



General Certificate of Education

Business Studies 5131

**BUS3 External Influences and
Objectives and Strategy**

Mark Scheme

2008 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.

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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 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** factors that helped *Mobeen's* Tottenham restaurant to build a customer base.
(6 marks)

| | Content 3 marks | Application 3 marks |
|----------------|--|---|
| Level 3 | 3 marks Identifies two factors and shows some understanding of customer base or identifies one factor and shows good understanding of customer base | |
| Level 2 | 2 marks Identifies two factors or identifies one factor and shows some understanding of customer base or shows good understanding of customer base | 3 marks Good application of the factor(s) to <i>Mobeen's</i> Tottenham restaurant |
| Level 1 | 1 mark Identifies one factor or shows some understanding of customer base | 2–1 marks Some application of the factor(s) to <i>Mobeen's</i> Tottenham restaurant |

Main factors that helped *Mobeen's* Tottenham restaurant to build its customer base include:

- *Mobeen* had an excellent basic idea which provided the company with a USP
- Suki's secondary market research indicated a growth in the market for their type of product
- Raj and Suki were able to raise enough money to set up in a suitable location which met all of their criteria for a good location
- their use of local suppliers may have helped them to attract more customers
- the appointment of Ricky as Head Chef led to much better customer service
- staff training was improved, helping the restaurant to provide a good service
- recipes had been tried out on family and friends and had been well received
- they took the advice of Martin Chivers.

It is possible that candidates will draw on factors that applied to the Tottenham branch at a later stage of the case study.

Improved customer service at this stage arose from the following factors, all of which would have led to better customer service and more customer loyalty. This would have helped the Tottenham branch to build a larger customer base.

- job rotation led to more motivation amongst the workforce
- kaizen groups led to suggestions that improved the restaurant
- democratic management led to improved morale.

2

Total for this question: 6 marks

Explain **two** benefits that *Mobeen* might have gained from increasing its use of technology.
(6 marks)

| | Content 3 marks | Application 3 marks |
|----------------|---|---|
| Level 3 | 3 marks Identifies two benefits and shows some understanding of technology (technological change) or identifies one benefit and shows good understanding of technology | |
| Level 2 | 2 marks Identifies two benefits or identifies one benefit and shows some understanding of technology or shows good understanding of technology | 3 marks Good application of the benefit(s) to <i>Mobeen</i> |
| Level 1 | 1 mark Identifies one benefit or shows some understanding of technology | 2–1 marks Some application of the benefit(s) to <i>Mobeen</i> |

Possible benefit(s) to *Mobeen* from increasing its use of technology:

- capital intensive production techniques led to lower costs and reduced waiting times
- the new IT system monitored sales and stock levels, helping to improve efficiency
- the new electronic link (EDI) automatically led to deliveries when required
- the IT system improved quality through fresher produce and faster service
- the ventilation system improved *Mobeen's* reputation.

3

Total for this question: 15 marks

To what extent did conflict between *Mobeen's* different stakeholder groups affect the growth of the business? (15 marks)

| | Content 3 marks | Application 3 marks | Analysis 4 marks | Evaluation 5 marks |
|----------------|--|--|--|--|
| Level 3 | 3 marks Identifies three examples of conflict or identifies two examples and shows some understanding of stakeholders or identifies one example and shows good understanding of stakeholders | | | 5 marks Good judgement in assessing the overall impact of the conflict(s) |
| Level 2 | 2 marks Identifies two examples or identifies one example and shows some understanding of stakeholders or shows good understanding of stakeholders | 3 marks Good application of conflict(s) in context | 4–3 marks Good analysis of conflict(s) | 4–3 marks Some judgement in assessing the overall impact of the conflict(s) |
| Level 1 | 1 mark Identifies one example or shows some understanding of stakeholders | 2–1 marks Some application of conflict(s) in context | 2–1 marks Some analysis of conflict(s) | 2–1 marks Limited judgement in assessing the overall impact of the conflict(s) |

In the examples below, growth would have been held back by the delays and/or time and money needed to deal with the conflicts.

Examples of conflict between stakeholder groups include:

- there was initial conflict between the council and Raj and Suki over matters such as the food licence
- local residents complained about the smoke and smell emanating from their business when it first opened
- the landlord came into conflict with Raj and Suki over claims that they had misled him. This conflict was further developed by his decision to increase the rent substantially
- in the first restaurant customers complained about the slow service. There were also times when the business was unable to offer its complete menu because of problems with local suppliers
- the dismissal of Asif is an example of conflict between owners and an employee (although this helped growth because it led to Ricky's appointment)
- employees became disgruntled because of the working conditions provided by *Mobeen's* owners and manager. The lack of staff training also led to a number of injuries and a high rate of labour turnover. The autocratic management style would also have alienated a number of employees

- conflict occurred when the supplier failed to provide organic ingredients
- the public, local council and government were in conflict with *Mobeen* as a result of its failure to meet health and safety and consumer protection laws.

Evaluation

The main areas of conflict tend to be between the owners, specifically Mark's approach to management, and the employees. There are also a number of instances where customers have also come into conflict with the owners. These conflicts led to high staff turnover and would have reduced customer goodwill. Both of these consequences would have proved to be serious hindrances to *Mobeen's* growth. However, towards the end of the case study, it is indicated that *Mobeen* has been financially very successful and in a position to expand into Europe. Although these conflicts would not have helped *Mobeen* they do not appear to have been a major hindrance to *Mobeen's* overall growth.

4

Total for this question: 8 marks

Mark stated, "We can raise enough share capital to finance our European venture." Analyse **two internal** factors (strengths or weaknesses) that might influence *Mobeen's* ability to attract new shareholders to finance the proposed European venture. (8 marks)

| | Content 2 marks | Application 2 marks | Analysis 4 marks |
|----------------|---|--|--|
| Level 2 | 2 marks Identifies two strengths/weaknesses | 2 marks Good application of factor(s) to <i>Mobeen</i> | 4–3 marks Good analysis of factor(s) |
| Level 1 | 1 mark Identifies one strength or weakness | 1 mark Some application of factor(s) to <i>Mobeen</i> | 2–1 marks Some analysis of factor(s) |

Possible factors include:**Strengths:**

- the financial success of the business would have encouraged potential investors
- the unique selling point and the concept would have been seen as a particular strength by potential investors
- Mark's reputation as a skilled entrepreneur would give people confidence in the management of *Mobeen*
- the rapid expansion of *Mobeen* in recent years provides proof that the formula works.

Weaknesses:

- Mark's autocratic leadership style might discourage investors who could believe that they would have little say in the running of the business, although the additional shares may bring his holding down from 51% and therefore reduce his influence
- *Mobeen* was established as a private limited company (Ltd). If this status is maintained shareholders may find it difficult to sell their shares in comparison to a public limited company (plc).
- the high level of labour turnover
- lower staff morale in the Chelsea restaurant
- damage to the reputation of *Mobeen* arising from the Chelsea restaurant.

This question is testing business strategy and SWOT analysis. Answers that use strategic arguments based on external factors (opportunities and threats) will not be credited.

5

Total for this question: 15 marks

Refer to the economic forecast for the Eurozone in **Table 2 (Section F)**. To what extent might the **2008–2009** forecasts for Eurozone unemployment **and** Euros to the £ influence the possible success of the proposal to open restaurants in Europe? (15 marks)

| | Content 3 marks | Application 3 marks | Analysis 4 marks | Evaluation 5 marks |
|----------------|--|---|---|--|
| Level 3 | 3 marks Identifies two effects and shows understanding of one variable or identifies one effect and shows good understanding of variables | | | 5 marks Good judgement in assessing the extent to which <i>Mobeen's</i> European expansion is affected |
| Level 2 | 2 marks Identifies two effects or shows good understanding of variables or identifies one effect and shows some understanding of variables | 3 marks Good application of effect(s) in context of <i>Mobeen</i> | 4–3 marks Good analysis of the possible effect(s) | 4–3 marks Some judgement in assessing the extent to which <i>Mobeen's</i> European expansion is affected |
| Level 1 | 1 mark Identifies one effect or shows some understanding of variables | 2–1 marks Some application of effect(s) in context of <i>Mobeen</i> | 2–1 marks Some analysis of the possible effect(s) | 2–1 marks Limited judgement shown |

Possible effects include:

Eurozone unemployment is forecast to fall from 7.1% to 6.5%:

- this will lead to more disposable income in Europe – more consumer spending – increase in sales volume and, therefore, profit
- more disposable income – more consumer spending – increase in prices of products and therefore higher profit margins.
 - Product could be deemed to be a luxury with a high income elasticity of demand and therefore benefiting from a significant increase in sales revenue.
 - Product might be regarded as a product with low income elasticity (a fast food product rather than an expensive restaurant meal) and therefore sales might not be greatly affected by more consumer spending.
- lower unemployment might make it harder to recruit workers (although the rate is still quite high)
- lower unemployment might lead to an increase in wage costs, potentially limiting the benefits gained from the higher levels of disposable income.

Exchange rate:

Increase in the value of the £ against the € from €1.5 to €1.7 means that:

- exports will become dearer, reducing *Mobeen's* chances of success if it is buying ingredients in the UK
- imports will become cheaper, possibly reducing *Mobeen's* costs if ingredients are purchased in euros
- setting up the business will be cheaper if *Mobeen* waits a year because it will receive 13% more Euros to the £. This will enable it to either cut the initial costs of the new restaurants or will give *Mobeen's* the opportunity to afford more expensive and attractive sites
- if *Mobeen* is sending back its profits to the UK then the exchange rate change will mean that a profit in euros is worth less when it is converted back into £s, and so this will have a negative effect on *Mobeen*.

Evaluation

As *Mobeen* is intending to set up restaurants the exchange rate will have little impact, as both costs and revenues are likely to be in euros. However, initially, the exchange rate will have a major effect because it will significantly affect the initial costs. The unemployment rate will have some effect, particularly if demand is income elastic, but any effect will be further limited if wage costs increase.

As *Mobeen* is dealing in a niche market with a product with a USP, it is probable that demand is price inelastic, and therefore exchange rates will probably have little effect on sales volume.

If the policy of using local suppliers is maintained, all transactions will be in euros, meaning that the exchange rate is of less importance.

It could also be noted that the Eurozone covers a wide area and that these figures may not represent the local situation in Amsterdam etc.