targeted at Health and Safety awareness. [12]
- (b) Discuss the potential advantages/disadvantages to Ian of using the consultant to draw up a Health and Safety policy for Supertoys. [12]



Oxford Cambridge and RSA Examinations

General Certificate of Education

APPLIED BUSINESS

Unit 18: Managing Risk in the Workplace

Mark Scheme

F257/MS

Testing of QWC

In this external assessment the assessment of QWC will take place in Question **4(c)** which is a levels of response question and carries 20 marks.

Marks are embedded within this question for assessing the quality of written communication.

The following criteria are embedded within the levels of response for Question **4(c)**.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response]

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Question	Answer	AO	Mark
1(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> an employer should ensure that their employees work in a safe manner, using safe systems (1); an employee should make sure that they work in a safe manner, and do not endanger any of their fellow employees (1); any other valid suggestion. 	AO1	2
1(b)(i)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> Ian is to some extent correct because his employees have a duty to work safely (1) but this does not supersede Ian's responsibility to ensure that they work safely (1); he may try to argue that if they injure themselves or others then the concept of contributory negligence might be relevant (1) – he cannot, however, ignore his duty of care as an employer. any other valid suggestions. 	AO1 AO2	2 2
1(b)(ii)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> Ian is clearly wrong here (1) – he has a duty of care to visitors and contractors (1) – if they are injured he cannot avoid the fact that he should have made provisions (1) to ensure that customers or contractors are not endangered when they are visiting or working on his premises (1); any other valid suggestion. 	AO1 AO2	2 2
1(c)	<p><i>Use of level response criteria.</i></p> <p><i>Level 1: candidate identifies potential implication(s). [1-2 marks]</i></p> <p><i>Level 2: candidate explains potential implication(s). [3-4 marks]</i></p> <p><i>Level 3: candidate analyses potential implication(s). [5-6 marks]</i></p> <p><i>Level 4: candidate evaluates potential implication(s). [7-8 marks]</i></p> <p><i>[For only one implication lower part of each level]</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> poor industrial relations between employers and employees; possibility of an accident which may have legal consequences; poor reputation in the community causing problems in employee/employer retention. any other valid suggestion. <p><i>[Each response can be developed to access higher levels]</i></p>	AO1 AO2 AO3 AO4	2 2 2 2

Question	Answer	AO	Mark
2(a)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> a hazard is something with the potential to cause harm (1), i.e. a material or substance (1) 	AO1	2
2(b)	<p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> a risk is the chance, high or low (1) that somebody will be harmed by a hazard (1) in a negative way. any other valid suggestion. 	AO1	2
2(c)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> no guards on any of the motors (1) meaning the workforce are potentially at great risk (1); no protection from knives (1) meaning...; uneven floors in barns (1) meaning...; slippery extruded plastic waste on factory floor (1) meaning...; tools and raw materials left lying around (1) meaning...; any other valid suggestion. 	AO2	2x2
2(d)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> Ian should have checked the machines before he commissioned them (1) so that...; he should have put guards in the motors which drive the machines before he installed them (1), this would ensure that it would be less likely that anyone would be injured by any moving parts of the machines (1); Ian should have made sure that he made the cutting knives safe by placing a guard around them (1) so it would be less likely that people would injure themselves (1); Ian could have made it compulsory for anyone working with knives to be provided with protective gloves (1) so that...; any other valid suggestion. <p><i>[One mark for identification, one additional mark for explanation]</i></p>	AO1 AO2	2x1 2x1
3(a)	<p><i>Correct stages in correct order – 5 marks</i> <i>Correct stages in wrong order – 4 marks</i> <i>Any four stages – 3 marks</i> <i>Any three stages – 2 marks</i> <i>Any two stages – 1 mark</i></p> <p><i>Possible responses may include:</i></p> <ul style="list-style-type: none"> stage 1 – look for hazards; stage 2 – decide who might be harmed and how; stage 3 – evaluate the risks and decide whether the existing precautions are adequate or whether more should be done; stage 4 – record findings and make recommendations; stage 5 – review the assessment procedures and revise as and when necessary; any other valid suggestion. 	AO1	5

Question	Answer	AO	Mark
3(b)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate identifies potential benefit(s). [1-2 marks]</i></p> <p><i>Level 2: candidate applies potential benefit(s) within context. [3-4 marks]</i></p> <p><i>For only one benefit lower part of each level.</i></p> <p>Supertoys will be operating within the requirements of Health and Safety legislation, therefore they will be less likely to be fined/closed down. Having identified the hazards and degree of risk, they will be able to take measures to eliminate hazards and minimise risk. It will be less likely that employees, customers or contractors will be injured whilst on Supertoys premises, therefore it will be less likely that the business will be sued/have to pay compensation to any injured parties – Level 2 response. Any other valid suggestions.</p>	AO1 AO2	2x1 2x1
3(c)	<p><i>Use of level response criteria.</i></p> <p><i>Level 1: candidate identifies potential consequence(s). [1-2 marks]</i></p> <p><i>Level 2: candidate analyses potential consequence(s). [3-4 marks]</i></p> <p><i>Level 3: candidate evaluates potential consequence(s). [5-9 marks]</i></p> <p><i>For only one consequence lower part of each level.</i></p> <p>Gary Bishop will probably be offered a sizeable sum as compensation for the accident. This will add to the business's costs and as a result Ian's desire to keep costs down will be somewhat thwarted. He will already have had to pay Gary sick-pay which is another cost. In the short term he would have been better to get the Health and Safety side of the business sorted out as it would have cost him less in the long-run. It is also likely that his insurers will consider putting up the cost of his employer liability insurance, particularly if he cannot take the necessary action to keep the number of accidents down. The business may also get a bad reputation – this may make it difficult for the business to recruit and retain employees – Level 3 response. Any other valid suggestions.</p>	AO1 AO2 AO3 AO4	1 1 2 5

Question	Responses	AO	Mark
4(a)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> if the number of accidents continues to increase (1) the HSE may wish to investigate why; they may decide to visit as a result of a phone call from Gary Bishop (1) to investigate the working conditions and the reason for his accident at Supertoys; any other valid suggestion. <p><i>[One mark for identification, one additional mark for description]</i></p>	AO1	2x2
4(b)	<p><i>Two from:</i></p> <ul style="list-style-type: none"> Supertoys could be closed down temporarily (1) until the business rectifies any breaches in the H & S legislation (1); they could be closed down permanently (1) if the H & S Executive considers the problem(s) to be serious enough to warrant such action (1); Supertoys could be taken to court (1) and if found guilty fined; the size of the fine would depend upon the seriousness of the breaches to H & S legislation (1); any other valid suggestion. <p><i>[One mark for identification, one additional mark for explanation]</i></p>	AO1 AO2	2x1 2x1
4(c)	<p><i>See also QWC levels of response criteria. Use level of response criteria.</i></p> <p><i>Level 1: candidate identifies potential measure(s). [1-6 marks]</i></p> <p><i>Level 2: candidate applies knowledge to suggest potential measure(s) in context. [7-12 marks]</i></p> <p><i>Level 3: candidate analyses potential measure(s). [13-16 marks]</i></p> <p><i>Level 4: candidate evaluates potential measure(s). [17-20 marks]</i></p> <p><i>For only one measure lower part of each level.</i></p> <p>An induction programme could be devised which contains H&S awareness raising activities. H&S training could be included in the induction programme to prepare employees for their specific roles and tasks, including lifting techniques, how to use machinery etc. safely.</p> <p>Protective clothing could be purchased to minimise injury. Special walkways could be indicated with bright painted lines to keep people walking in the safest places. A H&S committee could be formed which monitors issues and reports back to Ian if issues need to be raised. Staff meetings could then be held to ensure dissemination of information was taking place.</p> <p>All of these measures are in the short term quite expensive for the company and may not go down well with Ian who seems to be trying to cut corners to keep the costs down. However, the short-term expense will in the medium- to long-term save money for the company. If a comprehensive H&S policy is in place then the risk of injury should be greatly reduced. The company will not risk being closed down for failing to abide by H&S legislation and the reputation of the company may in fact increase in the area. Short-term pain/long-term gain analogy – Level 4 response.</p> <p>Any other valid suggestions.</p>	AO1 AO2 AO3 AO4	6 6 4 4

Question	Answer	AO	Mark
5(a)	<p><i>Four from:</i></p> <ul style="list-style-type: none"> • manual handling and lifting loading techniques (1) because there are probably lots of boxes or raw materials to move from place to place (1); • fire points (1) and fire drill (1) – workers need to know how to exit the building in the most appropriate fashion (1) and how they should behave if there is a fire alert (1); • basic first aid skills (1) – knowledge needed of how to deal with accidents of a commonplace nature (1); • typical hazards which may be prevalent in this sort of business (1) and how to minimise injuries etc (1); • any other valid suggestions. <p><i>[One mark for identification, up to two marks for explanation]</i></p>	AO1 AO2	4x1 4x2
5(b)	<p><i>Use level of response criteria.</i></p> <p><i>Level 1: candidate identifies potential advantage(s)/disadvantage(s). [1-2 marks]</i></p> <p><i>Level 2: candidate applies knowledge to context to suggest potential advantage(s)/disadvantage(s). [3-4 marks]</i></p> <p><i>Level 3: candidate analyses potential advantage(s)/disadvantage(s). [5-8 marks]</i></p> <p><i>Level 4: candidate evaluates potential advantage(s)/disadvantage(s). [9-12 marks]</i></p> <p>Advantages – Ian does not seem to know much about H & S matters, he does not seem to care either. Even if he did try to do it himself, he may attempt to cut corners as he doesn't have the time to do a H & S review correctly and would attempt to save money wherever he could to the point of compromising safety. A consultant would take the pressure off Ian and although in the short-term s/he may be a costly investment, in the long-term their expertise would bring benefits to the company.</p> <p>Disadvantages – the cost of the consultant is a consideration. In the long-term however, the consultant would probably do a better job because he/she will be specialist in that field and experienced in dealing with legislation and preparing the most appropriate policy for that business. The consultant can explain to Ian what the policy involves, improve his understanding of legal requirements and how to carry out the necessary changes that may be required – Level 4 response.</p> <p>Any other valid suggestions.</p>	AO1 AO2 AO3 AO4	2 2 4 4

Total Mark Available: 100

Analysis of marks:

Question	AO1	AO2	AO3	AO4	Total
1(a)	2				2
1(b)(i)	2	2			4
1(b)(ii)	2	2			4
1(c)	2	2	2	2	8
2(a)	2				2
2(b)	2				2
2(c)		4			4
2(d)	2	2			4
3(a)	5				5
3(b)	2	2			4
3(c)	1	1	2	5	9
4(a)	4				4
4(b)	2	2			4
4(c)	6	6	4	4	20
5(a)	4	8			12
5(b)	2	2	4	4	12
Total	40	33	12	15	100