



General Certificate of Education

Business Studies 2131

BUSS3 Strategies for Success

Mark Scheme

2010 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.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

Copyright © 2010 AQA and its licensors. All rights reserved.

COPYRIGHT

AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

	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 The assessment of the quality of written communication is included in Assessment Objective 4 .

1**Total for this question: 10 marks**

Analyse two potential benefits of <i>Out and About plc</i> 's current 'soft' Human Resource Management strategy. (10 marks)

	Content 2 marks	Application 5 marks	Analysis 3 marks
Level 3			3 marks Effective analysis
Level 2	2 marks Identifies two relevant benefits or shows good understanding of soft human resource strategy or identifies one relevant benefit and shows some understanding of soft human resource strategy	5–4 marks Arguments are developed in context throughout	2 marks Reasonable analysis of the question
Level 1	1 mark Identifies one relevant benefit or shows some understanding of human resource strategy	3–1 marks Limited attempt to apply knowledge to scenario	1 mark Limited analysis of the question

Relevant answers might include the following:

Human Resource Management Strategy is the process of making the best use of an organisation's employees in order to achieve its human resource objectives. A soft HRM strategy recognises that the workforce are a valuable asset to the business and are crucial to achieve the organisation's objectives.

Benefits of the 'soft' strategy:

Improved motivation due to:

- all staff are on permanent contracts providing them with greater security
- company shares plus profit share scheme would encourage loyalty and provide an incentive for good performance
- consultation with employee groups could result in a positive working relationship (especially as 75% of staff belong to them)
- average staff age of 45 and 5% labour turnover could indicate that staff are loyal and enjoy working for the business.

2

Total for this question: 18 marks

What do you consider to be the most important influence on Lisa's marketing plan? Justify your view. (18 marks)

	Content 3 marks	Application 5 marks	Analysis 5 marks
Level 3	3 marks Identifies one relevant influence and shows good understanding of marketing plans or identifies two relevant influences and shows some understanding of marketing plans		5–4 marks Effective analysis of argument, developing points fully
Level 2	2 marks Identifies two relevant influences or shows good understanding of marketing plans or identifies one relevant influence and shows some understanding of marketing plans	5–4 marks Arguments are developed in context throughout	3–2 marks Reasonable analysis of argument
Level 1	1 mark Identifies one relevant point or shows some understanding of the term	3–1 marks Limited attempt to apply knowledge to scenario	1 mark Limited analysis of argument

Relevant answers might include the following:

A marketing plan consists of setting marketing objectives and deciding upon the strategy needed to achieve them.

Relevant influences:

- finance available – will the £14m budget be sufficient?
- operational issues – location of the shops, availability of suppliers such as Salomon and O'Neill
- competitors (supermarkets, Argos and JJB have affected their current market)
- quality of market research
- reaction of the 16–30 year old target market
- reaction of staff to the new venture.

Points for evaluation might include:

- a key influence would be the reaction of the new target market
- has sufficient market research been carried out upon which to base their strategy?

See next page for Evaluation.

For Evaluation, 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
E2	Good judgement shown. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3
E1	Limited judgement shown. 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

3

Total for this question: 18 marks

Lisa estimated that *Out and About plc* will need to raise £14 million for its new marketing budget.

Using **Appendix B**, and any other relevant data, assess *Out and About plc*'s current financial position and recommend how it should raise this capital. You are encouraged to use appropriate calculations to support your answer. (18 marks)

	Content 3 marks	Application 5 marks	Analysis 5 marks
Level 3	3 marks Identifies one ratio/calculation and shows good understanding of sources of finance or two ratios/calculations identified and some understanding of sources of finance	5 marks Arguments are developed in context throughout and supported by a ratio/calculation	5–4 marks Effective analysis and interpretation of at least one calculation
Level 2	2 marks Good understanding of sources of finance or identifies one relevant ratio/calculation and shows some understanding of sources of finance or two ratios/calculations identified	4–3 marks Reasonable attempt to use context to develop arguments	3–2 marks Reasonable analysis and interpretation of at least one calculation
Level 1	1 mark Identifies one relevant ratio/calculation or shows some understanding of sources of finance	2–1 marks Limited attempt to apply knowledge to scenario	1 mark Limited analysis

Relevant answers might include the following:

- current ratio is 0.87:1, acid test 0.47:1 – indicating significant liquidity problems
- inventories constitute a significant proportion of current assets (46%) – could indicate high stockholding costs
- stock turnover is 2.14 or 170 days – very low for this type of business
- debtors constitute 50% of current assets – how quickly will they pay? Potential for bad debts?
- gearing is 35.9% - potential for further borrowing
- *Out and About plc* possesses significant non-current assets in terms of the 100 high street stores that it owns. Fifty of the underperforming stores are to be closed which could be sold off
- gross profit margin is 53.5%, net profit margin 5.4% - could indicate problems in managing indirect costs
- ROCE is 2% - this is disappointing, could deter future investors and worry current shareholders.

See next page for Evaluation.

Points for evaluation might include:

- the low gearing ratio indicates that a significant proportion of the £14 million could be borrowed – however, the poor profitability and liquidity problems could deter potential creditors
- *Out and About plc* could sell and leaseback some of its stores in order to inject much needed cash into the business
- cash could also be generated by improving stock turnover and chasing up debtors
- the causes of poor profitability needs to be investigated further
- a comparison with last year's accounts and competitors would be useful.

For Evaluation, 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
E2	Good judgement shown. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	5–3
E1	Limited judgement shown. 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

4

Total for this question: 34 marks

Using all the information available to you, complete the following tasks:

- analyse the case for *Out and About plc*'s proposed new plan
- analyse the case against *Out and About plc*'s proposed new plan
- make a justified recommendation on whether the proposed new plan should be adopted.
(34 marks)

	Content 8 marks	Application 9 marks	Analysis 7 marks
Level 3	8–6 marks Good understanding of a range of arguments	9–7 marks Arguments are developed in context throughout	7–5 marks Effective analysis of argument(s) developing points fully
Level 2	5–3 marks Reasonable understanding of argument(s)	6–4 marks Reasonable attempt to use context to develop arguments	4–3 marks Reasonable analysis of the argument(s)
Level 1	2–1 marks Identifies argument(s)	3–1 marks Limited attempt to apply knowledge to the scenario	2–1 marks Limited analysis of the argument(s)

Arguments **for** the new strategy:

- *Out and About plc* is an established business with a reputation for good quality
- the extreme sports market is a growing one: predicted 24% growth in market value
- the amount spent per head is predicted to rise
- *Out and About plc* is financially strong in terms of fixed assets (100 high street stores)
- it achieves high gross profit margins (53.5%)
- stable, experienced workforce with low labour turnover (especially for the retail sector)
- increased spending on R+D
- forecast sales per square metre are higher in the out-of-town stores.

Arguments **against** the new strategy:

- current image is unappealing to the 16–30 year old target market (low levels of awareness and % who shop there)
- overall financial position is worrying in terms of both liquidity (current ratio 0.87:1, acid test 0.48:1) and profitability (ROCE 2%, net profit margin 5.4%)
- there is a high proportion of full-time staff (higher labour costs plus lack of flexibility), high levels of membership of employee groups (danger of industrial action in response to proposed redundancies and the 'hard' HRM approach), absenteeism is relatively high and the average age of 45 may deter the new target market
- number of suppliers has risen as have lead times.

See next page for Evaluation.

Points for evaluation might include:

- potentially the 'extreme sports' market is an attractive one and could be the salvation for *Out and About plc*
- the current market is becoming increasingly difficult – the business needs to diversify
- however, the business has to overcome significant marketing, financial, HRM and operational problems
- does Lisa Coates have the qualities to succeed and how much support will she get from Mike England?

For Evaluation, 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	Good judgement shown. 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.	10–8
E2	Reasonable judgement shown. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	7–3
E1	Unsupported judgement. 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