



General Certificate of Secondary Education

Business Studies 5131

BUS3 External Influences and Objectives and Strategy

Mark Scheme

2006 examination – June 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** possible reasons why Billy and Michelle decided to set up *S4U* as a private limited company (**Section B**). (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two reasons and shows some understanding of ‘private limited company’	
Level 2	2 marks Identifies two reasons or identifies one reason and shows some understanding of ‘private limited company’	3 marks Good application of the reason(s) to <i>S4U</i>
Level 1	1 mark Identifies one reason or shows some understanding of ‘private limited company’	2–1 marks Some application of the reason(s) to <i>S4U</i>

Possible reasons include:

Reasons for LTD rather than unincorporated business

- benefit of limited liability. Billy and Michelle would not want to lose more than the £150 000/£50 000 that they originally invested in the business
- their limited experience of running a business means that it is important to limit their personal risk by forming a private limited company in order to avoid unlimited liability
- if necessary, it is possible to raise further finance by inviting new shareholders to join the company
- LTD adds status, therefore making it easier to get loans.

Also accept reasons for LTD rather than PLC

- to maintain control of business/keep ownership of patent
- to reduce the level of scrutiny of accounts.

2

Total for this question: 8 marks

Analyse **two** possible implications for *S4U* of the forecast changes in interest rates for 2006 and 2007 (**Table 3, Section E**). (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Two or more relevant implication(s) or one implication and some understanding of interest rates	2 marks Good application of the implication(s) for <i>S4U</i>	4–3 marks Good analysis of implication(s)
Level 1	1 mark One relevant implication or some understanding of interest rates	1 mark Some application of implication(s) for <i>S4U</i>	2–1 marks Some analysis of implication(s)

Possible implications include:

- *S4U* borrowed £4 million in 2003, 80% of the cost of the factory. This was a five year loan at a variable interest rate and so the business will find that its interest rates costs will increase. A 1% increase in the interest rate could add 1% of £4 million (£40 000) to costs. However, the business has been making high profits
- The higher rate of interest may make the future expansion plans more difficult as it will be more expensive to borrow money. As indicated by the finance representative: ‘This project will require major investment.’ Furthermore, the market seems to be becoming more risky
- Higher interest rates may mean that demand falls as customers have more to pay on borrowed money. This factor will be limited as sports shoes are not usually purchased on credit, but expensive specialist shoes may be
- Furthermore, higher mortgage payments, etc may reduce consumer spending on day-to-day items such as sports shoes.

3

Total for this question: 15 marks

Billy conducted some secondary research and Michelle surveyed a sample of her clients (**Section B**). To what extent was this market research crucial in helping them in identifying the opportunity to make *S4U* a success? (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Good understanding of how market research did or did not help			5 marks Good judgement in assessing the overall impact of market research on start-up/identifying an opportunity
Level 2	2 marks Some understanding of how market research did or did not help or limited understanding of ‘help’ and understanding of market research	3 marks Good application of the impact of the market research on <i>S4U</i>	4–3 marks Good analysis of the impact of market research	4–3 marks Some judgement shown in text or conclusions
Level 1	1 mark Limited understanding of how market research did or did not help or some understanding of market research	2–1 marks Some application of the impact of the market research on <i>S4U</i>	2–1 marks Some analysis of the impact of market research	2–1 marks Limited judgement shown in text or conclusions

Possible answers include:

Helped them to identify the opportunity

- Billy’s research was very useful in identifying the relative popularity of sports footwear
- Michelle’s survey indicated how regularly people bought sports footwear
- The survey also gave an indication of the likely price level of the product
- Michelle’s market research showed how likely people were to be interested in the footwear offered.

BUT...

- Billy’s survey is secondary data, with the problems of unknown validity
- Billy’s research gave no indication of injuries and the degree to which sports people might pay to prevent injury
- Michelle’s market research has a bias towards people who are already her customers. They may not be representative of the population.

EVALUATION

Although the research has provided some useful information, this is a totally new market and so even the consumers themselves may be unaware of whether they will use the products. External factors (such as the reaction of larger competitors) will also undermine the reliability of any market research.

Market research is only one small element in achieving success and needs to be put into the overall context of strengths, weaknesses, opportunities and threats.

4

Total for this question: 6 marks

Identify and explain how **one** stakeholder group of *S4U* might have benefited from the business achieving the objectives that were agreed in Spring 2005 (**Section E**). (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks One stakeholder identified/understanding of stakeholder and good understanding of benefit(s)	
Level 2	2 marks Some understanding of benefit(s) and one stakeholder identified/understanding of stakeholder	3 marks Good application of benefit(s) for the chosen stakeholder group
Level 1	1 mark Some understanding of benefit(s) or one stakeholder identified or some understanding of stakeholder	2–1 marks Some application of benefit(s) for the chosen stakeholder group

Stakeholder groups: One from shareholders/owners, staff, customers, suppliers, residents, the state.

NB Accept other relevant stakeholders, such as competitors

The three objectives were:

Increase turnover by 25% in the next 12 months;

Develop at least three new products in the next 2 years;

Achieve a market share of between 2% and 5% in each of the rugby, hockey and football boot markets in the next three years.

Possible answers include:

- shareholders/owners: increased turnover in next 12 months should lead to short-term financial gain. Long-term benefits through NPD after the next two years. Achievement of diversification should reduce risks
- staff: should benefit from greater job security and financial reward in the short-term, especially if financial incentives are linked to company sales. Medium-term benefits may be less pronounced until the long-term benefits of the NPD and diversification policies are felt
- customers: will gain from potential cost savings as output rises (unless this leads to diseconomies of scale). Main benefits will be in the new products available and the broadening of the offer into other sports
- suppliers: existing suppliers should receive more business, especially if they offer flexibility to keep pace with *S4U's* NPD and diversification programme
- residents: greater wealth creation and job opportunities will assist the community, helping it to increase local living standards
- the State: will earn extra tax revenue and benefit from lower unemployment and contribution to growth.

5

Total for this question: 15 marks

Discuss the extent to which the performance of *S4U* was affected by technological change.
(15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Two factors identified and either some explanation or understanding of technological change			5 marks Good judgement in assessing the overall impact on <i>S4U</i>
Level 2	2 marks Two factors identified or one factor and some explanation/ understanding of the term	3 marks Good application of technological change on <i>S4U</i>	4–3 marks Good analysis of possible effects	4–3 marks Some judgement in text or conclusions
Level 1	1 mark One factor identified or some understanding of technological change	2–1 marks Some application of technological change on <i>S4U</i>	2–1 marks Some analysis of possible effects	2–1 marks Limited judgement in text or conclusions

Possible answers include:

- Michelle’s prototype ‘Pegasus’ scanning system meant that *S4U* could analyse each client’s foot in order to design a specific shoe
- The success of this technology in reviving the career of Amy Rowling was a critical factor in the company’s success
- The purchase of a factory with 20 year old machinery would have been influenced by the pace of technological change. The more rapid the change, the more out-dated the machinery (although this factor did help to keep the price of the factory low). Furthermore, the machinery kept breaking down during the expansion period, leading to customer complaints
- The new factory in 2003 helped *S4U* to overcome its quality problems and increase productive efficiency
- Opportunity was also provided by the technology involved in foot measurement, helping *S4U* to use job production and achieve high value added on to its sports footwear
- The need to keep up-to-date did lead to increases in borrowing for the business as it expanded
- Robot manufacturing processes in a purpose-built factory and just-in-time systems increased company efficiency.

Evaluation

Overall technological change placed short-term financial pressures on *S4U* but overwhelmingly it proved to be beneficial. The firm’s initial USP arose from its ‘Pegasus’ scanning and its initially successful move into sports shoes came through technological innovation.