



General Certificate of Education

Business Studies 5131

**BUS1 Marketing and Accounting and
Finance**

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 Subsidiary Level 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 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 'debentures' (line 7)?

(2 marks)

	Content 2 marks
Level 2	2 marks Candidate demonstrates good understanding of term recognising it is a loan and identifying at least one special feature
Level 1	1 mark Candidate demonstrates some understanding of term recognising that it is a loan

Debentures are a special type of long-term loan with fixed interest rates, normally with some collateral and an agreed repayment date.

Level 1 – Loan and/or external source of finance.

Level 2 Qualifiers :

- fixed interest rate
- agreed repayment date
- long term
- secured

(b) (i) *Hoggard Organics* forecasts that the average amount spent by each of its UK customers will be £10. Use this information to draw the sales revenue line onto the break-even chart on the **Insert**. (3 marks)

	Content 2 marks	Application 2 marks
Level 2		2 marks Candidate plots sales revenue line successfully
Level 1	1 mark Candidate demonstrates understanding of calculating or plotting sales revenue	1 mark Candidate makes attempt at plotting sales revenue line

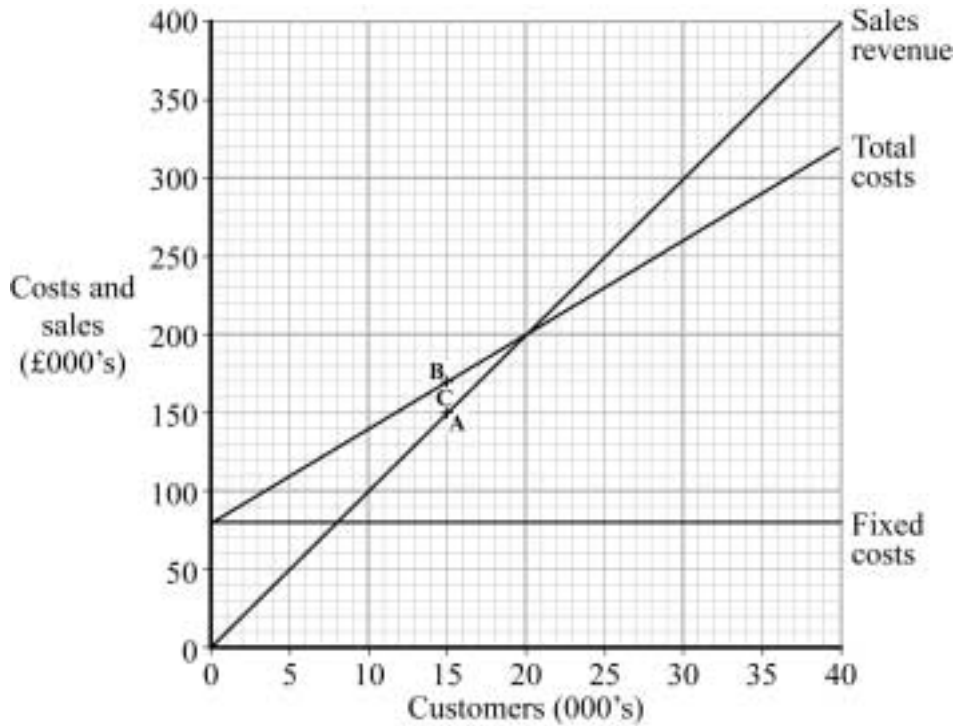
Award content mark for sales revenue formula, calculations such as total revenue at various levels of output for other evidence of understanding.

(b) (ii) Assume that a typical *Hoggard Organics* shop actually receives 15 000 customers during its first year of trading. Mark and label A, B or C, the following on to the break-even chart on the **Insert**:

A the sales revenue earned from attracting 15 000 customers
 B the total costs of supplying 15 000 customers
 C the amount of profit or loss earned from 15 000 customers. (3 marks)

	Content 1 mark	Application 2 marks
Level 2		2 marks Candidate marks total costs, total sales revenue and loss correctly
Level 1	1 mark Candidate demonstrates understanding of workings of break-even chart	1 mark Candidate makes an inaccurate attempt at marking total sales revenue, total costs and loss

Break-Even Chart for a Typical UK Store – Questions 1 (b)(i) and (ii)



1 mark for stating the origin.

1 mark for revenue formula or other evidence of understanding.

2 marks if line is within two small squares (measured vertically) of break-even point.

3 marks if starts at origin and within two small squares of break-even.

(b) (iii) State on the **Insert**, whether the shop will make a profit or loss if it attracts 15 000 customers annually.

(1 mark)

Award one mark if candidate states that the shop will make a **loss** of £20 000.

NB: OFR may apply here.

(c) Analyse **two** possible benefits to *Hoggard Organics* of conducting market research before expanding into the UK. (7 marks)

	Content 2 marks	Application 2 marks	Analysis 3 marks
Level 2	2 marks Candidate states two relevant benefits or shows good understanding of market research or some combination	2 marks Candidate applies answer effectively to the circumstances of <i>Hoggard Organics</i>	3 marks Good analysis of the possible benefit(s) of market research
Level 1	1 mark Candidate states one relevant benefit or shows some understanding of market research	1 mark Candidate attempts to apply answer to the circumstances of <i>Hoggard Organics</i>	2–1 marks Limited analysis of the possible benefit(s) of market research

Relevant answers might include the following:

- market research is the collection and analysis of data which allows a business to improve its marketing decisions
- the UK market is different from the US and market research will help the company to understand it
- market research will reduce risk by lowering the likelihood of the expansion into the UK failing
- *Hoggard Organics* might discover information that will help it to set prices and to promote the product more effectively
- market research might help design the marketing strategy – eg identifying the market segment and informing promotion and advertising decisions
- market research might make it easier for *Hoggard Organics* to borrow money to finance the expansion.

(d) All *Hoggard Organics*' shop managers in the UK will be expected to draw up cash flow forecasts and budgets for their individual shops. To what extent might the use of these techniques increase the company's chances of success? (9 marks)

	Content 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 2 marks
Level 2	2 marks Candidate offers two or more relevant points or shows good understanding of cash flow forecasts or budgets or some combination	2 marks Candidate applies answer effectively to the circumstances of <i>Hoggard Organics</i>	3 marks Good analysis of argument	2 marks Sound judgement shown in answers or conclusions
Level 1	1 mark Candidate offers single relevant point or shows understanding of cash flow forecasts or budgets	1 mark Candidate attempts to apply answer to the circumstances of <i>Hoggard Organics</i>	2–1 marks Limited analysis of argument	1 mark Some judgement shown in response

Arguments for might include the following:

- this is a new venture and financial planning is almost certain to be essential if the company is to raise loans
- the process might help to motivate *Hoggard Organics*' managers and to improve the performance of its new UK stores
- the budgets might indicate that some shops are likely to be less successful than others
- drawing up cash flow forecasts might help to avoid some potential cash problems.

Arguments against might include the following:

- drawing up budgets and cash flow forecasts will be difficult as the company has not traded in the UK before and Stephen recognises that it is different to America and Canada
- will the shop managers have experience of the organic market or of financial planning? If not, the process may be of little value to the company
- the managers' time and attention might be devoted to cash flow forecasts and budgets and not other important issues.

Issues for evaluation might include the following:

- it may depend on the amount of time and training put into the financial planning process
- nothing can ensure success, but financial planning might reduce risk
- does Stephen support this move fully? If not, it is less likely to be successful.

2

Total for this question: 25 marks

(a) What is meant by the term ‘unique selling point (USP)’ (lines 11–12)? (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

A **unique selling point (USP)** is a feature or function of a product that differentiates it from those produced by rival businesses.

(b) Outline **two** factors that allowed Sony to use successfully a strategy of price skimming for the Playstation Portable (PSP). (6 marks)

	Content 2 marks	Application 4 marks
Level 2	2 marks Candidate shows good understanding of price skimming or identifies two relevant factors or a combination	4–3 marks Candidate applies knowledge effectively to Sony and PSP
Level 1	1 mark Candidate shows some understanding of price skimming or identifies one relevant factor	2–1 marks Candidate makes attempt to apply knowledge to Sony and PSP

Relevant answers might include the following:

- price skimming is a strategy under which a firm sets a high price for a new product to attract a relatively small number of consumers
- the Playstation Portable has several USPs – its size, its looks and the fact that it can perform a range of functions
- Sony has used marketing to strengthen the PSP’s appeal thereby adding value and allowing price skimming to be used in the short-term
- the market segment who will buy PSPs “will not wait” according to Sony’s Marketing Director
- a lack of direct competition has helped to reduce the PSP’s price elasticity of demand
- the product has a technological advantage boosting its value to consumers
- the delays in supplies to Europe have helped to stimulate the product’s ‘must have’ status allowing Sony to charge higher prices.

(c) Analyse why the Playstation Portable (PSP) is unlikely to earn profits for Sony during the early stages of its product life cycle. (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Candidate shows good understanding of profits or product life cycle or identifies two relevant reasons or some combination	2 marks Candidate applies answer effectively to the circumstances of Sony and PSP	4–3 marks Good analysis of the possible reason(s) for lack of profits
Level 1	1 mark Candidate shows some understanding of profits or product life cycle or identifies one relevant reason	1 mark Candidate attempts to apply answer to the circumstances of Sony and PSP	2–1 marks Limited analysis of the possible reason(s) for lack of profits

Relevant answers might include the following:

- profit is the surplus of revenue over total costs during a trading period
- the product life cycle is the stages through which a product passes during its time on the market
- the PSP has had three international launches in nine months involving Sony in heavy promotional expenditure
- the R and D costs for the PSP must have been substantial given its new features and technology
- supply problems delayed the European launch meaning Sony's earnings were also delayed
- the PSP's games which will earn Sony high profits are not yet widely available.

(d) Discuss the possible advantages and disadvantages to Sony of targeting the Playstation Portable (PSP) at ‘... a clearly defined segment of the market’ (lines 19–20). (9 marks)

	Content 2 marks	Application 2 marks	Analysis 2 marks	Evaluation 3 marks
Level 2	2 marks Candidate offers two or more relevant points or shows clear understanding of market segment or some combination	2 marks Candidate applies answer effectively to the circumstances of Sony and PSP	2 marks Good analysis of argument	3 marks Sound judgement shown in answers or conclusions
Level 1	1 mark Candidate offers single relevant point or shows some understanding of market segment	1 mark Candidate attempts to apply answer to the circumstances of Sony and PSP	1 mark Limited analysis of argument	2–1 marks Some judgement shown in response

Possible arguments in favour of targeting a specific segment might include the following:

- Sony’s marketing is easier and better focused
- the company is likely to have a clearer understanding of the needs of its customers
- the games to be played on PSP can be designed to be more easily targeted at this group
- given that Sony sells globally, the company may not be able to supply sufficient PSPs to satisfy demand in a wider market segment.

Possible arguments against targeting a specific market segment might include the following:

- sales are lower, making it more difficult for the company to recoup its research and development spending
- the company is facing tough competition in this market segment
- Sony’s cash flow will be weakened by selling products more slowly than otherwise might be the case.

Sample lines of evaluation might include the following:

- Sony’s PSP has struggled to meet demand for the products as it is, so selling to a market segment makes sense
- does the company have much choice? Women appear uninterested.