



General Certificate of Education

Business Studies 6131

BU5W Business Report and Essay

Mark Scheme

2007 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.

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GENERAL MARKING GUIDANCE

You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 18 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates at the end of 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 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 |

Total 4 marks

1

Total for this question: 40 marks

You are a management consultant to the government of this East European country. Analyse the main arguments for and against granting this loan to the Mansk Corporation. Based on this analysis, produce a fully justified recommendation on whether the government should agree to the proposed loan or not (see **Appendices A to E** on pages 4 and 5).
(2 marks are included for appropriate report format.) (40 marks)

Possible answers might include the following:

For	Against
Sales falling so to be competitive something needs to be done; £400m would no doubt help, eg could be used for marketing to boost demand and increase capacity utilisation.	Already had £200m; is there justification for more? Will it lead to more firms wanting subsidies or loans?
Domestic sales falling despite major tax increases on imported cars; if the country did join the EU it would be subject to much more competition due to free trade so something needs to be done now to boost competitiveness; investment if used wisely might help.	Industry worldwide has overcapacity suggesting it could be very competitive (eg low profit margins); is there a long-term future for this business given that it is still struggling despite previous subsidy and major taxes on imported cars?
Majority of models are dogs but three problem children; these could be worth developing but will need investment; the firm may not have access to its own funds (high gearing, making a loss and low net current assets) so government help may be needed; low interest rate may be essential to be repayable.	Could argue the predicted fall in the currency and the growth in the car market might boost sales anyway.
Old equipment, low productivity and high unit costs could all be interlinked. If money is used for more investment to modernise it may be able to improve efficiency.	Can the government afford it? Eg growing difference between its revenue and spending; can it afford to spend more only to be paid back much later (when it may not be in power anyway)?
Government may be concerned about the impact on jobs and the rest of the economy if the business closed; may be social responsibility issues, eg redundancies when unemployment has risen; impact on other firms, eg suppliers if this business closes.	Does/should the government have other priorities, eg literacy?
Government will earn some interest to increase its own revenue (although over quite a long period).	Money seems to have financed relatively big real wage increase in the circumstances without the job losses you might expect.

Overall:

- the subsidy seems to have been used for very limited research and development and some (but not much) capital investment – should the government try to ensure more is used for investment this time? Should it insist on job losses and pay freezes? ie generally the government might want to put constraints on how the money is used; this may involve discussions with the trade unions
- might want to consider terms and conditions, eg more than 1% over less than 8 years?
- may depend on political approach of the government, eg interventionist or not? Short-term or long-term?
- may depend on faith in new managers and their ability to bring about change
- may be social concerns, eg unemployment levels
- have to consider the opportunity cost.

Business report

Skill	Marks	Description
Content		
Level 3	8–6	Good understanding/explanation of relevant factors, eg range of factors understood and/or depth of understanding
Level 2	5–3	Reasonable understanding/explanation of relevant factor(s)
Level 1	2–1	Limited understanding, eg descriptive or basic/imprecise understanding of relevant factor(s)
Level 0	0	No understanding demonstrated
Application		
Level 3	8–6	Well related to context
Level 2	5–3	Reasonably related to context
Level 1	2–1	Limited relation to context
Level 0	0	No application
Analysis		
Level 3	8–6	Good analysis, eg relevant factor(s) well developed
Level 2	5–3	Reasonable analysis of relevant factor(s)
Level 1	2–1	Limited analysis of relevant factor(s)
Level 0	0	No analysis
Synthesis		
Level 3	5–4	Well structured report
Level 2	3–2	Reasonable structure
Level 1	1	Poor structure
Level 0	0	No structure
Evaluation/judgement/recommendations		
Level 3	11–8	Well supported recommendation/evaluation/judgement
Level 2	7–3	Recommendations/evaluation/judgement with some support
Level 1	2–1	Limited recommendations/evaluation/judgement lacking support
Level 0	0	No evaluation/recommendations

2

Total for this question: 40 marks

The Sony Corporation is a multinational business that operates in several product markets such as music, electronics and films, all of which experience rapid change. To what extent can Sony protect itself against the dangers of change? *(40 marks)*

Possible answers might include the following:

May be able to protect by:

- having broad product range; operating in several product markets
- investing in research and development to keep up with/ahead of developments
- sharing information with others in the industry so all kept aware of developments, eg industry associations
- having good marketing intelligence and ensuring information captured and distributed effectively
- by researching and forecasting effectively so it anticipates change
- by building a flexible organisation, eg lean and ready for change
- by creating the change itself, eg through new products and research and development.

BUT

- given the rapid change and high level of competition in this market unlikely it will be able to protect against all change; may be able to reduce risk
- some change is not a danger – more of an opportunity
- may depend on the change, eg how predictable is it? How rapid? Type?

3**Total for this question: 40 marks**

The total number of national newspapers sold in the UK has been in decline for several years. Evaluate the ways in which the companies that own national newspapers in the UK might react to this decline. *(40 marks)*

Possible answers might include the following:

- may cut price; depends on price elasticity of demand and profit margins and would this reverse a decline of several years?
- could focus on other marketing activities, eg re-sizing the newspaper, looking for new distribution channels, getting new writers, using more promotional gifts. Much of this might be focusing on getting more market share of a declining market rather than boosting the market as a whole
- might use key competences, eg journalists to move into new markets, eg online news, magazines, tv? Are there new markets such as regional newspapers or is it newspapers in general?
- what is happening to revenue and profits, eg could be selling less for much more?
- use the newspapers to sell other products and services, eg holidays.

Depends on:

- is this trend likely to continue, ie what are the underlying causes? If it is a terminal decline then they need to get out of the market!
- what assets do the firms have, eg what is their financial situation to finance new strategies? Could they use printing or distribution skills? Or the brand?
- short-term v long-term reaction
- might hope they have reacted already, ie started to diversify rather than doing something at this stage
- sales of some newspapers are increasing.

4**Total for this question: 40 marks**

On average, the largest 100 UK public limited companies (plcs) spend less than 1% of their turnover on charity. Should the directors of these companies make the donation of more money to charity a priority for their organisations? *(40 marks)*

Possible answers might include the following:

Yes:

- may be seen as socially responsible
- may attract investors – may be important for share price
- may attract employees
- suppliers, communities and governments may be more willing to work with the business
- these are high profile companies so may want to be seen to be giving significant amounts.

But:

- as large companies 1% in absolute terms is likely to be a significant sum
- is this a priority for these firms – depends on how they are performing – may be more likely when they are doing well than when they are not.

Depends on:

- what else do they do? Eg partnerships with the community, treatment of staff
- how important giving to charity is seen by stakeholders
- which charities? – some investors may disagree with the charities chosen
- view of business, eg shareholder v stakeholder concepts
- this is an average what is the spread of donations? ie do some give significantly more than this?
- how is the money used? Does it help?

5**Total for this question: 40 marks**

The average price of personal computers has fallen significantly in the UK in recent years. Discuss whether firms that operate in this industry are ultimately doomed. *(40 marks)*

Possible answers might include the following:

- may mean that profit margins are lower meaning lower returns and this may affect, eg share price; may make some firms vulnerable to takeover
- may mean they have to introduce cost cutting measures, eg improve the output per employee; by doing this they could maintain profits and ensure the business investment is worthwhile, ie not “doomed”; those that cannot do this may be in trouble
- may be accompanied by higher sales which might compensate for the lower prices
- the price fall may be because producers, distributors or retailers have become more efficient and so not a problem, eg due to new production technologies.

Depends on:

- why it is happening, eg is it due to increasing numbers being produced in lower cost locations abroad; may be due to the price of old models being reduced but newer ones may still be expensive (with older ones the development costs may be covered by now)
- how efficient individual firms are; may be winners and losers
- how powerful different firms are within the industry, eg manufacturers v retailers in terms of absorbing the impact
- the degree of variation around the average; may be variation between products desktop/laptops
- over how long a period this has happened
- “ultimately doomed” seems strong conclusion for firms in this industry given that products are still selling; some may fail; may mean lower profits rather than being doomed
- what is happening to price elsewhere in the world? And in their other product markets, eg printers?
- doomed to do what: perform badly? Close?

Essay

Skill	Marks	Description
Content		
Level 3	8–6	Good understanding/explanation of relevant factors (range and/or depth)
Level 2	5–3	Reasonable understanding/explanation of relevant factor(s)
Level 1	2–1	Limited understanding, eg descriptive or very basic/imprecise understanding of relevant factor(s)
Level 0	0	No understanding
Application		
Level 3	8–6	Well related to context
Level 2	5–3	Reasonably related to context
Level 1	2–1	Limited relation to context
Level 0	0	No application
Analysis		
Level 3	8–6	Good analysis, eg relevant factor(s) well developed
Level 2	5–3	Reasonable analysis of relevant factor(s)
Level 1	2–1	Limited analysis of relevant factor(s)
Level 0	0	No analysis
Evaluation/judgement		
Level 3	16–12	Well supported judgement/evaluation
Level 2	11–6	Judgement/evaluation with some support
Level 1	5–1	Judgement/evaluation lacking support
Level 0	0	No judgement/evaluation