



General Certificate of Education

Business Studies 5131

BUS3 External Influences and Objectives and Strategy

Mark Scheme

2006 examination – January series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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 may be 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 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**

Total 3 marks

1**Total for this question: 6 marks**

Explain **two** weaknesses in the way in which Nadia set up and operated *Abacus Aromatherapy* in the first three months of trading (**Section A**). (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two weaknesses with clear understanding of weaknesses	
Level 2	2 marks Identifies two weaknesses or one weakness with clear understanding of weaknesses	3 marks Good application of the weaknesses to <i>Abacus Aromatherapy</i>
Level 1	1 mark Identifies one weakness or shows some understanding of weaknesses	2–1 marks Some application of the weaknesses to <i>Abacus Aromatherapy</i>

Possible answers include:

- Nadia's limited experience – started the business the day after she finished her A Levels, although some prior experience selling to friends
- Limited choices for marketing her products, due to lack of finance
- No evidence of market research
- Lack of opportunities to protect *most* of her products through patents, a fact that seemed to have been discovered late by Nadia
- Heavily reliant on one friend for technical computing skills
- Failed totally to anticipate the level of demand
- Inadequate production facilities (mother's kitchen) and no apparent plans for future production growth
- No other employees to assist and no flexibility (although helped by friends)
- Most of Nadia's initial work did not play to her personal strengths.

2

Total for this question: 8 marks

Analyse two possible reasons why Nadia chose to launch her business using a website (Section A). (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Two or more relevant reasons	2 marks Good application of reasons to <i>Abacus Aromatherapy</i>	4–3 marks Good analysis of reasons
Level 1	1 mark One relevant reason	1 mark Some application of reasons to <i>Abacus Aromatherapy</i>	2–1 marks Some analysis of reasons

Possible answers include:

- Larger potential market than the alternative approaches
- Cheaper than alternative options, helping finance and cash flow. Nadia possessed limited funds
- Personal knowledge of someone with the right expertise, leading to cheap and effective way of building the customer base
- Easiest way to combine marketing and actual placing of orders by customers
- No expenditure on a physical location for selling the products
- 25% of all aromatherapy sales are generated by this method, according to the research undertaken
- Long-term strategy – less need to update than some of the alternatives
- No continual drain on finances; largely a one-off cost
- Suited to target market.

Proof of its suitability lays in the ‘overwhelming’ demand that was generated in the first few weeks and the high levels of demand that continued to rise thereafter. The internet accounted for 50% of the sales even with the IP plc order at its peak.

3

Total for this question: 15 marks

To what extent do you think that UK and EU law helped or hindered the success of *Abacus Aromatherapy Ltd*? (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Good understanding of UK/EU law and its impact			5 marks Good judgement in assessing the overall impact of law on <i>Abacus Aromatherapy Ltd</i>
Level 2	2 marks Good understanding of UK/EU law or its impact or some understanding of UK/EU law and its impact	3 marks Good application of impact of law on <i>Abacus Aromatherapy Ltd</i>	4–3 marks Good analysis of impact of law	4–3 marks Some judgement in text or conclusions
Level 1	1 mark Some understanding of UK/EU law or its impact	2–1 marks Some application of impact of law on <i>Abacus Aromatherapy Ltd</i>	2–1 marks Some analysis of impact of law	2–1 marks Limited judgement in text or conclusions

Possible answers include:

Help

- Employment legislation changes have helped to increase the flexibility and efficiency of the workforce
- Patent laws gave *Abacus Aromatherapy Ltd* a monopoly of some products
- Company laws enabled Nadia and Jill to benefit from limited liability
- Health and Safety laws led to more ethical treatment of workforce
- Minimum wage – may improve motivation or quality of staff.

Hinder

- Patent laws did not provide protection for many of the products
- Health and Safety regulations led to threat of closure of the factory for a while and prevented Scott from making certain cost savings
- Employment laws limited the scope to save costs and probably contributed towards the higher costs in the UK in comparison to India
- Consumer protection legislation would add costs to a business in order to satisfy legal requirements
- Minimum wage – may increase costs.

Although on balance legislation is likely to have increased costs, it is also probable that it prevented expensive accidents and a loss of goodwill or decline in their reputation.

Depending on the corporate objectives, the impact could be deemed a hindrance (if the aim is to make short-term profits) or a help (if the aim is to be seen as an ethical company). In the case there is more evidence for the latter than the former.

4

Total for this question: 6 marks

Explain two ways in which IP plc may have been seen to have behaved unethically. (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two examples of ‘unethical’ behaviour with some explanation or one example with clear understanding of ‘unethical’	
Level 2	2 marks Identifies two examples or one example with some understanding of ‘unethical’	3 marks Good application of unethical behaviour to IP plc
Level 1	1 mark Identifies one example of unethical behaviour or shows some understanding of the term	2–1 marks Some application of unethical behaviour to IP plc

Possible answers include:

- Initial proposal to locate in Asia to take advantage of lower wages and/or eventual decision to select an Indian supplier with lower costs
- Managing Director publicising that the IP plc brand was made by *Abacus Aromatherapy Ltd* in order to encourage *Abacus Aromatherapy Ltd* customers to switch to IP plc own brand
- It seems that IP plc was determined to cancel the contract after three years
- Nature of the initial contract took advantage of Nadia and Jill’s lack of business experience – low price, fixed for three years but committing *Abacus Aromatherapy Ltd* to a six year loan
- 30% price cut took advantage of *Abacus Aromatherapy Ltd*’s reliance on IP plc contract.

Although IP plc appeared to take advantage of *Abacus Aromatherapy Ltd* the contract still provided them with a profit for the first three years.

5

Total for this question: 15 marks

Discuss whether the decision to ‘Extend sales into Europe’ (**Option 2** in **Table 2**) is a suitable way of achieving the company’s revised aims and objectives outlined in **Section E**.
(15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Two factors identified and some understanding of aims/objectives			5 marks Good judgement in assessing the overall merits of decision for <i>Abacus Aromatherapy Ltd</i>
Level 2	2 marks Two factors identified or one factor and some understanding of aims/objectives	3 marks Good application of factor(s)/reason(s) to <i>Abacus Aromatherapy Ltd</i>	4–3 marks Good analysis of possible factor(s)/reason(s)	4–3 marks Some judgement in text or conclusions
Level 1	1 mark One factor identified or some understanding of aims/objectives	2–1 marks Some application of factor(s)/reason(s) to <i>Abacus Aromatherapy Ltd</i>	2–1 marks Some analysis of possible factor(s)/reason(s)	2–1 marks Limited judgement in text or conclusions

Possible answers include:

Advantages

- Excess capacity currently and so this move will increase productive efficiency
- European market is open access for UK firms and cultural barriers are less pronounced
- Possibility that market is not yet developed
- Increases the number of potential customers
- Relatively easy to adapt website to serve this market
- Lower interest rates may cut costs and should increase demand in the market
- Fall in value of £ to the euro means that exports to Europe will be cheaper, giving scope for higher profit margins or reduced, more competitive prices.

Disadvantages

- In the short-term there is likely to be spare capacity that will increase costs (or capacity shortage if they close a factory)
- The fall in the value of the £ to the rupee means that raw materials (from India) will become more expensive, reducing overall profitability
- Cultural differences in a different market
- Possibility that they are entering a more competitive market
- Distribution difficulties and higher transport costs, at least in the short run.

The overall decision will require research into the nature of the market. For example, is Europe expected to match the forecast growth in the UK, and what specifically is the potential growth rate for aromatherapy products? In general, for aromatherapy products the distribution costs will be relatively low and the exchange rate changes (albeit only predictions) suggest that Europe will offer better opportunities for profit than the UK market for the next few years.