**General Certificate of Education (A-level)
June 2013**

Business Studies   **BUSS3**

(Specification 2130)

Unit 3: Strategies for Success

Final

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 events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised 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 students' 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.

	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in students' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Students give accurate definitions of relevant terms. Students 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	Students 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. Students will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Students use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, students 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	Students 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. Students 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 students are required to produce extended written material. Students will be assessed according to their ability to: • 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**.

The process of marking

When marking a response, it is important to follow the flow of the arguments. This means that you should read a paragraph as a whole to see how an argument develops. In some cases, you may need to read more than one paragraph to follow through an argument to its conclusion.

When reading, you need to identify the relevant skill (e.g. application, analysis and evaluation) and then decide on the level. At the end of the response, you should reflect on the response as a whole - take a view of how the answer works in its entirety and, if necessary, be prepared to revisit particular paragraphs to consider the level.

At the bottom of the script you should write down the skills and levels, e.g. Reasonable Analysis and Reasonable Application. This determines the level you award - in this case Level 3. You then need to decide on where within the level the mark should fall.
Add up your marks for the Application and Analysis and for the Evaluation to give the total. The total should be recorded in the right hand margin. Make sure you check your addition at this stage and when totaling up the marks for the paper as a whole.

Annotation

When rewarding knowledge, you annotate 'K'. This is common, for example, at the start of an answer when there are often definitions. Once other skills have gone beyond Limited it is not necessary to keep annotating 'K' through the script.

For the other skills:
Limited Application: use LAp
Reasonable Application: use RAp
Good Application: use GAp

Limited Analysis: LAn
Reasonable Analysis: RAn
Good Analysis: GAn

Limited Evaluation: E1
Reasonable Evaluation: E2
Good Evaluation: E3

Note: if you want to flag where a skill is within a level you can use +/-, eg if it is at the top of Reasonable Analysis you can highlight this as RAn+; if it is only just Reasonable Evaluation you might show this as E2–. This is not essential but some markers find this a useful way of showing if they feel it is as the top or bottom of level of a skill.

It is very important that you annotate the skills you see fully. This shows that all the script has been read and that you have taken relevant arguments into account. You should also tick or initial blank pages – please read all plans and annotate, eg 'K'.

Remember that once a student has reached a level they cannot go lower. For example, if a student achieves Good Analysis in one argument they stay at this level even if the rest of the response only demonstrates Limited Analysis.

GUIDANCE FOR MARKING

When marking a response it is important to take an overview of the answer at the end. You should read the response as a whole to see how the arguments develop and how the effective the skills are within the overall response.

Having read the whole response you must make a decision on the overall quality of the different skills demonstrated - is the quality of the application good? What about the analysis of the question? What about the quality of the evaluation of the question?

Markers should mark from the top down – is it good? If not, is it reasonable? If not, it is limited? Start with the top level and work downwards rather than the other way around.

In making a decision about whether a particular response is good or reasonable, use the following guidelines.

APPLICATION

Application occurs when a response is in context. For example, it relates to the given scenario or the particular issues and problems facing the business or industry.

Good application means the response is well applied to the context. It should be annotated as GAp. This can be demonstrated in different ways; for example, the response may:

- **Be firmly embedded in the context**. The arguments made within a response may, overall, relate well to the given context recognising key aspects of the situation. This insight into the context may occur in one instance or be a combination of insights that show a good awareness of the specific issues facing the business.
- **Combining information effectively**. Candidates may appreciate the meaning and significance of one aspect of the case in the context of another aspect of the business situation. This combination of factors can show a good insight into the context.
- **Manipulating data effectively**. Candidates may use some numerical data in one part of the case and relate this to another relevant and significant figure elsewhere; by combining these effectively candidates can show a good grasp of the context.

Reasonable application makes some reference to the context in support of the argument(s) but:

- is not necessarily well developed
- does not show much appreciation of the significance of aspects of the context.

It should be annotated as RAp.

Limited application. A mainly descriptive reference to the context.

ANALYSIS

Analysis occurs when students build arguments that show an understanding of cause and effect and may make use of relevant theory.

Good analysis should be annotated as GAn. It occurs when:

- the answer as a whole has analysed key issues in the question well
- is focused on the precise question and provides a logical, coherent, multi-stage argument examining the causes and effects of an event as appropriate and linking the different aspects of the question effectively
- it makes use of relevant theory to develop the argument, selecting relevant information and use appropriate methods effectively to build up the links between the stages.

Reasonable analysis should be annotated as RAn. It occurs when there are relevant arguments explained but:

- these are less developed
- there are less clear chains of argument (for example, stages in the argument may be missing or unclear or assumed)
- these are generic rather than addressing the issues in the question directly
- focuses on one aspect of the question.

Limited analysis This is assertion or of little relevance to the question

EVALUATION

This occurs when a judgement is made. Judgements may occur throughout a response.

Good judgement directly answers the specific question set. It:

- provides a clear and well supported overall response to the question set
- is built on analysis and evidence and is in the context of the given question.

Reasonable judgement may:

- be making judgements on relevant arguments but not the question as a whole
- address some aspects of the question but not directly answers the specific question set may have some support but is not built on effective analysis. It may rather generic, may be incomplete or not fully consistent given the arguments made.

Limited evaluation is an assertion or a judgement with limited support.

The decision on the **Quality of Written Communication** may be used to adjust a mark within the level selected on the basis of the student's evaluation. For example, a student may have been awarded the lower mark in E2 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E2.

A well written answer without any evaluation can receive one mark for quality of language.

1   **Total for this question: 8 marks**

> *Peter Nicholson wishes to convert the factory in the North East to production of the electric taxi. Using the data in **Appendix C**, **Table 1**, calculate the payback period and the average rate of return.*   *(8 marks)*

Payback

3 years and 1.24 months or 3 years and 5.38.weeks or 3 years and 38 days   **4 marks**

4 years + 1.24 months   **3 marks**

3 years + an incorrect (but valid) calculation with workings shown   **3 marks**

3 years + amount needed (£0.6 m)   **2 marks**

Knowledge of payback / limited attempt at calculation / just stating 3 years **1 mark**

Average rate of return

13%   **4 marks**

Overall return = £5.2m

Annual return = $\dfrac{5.2}{4}$ = 1.3m

Average rate of return = $\dfrac{1.3}{10}$ x 100   = 13%

13%   **4 marks**

15.2 = 3.8   3.8 x 100 = 38%
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  4   10   **3 marks**

5.2 x 100 = 52%
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10   **3 marks**

15.2 x 100 = 152%
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10   **2 marks**

Knowledge of ARR / limited calculation   **1 mark**

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

> *Peter Nicholson proposes to remove two management levels from the organisational structure and to encourage greater empowerment of the workforce. Do you think that this is a good idea? Justify your view.* *(18 marks)*

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**13–12**
L4	Good application **AND** Reasonable analysis *or* Good analysis **AND** Reasonable application	**11–9**
L3	Reasonable application **AND** Reasonable analysis *or* Good application *or* Good analysis	**8–6**
L2	Reasonable application *or* Reasonable analysis	**5–3**
L1	Response based on knowledge with limited application and/or analysis	**2–1**

Relevant answers might include the following:

Possible issues for application:

- traditionally a hierarchical structure
- existing managers are experienced and have worked for the company for many years
- Peter is keen to cut costs and improve the speed of decision making
- Peter considers that managers do not listen to the ideas of the workforce
- 10 managers are to be made redundant
- span of control of remaining managers will double.

Possible examples of good application

Linking the need to respond quickly to market changes, with the improved speed of communication due to the removal of 2 levels from the hierarchy.

Linking loss of experienced managers to the greater use of kaizen groups for workers who are not used to being listened to.

Possible lines of analysis:

- the effect of the loss of experienced staff upon morale
- loss of expertise
- redundancy costs
- increased workload for existing managers
- having fewer managers will cut costs and fewer levels should speed up decision making
- greater empowerment through the use of kaizen groups could lead to better decision making and improved morale in the workforce.

Good analysis

Improved speed of decision making could lead to the business responding to market changes more rapidly resulting in developing new products faster.

Loss of expertise could lead to poor decision making which could have negative effects upon productivity and quality

Possible points for evaluation:

- the cost savings resulting from removing two management levels and improved speed of decision making could lead to a more responsive business
- greater use of empowerment could create better decision making and improved workforce performance
- the loss of 10 experienced managers may affect the quality of decision making
- the workforce are used to being simply informed of managers decisions – there would be a need for training so that they can conduct kaizen groups effectively
- are the workforce ready for these changes
- the existing managers may be demoralised by the combined effects of the redundancies, increased workload and loss of authority due to the empowerment of the workforce.

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

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

Level	Descriptor	Marks
E3	Good judgement. Answer has a logical structure throughout with effective use of technical terms.	**5–4**
E2	Reasonable judgement shown. Evidence of a logical structure and some use of technical terms.	**3–2**
E1	Limited judgement shown. Limited evidence of a logical structure and limited use of technical terms.	**1**

Possible examples of good evaluation

Weighing up the short term disruption, loss of expertise and morale issues against the long term benefits of quicker decision making and greater involvement of the workforce.

Delayering and empowerment could be crucial to attaining Peter's objectives of improving the brand image and achieving an operating profit of £15m by 2018.

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

> *If the electric taxi proposal is accepted, do you think that the production of the electric taxi should commence at the North East factory or at the West Midlands factory?*
> *Justify your view.*   *(18 marks)*

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**13–12**
L4	Good application **AND** Reasonable analysis *or* Good analysis **AND** Reasonable application	**11–9**
L3	Reasonable application **AND** Reasonable analysis *or* Good application *or* Good analysis	**8–6**
L2	Reasonable application *or* Reasonable analysis	**5–3**
L1	Response based on knowledge with limited application and/or analysis	**2–1**

Relevant answers might include the following:

Quantitative factors:

Arguments for the West Midlands factory:

- break-even is 294 vehicles compared to 319 for the North East factory
- bigger capacity
- lower labour turnover and less days lost due to sickness
- ARR is 16.25% compared to 13%
- 5% faulty taxis compared to 8% in the North East factory
- potential profit at maximum capacity is £7 m (34,000 x 500 – 10m) compared to £2.8m (34,500 x 400 – 11m).

Arguments for the North East factory:

- contribution per vehicle is £34,500 compared to £34,000
- lower labour cost/unit
- payback is 3 years and 1.24 months compared to 3 years and 6.9 months
- 20 miles to the nearest port compared to 200 miles
- Peter considers that Europe has greater potential growth
- if capacity is increased by 50% to 600 vehicles potential profit is £9.7m (34,500 x 600 - 11m).

Qualitative factors:

Arguments for the West Midlands factory:

- current workforce are highly skilled and produce higher quality taxis.

Arguments for the North East factory:

- electrical engineering company who would provide technical expertise are based here
- Peter is keen to develop export business, closeness to the port could reduce transport costs and speed up delivery times.

Examples of good application

Effective use of data, eg performing calculations such as break even and profit to support an argument.

Linking data, eg higher level of defective products at NE factory with higher labour turnover and absenteeism.

Examples of good analysis

The West Midlands factory currently needs to sell less taxis than the NE factory in order to break even (294 compared to 319). This is more likely to be achieved as the factory produces fewer defective products indicating that they are of better quality. As a result, the taxis will benefit from an improved reputation and should be easier to sell to prospective customers, enabling the business to achieve its break even output more quickly.

Possible evaluative points:

- the West Midlands site has a lower break even figure
- the West Midlands factory is more profitable at full capacity
- the West Midlands workforce are more skilled and produce better quality
- the North East has a shorter payback, quicker access to Europe plus closeness to the electrical engineering company
- in the short term the west Midlands site appears to be more suitable and has currently greater production capacity
- in the longer term the North East can increase capacity by 50%.

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

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

Level	Descriptor	Marks
E3	Good judgement. Answer has a logical structure throughout with effective use of technical terms.	5–4
E2	Reasonable judgement shown. Evidence of a logical structure and some use of technical terms.	3–2
E1	Limited judgement shown. Limited evidence of a logical structure and limited use of technical terms.	1

Examples of good evaluation

The NE site has greater potential to make the most profit if the EV taxi is popular as it can increase its capacity by 50%. Peter hopes growth will come from Europe and the NE is better for export. However, these benefits will only be achieved if the NE factory can improve its issues with the defective products, labour turnover and absenteeism.

The West Midlands site could be considered the safer option as it currently produces better quality, has lower labour turnover and less days lost to sickness. It is also more profitable at current levels of capacity. Consequently it is a less risky option if the EV taxi is not as popular as Peter hopes.

4   **Total for this question: 36 marks**

> *Using all the information available to you, complete the following tasks:*
>
> - *analyse the arguments **for** and **against** the electric taxi proposal*
> - *make a justified recommendation on whether the electric taxi proposal should be accepted.*   *(36 marks)*

Level	Descriptor	Marks
L5	Good application **AND** Good analysis	**26–23**
L4	Good application **AND** Reasonable analysis *or* Good analysis **AND** Reasonable application	**22–17**
L3	Reasonable application **AND** Reasonable analysis *or* Good application *or* Good analysis	**16–11**
L2	Reasonable application *or* Reasonable analysis	**10–6**
L1	Response based on knowledge with limited application and/or analysis	**5–1**

Relevant answers might include the following:

Arguments for the electric taxi proposal:

Possible issues for application:

- the taxis have a good reputation for quality and reliability
- Peter Nicholson had spent time at Nissan observing the development of the 'Leaf' EV
- secondary research predicts that by 2020 10% of the global car market will consist of EV models
- all mainstream car producers are planning to launch EV models
- primary research reveals that reliability and fuel consumption are key factors plus 42% of the sample would seriously consider buying an electric taxi.

Possible lines of analysis:

- the good reputation will enable it to persuade consumers to seriously consider buying the electric taxi
- the EV market is predicted to grow – now would be a good time to enter
- fuel consumption is an important feature for customers.

Arguments against the proposal:

Possible issues for application:

- Peter Nicholson is only 28 and lacks experience
- price is the most important factor – the electric taxi is £10 000 more expensive and 66% of the sample are not prepared to pay a premium price
- environmental factors is the least important consideration
- 65% of the sample are concerned about the limited mileage of EV's
- the concerns of either the finance director or operations director
- the current ratio has fallen from 2.67:1 to 1.75:1, ROCE has fallen from 5% to 2.17% and gearing has risen from 43.75% to 60.87%.

Possible examples of good application

By linking data, eg Nicholson's good reputation for reliability is a key feature for buyers (Fig 1 – over 50% consider this to be an important feature).

Relevant calculations **that are linked to the proposal,** eg high gearing 60.87%, falling liquidity (current ratio 2.67:1 to 1.75:1) and profitability (ROCE from 5% to 2.17%).

Possible lines of analysis:

- Peter's lack of experience may make it difficult for him to overcome resistance from the directors
- lack of importance regarding the environmental factors plus concerns regarding limited mileage will make it more difficult to persuade businesses to buy the electric taxi
- worsening liquidity and falling profitability will be a concern to potential investors
- the lack of innovation means that the company may struggle to successfully develop the electric taxi
- higher gearing could deter investors and make borrowing more difficult.

Possible examples of good analysis

Reliability is the second most important feature for prospective taxi buyers. Nicholson plc can take advantage of this as their taxis have a reputation for excellent quality and reliability. This means that they can use this as a selling point for EV taxis and attract prospective buyers. Furthermore, their good reputation could be used to persuade buyers that it is worth paying the additional £10,000 for the taxi compared to the conventional one.

The business is highly geared at 60.87% and would need to raise at least £10m to finance Peter's proposal. If this money is raised through borrowing the gearing would be even higher resulting in the business becoming exposed to more risk. If the EV taxi fails, the company could then find itself in a very poor financial condition with significant non-current liabilities. This could lead to the company going into administration.

See next page for Evaluation.

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

Note: Evaluation also assesses students' 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. Ideas are communicated in a coherent structure, with some appropriate use of technical terms. There are occasional 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.	**7–4**
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.	**3–1**

Possible points for Evaluation:

- effective marketing will be required to overcome the reservations expressed by potential customers
- does Peter have the necessary experience to implement the launch of the electric taxi successfully
- according to Ansoff, this proposal would be considered to be 'new product development' and is a relatively high risk strategy especially as the business has a lack of innovation
- the business is struggling and something needs to be done to improve its performance
- the long term potential for the EV market looks promising, but the business will have to overcome significant marketing, operations and financial issues in order to realise these opportunities.

Possible example of good evaluation

The EV market has great potential and if the taxi is successful, Peter will have achieved his objectives of rejuvenating the company's image and an annual profit of £15m. However, this will only be achieved if the business can market the benefits of the EV taxi to its customers effectively and persuade them it is worth paying the additional price.