



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

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# Mark scheme January 2004

## GCE

### Business Studies

### Unit BUS4

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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.*

### 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**

**1****Total for this question: 20 marks**

(a) Explain how Jenny might improve the reliability of her marketing decisions by using the marketing model. (6 marks)

	<b>Content 3 marks</b>	<b>Application 3 marks</b>
<b>Level 2</b>	<b>3-2 marks</b> Understanding shown of the marketing model	<b>3-2 marks</b> Answer applied to the context of the business
<b>Level 1</b>	<b>1 mark</b> Limited understanding of the marketing model, or relevant factor(s) affecting reliability	<b>1 mark</b> Limited application to the business context
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context

Definition: A process for making marketing decisions in a more scientific manner, by setting objectives, gathering data, forming hypotheses, testing them, then implementing, controlling and reviewing.

**Possible lines of application include:**

- She is already inclined to gather factual data, so all the model can do is to help her relate to the objectives (so reliability *might* improve, or might not)
- Innovative new products have a very low success rate, so a logical process such as the model may help in a small way to reduce the risks of failure
- The model might encourage her to test her ideas at every stage, and to review how things work in practice

(b) Discuss what you consider to be the best way for Jenny to settle upon a suitable marketing budget for the *Revival* launch. Use calculations to show how your chosen method would work in practice. (14 marks)

	<b>Content 2 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 5 marks</b>
<b>Level 2</b>	<b>2 marks</b> One or more points explained <b>or</b> clear understanding shown of marketing budgets	<b>3 marks</b> Point or points made are applied in detail to the case	<b>4-3 marks</b> Analysis of the question set, using relevant theory and calculations	<b>5-3 marks</b> Judgement shown in considering a suitable method for budget setting
<b>Level 1</b>	<b>1 mark</b> One relevant content point made, but not developed, or some understanding of budgets	<b>2-1 marks</b> Point or points made applied to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question (perhaps including calculations)	<b>2-1 marks</b> Some judgement shown in text or conclusions
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context	<b>0 marks</b> No analysis of question set	<b>0 marks</b> No evaluation or judgement shown

**Possible lines of application include:**

- Setting a budget in line with competitors' spending, eg if rivals spend approximately 7% of sales revenue on advertising, perhaps DCC plc should allocate 7% of the potential £40m of sales, ie £2.8m
- Setting a budget in line with her objectives, eg making an assessment of what is needed to generate £40m of sales on a product launch; this would need back data that is not available within the case (then a correlation might be found, enabling a budget to be determined)
- Setting a budget in line with the firm's own spending levels – perhaps 8% of the anticipated £40m, ie £3.2m

2

**Total for this question: 20 marks**

(a) Examine why the Finance Director might have doubts about the ARR and payback calculations carried out by <i>Consultancy Management plc</i> . <span style="float: right;">(8 marks)</span>
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	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Possible cause(s) of doubts identified, showing understanding of investment appraisal	<b>2 marks</b> Answer applied to the business context with some consistency	<b>4-3 marks</b> Analysis of cause(s) of doubt about ARR and/or payback, perhaps using relevant theory
<b>Level 1</b>	<b>1 mark</b> Some understanding shown	<b>1 mark</b> Some application to the business context	<b>2-1 marks</b> Some analysis of the question and/or the case
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context	<b>0 marks</b> No analysis of question set

**Possible answers include:**

- Sales for brand new products are notoriously hard to predict, which is why only 1 in 6 succeeds
- *Management Consultants plc* may lack experience of the marketplace, and certainly cannot be expected to know as much as longstanding staff
- *Management Consultants plc* may be overly inclined to tell Mr Fritcher what he wants to hear – as he is hiring them

(b) To what extent is the Finance Director right to worry about the launch of *Revival*?

(12 marks)

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> One or more points explained <b>or</b> clear understanding shown of the firm's financial problems	<b>2 marks</b> Point or points made are applied in detail to the case	<b>4-3 marks</b> Analysis of the question set, using relevant theory	<b>4-3 marks</b> Judgement shown in considering the extent of the potential risks from launching <i>Revival</i>
<b>Level 1</b>	<b>1 mark</b> One relevant content point made, but not developed	<b>1 mark</b> Point or points made applied to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question	<b>2-1 marks</b> Some judgement shown in text or conclusions
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context	<b>0 marks</b> No analysis of the question set	<b>0 marks</b> No evaluation or judgement shown

**Possible lines of answer include:**

- The sharp decline in the acid test in 2003 is a concern, especially as the investment into a new product is likely to hit liquidity sharply in the short term (that may be OK if the launch goes well, otherwise it could be a huge problem)
- To move onto Coca-Cola's territory – the soft drinks market – does indeed seem very risky; if *Revival* does well, surely Coke will hit back
- On the other hand, the fall in asset turnover cries out for the assets to be utilised more fully – so the launch would help ...
- ... and although ROC has slipped between 2002 and 2003 from 12% (6.6% x 1.8) to 8% (6.3% x 1.3), at least the firm is still generating some profits that can help finance the move into soft drinks

3

**Total for this question: 20 marks**

(a) (i) Calculate DCC plc's labour productivity level prior to the launch of *Revival*, and use the data to calculate the labour cost per litre. (5 marks)

	<b>Content 1 mark</b>	<b>Application 4 marks</b>
<b>Level 2</b>		<b>4-3 marks</b> Method used effectively to calculate productivity and labour cost per unit
<b>Level 1</b>	<b>1 mark</b> Knows productivity formula	<b>2-1 marks</b> Method used effectively to one or other concept, or weakly to both
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context

Productivity = output per worker

Productivity =  $6m/500 = 12\ 000$  litres per week per worker (3 marks)    £12,000 (2 marks)

Labour cost per litre =  $£300/12\ 000 = 2.5p$  per litre (Accept £0.025 or 0.025)

(ii) Outline how improved labour turnover might help DCC plc's financial position. (5 marks)

	<b>Content 2 marks</b>	<b>Application 3 marks</b>
<b>Level 2</b>	<b>2 marks</b> Good understanding of labour turnover	<b>3 marks</b> Answer applied effectively to DCC plc's financial position
<b>Level 1</b>	<b>1 mark</b> Some understanding of labour turnover	<b>2-1 marks</b> Answer applied weakly to DCC plc's financial position
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context

**Possible lines of answer include:**

- reduces costs of recruitment and training
- might help keep up the level of productivity and therefore labour costs per unit
- DCC plc's operating margins are slipping, therefore anything that reduces overheads will be helpful



(b) Consider why DCC plc may have been suffering from poor internal communications. (10 marks)

	<b>Content 1 mark</b>	<b>Application 3 marks</b>	<b>Analysis 3 marks</b>	<b>Evaluation 3 marks</b>
<b>Level 2</b>		<b>3 marks</b> Point or points made are applied in detail to the case	<b>3 marks</b> Analysis of the question set, using relevant theory	<b>3 marks</b> Judgement shown in considering why they may have been suffering poor communications
<b>Level 1</b>	<b>1 mark</b> One relevant content point made, but not developed	<b>2-1 marks</b> Point or points made applied to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question	<b>2-1 marks</b> Some judgement shown in text or conclusions
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context	<b>0 marks</b> No analysis of the question set	<b>0 marks</b> No evaluation or judgement shown

**Possible lines of answer include:**

- David Fritcher's top-down management style, including his reliance on management consultants
- The business may be spread over too many sites, which can form a physical and cultural communications barrier
- The line managers may not have been trained to accept full responsibility for people management, in the absence of an HR department

4

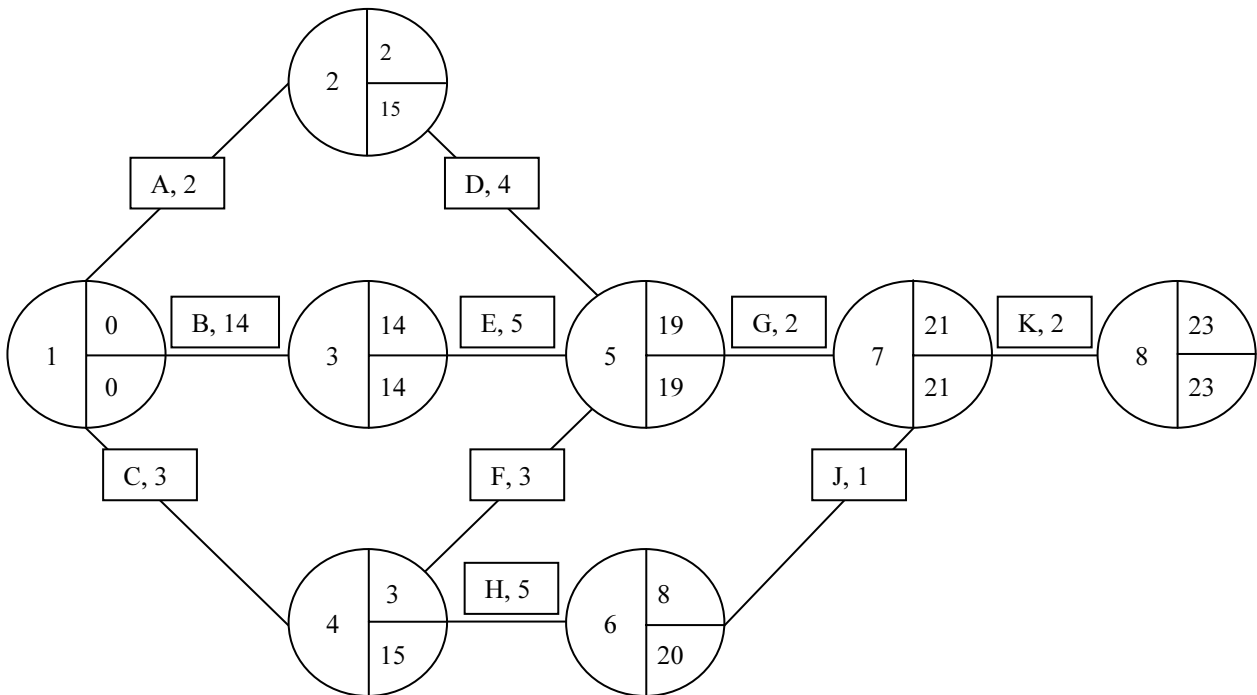
**Total for this question: 20 marks**

(a) Add the Earliest Start Time and Latest Finish Times for each activity to the network diagram shown in **Appendix A** on the **Insert**. Then state in your answer booklet the critical path and the total length of time it will take until the project is completed. *(10 marks)*

Activities	EST	LFT	Critical Path = B, E, G, K
A	0	15	Total Duration: 23 weeks
B	0	14	
C	0	15	
D	2	19	
E	14	19	
F	3	19	
G	19	21	
H	3	20	
J	8	21	
K	21	23	

**1 mark** for the critical path and **1 mark** stating the duration

	Marks	Descriptor
<b>Level 3</b>	<b>8-6 marks</b> Good understanding of drawing a network	Accurate overall (esp node 4); judge precise mark on accuracy at nodes 2, 4 & 6
<b>Level 2</b>	<b>5-3 marks</b> Some understanding of drawing a network	Accurate ESTs <b>or</b> LFTs, or accurate except at key nodes
<b>Level 1</b>	<b>2-1 marks</b> Weak understanding of drawing a network	Some correct ESTs and/or LFTs



(b) Discuss how Shkendi might have made her decision to focus production at the Exeter site.  
(10 marks)

	<b>Content 1 mark</b>	<b>Application 3 marks</b>	<b>Analysis 3 marks</b>	<b>Evaluation 3 marks</b>
<b>Level 2</b>		<b>3 marks</b> Point or points made are applied in detail to the case	<b>3 marks</b> Analysis of the question set, using relevant theory	<b>3 marks</b> Judgement shown in discussing how the decision might have been made
<b>Level 1</b>	<b>1 mark</b> One relevant content point made but not developed	<b>2-1 marks</b> Point or points made are applied to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question	<b>2-1 marks</b> Some judgement shown in text or conclusions
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> No application in context	<b>0 marks</b> No analysis of question set	<b>0 marks</b> No evaluation or judgement shown

**Possible lines of answer include:**

- Through a quantitative appraisal method such as investment appraisal or break-even analysis; either would need careful estimations of costs and revenues and/or cash in and outflows
- She might have examined the skills of the local workforce (current and potential) and looked at their productivity
- She would have considered costs such as transport and local labour costs before deciding on Exeter
- She might have discussed the merits with existing managers, to help decide which site was the best