

Mark Scheme (Final)

January 2008

GCE

GCE Business Studies (6124/01)

Unit 6124/01 - Analysis and Decision-Making
January 2008 Mark Scheme

Question Number	Answer	Mark
1(a)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • Panels only include existing customers; new customers might be attracted and existing ones may not be interested in new ranges as they are not contemplating buying at the moment • Who are the experts employed - reputation and reliability? • Do product samples include the whole range? • Need to look at past data (a long-established firm) on product launches to give data on seasonal or fashion trends • Need to look at rival firms in a competitive market • Time Series Analysis could be used, as the firm has past data • Consumer panels may release data about the new products, which rival firms may hear about • Consumer panels and consultation of experts are costly <p><i>A level 4 candidate will discuss different methods in context and will consider issues such as cost, time, expertise and will advise on the most appropriate method, recognising that the firm is long-established and should have both past data and a 'feel' for the market</i></p> <p><i>A level 3 candidate will consider different methods in context and identify advantages and disadvantages, but may not make an overall assessment or may miss an important element, such as cost or existing expertise or the nature of the market</i></p> <p>Level 4: Candidate assesses different methods in context and makes a reasoned judgement as to the appropriateness of the methods used by the firm</p> <p>Level 3: Candidate analyses the advantages and disadvantages of various methods in context, but does not provide a valid or convincing conclusion. Answer may be one-sided</p> <p>Level 2: Candidate applies knowledge of various methods of sales forecasting to the context</p> <p>Level 1: Candidate shows some knowledge of methods of sales forecasting</p>	<p>(9-15)</p> <p>(5-8)</p> <p>(3-4)</p> <p>(1-2)</p>

Quality of Written Communication:

Quality of written communication will be assessed in **question 1a** by means of the following criteria:

Level 4 - well structured, flowing answer

Candidate expresses complex ideas extremely clearly and fluently. Answers are very well structured. Arguments are consistently relevant and well developed. There are few, if any, errors in spelling, punctuation and grammar.

4 marks

Level 3 - structure with developed points

Candidate expresses moderately complex ideas and answers are well structured. Arguments are generally relevant and developed. There are few, if any, errors in grammar, punctuation and spelling.

3 marks

Level 2 - some structure

Candidate expresses straightforward ideas clearly, but not always fluently. Answers are not well structured and arguments maybe weakly presented. There may be some error in grammar, punctuation and spelling.

2 marks

Level 1 - can understand

Candidate expresses simple ideas clearly, but may be confused or imprecise in the expression of ideas. There may be noticeable errors in spelling, grammar and punctuation.

0-1 mark

Total 4 marks

Question Number	Answer	Mark
b(i)	<div data-bbox="311 235 1141 593" data-label="Diagram"> </div> <p data-bbox="279 660 534 705">See above diagram:</p> <ul data-bbox="327 728 1181 1086" style="list-style-type: none"> • Use of square and circles: (1 mark) • Insertion of expected revenues at ends of the paths and /or outlay figures at the start: (1 mark) (n.b. candidates may subtract costs from revenues and give net revenue figures at the ends of the paths. These figures then become 1.6, 1.0, 1.3 and 0.3 instead of 2.1, 1.5, 1.8 and 0.8) • Correct layout of diagram, including 'do nothing' path: (1 mark) • Correct insertion of probabilities: (1 mark) <p data-bbox="279 1142 710 1187">Valid calculations could include:</p> <ul data-bbox="343 1209 1181 1422" style="list-style-type: none"> • Correct calculations on nodes: node 3: $(1.47+0.45) = 1.92$ node 4: $(0.36+0.64) = 1.0$ node 2: $(1.15+0.40) = 1.55$ • Correct calculation at node 1, ie - initial cost, $(1.55-0.5)= 1.05M$ (1 for each correct calculation) <p data-bbox="279 1456 1189 1534">Candidate's own figure rule to apply throughout. Accept rounding</p> <p data-bbox="279 1556 1189 1624"><i>Alternative figures for candidates who deduct £500 000 from the revenue figures at the the end of the paths:</i></p> <p data-bbox="758 1624 1157 1736"> <i>At node 3: $(1.12+0.30)= 1.42$ At node 4: $(0.26+0.24)= 0.5$ At node 2: $(0.85+0.2)= 1.05$</i> </p> <p data-bbox="279 1758 630 1803">Valid Points could include:</p> <p data-bbox="279 1825 1189 1904">For appropriate comment based on candidate's figures (OFR to apply)</p> <ul data-bbox="327 1926 1173 2004" style="list-style-type: none"> • For accurate calculations and analysis. (2 mark) • For inaccurate calculations and analysis. (1 mark) 	

	Level 3: Candidate analyses calculations to reach a decision on action	(9-10)
	Level 2: Candidate carries out calculations of decision tree	(5-8)
	Level 1: Candidate knows how to draw decision tree or shows knowledge of decision tree	(1-4)
	Total 10 marks	

Question Number	Answer	Mark
b(ii)	<p>Valid points could include:</p> <ul style="list-style-type: none"> • Decision trees show probabilities and expected outcomes, but do not show the actual result that may be achieved. Answers are only 'averages' • Forecasts and probabilities need to be accurate - how have they been calculated? (Candidate may relate to and criticise methods of research used, as shown in data) • Figures relate to one year's forecasts - this may be enough in an industry with rapidly changing tastes and short product life-cycles • Other factors may distort forecasts, eg rivals' actions, change in tastes <p><i>A level 4 candidate will discuss the advantages and disadvantages of decision tree analysis in context and will offer a reasoned evaluation after a balanced discussion. Vital issues such as the competitive nature of the market and the short product life cycle may be recognised</i></p> <p><i>A level 3 candidate will discuss the advantages and disadvantages, but may not offer a reasoned evaluation and may omit or fail to develop a vital issue, such as the nature of the market or product</i></p> <p>Level 4: Candidate evaluates the use of decision trees in this context and offers a reasoned judgement</p> <p>Level 3: Candidate analyses the use of decision trees in context but not produce an overall evaluation. Arguments may be one-sided</p> <p>Level 2: Candidate applies knowledge of decision trees in context</p> <p>Level 1: Candidate shows some knowledge of decision trees</p>	<p>(10-15)</p> <p>(5-9)</p> <p>(3-4)</p> <p>(1-2)</p>
		Total 15 marks

Question Number	Answer	Mark
2a	<p>Valid calculations could include:</p> <ul style="list-style-type: none"> ROCE $\frac{0.8}{2.8} = .28$ OR $\frac{0.8}{4.4} = .18$ (accept as %s) <p>Apparently quite good, but how old is the capital employed? What is the industry average?</p> <ul style="list-style-type: none"> GP Margin = $(\frac{GP\ 6.4}{4.6} - \frac{1.8}{6.4}) \times 100 = 28\%$ NP Margin = $\frac{0.8}{6.4} \times 100 = 12.5\%$ <p>Very good, reflects high quality and priced products</p> <ul style="list-style-type: none"> Current = $\frac{3.8}{3.4} = 1.12:1$ <p>A little low</p> <ul style="list-style-type: none"> Acid = $\frac{3.8 - 2.4}{3.4} = 0.4:1$ <p>Very low</p> <ul style="list-style-type: none"> Gearing = $\frac{1.6}{2.8} \times 100 = 57\%$ OR $\frac{1.6}{4.4} = 36\%$ (depending on definition used) <p>Not too high - borrowing possible if needed?</p> <ul style="list-style-type: none"> Stock Turnover = $\frac{4.6}{2.4} = 1.9$ times $\frac{2.4}{4.6} \times 365 = 190$ days Asset Turnover $\frac{6.4}{4.4} = 1.4$ times Debtor Days $\frac{1.2}{6.4} \times 365 = 68.4$ days <p>Valid points could include:</p> <ul style="list-style-type: none"> Performance seems good in many ways - but need for > one year's figures and comparison with competitors Details on tax and dividends, share price not given New product cannot be financed from cash - need to raise cash by reducing debtors, if feasible, running-down existing stocks or borrowing. A lot of new stock may be needed for new product line 	

	<p>A level 4 candidate will identify strengths and weaknesses of the figures and identify gaps in data. Candidate will show how missing data would be used. Emphasis may be on working capital problem, but this does not seem to detract from firm's performance in 2007.</p> <p>A level 3 candidate will analyse the financial data and identify key issues. Answer may be one-sided (eg on working capital problem) and a key issue, such as stock or creditors may be overlooked. Insufficient attention may be paid to the product (eg re stocks and working capital) or the issue of investment in the new product line.</p> <p>Level 4: Candidate evaluates the data and identifies information not given, explaining why such data is needed for a full assessment. A valid conclusion will be given.</p> <p>Level 3: Candidate analyses data and may identify gaps. Answer may be one-sided and may lack a valid conclusion.</p> <p>Level 2: Candidate applies knowledge of accounting (e.g. works out some ratios, but fails to draw valid conclusions).</p> <p>Level 1: Candidate shows some knowledge of accounting (e.g offers ratio formulae) or makes general comments from the data given.</p>	<p>(13-16)</p> <p>(9-12)</p> <p>(5-8)</p> <p>(1-4)</p>
Total 16 marks		

Question Number	Answer	Mark
2b	<ul style="list-style-type: none"> • Absorption Costing allocates a proportion of fixed costs to each product, in addition to the products variable costs. Is this reasonable in this instance? On what basis are they allocated? R+D possibly could be allocated to each product line • Standard Costing probably not appropriate as goods sold are individually made to order, though materials will probably be in stock • Contribution costing allocates only direct costs. Is this feasible? Costs like marketing could be centralised, as product ranges are probably not sold by separate marketing efforts? • In this market, competitive pricing may be more appropriate • Need for knowledge of price and income elasticities of demand in this market before setting price? • Price penetration or skimming may be considered • Pricing policies may vary over time, to fit in with product life-cycle, portfolio mix or competition and changes in tastes <p><i>A level 4 candidate will discuss different costing and pricing policies in context and will make a valid assessment. The feasibility of methods like contribution may be considered. Different policies may be advocated at different times according to demand, position in the product life-cycle or portfolio mix.</i></p> <p><i>A Level 3 candidate will discuss the methods in context, but may omit a vital area such as time, competition or the allocation of overheads.</i></p> <p>Level 4: Candidate discusses different costing and/or pricing in context and comes to a valid judgement about the policy used by <i>Cox and French plc</i></p> <p>Level 3: Candidate analyses costing and/or pricing methods in context, but may present a one-sided answer, and may not present a valid judgement</p> <p>Level 2: Candidate applies knowledge of costing and/or pricing methods in context</p> <p>Level 1: Candidate shows knowledge of costing and/or pricing methods</p>	<p>(10-16)</p> <p>(5-9)</p> <p>(3-4)</p> <p>(1-2)</p>
Total 16 marks		

Question Number	Answer	Mark
2c	<p>Valid points could include:</p> <ul style="list-style-type: none"> • Value Analysis includes and tries to balance the three elements of cost, performance and aesthetic appearance. (Candidates may draw the triangle diagram) • It would appear that the industry is very competitive so that cost, reflected in price, is important, but in a niche market aimed at socio-economic groups A and B, it may not be the most important issue • Aesthetic appearance may be the most important factor in this market, but performance is also vital (e.g. hard-wearing, not affected by sunlight, easily cleaned) • Consumer panel may be vital in assessing value <p><i>A level 3 candidate will analyse how value analysis is important in this market, and will discuss all three elements in context, attempting to show balance. A candidate will probably recognise aesthetics and performance as being vital in this context</i></p> <p>Level 3: Candidate analyses value analysis in context and produces a balanced answer</p> <p>Level 2: Candidate applies knowledge of value analysis in context</p> <p>Level 1: Candidate shows some knowledge of reducing costs.</p>	<p>(5-8)</p> <p>(3-4)</p> <p>(1-2)</p>
		Total 8 marks
Total for Paper 80 marks plus 4 marks for Quality of Written Communication for question 1a		