

Mark Scheme (Results)

Winter 2010

GCE

GCE Business Studies (6BS02/01)

Unit 2A: Managing the Business

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Mark Scheme (Pre-Standardisation) Winter 2010
 GCE Business Studies (6BS02/01)
 Unit 2A: Managing the Business

Question Number	Question	Mark
1.(a)	<p>At the Atrium Café in Beverley the bacon, lettuce and tomato baguette is a strong selling item. The owner described it as a 'cash cow'. A cash cow is</p> <p>Answer - A product which generates a significant amount of revenue for a firm (D)</p>	1(K)
1.(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Cash Cows are mature products with a stable market share (1m). • A study of a product portfolio mix known as the Boston Matrix allows firms to position their products according to their share of the market and their potential for growth in order to gauge how profitable the products are to the business. A cash cow is part of this matrix (1m). • Cash Cows bring in regular funds which could be used to support developing products: eg in this context, more varied sandwich products. (1m). • A cash cow is not the exclusive source of profit - 'stars' also generate significant profit: answer A is not correct. • A suitable example, i.e. an example in context can be rewarded. • Any acceptable answer which shows selective K/Understanding and Application <p>NB A max of 2 marks out of three can be awarded if the explanation is as to why the other responses are NOT correct</p> <p>NB Wrong answer to (a) but otherwise logical response, award a max of 2 marks.</p>	<p>1-3 marks</p> <p>(Total 4)</p>

Question Number	Question	Mark
2.(a)	<p>Which of the following would not be considered a maintenance or hygiene factory according to Herzberg's theory of motivation?</p> <p>Answer - Recognition (B)</p>	1(K)
2.(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Accurate definition of maintenance/hygiene factor (1 mark). • Herzberg belonged to the human relations approach group of thinkers who developed views of motivation which took into 	1-3 Marks

	<p>account psychological and social aspects of work (1m).</p> <ul style="list-style-type: none"> • Recognition was the second most motivating factor (after achievement) suggesting that people like their job to be personally fulfilling (1m). • Perhaps surprisingly, pay was not a motivation factor in this study, suggesting that it had to be in place and that it was a possible source of dissatisfaction / demotivation (1m). • Any suitable answer which shows selective K/understanding, application and analysis <p>NB A max of 2 marks out of three can be awarded if explanation is as to why the other responses are NOT correct.</p> <p>NB Wrong answer to (a), but otherwise logical response, a max of 2 marks.</p>	(Total 4)
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Question Number	Question	Mark
3.(a)	<p>McDonald's, a chain of fast food restaurants, has set itself the marketing objective of sales growth. Which of the following constraints to sales growth is an external constraint?</p> <p>Answer - Advertising legislation (C).</p>	1 (P)
3.(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • External constraints to growth are those outside a businesses control (1m). Legislation is set or imposed by government and has to be accepted by firms (1m). • McDonald's can be constrained by rules on advertising to children, for example (1m - a possible source of P mark if answer to part (a) is incorrect). • Answers B, and D are internal decisions. Access to funds - option A, is likely to be to be determined by the successfulness of McDonald's (1m). • A possible route to a mark for A/E (even if part (a) is incorrect) may be if, given the current economic climate, candidates suggest that government has an influence on availability of funds (1m). <p>NB A maximum of 2 marks out of 3 can be awarded if the explanation is to why the other responses are NOT correct.</p> <p>NB Wrong answer to (a) but otherwise logical response, a max of 2 marks.</p>	1-3 marks (Total 4)

Question Number	Question	Mark
4.(a)	<p>Which of the following is least likely to result from the introduction of a more decentralised system of management?</p> <p>Answer - Greater consistency in the decisions made (B)</p>	1(K)
4.(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Accurate definition of decentralising (1m). • Decentralising decision making leads to decisions being made by a greater number of people (1m). • As more decisions are being made away from the hub of the business it is inevitable that some consistency will be foregone (1m). • It is generally acknowledged that empowering workers (option A) is a key motivating factor (1m). • If decisions don't have to be ratified at every level of a hierarchy they will be made more quickly (option D) (1m). • Involving junior management (option C) is also likely to be beneficial to the business and the individual (1m). <p>NB A max of 2 marks out of 3 can be awarded if the explanation is as to why the other responses are NOT correct.</p> <p>NB Wrong answers to (a) but otherwise logical response a max of 2 marks</p>	1-3 marks (Total 4)
Question Number	Question	Mark
5.(a)	<p>The Nissan car plant in Sunderland operates a just-in-time method of stock control. This requires each of the following from its suppliers, except</p> <p>Answer - Lower wages for its warehouse staff, and low administration costs (A)</p>	1(P)
5.(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Just-in-time as a method of stock control is designed as a way to minimise stock holdings, saving space and money by having components delivered when they are needed to be used (1m). • It may be advisable for a supplier to have low wages and low administration costs (option A) but this is not the concern of Nissan (1m). • Options B, C, and D are all requirements of JIT. Candidates can pick up an analysis mark relatively straightforwardly by explaining why one of these 3 options is needed. 	1-3 marks (Total 4)

	<p>NB A maximum of 2 marks out of 3 can be awarded if the explanation is as to why the other answers are NOT correct.</p> <p>NB Wrong answers to (a) but otherwise logical response a max of 2 marks.</p>	
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Question Number	Question	Mark
6.(a)	<p>The price elasticity of demand for one company's MP3 player is likely to be low if</p> <p>Answer - it has an attractive unique feature and design (D)</p>	1(P)
6.(b)	<p>Explain why this answer is correct</p> <ul style="list-style-type: none"> • Accurate definition of PED (1 mark). • Low price elasticity occurs when there is a great deal of differentiation between rival MP3 players (1mark). • The MP3 player has a distinctive design and is therefore not easily substitutable (1 mark) • Also award marks for other suitable responses. <p>NB A max of 2 marks out of 3 can be awarded if explanation is as to why the other responses are not correct.</p> <p>NB Wrong answer to (a) but otherwise logical response max of 2 marks.</p>	<p>1-3</p> <p>(Total 4)</p>

Question Number	Question	Mark
7	<p>Explain 2 reasons why the budgeted sales for 2009 (Figure 1) may not be achieved</p>	
	<p>Answer</p>	Mark
	<p>Knowledge 2, Application 1, Analysis 1.</p> <p>Knowledge: Up to 2 marks can be gained for explaining that there could be macro effects, eg a general slowing down of the economy, or micro effects, eg advertising spend not well targeted or bad publicity because of negative feedback or competition. Candidates explaining the term budget should also be rewarded.</p> <p>Application: 1 mark is available for showing how theory can be applied in context. Eg firms may not buy new CCTV systems as these can be viewed as luxury goods. Other firms may delay up-dating existing systems.</p> <p>Analysis: 1 mark available for linking evidence to a reasonable explanation, eg engineers may not be motivated to work efficiently as</p>	<p>1-2</p> <p>1</p> <p>1</p>

	their pay package is not linked to results (1 mark). The company may have overtraded and would not be able to buy sufficient components.	
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Question Number	Question	
8	Engineers at Tyler Security Systems are paid regardless of the number of systems installed or the time taken to fit them (Figure 2) Explain two financial incentives that would fairly reward the engineers.	
	Answer	Mark
	Knowledge 2, Application 1, Analysis 1 Knowledge: Up to 2 marks are available for accurate description of 2 financial incentives, eg bonus payments or piecework. Application: 1 mark for contextualising the response, eg linking payments to the number of systems fitted in a particular time. Analysis: 1 mark available for qualifying the answer by linking the method to quality control or, alternatively recognising that targets must be attainable	1-2 1 1

Question Number	Question	
9	Tyler Security Systems has decided to implement a system of cash flow forecasting. Explain how such a system may help the business improve financial management.	
	Answer	Mark
	Knowledge 1, Application 2, Analysis 1 Knowledge: cash flow forecasts are a form of budget which enables a business to look at its potential revenue flow and its expenses - 1 mark for explanation/definition of the concept. Application: up to 2 marks available for recognising, in context, that these forecasts can assist TSS to constrain spending, identify likely 'hotspots' and/or periods where expenses may be greater than income. Reward candidates who offer similar insights but focus on potential income. Analysis: 1 mark is available for candidates who recognise that such forecasts help identify the need for overdraft facilities and/or that banks may request forecasts before advancing any finance. Reward any candidate who explains variance analysis, although strictly this is not necessary to gain full marks.	1 1-2 1

Question Number	Question	
10(b)	Explain two limitations of cash flow forecasting for TSS	
	Answer	Mark
	<p>Knowledge 1, Application 2, Analysis 1.</p> <p>Knowledge: 1 mark for realising that forecasts can be wrong because they are projections into the future.</p> <p>Application: up to 2 marks for recognising that TSS's forecasts may be based on inaccurate data or that circumstances within the business or the economy may change. Similarly small firms may rely on extrapolation, and trends rarely stay the same.</p> <p>Analysis: 1 mark for stating that despite this forecasting is still a useful exercise if it helps firms prepare. Alternatively very good candidates may recognise that firms often window dress their forecasts in order to obtain finance, ie there is a deliberate attempt at misleading.</p>	<p>1</p> <p>1-2</p> <p>1</p>
Question Number	Question	
10a	Calculate the missing figures at points A, B, and C in the cash-flow forecast (Figure 3)	
	<p>Answer</p> <p>Knowledge 2</p> <p>Income in May £53,000 less expenses £46,800 (A) = £6,200 (B) (£13,700) - £6200 = (£7,500) (C). Two marks available for the calculations - 1 for A or B and 1 for C. Do not reward an answer for C that omits the brackets.</p>	<p>Mark</p> <p>1-2</p>

Question Number	Question		
11	Banks offer businesses various forms of finance. To what extent might an overdraft be considered better than a loan to address TSS's cash-flow problems?		
Level	Mark	Descriptor	Possible Content
1	1	A basic understanding of relevant issues but no attempt at analysis or evaluation of how to solve TSS's cash-flow problems.	A definition or explanation of either an overdraft or a loan eg An overdraft gives customers the ability to sign out cheques up to an agreed level
2	2-3	Some application as to whether a loan or an overdraft is more suited to TSS	Candidates may suggest that an overdraft is more flexible for short-term cash flow problems or (less persuasively) that a loan may be better if the problem persists.
3	4	One idea developed to the extent that an overdraft is preferable to a loan (or vice versa!). Little balance but correct use of technology to start to analyse potential solution.	Candidates may suggest that overdrafts only incur charges when used and can be paid off as soon as funds are available.
4	5-8	Evaluation is present at various stages of the answer.	Candidates may argue that loans having a lower interest rate and payable over a fixed period are preferable but also realize that for short-term cash flow problems overdrafts can be cheaper due to their flexibility.

Question Number	Question		
12	TSS has been offered a contract to supply CCTV cameras on two cruise ships. The contract is valued at £150,000 and has a higher profit margin than is usual but the work must be carried out inside a month. Assess whether the contract should be accepted.		
Level	Mark	Descriptor	Possible Content
1	1	Available for realizing that profits may be increased by taking on the project.	Candidate recognises that a new customer is gained and/or that the profit will be greater.
2	2-3	Available for starting to apply the benefits to TSS of accepting the contract.	Recognition that fixed costs can be spread over a greater number of units and/or that early payment will improve cash flow.

3	4-5	Available for considering possible problems of acceptance as well as benefits.	Candidate may suggest that the business may not be able to afford materials or may overtrade. They may also upset existing customers if delivery of their order is delayed.
4	6-8	Available for balanced reasoning, considering the likely outcomes.	Candidates may recognise the chance of losing goodwill or a reluctance of the bank to provide finance, but that there could be a significant increase in profit and profile if the contact can be fulfilled successfully.

Question Number	Question		
13	TSS has increased its turnover by 50 per cent between 2007 and 2008 (Figure 1), but is faced with a number of problems. Evaluate two lean management techniques the business might adopt to increase the chances of making a profit in 2009.		
Level	Mark	Descriptor	Possible Content
1	1 - 3	Knowledge of lean management techniques, without being able to apply to TSS.	Describe what is meant by lean production (for example) or aspects of this idea, such as continuous improvement, JIT deliveries or eliminating waste. Aspects of teamworking or empowerment may provide an alternative route.
2	4-5	A contextual response linking chosen methods to TSS.	Candidates may be able to suggest areas where costs could be cut in fitting the systems, eg by JIT delivery of components or empowerment given to engineers to encourage efficiency.
3	6-8	Clear understanding of how to address the problems. Analysis must be present along with simple evaluation Candidates attempting only one area are limited to six marks.	Candidates should be able to realise that a main problem is controlling costs and that a system that links aspects of Kaizen to rewards for contracts completed could be implemented leading to better profits.
4	8-12	Evaluation, which is well contextualised must be present to convincingly illustrate a balanced conclusion.	To reach this level candidates must be able to recognise the merits and demerits of each of the chosen techniques. Full marks are available for justified conclusions linking the chosen lean management techniques to profit.

Objectives grid

Question	Knowledge	Application	Analysis	Evaluation
1	2	2	-	-
2	2	1	1	-
3	1	1	1	1
4	1	2	1	-
5	1	2	1	-
6	1	1	1	1
7	2	1	1	-
8	2	1	1	-
9	1	2	1	-
10a	2	-	-	-
10b	1	2	1	-
11	1	2	1	4
12	1	2	2	3
13	3	2	2	5
	21	21	14	14

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