

Version 1.0



**General Certificate of Education
June 2010**

GCE Business Studies

BUSS3

Mark Scheme

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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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 identifying 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**

Using the data in **Appendix A**, calculate the ARR for the car club proposal and analyse your results in relation to the Director's expectations. *(10 marks)*

Level	Descriptor	Marks
L5	Correct calculation expressed as a percentage	9
L4	Correct calculation not expressed as a percentage	8
L3	Good attempt at calculation	7–6
L2	Limited attempt at calculation	5–3
L1	Limited knowledge of ARR formula	2–1

NB Award additional mark for comparison with Directors' expectations. OFR applies.

ARR

$$\text{Total Profit} = 13 - 8 = 5\text{m}$$

$$\text{Annual Profit} = \frac{5\text{m}}{4} = 1.25\text{m}$$

$$\text{ARR} = \frac{1.25}{8} \times 100 = 15.6\%$$

Relevant answers might include the following:

- the ARR meets the Director's requirements of an ARR of at least 12%.

2**Total for this question: 16 marks**

First Cars plc has set itself the objective of being the leading car club operator in London by 2012. What do you consider to be the most important issues that the company faces in implementing a workforce plan to achieve this objective? Justify your view. (16 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	11–10
L4	Good application or analysis and Limited application or analysis	9–7
L3	Limited application and analysis or Good application or analysis	6–4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge Definition or influence(s) identified	1

Relevant answers might include the following:

Workforce planning involves forecasting the number and type of employees the business needs in order to meet its objectives.

Issues might include the following:

- skills of the existing workforce (the majority of staff are on temporary contracts plus many are students – would they possess the skills required?)
- budget available for training plus recruitment (the business is losing market share, has limited financial reserves and cash flow problems)
- 30% labour turnover figures (due to the majority of staff being on temporary contracts)
- availability of the type of staff required (need to be computer literate, multiskilled and be prepared to take on responsibility)
- 30 staff are required – *First Cars plc* currently employs 300 staff. Redeployment could be a viable option
- reaction of existing staff – possible resentment towards better salary, more training and prestigious location provided for the car club employees.

Points for Evaluation might include the following:

- the car club proposal requires a significantly different workforce compared to its current one – would the business be able to train its existing workforce to these higher standards?
- would the business be able to attract sufficient numbers of employees who possess the skills they require?

See next page for Evaluation grid.

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 offers his/her ideas.

Level	Descriptor	Marks
E3	Good evaluation. 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
E2	Reasonable evaluation. Ideas are communicated with some structure evident with occasional use of technical terms. There are some errors in accepted conventions of written communication.	4–3
E1	Limited evaluation. Ideas are communicated in a simplistic way, with limited use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1

3**Total for this question: 18 marks**

The Operations Director considers that it will take at least 15 weeks to design and test the new website. In the light of his concerns, assess the value of using critical path analysis for planning the car club proposal. Use numerical evidence to support your answer. (18 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	13–11
L4	Good application or analysis and Limited application or analysis	10–8
L3	Limited application and analysis or Good application or analysis	7–5
L2	Knowledge and/or Weak application/analysis	4–2
L1	Limited knowledge Definition or benefit(s) identified	1

Relevant answers might include the following:

Critical path analysis is a method of planning the different activities involved in a project to find the most efficient means of completing it.

Benefits of critical path analysis:

- it identifies all the activities necessary for the completion of the project
- it identifies the activities on the critical path (in this case activities B, E, G and J)
- it enables Amy to estimate how long the project will take (in this case 23 weeks)
- it will enable *First Cars plc* to meet its launch deadline of August 2010
- a project as important as this requires careful planning
- *First Cars plc* has limited financial reserves – critical path analysis can improve cash flow.

Limitations of critical path analysis:

- how accurate are the estimates for the activities? (this is a new venture)
- if the Operations Director's estimate of at least 15 weeks for Task H (test website) is correct then the critical path becomes C, H, I and J
- the duration of the project becomes 27 weeks (failing to meet the August 2010 launch deadline)
- the car club needs to be generating cash quickly – any delay may have serious financial implications
- Amy is the Marketing Director but many of the activities are either HRM or Operations based
- the figures may be too optimistic (especially as they are provided by Amy).

Points for Evaluation might include the following:

- critical path analysis is a useful planning tool but it is dependent upon proper management of the actual activities to ensure that they are completed on time
- external factors may prevent the project from being completed on time
- activities such as staff recruitment and obtaining parking bays are significant issues which may take much longer to resolve than Amy anticipates
- there appears to be no consultation between Amy and the other functional departments in the preparation of this project.

See next page for Evaluation grid.

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

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E3	Good evaluation. 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
E2	Reasonable evaluation. Ideas are communicated with some structure evident with occasional use of technical terms. There are some errors in accepted conventions of written communication.	4–3
E1	Limited evaluation. Ideas are communicated in a simplistic way, with limited use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1

4

Total for this question: 36 marks

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

- analyse the arguments **for** the Car Club proposal
- analyse the arguments **against** the Car Club proposal
- make a justified recommendation whether *First Cars plc* should adopt the car club proposal. (36 marks)

Level	Descriptor	Marks
L5	Application/analysis Both good	26–23
L4	Application/analysis 1 good and 1 reasonable	22–18
L3	Application/analysis Both reasonable or 1 good and 1 limited	17–13
L2	Application/analysis 1 reasonable and 1 limited	12–8
L1	Limited response knowledge with limited application/analysis	7–1

Arguments for the car club proposal:

- this market is expected to grow by 110% in volume and 300% in value in the next four years
 - the car club market already exists and has proven potential
 - motoring costs are predicted to rise by 20% in the next four years
 - the ARR of 15.6% meets the Finance Director’s targets
 - this option could create a new image for *First Cars plc* which will differentiate it from its existing competitors
 - motivational benefits resulting from employing staff on better salaries and full-time contracts as well as a bigger training budget
- decentralisation enables quicker decision making and greater awareness of customer needs.

Arguments against the car club proposal:

- this is a radical departure from *First Cars plc*’s current operation
- decentralisation would result in a loss of control for senior management
- Ansoff would classify this as ‘new product development’ and is considered to be a strategy that contains a significant degree of risk. It could also be considered to be diversification, as they are aiming at a different market of city dwellers rather than tourists
- existing market leader has 60% market share – could prove to be a powerful competitor
- there are serious concerns raised by the other directors which need to be solved
- the payback of two years and eight months is longer than expected plus the car club needs to be generating cash quickly
- Amy is keen ‘to make a big impact quickly’ – has this produced biased data?

See next page for Evaluation.

Points for Evaluation could include:

- a weighing up of the relative risks and opportunities of each option
- the car club option is more radical than *First Cars plc*'s usual strategy - will Ruel Fox and his fellow directors be prepared to accept this change?
- Amy is young and relatively new but has valuable experience with Virgin Airways – how much credibility does she have with Ruel Fox?
- the quality of planning is critical for the success of this venture.

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 offers his/her ideas.

Level	Descriptor	Marks
E3	Good evaluation. Ideas are communicated in a logical structure with, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	10–8
E2	Reasonable evaluation. Ideas are communicated with some structure evident, with occasional use of technical terms. There are some errors in accepted conventions of written communication.	7–4
E1	Limited evaluation. Ideas are communicated in a simplistic way with limited use of technical terms. There are noticeable errors in accepted conventions of written communication.	3–1