



General Certificate of Education

Business Studies 1131

BUSS2 Managing a Business

Mark Scheme

2009 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 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>

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Total for this question: 40 marks

(a) Calculate the net profit margin that *Two Seasons Ltd* would have forecast for 2007–2008 (Figure 2). (4 marks)

	Content (AO1) 2 marks	Application (AO2) 2 marks
Level 2	Good understanding of profit margin, eg formula or definition	Correct answer
Level 1	Some understanding of profit margin, eg formula or definition	Correct approach to calculating margin but arithmetical error

$$\text{Profit margin} = \frac{\text{Profits}}{\text{Turnover}} \times 100$$

$$\text{Profit margin} = \frac{\pounds 275\,000}{\pounds 10\,400\,000} \times 100 = 2.64\%$$

(b) Analyse **two** benefits that *Two Seasons Ltd* may receive from providing ‘outstanding customer service’ (line 12). (9 marks)

	Content (AO1) 3 marks	Application (AO2) 2 marks	Analysis (AO3) 4 marks
Level 3	Two relevant benefits and some understanding of customer service or good understanding and one relevant point		4 marks Good analysis of benefit(s) of providing outstanding customer service
Level 2	Two relevant benefits or good understanding of customer service or some combination	2 marks Knowledge applied effectively to <i>Two Seasons’</i> scenario	3 marks Sound analysis of benefit(s) of providing outstanding customer service
Level 1	Single relevant benefit or limited understanding of a customer service	1 mark Limited attempt to apply knowledge to <i>Two Seasons’</i> scenario	2–1 marks Limited analysis of benefit(s) of providing outstanding customer service

Relevant answers might include the following:

- customer service encompasses all the activities that affect the customer’s experience of dealing with an organisation
- it helps to distinguish *Two Seasons Ltd* from the high volume end of the market exemplified by JJB
- offering outstanding customer service might allow *Two Seasons Ltd* to add value to its products and to charge higher prices – one possible reason why it has been consistently profitable for the past five years
- outstanding customer service has led to recommendations which may explain the 30% annual rise in turnover recently
- outstanding customer service could be vital if the company is to succeed in its new locations.

(c) To what extent might the move to more expensive locations, such as that in Derby, require *Two Seasons Ltd* to change its marketing mix. (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 the marketing mix or good understanding and one relevant point		3 marks Good analysis of impact of the move on the marketing mix
Level 2	2 marks Two relevant points or good understanding of the marketing mix or some combination	2 marks Knowledge applied effectively to <i>Two Seasons'</i> scenario	2 marks Sound analysis of impact of the move on the marketing mix
Level 1	1 mark Single relevant point or some understanding of the marketing mix	1 mark Limited attempt to apply knowledge to <i>Two Seasons'</i> scenario	1 mark Limited analysis of impact of the move on the marketing mix

NB: The answers to this question may be wide-ranging and all relevant answers should be credited.

Relevant answers might include the following:

- the marketing mix is the combination of four major tools of marketing (price, product, promotion and place) used by a business to influence customer behaviour.

For the expansion changing *Two Seasons Ltd's* marketing mix:

- the move to locations in shopping centres automatically means that the company's place will change
- more expensive locations may call for higher prices if the company is to continue to be profitable and maybe to increase its very low profit margin
- the company may extend its product range to match the needs of customers in the shopping centres.

Against the expansion changing *Two Seasons Ltd's* marketing mix:

- the company has 13 shops already and a recognised position in the middle of the market. Changing the products it sells, and hence its marketing mix, would affect this
- the company's unusual range of products (urban streetwear and winter sports clothing) is a USP. It would not be in the company's interest to change this aspect of its marketing mix
- if the company continues to aim at the same customers, its promotion and its promotional mix may not need to change.

Ideas for evaluation might include the following:

- it may be that this move will inevitably affect the company's marketing mix to a great extent. This looks like an upmarket move and a different and integrated marketing mix will be essential
- it could be that the company continues with much the same marketing mix, but achieves much higher sales (as in Derby) to balance out the increased costs.

Level	Descriptor - (AO4)	Marks
E2	Judgement plus full 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.	4–3
E1	Judgement plus limited justification. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication.	2–1

- (d) Do you think that going ahead with the expansion plans would increase *Two Seasons Ltd's* profits? 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 profitability or some combination	3 marks Good attempt to apply knowledge to the <i>Two Seasons'</i> scenario	5 marks Analysis of both sides, of which one side is good
Level 2	2 marks Two or more factors or shows good understanding of profitability or a combination	2 marks Sound attempt to apply knowledge to the <i>Two Seasons'</i> scenario	4–3 marks Sound analysis of argument(s), developing one side at least
Level 1	1 mark Single relevant factor or some understanding of profitability	1 mark Limited attempt to apply knowledge to the <i>Two Seasons'</i> scenario	2–1 marks Limited analysis of argument(s), for example by not developing points fully

Relevant answers might include the following:

- profits measure the extent to which sales revenue exceeds the total costs.

For expansion plans increasing profits:

- sales revenue should increase as locations improve – the early data from the Derby store supports this view
- if the company does increase its prices then its profit margins should increase as well as the volume of sales possibly leading to a substantial increase in profits
- the company's fixed costs will be spread over more 'units of output' helping to increase its profit margin from its currently low level.

Against expansion plans increasing profits:

- the costs of operating in shopping centres will be much higher – the initial costs in Derby were £260 000 compared with £30 000 in Birmingham
- will the increase in sales revenue be sufficient to cover the additional costs? The Derby data was customers not sales and it was for only the first three weeks. This may not be a representative figure
- it seems likely that the expansion will be funded by borrowing meaning that the company will face interest charges.

Issues for evaluation may include the following:

- it may depend upon how the expansion is financed – selling shares might have a smaller impact on profits than large loans
- profits may increase in the longer term as the new stores become more established
- the impact on profits will depend upon a range of factors such as the actions of competitors, how well the expansion is planned and managed etc.

Level	Descriptor – (AO4)	Marks
E2	Judgement plus full 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.	4–3
E1	Judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. Some errors in accepted conventions of written communication.	2–1

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

- (a) Calculate the change in labour productivity in *Just Desserts Ltd's* Chester factory between 2007 and 2008. (6 marks)

	Content (AO1) 2 marks	Application (AO2) 4 marks
Level 4		4 marks Correct answers and change identified correctly
Level 3		3 marks Both labour productivity figures calculated correctly, but change not identified or arithmetical error made at this stage
Level 2	2 marks Good understanding of labour productivity eg by stating relevant formula or definition	2 marks Correct approach to calculating labour productivity but incorporates arithmetical error
Level 1	1 mark Some understanding of labour productivity	1 mark Limited attempt at calculation, for example just identifying two or more relevant figures

Labour productivity in 2007 = $5\,950\,000/70 = 85\,000$ desserts per employee.

Labour productivity in 2008 = $8\,470\,000/110 = 77\,000$ desserts per employee.

Change in labour productivity = **a fall of 8 000** desserts per employee per year.

(b) Analyse **two** factors that might influence the competitiveness of *Just Desserts Ltd*.
(8 marks)

	Content (AO1) 2 marks	Application (AO2) 2 marks	Analysis (AO3) 4 marks
Level 3			4 marks Good analysis of factor(s) determining competitiveness
Level 2	2 marks Two relevant factors or good understanding of competitiveness or some combination	2 marks Knowledge applied effectively to <i>Just Desserts Ltd's</i> scenario	3 marks Sound analysis of factor(s) determining competitiveness
Level 1	1 mark One relevant factor or limited understanding of competitiveness	1 mark Limited attempt to apply knowledge to <i>Just Desserts Ltd's</i> scenario	2–1 marks Limited analysis of factor(s) determining competitiveness

Relevant answers might include the following:

- competitiveness measures the ability of a business to operate successfully in its market or markets
- the company is consumer-friendly and monitors and responds to changes in consumers patterns of demand
- the company supplies supermarkets with their own individual and exclusive range of desserts. This helps supermarkets to be distinctive
- the company's image helps to make it competitive – it presents itself as a luxury/traditional supplier
- it produces a range of products meeting the needs of a large number of customers, including different supermarkets.

(c) Discuss whether *Just Desserts Ltd* should choose its new supplier solely on the basis of the quality of the supplier's products. (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 either quality or suppliers or good understanding and one relevant point		3 marks Analysis of both sides of which one must be good
Level 2	2 marks Two relevant points or good understanding of either quality or suppliers or some combination	2 marks Knowledge applied effectively to <i>Just Desserts Ltd's</i> scenario	2 marks Sound analysis of the factor(s) in this decision
Level 1	1 mark Single relevant point or some understanding of either quality or suppliers	1 marks Limited attempt to apply knowledge to <i>Just Desserts Ltd's</i> scenario	1 mark Limited analysis of the argument(s)

Relevant answers might include the following:

- suppliers are businesses that provide goods or services to other businesses
- quality exists when a product satisfies consumers needs.

Arguments in favour of choosing suppliers solely on the basis of quality of their products include the following:

- the company's image is that of a quality/luxury supplier and this will be difficult to maintain without suppliers providing good quality ingredients
- issues such as price may be less relevant for *Just Desserts Ltd* as pricing is not a major issue for this company.

Arguments against choosing suppliers solely on the basis of quality include the following:

- reliability will be important in terms of delivery if the factory is to have uninterrupted production – having a supplier a substantial distance away will make this more difficult
- *Just Desserts Ltd* is suffering from cash flow difficulties as it expands; therefore trade credit terms are likely to be an important factor (at least in the short term)
- capacity will be an issue as *Just Desserts Ltd* is growing as may need increasing amounts of supplies over time.

Ideas for evaluation might include the following:

- surely the company will choose its new supplier on the basis of a range of factors, though quality may be particularly important one
- the balance of factors may change over time with payment terms being more important in the short term.

Level	Descriptor – (AO4)	Marks
E2	Judgement plus full 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.	4–3
E1	Judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. Some errors in accepted conventions of written communication.	2–1

(d) Martha believes that ‘...recruiting the right people will be the best way to improve the effectiveness of *Just Desserts Ltd*’s workforce’. Do you agree with her? Justify your answer. (14 marks)

	Content (AO1) 3 marks	Application (AO2) 2 marks	Analysis (AO3) 4 marks
Level 3	3 marks Two relevant points and some understanding of recruitment or good understanding and one relevant point		4 marks Analysis of both sides, of which one side must be good
Level 2	2 marks Two or more points or shows good understanding of recruitment or some combination	2 marks Knowledge applied effectively to <i>Just Desserts Ltd</i> ’s scenario	3 marks Sound analysis of argument, developing argument(s) on one side at least
Level 1	1 mark Single relevant point or some understanding of recruitment	1 mark Limited attempt to apply knowledge to <i>Just Desserts Ltd</i> ’s scenario	2–1 marks Limited analysis of argument(s), for example by considering one side only

Relevant answers might include the following:

For recruitment as the best way to improve the effectiveness of the workforce:

- the business is expanding rapidly and will be recruiting heavily and thus the quality of the people of employed will be important
- falling productivity (OFR here) could be because the right people have not been appointed
- average spans of control have doubled in two years and so the company will need to recruit good quality managers and supervisors/team leaders.

Against:

- there is a need for training – Martha has postponed some and intends to introduce new systems such as quality assurance
- productivity levels in the factory have fallen (OFR potential here) suggesting a need for training. This is exacerbated by the increasing complexity of the company’s production as it increases its product range
- improving job design to allow employment may improve the performance of managers and junior employees.

Issues for evaluation may include the following:

- recruiting the right people is obviously important – but is only part of creating an effective workforce
- recruiting the right people is most important as training and motivational techniques will have little impact if people are not of the correct calibre.

Level	Descriptor – (AO4)	Marks
E2	Judgement plus full 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.	5–4
E1	Judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. Some errors in accepted conventions of written communication.	3–1