



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme January 2003

GCE

Business Studies

Unit BUS5/W

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General marking guidance

You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary candidates, mainly 17 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates half-way through a full A Level course.

Positive marking

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.

Mark range

You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit no marks should be given.

The use of Levels of Response

Levels of Response marking requires examiners to follow the logic of a candidate's answer. A concept which would receive credit only for knowledge in one context could become a means of analysis in another. For instance, in the question: "Discuss the BGD Company's marketing strategy", a candidate who writes: "approaches to a strategy include SWOT and the Boston Matrix" is showing knowledge. A brief, accurate explanation of the Matrix shows understanding, whereas a candidate who uses the Matrix to examine the BGD Company's case is showing the skill of analysis. **Please note that there are other ways to show analysis.**

What then of evaluation? This is the hardest skill to define because judgement can only be shown in context - and that context is not only the one set in the assessment unit, but also by the candidate's own answer. Evaluation is **not** shown by drilled phrases or approaches such as: "On the other hand ..." or "Business operates in an ever-changing ...". It is shown through the weighting of the candidate's arguments, the logic (and justification) of his/her conclusions.

Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

LEVEL 4	Complex ideas are expressed clearly and fluently. Sentences and paragraphs follow on from one another smoothly and logically. Arguments are consistently relevant and well structured. There are few, if any, errors of grammar, punctuation and spelling.	4 marks
LEVEL 3	Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling.	3 marks
LEVEL 2	Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas	2 marks
LEVEL 1	Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas.	1 mark
LEVEL 0	Ideas are expressed poorly and sentences and paragraphs are not connected. There are errors of grammar, punctuation and spelling, showing a weakness in these areas.	0 marks
		Total 4 marks

Unit 5/W: Business Report and Essay**1****Total for this question: 40 marks**

Write a report to the Board, as an independent management consultant, outlining the case for and against Tim's plan and recommending whether or not to adopt it.
(2 marks are available for report format.) (40 marks)

Knowledge and Understanding (Assessment Objective 1)**Max 8 marks**

LEVEL 3	Includes a range of relevant material, fully explained and presented appropriately	8 - 6 marks
LEVEL 2	Includes explanation of relevant material, which is presented appropriately	5 - 3 marks
LEVEL 1	Includes some relevant material which is presented appropriately (up to 2 marks for report format)	2 - 1 marks
LEVEL 0	Includes no relevant material	0 marks

Application of Knowledge (Assessment Objective 2)**Max 8 marks**

LEVEL 3	Relevant data applied in detail to context showing critical perspective	8 - 6 marks
LEVEL 2	Relevant data applied in detail to context	5 - 3 marks
LEVEL 1	Relevant data applied to context	2 - 1 marks
LEVEL 0	No application of data to the question	0 marks

Analysis of Evidence (Assessment Objective 3)**Max 8 marks**

LEVEL 3	Substantial analysis of the data demonstrating insight and depth and identifying key issues	8 - 6 marks
LEVEL 2	Analysis of the data demonstrating insight and depth	5 - 3 marks
LEVEL 1	Limited analysis of the data presented, showing some understanding but neither insight nor depth	2 - 1 marks
LEVEL 0	No analysis provided	0 marks

Synthesis (Assessment Objective 4)**Max 5 marks**

LEVEL 3	The report's structure is well thought through, making it easy to follow the logic, the communication and the recommendations which draw together the most appropriate evidence and arguments	5 marks
LEVEL 2	The report's structure is well thought through, making it easy to follow the logic, the communication and the recommendations	4 - 3 marks
LEVEL 1	The report has a structure and is built into a connected whole	2 - 1 marks
LEVEL 0	The report is unstructured and lacks coherence	0 marks

Evaluation (Assessment Objective 5)**Max 11 marks**

LEVEL 4	Appropriate conclusions justified by the evidence, showing an awareness of the most relevant underlying themes or issues and their potential implications for the business concerned	11 - 10 marks
LEVEL 3	Appropriate conclusions justified by the evidence showing an awareness of the most relevant underlying themes or issues	9 - 7 marks
LEVEL 2	Appropriate conclusions which are partially supported by the evidence present	6 - 4 marks
LEVEL 1	An attempt at drawing conclusions, but based on hearsay or assertion rather than argument based on the evidence	3 - 1 marks
LEVEL 0	No attempt to draw conclusions	0 marks

Answers might include:**Case for the plan:**

- Profits at Best Fit plc are falling despite revenue increasing and a fast growing market; the company needs to boost profits and cost cutting is obviously one option. Costs have been increasing faster than the industry average.
- Tim's decision tree suggests a 70 % probability of cost savings of £700 000 or more; net gain is £350 000 (£470 000 – £120 000); this would considerably boost the firm's ROCE and help him achieve the objective set for him by the Board of Directors.
- Marketing and R&D are areas in which spending has increased quite significantly in relative terms in recent years so there may be some logic in targeting these.
- Marketing costs have increased to a level where they are above the industry average (as a percentage of turnover); increases in marketing spending do not seem to have had a significant effect on sales over last three years so perhaps wasted. R and D costs are also above the industry average – do we need to be spending this much? Could it be a question of using funds more effectively?
- Best Fit has been hiring employees even when profits have been falling; sales per employee are declining – is there overmanning? Redundancies may be justified.
- Any firm will be eager to cut costs provided it does not damage future success (eg by affecting quality and revenue).
- The quality of marketing may be maintained by outsourcing - simply making the business leaner; reducing research and spending does not necessarily mean less innovation – it depends how the money is used.

Case against:

- Higher union membership – may want to know why; may suggest redundancies could be more difficult to introduce than in the past if employees are better represented and more organised. May need to negotiate over redundancies.
- Average length of service for employees is high; issues of loyalty to staff?
- Innovation seems an issue; fewer products on the market and less revenue from relatively new products – is this the time to be cutting back on R&D? Also the predicted growth in the market is quite fast – might this be a good time to invest more in R&D rather than less? Overall level of the firm's spending on R&D is less than industry average so this suggests it may not be overspending.
- The outsourcing of marketing may reduce quality – possibly less control over what happens.
- Will cutbacks in marketing affect sales? No point cutting costs if sales fall faster. May not show up in short run but could in long run. Redundancies in salesforce, for example may hit revenues.
- The Directors may not like the risk, 30 % chance of losing £320 000 (£200 000 + £120 000) [and this has been estimated by Tim who may be overly optimistic anyway].

Consider:

- Cost cutting could boost profits by £780 000 (£900 000 - £120 000) a year (at best) and this could significantly increase ROCE and help Tim achieve his objectives. *[NOTE: if this had occurred in 2002 it would have boosted ROCE to 22.5 % - better than industry average. However may not enable the firm to be one of the "best financial performers in the industry"; this plan alone may not be enough.]*
- Should not ignore the lack of significant revenue growth - should this be an area to consider instead? The market is very buoyant and yet this firm is not generating major gains in revenue.
- Issue of quality and use of money - will outsourced marketing be better or worse quality? Does less money spent on marketing mean the effectiveness of marketing will necessarily be less?
- Is there a danger of adopting the cost cutting as a short term solution - will it solve the firm's long term problems?
- The decision tree shows projections for the next financial year only. What about after that? These may be one off cost savings - how do we generate longer term profit growth?
- Is Tim rushing in (says a "brief settling in period")? Should he take longer to find out more about the business? How reliable are his estimates?
- May depend on how Tim introduces the plan, eg redundancies and discussions with unions.

- Possible to take elements of the plan? Eg some redundancies and outsourcing but not cutting back on R&D?
- Depends if the firm is prepared to take a risk - some possibility of failure; how risk averse is the firm? (30 % chance of losing money)
- Need to take more of an overview? An issue here is why the revenue is increasing so slowly compared to the market as a whole - should the focus be here?

2

Total for this question: 40 marks

Tracklin plc is a major construction company that builds and sells houses. After several years of declaring large profits it recently announced a loss of over £3m. Consider the possible implications of this for the business. *(40 marks)*

Answers might include:

- May lead to a loss of confidence from shareholders - may start to sell shares. This might lead to demands for new management or even a take-over bid.
- May lead to loss of confidence within the business - uncertainty may affect morale; possible panic and rushed decision making. May put pressure on managers to improve performance.
- May lead to attempts to cut back and reduce costs; this may involve rationalisation and redundancies.
- May lead to a general review of approach eg target market, pricing, sales approach.

Depends on:

- Whether the loss was expected or not (eg investors may have been warned).
- On the cause - what led to the loss? Eg is it due to expansion plans, investment in major projects? Or recession (if so, how long expected to last?)
- Have competitors suffered similar losses?
- Are the losses expected to be long term or short term? What does the future look like?
- How does the £3m compare to, eg the capital employed of the company? Is £3m significant?
- What do the other financial indicators suggest, eg cashflow?

Several countries, including Poland and the Czech Republic, have applied to join the European Union (EU) in the near future. Discuss the possible impact of such enlargement of the EU on UK businesses. (40 marks)

Answers may include:

- May offer new market opportunities: eg new sales opportunities. This creates opportunities for growth and higher potential profits.
- May pose a threat - may bring potential new competitors; possibly with lower costs.
- Cheaper and easier to export to or import from these countries - removal of barriers to trade which may exist at present. Lower administration costs and easier market access.
- May create new production opportunities, eg relocate to benefit from lower labour costs; may become easier/cheaper to sell from such countries into existing EU member states.
- Taxation may increase; existing member states may need to raise revenue to fund new members; need to consider possible impact on, eg consumer spending or investment.
- May lead to new policies/regulations.

Impact may depend on:

- How competitive UK firms are at present compared to firms in the new member countries.
- Nature of UK firms' strengths, eg are they easily threatened by new entrants? Or are their competitive strengths difficult to imitate?
- Nature of UK business, eg UK taxi company may be affected less than a manufacturer which sells to these areas already.
- Existing and potential strengths of firms in these markets.
- How many countries allowed to join; when they join (eg rate of entry).
- Whether they join the Euro or not.
- State of the economies of the countries that join, eg inflation rates, growth rates, income levels.
- Similarity of markets.

4

Total for this question: 40 marks

Henley plc is a producer of frozen foods such as chips, peas and pies. One of its oldest customers, a major food retailer, has asked Henley to reduce the price at which it supplies some of its products. Evaluate the ways in which the managers of Henley plc might react to this request. *(40 marks)*

Answers may include:

- May agree to cut the prices; this will reduce profit margins but may ensure it keeps the contract.
- May refuse to cut prices.
- May negotiate, eg short term reduction in return for long term orders.
- May look for new customers.

Depends on:

- How much the price is reduced.
- How many products would be affected.
- Size of existing profit margins - can Henley afford to cut prices?
- Importance of the contract to Henley - says it is a “major food retailer” so could be important to keep the contract.
- How long this price cut is likely to last.
- What is happening to Henley’s costs.
- How the customer asks! (Eg request v demand.)
- Whether there is a deal in return, eg bigger orders.
- Whether Henley thinks it will lose the contract if it refuses.
- Strength of relationship with “one of its oldest customers”.
- Reason for price cut - is it perceived as a reasonable request, eg better prices being offered by competitors.

5

Total for this question: 40 marks

At the moment most aspects of the National Health Service are provided free of charge for patients. At the same time there is considerable criticism of the quality of the service. Should patients be charged for all the healthcare services they receive? *(40 marks)*

Answers may include:

- Charging could provide finance for investment.
- Charging may deter people from ‘over’ using the service and reduce waiting lists and queues.
- Charging may mean less has to be raised from taxes; this may improve incentives elsewhere for individuals and business.

But:

- Is this fair – what if people cannot afford the service?

May depend on:

- What charges are introduced, eg level of charges?
- What support system exists if people cannot pay?
- How the system would work, eg via insurance scheme?
- How additional funding is used (if it is additional funding – what will happen to government contribution?).
- What are the underlying causes of the poor quality care? To what extent is it to do with funding?

Essay marking grid

Use this marking grid, and the guidance underneath it, when assessing each essay.

	CONTENT 8 marks	APPLICATION 8 marks	ANALYSIS 8 marks	EVALUATION 16 marks
LEVEL 3	8 - 6 marks Full explanation of relevant factors	8 - 6 marks Full application to context	8 - 6 marks Full analysis using theory appropriately and accurately	16 - 11 marks Mature judgement shown in arguments and conclusions
LEVEL 2	5 - 3 marks Relevant factors explained	5 - 3 marks Application to context	5 - 3 marks Analysis with some use of relevant theory	10 - 5 marks Judgement shown in arguments and/or conclusions
LEVEL 1	2 - 1 marks Relevant factors identified	2 - 1 marks Limited application to context	2 - 1 marks Limited analysis of the question	4 - 1 marks Limited judgement shown in text or conclusions
LEVEL 0	0 marks No knowledge shown	0 marks No application or explanation	0 marks No analysis present	0 marks No judgement present

The following points give a detailed list of some of the qualities which could be rewarded.

Analysis (breaking down)

- Identification of cause, effect and interrelationships.
- The appropriate use of theory or business cases/practice to investigate the question set.
- Breaking the material down to show underlying causes or problems.
- Use of appropriate techniques to analyse data.

Evaluation

(bringing together)

- Building the points/themes within the answer into a connected whole.
- Logical sequencing of argument.
- Clarity through summarising an argument.

(judgement)

- Judgement shown in weighing up the relative importance of different points or sides of an argument, in order to reach a conclusion.
- Informed comment on the reliability of evidence.
- Distinguishing between fact and opinion.
- Judgement of the wider issues and implications.
- Conclusions drawn from the evidence presented.
- Well-judged use of English.
- Selectivity - ensuring material is all relevant to the question.