



General Certificate of Education

Business Studies 6131

**BUS4 Marketing and Accounting and
Finance, People and Operations
Management**

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 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: 20 marks

(a) Analyse the likely benefits to Bill and Joe of undertaking detailed sales forecasting before making the final decision about the juice project. *(8 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Good understanding of sales forecasting or some understanding plus benefit(s)	2 marks Benefit(s) well applied to case	4–3 marks Good use of theory/reasoned argument to support answer
Level 1	1 mark Some understanding shown, eg definition	1 mark Some application of benefit(s) to case	2–1 marks Some use of theory/reasoned argument to support answer

Relevant answers might include the following:

- definition of sales forecasting: prediction of future sales levels
- would help with:
 - stock control,
 - production planning
 - workforce planning.
- would help to reduce the risk of this new venture and wasted working capital in unnecessary stocks
- seasonal demand identified – important in this case.

(b) Discuss the usefulness of the data in **Figure 1** (page 2) when setting the marketing budget for the juice project. (12 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks Good understanding of data or marketing budgets or some understanding of either plus use(s) of data	2 marks Well applied to case or data in Figure 1 used well	4–3 marks Good use of theory/reasoned argument to support answer	4–3 marks Good judgement shown
Level 1	1 mark Some understanding shown of data or marketing budgets	1 mark Some application to case or some use of Figure 1 data	2–1 marks Some use of theory/reasoned argument to support answer	2–1 marks Some judgement shown

Relevant answers might include the following:

- definition of marketing budget: financial plan for amount to be spent on marketing/advertising
- correlation: causal link between two variables
- positive correlation – supports the idea of high advertising budget – especially for new brand of juice?
- effectiveness of advertising seems to fall after 15 000.

But:

- old data; how reliable? different company – may not be exactly the same type of products. How is Fruitella made and marketed?
- can business afford expensive advertising? – other company may have more resources
- so, of limited use
- other forms of setting budgets might be more appropriate in this case.

2

Total for this question: 20 marks

(a) To what extent will effective workforce planning determine the success of the juice project? (14 marks)

	Content 2 marks	Application 3 marks	Analysis 5 marks	Evaluation 4 marks
Level 2	2 marks Good understanding of workforce planning or some understanding plus benefit(s) of or other factor(s) determining success	3 marks Well applied to case	5–3 marks Good use of theory/reasoned argument to support answer	4–3 marks Good judgement shown
Level 1	1 mark Some understanding of workforce planning shown	2–1 marks Some application to case	2–1 marks Some use of theory/reasoned argument to support answer	2–1 marks Some judgement shown

Relevant answers might include the following:

- definition: planning for future workforce needs, training, recruitment and selection
- new type of project requires: more staff, full-time not part-time (probably) and trained staff
- appropriate numbers of staff, right skills, selection and recruitment policies and training needs – all of these will help the new project run smoothly
- finances limited in this case – need to avoid excess staff levels
- allow analysis of ‘other factors’ determining success.

But:

- Bill and Joe seem unaware of its importance
- many other factors will affect success too – lack of experience in this market, big competitors already established etc.

(b) Using data from **Table 2** and assuming maximum output levels:

(i) Calculate the labour productivity for **each** of the two production methods. *(3 marks)*

Option A = 200 000 litres per worker (1)

Option B = 500 000 litres per worker (1)

Allow 1 mark for formula (or implied).
 Allow 2 marks if only one correct result

Labour productivity = $\frac{\text{total output}}{\text{number of workers}}$

(b) (ii) Calculate the labour costs per litre of juice for **each** of the two production methods. *(3 marks)*

Option A: $12\,000/200\,000 = 6\text{p per litre}$ (1)

Option B: $18\,000/500\,000 = 3.6\text{p per litre}$ (1)

Allow 1 mark for formula (or implied).
 Allow 1 mark for an attempt to use appropriate process, eg calculating total labour cost.
 Allow 2 marks if decimal point is incorrect, eg 60p and 36p.

3

Total for this question: 20 marks

(a) Analyse the possible limitations of using critical path analysis in the planning and management of the juice project. *(8 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Good understanding of CPA or some understanding plus limitation(s)	2 marks Limitation(s) well applied to case	4–3 marks Good use of theory/reasoned argument to support answer
Level 1	1 mark Some understanding shown, eg definition	1 mark Some application of limitation to case	2–1 marks Some use of theory/reasoned argument to support answer

Relevant answers might include the following:

- CPA – definition: planning technique using network diagram of activities and durations showing critical path
- limitations – time and cost – are these resources available to this business that needs to meet the harvest season and has reached its overdraft limit?
- Joe keen to get going – is he prepared to follow a logical plan. Too headstrong?
- ability to use computer programs?
- problems of estimating activity durations?
- Bill and Joe have not used this technique before – no experience of setting durations or using network analysis.

(b) Assess the advantages **and** disadvantages of using IT to help with the operations management of the juice project. (12 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks Good understanding of IT or some understanding plus advantage/disadvantage	2 marks Well applied to case	4–3 marks Good use of theory/reasoned argument to support answer	4–3 marks Good judgement shown
Level 1	1 mark Some understanding shown, eg definition of IT	1 mark Some application to case	2–1 marks Some use of theory/reasoned argument to support answer	2–1 marks Some judgement shown

Relevant answers might include the following:

- IT using computers to improve business efficiency
- IT for **Option B**: CAM leads to more consistent quality, higher output levels (may be other economies of scale) and greater packaging options – important for supermarkets
- for both options use of computers in stock control of both raw material (perishable) and finished goods (JIT?)
- could be used for internal communication as workforce expands which will aid operations
- lower production labour costs
- advantages of IT must be ops man focused, eg JIT, CAM, communication with production workers or suppliers.

But:

- capital cost – business already at overdraft limit
- lack of knowledge of Bill and Joe
- cost of recruiting trained staff or training staff
- overall conclusion.

4

Total for this question: 20 marks

(a) (i) Calculate the annual net cash flow from **Option A**, using the data in **Table 1** and assuming maximum output. *(2 marks)*

(1m x 30p) – £100 000 = £200 000 2 marks
 Allow 1 mark if fixed costs not subtracted - £300 000
 Allow 1 mark if only data for **Option B** is used - £265 000

(ii) Calculate the Net Present Value for **Option A**, for the first **five** years of operation using your result from **4(a)(i)**. (12% discount factors are given in **Appendix A**.) *(4 marks)*

Year	Net cash flow	DF	DCF	Marks
0	(400 000)	1	(400 000)	1
1	£200 000	0.89	178 000	Up to 2 for DCF
2	£200 000	0.79	158 000	
3	£200 000	0.71	142 000	
4	£200 000	0.64	128 000	
5	£200 000	0.57	114 000	

Award up to 2 marks for DCFs (OFR applies)
 Net Present Value = £320 000 (1)

- Initial capital costs not subtracted £720 000 (3 marks).
- DCFs calculated but not added and capital costs not subtracted (2 marks).
- Some attempt to calculate, eg one correct DCF (1 mark).

(b) Taking into account all of the information, would you advise the farm to choose **Option A** or **Option B**? Justify your answer. **(14 marks)**

	Content 2 marks	Application 3 marks	Analysis 5 marks	Evaluation 4 marks
Level 2	2 marks Good awareness of information, eg two relevant points made	3 marks Well applied to case, eg using data well	5–3 marks Good use of theory/reasoned argument to support answer	4–3 marks Good judgement shown including recommendation
Level 1	1 mark Some understanding shown, eg one reference to investment appraisal results	2–1 marks Some application to case, eg some use of data	2–1 marks Some use of theory/reasoned argument to support answer	2–1 marks Some judgement shown – maybe in the form of final recommendation

Relevant answers might include the following:

- **Option A:** lower capital cost (sources of finance limited); faster payback (not much in it) but lower NPV (but difficult to compare given different capital costs). Less difficult to recruit staff. Keeps existing customer base. Higher transport costs – unpredictable in future?
- candidates could calculate break even and compare these points and safety margins
- break even **Option A** = 333 333; **Option B** = 440 000
- **Option B:** bigger market and market share is growing; new customers to replace the declining numbers of independent stores; higher NPV (but capital cost higher – ARR more useful?); use of IT brings farm up-to-date – more consistent quality. Break even point only slightly higher than **Option A** – this gives much greater safety margin
- no clear winner. Depends on finance, willingness and ability to embrace IT change; more detailed sales forecasts; accuracy of Joe's data?
- how realistic is the assumption about maximum sales being reached?