



General Certificate of Education

Business Studies 1131

BUSS2 Managing a Business

Mark Scheme

2009 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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Dr Michael Cresswell, Director General.

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.

	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Candidates give accurate definitions of relevant terms. Candidates can also gain credit for knowing and explaining a point relevant to the question
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Candidates should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Candidates will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Candidates use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, candidates may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Candidates evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or 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. Candidates will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to: <ul style="list-style-type: none"> • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate <p>The assessment of the quality of written communication is included in Assessment Objective 4.</p>

1

Total for this question: 40 marks

(a) Explain **one** way in which *Eastern Airways* could measure whether it has achieved “An increase in its capacity utilisation...” (line 25). (4 marks)

	Content (AO1) 2 marks	Application (AO2) 2 marks
Level 2	2 marks Good understanding of capacity utilisation	2 marks Explanation of means of measuring capacity utilisation in context
Level 1	1 mark Some understanding of capacity utilisation	1 mark Attempt at explaining the measurement of capacity utilisation in context

Relevant answers might include the following:

- capacity utilisation measures the extent to which a business’s output matches the maximum of which it is capable
- *Eastern Airways* could measure capacity utilisation by having a higher proportion of seats filled on each flight
- alternatively, capacity utilisation could relate to the amount of time its aircraft spend in the air (rather than on the ground).

(b) Analyse **two** possible consequences for *Eastern Airways* of its decision to operate in a niche market targeting business travellers. (9 marks)

	Content (AO1) 3 marks	Application (AO2) 2 marks	Analysis (AO3) 4 marks
Level 3	3 marks Two relevant consequences and some understanding of niche market or good understanding of niche market plus one relevant consequence		
Level 2	2 marks Two relevant consequences or good understanding of niche market or some combination	2 marks Knowledge applied effectively to <i>Eastern Airways’</i> scenario	4–3 marks Good analysis of consequences of operating in a niche market
Level 1	1 mark Single relevant consequence or limited understanding of niche market	1 mark Attempt to apply knowledge to <i>Eastern Airways’</i> scenario	2–1 marks Limited analysis of consequences of operating in a niche market

Relevant answers might include the following:

- the market is smaller with consequences for sales revenue
- the company is able to charge higher prices so enhancing its profitability / profit margins
- it has helped *Eastern Airways* to avoid the full force of competition from larger and more established airlines
- it has assisted *Eastern Airways* in developing a distinctive image / its USP
- some of its routes have proved not to be viable as the niche is not sufficiently large
- other companies such as Flybe are expanding and are likely to encroach upon *Eastern Airways’* niche market on other routes. This is more likely if *Eastern Airways* is successful.

(c) To what extent do you think that *Eastern Airways*' marketing has made it a competitive business? (12 marks)

	Content (AO1) 3 marks	Application (AO2) 2 marks	Analysis (AO3) 3 marks
Level 3	3 marks Two relevant points and some understanding of competitiveness or good understanding and one relevant point		
Level 2	2 marks Two relevant points or good understanding of competitiveness or some combination	2 marks Knowledge applied effectively to <i>Eastern Airways</i> ' scenario	3 marks Good analysis of extent of competitiveness
Level 1	1 mark Single relevant point or some understanding of competitiveness	1 mark Attempt to apply knowledge to <i>Eastern Airways</i> ' scenario	2–1 marks Limited analysis of extent of competitiveness

Relevant answers might include the following:

- competitiveness is the ability of a firm to succeed in the market whether through low prices, quality products or a USP.

For *Eastern Airways*' marketing making it a competitive business:

- *Eastern Airways* has grown steadily since its inception in 1997 and opened eight new routes in 2007
- the company has a reputation for high quality service and has won a number of awards and has used this in its promotional materials
- the airline's product has a clear and distinctive USP which helps it to compete with larger rivals.

Against *Eastern Airways*' marketing making it a competitive business:

- the company has relatively high prices meaning that it cannot afford to operate on some routes with direct competition from low cost airlines
- the company has been forced to withdraw from some routes where it could not attract sufficient passengers, limiting its growth
- the company cannot afford major advertising campaigns as can some of its rivals.

Ideas for evaluation might include the following:

- it depends on how you define competitiveness. Its marketing does not make it competitive in terms of price, but it is in other ways such as the quality of its product
- competitive in which market? Arguably in its niche its marketing makes it competitive, though the niche may be hard to define clearly
- given the size of the business and its limited resources it is a competitive company as it has survived and grown.

For Evaluation (AO4), you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Candidate offers judgement plus full justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	4
E2	Candidate offers judgement plus limited justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	2–3
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	1

(d) Do you think that quality should continue to be the main operational target for *Eastern Airways* in the future or should it focus on other targets such as capacity utilisation or unit costs? Justify your view. (15 marks)

	Content (AO1) 3 marks	Application (AO2) 3 marks	Analysis (AO3) 5 marks
Level 3	3 marks Two or more factors and some understanding of quality or operational targets or some equal combination		
Level 2	2 marks Two or more factors or shows good understanding of quality or operational targets	3 marks Knowledge applied effectively to <i>Eastern Airways'</i> scenario	5–4 marks Good analysis of arguments, developing argument(s) fully
Level 1	1 mark Single relevant factor or some understanding of quality or operational targets	2–1 marks Attempt to apply knowledge to <i>Eastern Airways'</i> scenario	3–1 marks Limited analysis of argument, for example by considering one side only

Relevant answers might include the following:

- quality is the extent to which a product fulfils customers' expectations
- operational targets are the goals or objectives pursued by the operations management team within an organisation.

For quality being the most important operational issue:

- managing time effectively is important: delays increase costs
- reducing check-in times can help to reduce staffing costs
- the company uses quality as a USP (for example minimal delays in flight times) and needs to continue to do so
- being successful in this particular niche market requires that the company provides its customers with a high quality product
- the company has acquired a reputation for quality and can use this for publicity as it expands
- as it expands it is more likely to come into direct competition with powerful rivals and may need to emphasise its quality rather than seeking to compete in terms of price (meaning it would have to reduce unit costs).

Against quality being the most important operational issue:

- the company must be profitable to satisfy its shareholders therefore controlling costs (and setting targets here) will be important
- the niche in which it operates is small and maybe it needs to consider operational targets, such as unit costs, to allow it to compete in other markets as it expands
- the company can benefit financially from setting targets for improving its level of capacity utilisation – this, in turn, will help with unit costs.

Issues for evaluation may include the following:

- the company should set a range of complementary operations targets to maximise its chances of success in the future
- quality targets may be very important but these are mixed up with customer service and other operational issues and cannot be considered in isolation.

For Evaluation (AO4), you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Candidate offers judgement plus full justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	4
E2	Candidate offers judgement plus limited justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	2–3
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	1

2

Total for this question: 40 marks

(a) Using **Table 2**, calculate the profit variance for Amil's business for its first year of trading and state whether it is adverse or favourable. (6 marks)

	Content (AO1) 3 marks	Application (AO2) 3 marks
Level 3	3 marks Good understanding of profit variance and identifies type of variance correctly	3 marks Accurate numerical answer
Level 2	2 marks Good understanding of profit variance, eg by stating relevant formula	2 marks Correct approach to calculating variance but incorporates arithmetical error
Level 1	1 mark Some understanding of profit variance	1 mark Limited attempt to calculate variance

Budgeted profits = £227 000 – £193 500 = **£33 500**

Actual profits = £225 250 – £210 250 = **£15 000**

Variance = £33 500 – £15 000 = **£18 500 adverse**

(b) Examine **two** possible consequences for *Houses Online Ltd* of the high level of labour turnover of sales representatives. (7 marks)

	Content (AO1) 2 marks	Application (AO2) 2 marks	Analysis (AO3) 3 marks
Level 2	2 marks Two relevant consequences or good understanding of labour turnover or some combination	2 marks Knowledge applied effectively to <i>Houses Online Ltd's</i> scenario	3 marks Good analysis of consequences of high labour turnover
Level 1	1 mark One relevant consequence or partial understanding of labour turnover	1 mark Attempt to apply knowledge to <i>Houses Online Ltd's</i> scenario	2–1 marks Limited analysis of consequences of high labour turnover

Relevant answers might include the following:

- the business will incur the costs of recruiting new sales representatives adding further to its costs
- Amil's programme of training will be wasteful to a significant extent
- the process of recruitment and selection is likely to add further to Amil's already heavy workload
- the process may bring in new ideas and help to expand the business further
- this is likely to make it more difficult for Amil to pursue his process of delegation and empowerment
- this might make the process of developing relationships with retailers (to advertise properties in their shop windows) more difficult.

(c) Discuss the strengths and weaknesses of the ways in which Amil manages his workforce. (13 marks)

	Content (AO1) 2 marks	Application (AO2) 3 marks	Analysis (AO3) 4 marks
Level 2	2 marks Two or more relevant factors identified	3 marks Knowledge applied effectively to <i>Houses Online Ltd's</i> scenario	4–3 marks Good analysis of argument, developing strengths and weaknesses
Level 1	1 mark Single relevant factor identified	2–1 marks Attempt to apply knowledge to <i>Houses Online Ltd's</i> scenario	2–1 marks Limited analysis of argument, for example by considering one side only

Relevant answers might include the following:

Amil's strengths:

- Amil is providing ongoing on-the-job training attempting to improve the employees' skills and confidence
- he does offer representatives bonuses which may help to increase the number of 'sales' they achieve
- Amil has delegated 'some' authority to his employees which might act as a motivator. It seems he is keen to empower them
- fees for selling homes are ahead of Amil's budget – this could be a good sign for the future and reflect on an effective workforce.

Amil's weaknesses:

- there has been a high labour turnover in the past amongst sales representatives and there appears no reason why this will not continue
- Amil has a very wide span of control making it difficult for him to guide the workforce
- Amil is overworked – the structure of the organisation is possibly too flat – a supervisor or a manager is needed
- wage and salary costs have risen faster than Amil forecast – this may be evidence that the workforce is not as effective as he had hoped.

Issues for evaluation may include the following:

- this business is growing rapidly and changes will be essential if it is to prove effective
- it may depend upon the quality of employees that Amil appoints or promotes.

Turn over for Evaluation

For Evaluation (AO4), you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Candidate offers judgement plus full justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	4
E2	Candidate offers judgement plus limited justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	2–3
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	1

(d) Do you think that the best way for Amil to improve the profitability of the business is to reduce its prices for advertising houses? Justify your view. (14 marks)

	Content (AO1) 3 marks	Application (AO2) 2 marks	Analysis (AO3) 4 marks
Level 3	3 marks Two relevant factors and some understanding of profitability or good understanding of profitability and one relevant factor		
Level 2	2 marks Two or more relevant factors or good understanding of profitability	2 marks Knowledge applied effectively to <i>Houses Online Ltd's</i> scenario	4–3 marks Good analysis of argument, developing argument(s) fully
Level 1	1 mark Single relevant factor or shows understanding of profitability	1 mark Attempt to apply knowledge to <i>Houses Online Ltd 's</i> scenario	2–1 marks Limited analysis of argument, for example by considering one side only

Relevant answers might include the following:

Against reducing prices:

- traditional estate agents charge much higher prices (£4000 on average), this does not suggest that prices are an issue
- *Houses Online Ltd's* sales have been successful during 2008 – they have grown more quickly than Amil expected – so a price rise may have little impact
- the business's costs are substantially higher than forecast, especially wages – so Amil needs the revenue to cover these
- Amil's business offers more than the online competitors and the price reflects this.

For reducing prices:

- Amil's prices are slightly higher than those of his online rivals suggesting a price reduction might increase sales
- if Amil is keen to expand the business, reducing prices might help to achieve this objective
- Amil will be able to use low prices as part of his promotion and to help negotiate advertising deals with retailers
- sales of advertising space on the website are relatively low and the business may increase revenue and profits if it can improve its performance in this area.

Issues for evaluation may include the following:

- the decision will depend upon price elasticity of demand
- market research amongst customers and potential customers may help to reach a decision
- much may depend on how online competitors react to a price increase.

Turn over for Evaluation

For Evaluation (AO4), you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Candidate offers judgement plus full justification. Ideas are communicated in a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	4–5
E2	Candidate offers judgement plus limited justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	2–3
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	1