

**Published Mark Schemes for
GCE A2 Business Studies**

Summer 2010

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**NORTHERN IRELAND GENERAL CERTIFICATE OF SECONDARY EDUCATION (GCSE)
AND NORTHERN IRELAND GENERAL CERTIFICATE OF EDUCATION (GCE)**

MARK SCHEMES (2010)

Foreword

Introduction

Mark Schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of 16- and 18-year-old students in schools and colleges. The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes therefore are regarded as a part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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New
Specification



ADVANCED
General Certificate of Education
2010

Business Studies
Assessment Unit A2 1
assessing

Making Business Decisions
[AT211]
MONDAY 17 MAY, AFTERNOON

**MARK
SCHEME**

1

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] for correct answer	[2] on payback in relation to Domino's Pizza
Level 1	[1] for correct answer	[1] for application to Domino's Pizza
Level 0	[0] for no relevant knowledge and understanding	[0] for no application to Domino's Pizza

(a) Payback is the length of time it takes for an investment to pay for itself from the net returns provided by that particular investment. [2]

(b) 2 years and 5 months [2]

$$\frac{40}{100} \times 12 = (4.8) \text{ 5 months}$$

AVAILABLE MARKS
4

2 Analyse how contingency planning could benefit Domino's Pizza.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [3]
Level 2	[2] for two relevant benefits of contingency planning	[2] if fully applied to Domino's Pizza	[2]–[3] good analysis
Level 1	[1] for one relevant benefit of contingency planning	[1] if limited application to context	[1] if limited analysis
Level 0	[0] if no relevant benefits identified of contingency planning	[0] if no application to Domino's Pizza	[0] if no analysis

- it will allow Domino's Pizza to use the e-mail and customer service number to identify any possible events
- it forces the management team to consider alternative courses of action in the event of disruption or deviation from the original plan
- it provides the management team with an alternative method of achieving key business objectives
- it facilitates the business decision-making process and enables management to negotiate the optimum deal in the interests of the business
- it will facilitate Domino's Pizza in the prevention of internal events, such as quality control issues or sourcing other suppliers of ingredients and packaging
- it can involve huge numbers of highly qualified staff in assessing risk and planning what to do if things go wrong.
- can save time and money if things are dealt with quickly
- holistic approach ensuring all franchisees are doing the same
- satisfy stakeholder groups.

[7]

AVAILABLE MARKS
7

3 Discuss the benefits and limitations to Domino's Pizza of its management team using a Boston Matrix as a decision-making tool.

	AO1 Knowledge and Understanding [2]	AO2 Application [3]	AO3 Analysis [4]	AO4 Evaluation [6]
Level 3				[5]–[6] for sound evaluation/mature judgement of using the Boston Matrix a final judgement is formed
Level 2	[2] for three relevant benefits and limitations of the Boston Matrix	[2]–[3] for fully applying to Domino's Pizza	[3]–[4] for good analysis	[3]–[4] for good evaluation
Level 1	[1] for one/two relevant benefits or limitations of Boston Matrix	[1] for limited application to Domino's Pizza	[1]–[2] for limited analysis	[1]–[2] for limited evaluation
Level 0	[0]	[0]	[0]	[0]

Boston Matrix is a tool of product portfolio analysis which classifies products according to the market share of the product and the rate of growth of the market in which the product is sold.

Potential benefits of use of a Boston Matrix are as follows:

- facilitates an analysis of the product mix
- provides a simplistic analysis of the product portfolio for a business
- indicates likely cash flow position of product positioning within context of market
- allows planning to take place
- allows for remedial action.

Potential drawbacks of use of a Boston Matrix are as follows:

- critics suggest that the analysis provided by the Boston Matrix is too simplistic and does not reflect economic reality
- focuses on market share growth, rather than consolidation of same
- does not recognise interdependent nature of support that can arise between products in the product portfolio
- no qualitative information taken into account.

Use of the Boston Matrix will assist a business entity in making business decisions, related to financial, marketing, production and other support activities in relation to competing within the market.

[15]

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**AVAILABLE
MARKS**

4 Evaluate the advantages and limitations of payback and NPV as methods of investment appraisal to a business such as Domino's Pizza.

	AO1 Knowledge and Understanding [2]	AO2 Application [3]	AO3 Analysis [4]	AO4 Evaluation [6]
Level 3		[3] Candidate makes excellent application of the advantages and limitations of payback and NPV as methods of investment appraisal	[4] Excellent analysis of the advantages and limitations of payback and NPV as methods of investment appraisal	[5]–[6] Candidate gives a sound evaluation of the arguments presented and forms a mature final judgement
Level 2	[2] Candidate demonstrates good understanding of the advantages and limitations of payback and NPV as methods of investment appraisal	[2] Candidate makes good application of the advantages and limitations of payback and NPV as methods of investment appraisal	[2]–[3] Good analysis of the benefits and limitations of payback and NPV as methods of investment appraisal	[3]–[4] Candidate gives a good evaluation of the arguments presented
Level 1	[1] Candidate demonstrates some understanding of the advantages and limitations of payback and NPV as methods of investment appraisal	[1] Candidate attempts to make some application of the advantages and limitations of payback and NPV as methods of investment appraisal	[1] Limited analysis of the benefits and limitations of payback and NPV as methods of investment appraisal	[1]–[2] Candidate provides limited evaluation of the arguments presented
Level 0	[0] Candidate demonstrates no understanding of the advantages and limitations of payback and NPV as methods of investment appraisal	[0] No attempt at application of the advantages and limitations of payback and NPV as methods of investment appraisal	[0] No analysis of the benefits and limitations of payback and NPV as methods of investment appraisal	[0] Candidate gives no evaluation of the arguments presented

Payback – the length of time that it takes for an investment to pay for itself from the net returns provided by that particular investment.

AVAILABLE
MARKS

Advantages:

- easy to calculate
- the concept of payback is easy to understand – it is how long it takes to get the money back
- the payback method emphasises cash flow by focusing only on the time taken to return the money
- by emphasising the speed of return, the payback period is popular with firms operating in markets that are experiencing rapid change. All investment appraisals are based on future estimates. Therefore, estimates for years in the distant future are going to be less reliable than those for the near future, especially if external factors can invalidate the assumptions made in the original predictions.

Disadvantages:

- the calculation of payback ignores any revenue or costs that occur after the point at which the payback has been reached. This means that it does not consider the overall net return from a project
- it is very difficult to establish a target payback time
- payback values future costs and revenues at the same value as current costs and revenues. Thus it does not consider the time value of money in the way NPV does
- by focusing on payback, the business may be encouraged towards short-termism. Domino's Pizza could fail to look at the long-term consequences of an investment.

Net Present Value (NPV) method discounts all future cash flows to present values and then compares the total present value of all cash inflows with the present value of all cash outflows.

Advantages:

- calculations should be reasonably straightforward
- it takes account of all cash flows
- takes account of timing of cash flows
- easily used.

Disadvantages:

- it can be difficult to determine the discount rate to be used in project
- it can be difficult to accurately forecast the annual cash flows throughout project lifespan.

Conclusion:

- discounting is considered to be the more superior method of investment appraisal, compared to payback and accounting rate of return
- payback ignores the cash flows occurring after payback period
- all methods depend on accuracy of cash flow estimates
- investment appraisal is one piece of a complex decision process affecting business activities – non-financial issues may also require consideration.

[15]

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- 5 Evaluate decision trees as a tool for help with the decision whether or not to allow a franchisee to buy into the franchise.

	AO1 Knowledge and Understanding [4]	AO2 Application [4]	AO3 Analysis [5]	AO4 Evaluation [6]
Level 3	[3]–[4] Candidate demonstrates mature knowledge and understanding of using decision trees	[3]–[4] Candidate makes excellent application of using decision trees	[4]–[5] Excellent analysis of the benefits and limitations of using decision trees	[5]–[6] Candidate gives a sound evaluation of the arguments presented and forms a mature final judgement. QWC is excellent
Level 2	[2] Candidate demonstrates good understanding of using decision trees	[2] Candidate makes good application of using decision trees	[2]–[3] Good analysis of the benefits and limitations of using decision trees	[3]–[4] Candidate gives a good evaluation of the arguments presented. QWC is good
Level 1	[1] Candidate demonstrates some understanding of using decision trees	[1] Candidate attempts to make some application of using decision trees	[1] Limited analysis of the benefits and limitations of using decision trees	[1]–[2] Candidate provides limited evaluation of the arguments presented. QWC is limited
Level 0	[0] Candidate demonstrates no understanding of using decision trees	[0] No attempt at application of the term decision tree	[0] No analysis of the benefits and limitations of using decision trees	[0] Candidate gives no evaluation of the arguments presented. QWC is poor

Benefits:

- the franchisee can use a decision tree effectively in a situation where a logical sequence of events can be followed
- the use of a decision tree by the franchisee is suited to a project where there has been a similar past event, providing quantitative information and producing realistic estimates for a new situation, e.g. product promotion
- the use of a decision tree will facilitate the franchisee to think logically about the proposed project – that is, the possibility of a new franchisee
- the use of a decision tree will enable the franchisee to sequence the proposed events and facilitate their planning
- the use of a decision tree will enable the franchisee to assess the expected costs of success in addition to the potential costs of failure
- takes the degree of risk involved into consideration when making the decision
- all alternatives are shown
- act as a visual aid
- may reduce conflict in decision making.

Disadvantages:

- a decision tree will not consider all of the uncertainty facing a business and the business environment
- the information/data upon which a decision tree is based may be inaccurate/incomplete, which will limit the usefulness of it, as a tool for making decisions by the franchisee. It could be quickly out-of-date
- a decision tree focuses only on the quantitative aspects of decisions made by the franchisee (largely ignoring qualitative issues)
- it is extremely difficult to calculate exact probabilities
- it is also difficult to calculate exact final outcomes associated with decisions
- less useful in relation to completely new decisions or problems and one-off strategic decisions or problems.

Likely judgement

It should only be part of the decision-making process. Other non-quantitative factors should be taken into account before a final decision is made.

[19]

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6 Evaluate the importance to a franchisee of drawing up a business plan.

	AO1 Knowledge and Understanding [4]	AO2 Application [5]	AO3 Analysis [5]	AO4 Evaluation [6]
Level 3	[3]–[4] Candidate demonstrates mature knowledge and understanding of the importance of drawing up a business plan	[4]–[5] Candidate makes excellent application	[4]–[5] Excellent analysis of the importance of drawing up a business plan	[5]–[6] Candidate gives a sound evaluation of the arguments presented and forms a mature final judgement. QWC is excellent
Level 2	[2] Candidate demonstrates good understanding of the importance of drawing up a business plan	[2]–[3] Candidate makes good application	[2]–[3] Good analysis of the importance of drawing up a business plan	[3]–[4] Candidate gives a good evaluation of the arguments presented. QWC is good
Level 1	[1] Candidate demonstrates some understanding of the importance of drawing up a business plan	[1] Candidate attempts to make some application	[1] Limited analysis of the importance of drawing up a business plan	[1]–[2] Candidate provides limited evaluation of the arguments presented. QWC is limited
Level 0	[0] Candidate demonstrates no understanding of the importance of drawing up a business plans	[0] No attempt at application	[0] No analysis of the importance of drawing up a business plan	[0] Candidate gives no evaluation of the arguments presented. QWC is poor

Potential benefits of preparing a business plan:

- enables the franchisee to make business decisions effectively
- provides the franchisee with an insight to the key strategic decisions to be made regarding achievement of business objectives
- enables the franchisee to budget and plan for resources in order to achieve key objectives
- enables the franchisee to secure debt finance in order to fund the business if required
- facilitates the franchisee in making comparisons with actual performance and deciding areas for improvement.

Potential drawbacks of preparing a business plan:

- time consuming to prepare
- may not always be accurate, particularly regarding the assumptions made about markets, customer behaviour and financial impacts of key decisions.

Use of a business plan will assist a business entity in making business decisions, related to financial, marketing, production and other support activities in relation to competing within the market.

Candidates will be credited if they evaluate the importance of Domino's Pizza drawing up a business plan.

Advantages of a business plan for Domino's Pizza:

- it will set out the objectives that Domino's Pizza want to achieve
- it will set out why Domino's Pizza will succeed in the market place
- it will set out the existing marketing plan that Domino's Pizza have in place – such as 4P's
- it will set out their expected sales forecast
- it will set out the production plan – which explains how Domino's Pizza will create the goods it intends to sell
- it will set out the financial information – Domino's Pizza will have an expected sales level and profit level to reach, which will be set out in this business plan
- it will set out the necessary staffing levels that Domino's Pizza expect within a franchise.

Disadvantages of a business plan for Domino's Pizza:

- it may be too rigid for the current economic climate
- business success is often about people (franchisee) not paper
- it is only a forecast.

[20]

Total

**AVAILABLE
MARKS**

20

80

New
Specification



Rewarding Learning

ADVANCED
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2010

Business Studies

Assessment Unit A2 2

assessing

The Changing Business Environment

[AT221]

TUESDAY 25 MAY, MORNING

**MARK
SCHEME**

AO1: Demonstrate knowledge and understanding of concepts and issues relating to the report.

AVAILABLE
MARKS

Level 0	[0]	No knowledge and understanding.
Level 1	[0]–[4]	Little knowledge and understanding of theories, procedures and concepts relevant to the report is displayed, including use of correct format. Candidate makes limited use of specialist terms.
Level 2	[5]–[8]	Some knowledge and understanding of theories, procedures and concepts relevant to the report is displayed, including use of correct format. Candidate makes satisfactory use of specialist terms when appropriate.
Level 3	[9]–[12]	Good knowledge and understanding of theories, procedures and concepts relevant to the report is displayed, including use of correct format. Candidate makes good use of specialist terms when appropriate.
Level 4	[13]–[16]	Excellent knowledge and understanding of theories, procedures and concepts relevant to the report is displayed, including use of correct format. Candidate makes excellent use of specialist terms when appropriate.

Candidates cannot achieve the top band if the report is not in an appropriate format.

Report format should be:

Title – “The Z Factor Clothing Franchise – the way forward?”

Aim – The aim of the report is to examine the problems currently faced by Clothes 4 U plc, analyse the implications of the franchise and evaluate whether a decision to test the market in Northern Ireland would be in the best interests of the shareholders and stakeholders.

Introduction – Should set the scene by briefly describing the current market situation relating to Clothes 4 U plc and explain how the report intends to achieve its aims.

Analysis and discussion of findings – Should examine the problems faced by Clothes 4 U plc and identify and analyse the implications of pursuing the franchise by discussing the advantages and disadvantages of this strategy.

Conclusions/Evaluation – The report should reach a conclusion on whether Clothes 4 U plc should pursue the franchise and justify the conclusion reached using evidence from the case study.

Recommendations – The report should make recommendations to the management team of Clothes 4 U plc.

Knowledge and understanding demonstrated in this report might include: business and stakeholder objectives, SWOT/PEST analysis, globalisation, business strategy, product quality, liquidity, business culture, profitability, financial ratios, investment appraisal, supply chains, economies of scale and corporate image. [16]

AO2: Apply knowledge and understanding to problems and issues relating to the report.

AVAILABLE MARKS

Level 0	[0]	No evidence that knowledge and initial understanding has been applied.
Level 1	[1]–[6]	Little evidence that knowledge and critical understanding has been applied and all or most of the information relevant to the report has been selected. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the question. The organisation of the answer is limited.
Level 2	[7]–[11]	Some evidence that knowledge and critical understanding has been applied and all or most of the information relevant to the report has been selected. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. The answer is organised in a satisfactory manner.
Level 3	[12]–[16]	Good evidence that knowledge and critical understanding has been applied and all or most of the information relevant to the report has been selected. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 4	[17]–[21]	Comprehensive evidence that excellent knowledge and critical understanding has been applied and all or most of the information relevant to the report has been selected. Candidate demonstrates excellent spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.

Candidates should draw on information presented in the case study. They must apply their knowledge and understanding to select that information relevant in order to effectively assess the problems faced by Clothes 4 U plc and analyse and evaluate the strategic options open to the company. They must also apply their knowledge and understanding to consider recommendations for the management of Clothes 4 U plc.

Information selected might include evidence relating to the size and history of the company, the worsening liquidity and profitability situation, the high costs of the franchise, and concerns over product quality. [21]

AO3: Analyse problems, issues and situations relating to the report.AVAILABLE
MARKS

Level 0	[0]	No analysis of the problems, issues and situations.
Level 1	[1]–[5]	Little analysis of the problems, issues and situations relevant to the report. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the question. The organisation of the answer is limited.
Level 2	[6]–[10]	Some analysis of the problems, issues and situations relevant to the report. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. The answer is organised in a satisfactory manner.
Level 3	[11]–[15]	Good analysis of the problems, issues and situations relevant to the report. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 4	[16]–[19]	Comprehensive analysis of the problems, issues and situations relevant to the report. Candidate demonstrates excellent spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.

Candidates must analyse the selected information in order to gain a full awareness of the extent of the problems currently faced by Clothes 4 U plc.

Analysis should include:

- financial analysis – sales falling, profitability decreasing, poorer liquidity
- social change in spending. The current target markets are not spending much
- the rise in competition from Primark, the Arcadia Group and charity shops
- the recession, economic growth and charity shops
- the rise in popularity of ethical trading by consumers and the positive publicity it creates for Primark
- the board of directors not agreeing on a way forward
- the franchise may prove a quick fix enabling the organisation to meet the needs of the current economic climate
- the expense of the franchise
- the control of the franchiser
- the reputation of Z Factor in treatment of staff
- the option of post marketing.

[19]

AO4: Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources.

AVAILABLE
MARKS

Level 0	[0]	No evaluation of the evidence.
Level 1	[1]–[6]	Little evaluation of all the evidence to arrive at reasoned and valid conclusions. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the question. The organisation of the answer is limited.
Level 2	[7]–[12]	Some evaluation of all the evidence to arrive at reasoned and valid conclusions. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. The answer is organised in a satisfactory manner.
Level 3	[13]–[18]	Good evaluation of all the evidence to arrive at reasoned and valid conclusions. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 4	[19]–[24]	Comprehensive evaluation of all the evidence to arrive at reasoned and valid conclusions. Candidate demonstrates excellent spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.

Arguments in favour of setting up the franchise

- other businesses in the same sector already closing
- the decline in profitability and liquidity of Clothes 4 U plc, demonstrated by worsening financial ratios
- the worsening economic climate
- diversification
- economies of scale
- positive performance of Primark and George at Asda.

Arguments against setting up the franchise

- possible loss of product quality
- impact on company culture
- corporate image tarnished
- cost of the franchise agreement
- favourable results from the Arcadia Group
- negative image of Z Factor Clothing
- fewer female shops
- rise of charity shops
- negative results of Northern Ireland economy
- if economic recovery is imminent, such a strategy is unnecessary.

Candidates should draw conclusions, based on their analysis of the issues, regarding whether Clothes 4 U plc should take on the franchise. They must use different sources from the case study and be able to show that they know the difference between fact and opinions. In the evaluation they must show both the positive and negative sides of options considered and they must make a final judgement regarding which option management should follow. The final judgement is likely to be that Clothes 4 U plc should not take on the franchise. In reaching this judgement candidates should recognise the conflict of interest between the shareholders and the stakeholders of Clothes 4 U plc.

Candidates should also make realistic recommendations for the attention of the management of Clothes 4 U plc. [24]

Total

80

80

