



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme January 2004

GCE

Business Studies

Unit BUS1

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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, then no marks should be given.*

The Use of Levels of Response

Levels of response marking has holistic aspects, yet must conform to the rule of positive marking. A candidate who has built a strong argument must have that achievement recognised fully, even if a subsequent paragraph of ambiguity reduces the power of the whole. For this to occur consistently requires careful annotation of the level of response achieved within each skill category, at each significant stage within an answer.

Fundamental to a Levels of Response approach is that there maybe more than one right answer to a written question. Examiners must use their professional judgement to credit any reasonable answer, whether or not it is listed on the mark scheme.

Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept that would receive credit for knowledge in one context could become a means of analysis in another. It is also possible that a candidate's line of argument could validate knowledge that would not have been recognised if the candidate had simply tabled it. For example, acid test is not listed within the specification as a test of financial efficiency, yet a candidate could build an argument that made it relevant. Then knowledge could be rewarded as well as analysis.

Despite the value of skills such as analysis and evaluation, all answers must be based upon relevant knowledge and understanding. Therefore, it is not possible to credit application, analysis or evaluation unless recognisable knowledge has been rewarded.

The skills we seek from candidates are as follows:

1. Knowledge and understanding: accurate definitions or explanations of relevant terms should always be credited within this category; candidates can also gain credit for knowing and explaining a point relevant to the question, eg an advantage of factoring.
2. Application is the skill of bringing knowledge to bear to the business context faced by the candidate. Candidates should not be rewarded for simply dropping the company name or product category into their answer; the response must show recognition of some specific business aspect of the firm, its management or its situation.
3. Analysis: building up an argument using relevant business theory in a way that answers the question specifically and shows understanding of cause and effect.
4. Evaluation is judgement. This can be shown within an answer, through the weighting of an argument or in the perceptiveness shown by the candidate (perhaps about the degree of crisis/strength of the XYZ Company). It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Evaluation is **not** shown simply by the use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment". It is shown through the weighting of the candidate's response plus 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 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 2 marks

1**Total for this question: 25 marks**

(a) What is meant by the term marketing “objectives” (line 4)?

(2 marks)

	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of term
Level 1	1 mark Candidate demonstrates some understanding of term
Level 0	0 marks No relevant content present

Marketing objectives are marketing targets that must be achieved for the company to attain its overall goals. Award one mark for notion of objectives (eg use of term such as “targets” or “goals”).

(b) Matalan originally decided on a strategy of price penetration. Explain **one** factor that might have influenced the company’s decision.*(4 marks)*

	Content 1 mark	Application 3 marks
Level 2		3 marks Candidate applies knowledge effectively
Level 1	1 mark Candidate shows understanding of price penetration/identifies one relevant factor	2-1 marks Candidate makes attempt to apply knowledge
Level 0	0 marks No relevant content present	0 marks No discernible attempt to apply knowledge

Relevant answers might include some or all of the following:

- The company’s decision to source clothing from overseas meant that it incurred lower costs and could pass these savings onto consumers
- Matalan was trying to break into a mature market with many established competitors. Low prices gave it a USP and a greater chance of success
- The company’s objective was to target customers on low incomes. Therefore it was essential to be price competitive to achieve this
- Low prices fitted with the rest of the marketing mix used by Matalan – distributing to cheaper areas, selling relatively low cost products
- The company believed that a market niche existed for good value clothes at affordable prices and price penetration was an obvious technique to use
- The company believed that demand for clothing in the UK was price elastic

(c)	(i)	Calculate the value of sales achieved by Matalan in 2001.	(3 marks)
	(ii)	During the first six months of 2002, Matalan's profits rose by 9% while its sales value increased by 4%. Examine two reasons why the company's profits might have risen more quickly than its sales.	(6 marks)

(i)

Matalan's sales were 2.5% of £37 355 million in 2001

Thus they equalled £37 355 million x 0.025 = **£933.875 million** or **£933.9 million**

Award :

one mark for identifying the correct sales figure (but **only** if they state **millions**);

one mark for the correct process;

one mark for a correct final answer (must be millions).

Award **two marks** for the following answers:

£985 million (2002 sales figure);

£876.9 million (2000 sales figure);

£831.87 million (1999 sales figure).

(ii)

	Content 2 marks	Application 2 marks	Analysis 2 marks
Level 2	2 marks Good understanding of relationship between profit and sales /identifies two relevant factors	2 marks Candidate applies answer effectively to Matalan's circumstances	2 marks Good analysis of reason(s) why profits might have risen more quickly
Level 1	1 mark Candidate demonstrates some understanding of relationship between profits and sales/identifies one factor	1 mark Candidate attempts to apply answer to circumstances of Matalan	1 mark Limited analysis of reason(s) why profits might have risen more quickly
Level 0	0 marks No understanding demonstrated	0 marks No discernible attempt to apply knowledge	0 marks No analysis present

Relevant answers might include some or all of the following:

- Matalan might have increased its prices giving a greater profit margin on each sale
- The company might have been successful in reducing its costs further increasing the profit margin or contribution from sales
- Matalan is moving up market and selling more quality clothes allowing it to charge higher prices
- Selling through larger outlets may reduce its costs per unit resulting in increased profit margins

(d) Matalan is changing its image and preparing to compete with mass market retailers such as Marks and Spencer and BHS. Discuss the case for and against this new marketing strategy. (10 marks)

	Content 3 marks	Application 2 marks	Analysis 3 marks	Evaluation 2 marks
Level 2		2 marks Candidate applies knowledge effectively to Matalan's circumstances	3 marks Good analysis of argument and taking account of both sides	2 marks Sound judgement shown in Candidate's answer/ and /or conclusions
Level 1	3-1 marks Award one mark for each relevant argument plus up to two marks for demonstrating understanding of marketing strategy and a single mark for a definition of mass market	1 mark Candidate attempts to apply knowledge to Matalan's circumstances	2-1 marks Limited analysis of argument, for example, looking at one side only	1 mark Some judgement shown in response
Level 0	0 marks No relevant content present	0 marks No discernible attempt to apply knowledge	0 marks No analysis present	0 marks No evaluation present

Relevant answers might include some or all of the following:

In favour of the move:

- Matalan will have the opportunity to increase prices and profit margins by moving into a more mainstream market and attracting more middle class customers. This might be important to fund the company's continued growth
- The company is facing more competition in the discount market meaning that it will be difficult to continue to grow as quickly and profit margins might be squeezed
- The mainstream market for clothing is much larger than the discount market (discounting is only 15% of the total market). Therefore, this offers greater opportunities for increased sales and greater profit margins
- More traditional high street retailers are sourcing clothes from overseas to allow them to compete more easily in terms of price

Against the change of strategy:

- The company has a recognised position in the market. Changing to attract more prosperous consumers might result in its "original" customers switching to other discount stores
- The company is spending heavily on upgrading and extending its stores. This will inevitably reduce its profits, at least in the short-term
- The company is in danger of losing its USP. It is "indistinguishable from BHS", for example.
- Matalan's strategy has been highly successful in the past – why change it now?

2

Total for this question: 25 marks

(a)	Define the term “overheads” (line 17).	<i>(2 marks)</i>
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	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of term
Level 1	1 mark Candidate demonstrates some understanding of term
Level 0	0 marks No relevant content present

Overheads are costs that are not generated directly by the production or trading process.

Award: **one mark** for:
 notion of fixed costs;
 definition of fixed costs;
 use of term “indirect costs”;
 Relevant examples eg admin costs.

(b)	(i) Explain one reason why Mynydd Farms may have chosen to use qualitative market research.	<i>(3 marks)</i>
	(ii) Calculate the profits variance for cheese production for January.	<i>(5 marks)</i>

(i)

	Content 1 mark	Application 2 marks
Level 2		2 marks Candidate relates answer to circumstances of Mynydd Farms successfully
Level 1	1 mark Candidate identifies relevant reason for use of qualitative market research/or shows understanding of term	1 mark Candidate attempts to relate answer to circumstances of Mynydd Farms
Level 0	0 marks No understanding demonstrated	0 marks No discernible attempt to apply knowledge

Relevant answers might include some or all of the following:

- They sell to the trade (shops and restaurants) who are suitably knowledgeable to form a basis for in-depth research
- Qualitative research in these circumstances may help with ideas about the best ways to market the new product
- Cheese production is highly individual, making tasting and in-depth discussion more necessary
- To discover reasons behind consumers’ buying decisions

(ii)

	Content 2 marks	Application 3 marks
Level 2	2 marks Candidate demonstrates good understanding of profits and variances	3 marks Candidate calculates profits variance for January successfully
Level 1	1 mark Candidate demonstrates some understanding of profits or variances or good understanding of one	2-1 marks Candidate makes relevant attempt to calculate profits variance for January
Level 0	0 marks No understanding demonstrated	0 marks No discernible attempt to apply knowledge

Relevant answers might include some or all of the following:

- Profits equal total revenue minus total costs
- A profits variance is the amount by which an actual figure for profits differs from the budgeted one
- Budget: revenues = £20 500; costs = £18 150; profit = £2 350
- Actual: revenues = £17 050; costs = £19 700; loss = (£2 650)
- Variance = £2 350 – (£2 650) = **£5 000 adverse**

READY RECKONER for (b) (ii)

Answer	Annotation	Mark
£5000 Adverse }	C2 Ap3	5
£5000 A }		
(£5000) }		
£5000	C2 Ap2	4
(300)	C1 Ap2	3
£300 (but £2350 and (£2650) correct)	C1 Ap2	3
£2350 and (£2650)	C1 Ap2	3
(£1900)	C1 Ap2	3
(£3450) and (£1550)	C1 Ap2	3
£1900 (but (£3450) and (£1550) correct)	C1 Ap2	3
£300 (No /or incorrect calculations)	C1 Ap1	2
£2350	C1 Ap1	2
(£2650)	C1 Ap1	2
£1900 (No/ incorrect calculations)	C1 Ap1	2
(£3450)	C1 Ap1	2
(£1550)	C1 Ap1	2
£2650	C1 Ap0	1
£3450 and/or £1550	C1 Ap0	1

Please use the above to guide you in marking other unfamiliar answers.

(c) Analyse one benefit that Mynydd Farms might receive as a result of delegating control of its budgets. <i>(6 marks)</i>
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	Content 1 mark	Application 2 marks	Analysis 3 marks
Level 2		2 marks Candidate applies knowledge effectively to Mynydd Farms' circumstances	3 marks Good analysis of benefit of delegated budgets
Level 1	1 mark Candidate identifies single relevant benefit/shows understanding of (delegated) budgets	1 mark Candidate makes attempt to apply knowledge to Mynydd Farms' circumstances	2-1 marks Limited analysis of benefit of delegated budgets
Level 0	0 marks No relevant content present	0 marks No discernible attempt to apply knowledge	0 marks No analysis present

Relevant answers might include some or all of the following:

- Giving budgetary control to the newly appointed team should help to motivate as employees may respond positively to greater authority
- Sales revenue targets should also act as targets, again having a positive impact on motivation
- Allocating budgets to a new area should help to avoid overspending, assisting the financial control of the project and the entire business
- Granting budgetary control to this new area of the business will assist senior managers in judging its initial performance as its finances are recorded separately

(d) Discuss the ways in which Mynydd Farms might improve the cash flow position of cheese production. (9 marks)

	Content 2 marks	Application 2 marks	Analysis 2 marks	Evaluation 3 marks
Level 2	2 marks Candidate offers two or more relevant arguments/one relevant argument plus understanding of cash flow	2 marks Candidate applies knowledge effectively to Mynydd Farms' circumstances	2 marks Good analysis of argument	3 marks Sound judgement shown in answers and/or conclusions
Level 1	1 mark Candidate offers single relevant argument or shows understanding of cash flow	1 mark Candidate attempts to apply knowledge to Mynydd Farms' circumstances	1 mark Limited analysis of argument	2-1 marks Some judgement shown in response
Level 0	0 marks No relevant content present	0 marks No discernible attempt to apply knowledge	0 marks No analysis present	0 marks No evaluation present

Relevant answers might include the following:

- Offering less trade credit to the shops and restaurants buying cheese
- Ensuring customers pay on time for the new product
- Predicting demand more carefully so that production is not wasted. This causes cash outflows without corresponding inflows
- Borrowing funds from other areas within the business or from other financial institutions
- Looking to cut costs – wages appear to be substantially over budget
- Cash flow planning