

GCE

Business Studies

Unit F292: Business Functions

Advanced Subsidiary GCE

Mark Scheme for June 2015

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning				
✓	Correct				
×	Incorrect				
?	Not sure what the candidate is trying to say or it does not make sense.				
BOD	Benefit of doubt given				
LI					
L2	Levels of response awarded at this point				
L3					
L4					
OFR	Own figure rule				
TV	Too vague				
NAQ	Not answered the question				
NUT	Not used the context (generic)				
REP	Repetition. The candidate has merely restated what has already been said and so no further credit given.				
SEEN	This can be used on paragraphs or pages where no other annotation is appropriate				

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

[Only Questions 1 & 2(a) should be annotated with ticks to show where marks have been awarded in the body of the text]

IT IS VITAL THAT YOU SHOW <u>AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE</u>. IN PARTICULAR, WHERE LEVELS ARE REACHED.

Subject-specific Marking Instructions

Crossed out responses

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners should give candidates the benefit of the doubt and mark the crossed out response where legible.

Contradictory responses

When a candidate provides contradictory responses, then no mark should be rewarded, even if one of the answers is correct.

Short answer questions (usually worth only one mark per response- Q1b, c, & d)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from top to bottom until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. (The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the guestion and giving the most relevant/correct responses.)

	Question	Answer	Marks	Guidance
1	(a)	State what is meant by 'market segmentation'. An attempt to identify specific groups within a larger market, with similar characteristics.	2	 2 marks – knowledge of what the term means with some reference to each group having similar characteristics or a specific part/sub-set of a market. 1 mark – a general idea of what the term means (e.g. different groups of customers or smaller parts of the market) or an example of a segment (e.g. age, gender etc.)
	(b)	Identify two non-monetary methods of motivating a workforce. Any TWO from: job enrichment/increased responsibility job rotation job enlargement	2	1 mark for each correct identification, up to a maximum of 2. Accept an example of any of the factors listed (2 x 1 mark). Make sure the two methods are clearly different.
		 job enlargement job redesign teamwork empowerment quality circles training goal-setting/MBO/appraisal fringe benefits (but NOT bonuses or share options) prize incentives improve the work environment praise/recognition/'employee of the month' promotion flexible working practices 		Do NOT accept Job Satisfaction (this is not a method but an outcome)
	(c)	State two problems of using break-even analysis. Any TWO from:	2	1 mark for each correct identification, up to a maximum of 2. Accept an example of any of the factors listed (2 x 1 mark).
		 direct/variable costs may change relies on only charging one price/ignores price promotions assumes that all products are sold 		Make sure the two problems are clearly different.

Ques	stion	Answer	Marks	Guidance
		 assumes a price increase leads to a total revenue increase (or vice-versa) it may not be possible to produce the break-even output stepped fixed costs are ignored assumes costs and revenues are linear assumes no changes to other factors can only consider one product at a time ignores what happens after break-even occurs 		Do NOT reward general problems, such as inaccurate data/difficult to forecast/time consuming, which are general problems associated with any decision-making tool. Do NOT reward answers that refer to problems with regards to predicting demand or seasonal demand patterns or problems selling the product. These may affect the margin of safety but not the actual use of break-even.
(d)	i)	Calculate the monthly profit if the shop sells 10 000 bunches of flowers. Profit = $((£2.50 - £1.70) \times 10,000) - £7,000$ = $£1,000$ Alternative method $£25,000 - (£17,000 + £7,000) = £1,000$ (Allow OFR if a mistake is made with either of these components)	2	Correct answer with no workings or £ sign - 2 marks Correct calculation of contribution as £8,000 – 1 mark Incorrect calculation of contribution minus cost of £7,000 to give a correct own figure rule – 1 mark
	ii)	Calculate the total contribution from this special order. Contribution = $(£2.00 - £1.70) \times 5,000$ = $£1,500$ Alternative method $£10,000 - £8,500$ (1) = £1,500 (1)	2	Correct answer with no workings or £ sign - 2 marks Correct calculation of unit contribution (30p) – 1 mark If the fixed costs of £7,000 are deducted again – 1 mark No reward for multiplying an incorrect unit contribution by 5,000

Question	Answer	Marks	Guidance
(e)	Explain two disadvantages to a firm of using batch production.	4	2 x (1+1) marks
	Any TWO from: • low motivation for the staff – less skilled, repetitive work which also may affect quality, do not get to see/make the whole product		Look for the actual disadvantage (1 mark) along with a brief explanation or example (1 mark)
	increased downtime – batches of product may wait a long time between each stage of production		Ensure the two suggestions are different.
	 increased chance of breakages/perishability- due to batches lying around the factory floor higher stock levels – as work-in-progress is higher which may lead to cost/cash-flow issues loss of individuality – each product within the batch 		Do NOT reward answers that could equally apply to any other production method- e.g. assumes that products will be sold so stock levels may be high
	 is produced to the same specification careful planning is necessary – may lead to machines and workers being idle some of the time lower quality- a mistake within the batch may be found throughout the batch 		Do NOT accept the answer of poor quality <u>unless</u> it is linked to poor motivation of the workforce or a mistake being repeated throughout a batch
(f)	Outline two functions of a wholesaler.	4	2 x (1+1) marks
	 Any TWO from: they break bulk/buy in bulk – large deliveries are received from producers and then broken down into smaller amounts for delivery to retailers (allow reference to the cost benefits, i.e. economies of scale) stock a wide range of products- so that the retailer does not have to buy from so many suppliers they help with storage – retailers have less space so wholesalers store stock until the retailer requires it 		Look for the naming of the function (1 mark) along with a brief explanation or example (1 mark). Ensure the two suggestions are different. Do NOT reward reference to 'buying from the producer' unless linked to buying in bulk.

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Question	Answer	Marks	Guidance
	 advice – they help retailers to identify the latest trends marketing support – they may assist in the planning and payment of promotional activities to shift stock provide trade credit – to help retailers (especially smaller ones) with cash-flow planning to supply to retailers- so that customers can buy the products act as an intermediary- to provide closer access to products from a wider location to lower producer's distribution costs- each producer does not need to supply to each retailer 		

C	Question		Answer	Marks	Guidance
2	(a)		Calculate the total number of staff who left the London South region during the whole of 2014.	& 4	1 mark for correct formula (which may be implied by evidence of the correct method)
			Labour turnover = No. of staff leaving in period Average no. of staff employed [1]		1 mark for calculating the annual labour turnover figure of 58%
			Labour turnover for 2014 = 58% (12 + 11 + 14 + 21) [1]		An answer for the wrong region can score 3 marks at most, if the workings are clear.
			No. of staff leaving = 58% x 550		A correct answer with no, or incorrect workings, gains full marks.
			= <u>319</u> [2]	R	Allow some margin of error for rounding that is done when using the alternative method
			Alternative method Candidates may calculate no. of staff leaving for each individual quarter (66, 61, 77, 116) and then add these 4 numbers together. If no rounding is done then exactly the same answer (319) will be attained. If rounding is done for each quarter's figure (to 1d.p.) an answer of 320 is attained.		If answers use the 16% for Q4 from the resource booklet, an answer of 291.5 is gained. Award a maximum of 3 marks. An answer that only calculates 1, 2 or 3 quarters of data can only be awarded 1 mark at most, if the formula is stated or implied.

Question	Answer	Marks	Guidance		
			Content	Levels of response	
(b)	Evaluate how QRL's labour turnover figures for 2014 may affect its future success. One of the main consequences of rising labour turnover is increasing costs linked to recruitment and selection. Given QRL's desire to increase profitability it will be difficult, given the additional costs, particularly in the London & South and North regions. High labour turnover can also mean that while new staff are being recruited or getting used to their job, other workers are put under more pressure to work longer hours or more quickly. In the former case this will also lead to higher costs for QRL and in the latter there may be a reduction in the quality of customer service, which is already a problem faced by QRL looking at the feedback in Fig.2. The changes to the training programme may be a cause of the higher labour turnover but it also may be put under strain by rising labour turnover. As more and more staff leave, it will be harder to replace them with suitable replacements. As QRL pays wages not much above the minimum wage, it may struggle competing with other businesses that employ similar workers (e.g. larger restaurant chains & supermarkets). A consequence of this is that QRL may need to increase wage rates to attract more staff which will add to costs and reduce profit margins. Increasing quality is a major issue for the business, especially if the 'de-badging' policy does expand. This will be jeopardised if there are too many new workers with limited experience and training in each venue. There are lots of	16	Content A Level 3 or 4 answer needs to contain a link to how any labour turnover trends have affected, or may affect, QRL's future. L4 answers may consider whether these trends from 2014 are due to specific conditions that have now been, or are about to be, rectified at QRL. Are they the start of a long-term problem or just a short-term blip? Answers which focus on how QRL could solve the problem of labour turnover may still be rewarded at up to Level 3, or above, BUT ONLY if there is a reasonable link to the consequences to QRL. Watch out for answers which imply that labour turnover means that QRL now has less staff!	Level 4: 16-12 marks Some evaluation shown of whether the labour turnover figures will affect QRL, in the specific circumstances it faces. Level 3: 11-7 marks Some analysis of how the labour turnover data may affect the future of QRL. Level 2: 6-3 marks Some understanding shown of how labour turnover can be an issue for a business. No context required. Level 1: 2-1 marks Some knowledge of labour turnover. The bottom mark in Levels 2-4 MUST only be used for a BOD answer at that level.	

Question	Answer	Marks	Guid	dance
			Content	Levels of response
	the horizon, need for Spanish to be 1 st or 2 nd language) which may be significantly affected with high labour turnover. QRL has a good reputation in terms of employment in the industry and it says it is committed to 'recruiting exceptional		One L2 annotation = 3 or 4 marks Two L2 annotations = 5 or 6 marks	
	people for every job' and that they are 'integral to the success of the business'. This is threatened when labour turnover is high.		One L3 annotation = 7, 8 or 9 marks Two L3 annotations = 9, 10 or 11 marks	
	Evaluation points may come from the following. It may be argued that as training is carried out in-house and has been simplified, then QRL can now better cope with replacing staff. In addition, the problem is not nationwide and so is it an isolated issue?		One L4 annotation = 12, 13 or 14 marks Two L4 annotations = 14, 15 or 16 marks	
	Candidates may also comment that QRL (and Amy in particular) have already identified the problem and have got it under control. Mistakes in the changes to the training methods have been rectified. Also, we may expect some short-term effects of change and these may have (or will shortly) run their course.			
	Another acceptable point to make is that labour turnover may have been adversely affected by the recent closure of 22 sites which creates uncertainty in the business and reduced promotion possibilities. This may lead to what is a temporary blip in labour turnover and, since it is temporary, may have little effect on QRL's future success.			
	High labour turnover may be expected in this industry, especially when you are employing a lot of young workers (74% of QRL's employees are under 35). There may also be a normal seasonal pattern to labour turnover, which Amy is not yet aware of, and which we cannot comment on with only			

Q	uestion	Answer		rks Guidance	
				Content	Levels of response
		one year of data in Table 1. A lot of jobs in this industry are part-time and if this is significant for QRL then the labour turnover may have less effect on the future of the business than if the labour turnover is amongst full-time staff.			
		OFR			

Question	Answer	Marks	Guidance		
			Content	Levels of response	
3	Discuss how investment appraisal may be used by QRL when making a decision between the two alternative projects. Investment appraisal helps to analyse (with some scientific basis) different possible ways in which a firm may spend its money on investment projects. Fundamentally, it will allow the managers to consider and compare different options available. Marketing campaign: Payback = 2.5 years, ARR = 7.5% New ovens: Payback = 3.3 years, ARR = 11.7% Factors to consider when referring to Payback method: It is easy to use and understand- however, QRL is a large company with 20 staff at head office on this is	16	Answers which ONLY carry out the investment appraisal calculations and ONLY then consider which of the two projects is 'best' are not answering the question and cannot receive more than 6 marks. It would be expected that candidates discuss payback and/or ARR, as these are the 2 methods on the AS specification.	Level 4: 16-12 marks Some evaluation shown by showing the usefulness of investment appraisal and/or which method is best in the situation faced by QRL. Level 3: 11-7 marks Some analysis of how investment appraisal method(s) may be used, with specific reference to the context available. Level 2: 6-3 marks	
	 large company with 20 staff at head office so this is less of an issue. It is a useful test of risk- given QRL's financial situation and the need to turn the business around, it may want to minimise risk. The lower payback period for the marketing campaign may therefore sway the decision that way. Also, given the high level of interest payments that QRL already has (over £1m last year) the quicker payback period may be more useful so that the money borrowed for either of these projects can be returned to the bank. No account of cash inflows after the payback period is considered. This means the very large cash returns for the new ovens after the third year are ignored in the 		However, reward other possible methods such as Net Present Value or Internal Rate of Return. Do NOT reward answers which only say that IA can be used to help make decisions between the two projects by looking at the pros and cons (this is obvious from the question) or answers which generally discuss the pros and cons of the two	Some understanding shown of how investment appraisal method(s) are used. No context required. Level 1: 2-1 marks Some knowledge of investment appraisal and/or method(s), e.g. the names of methods. The bottom mark in Levels 2-4 MUST only be used for a BOD answer at that level.	
	 decision. Timing of cash inflows are ignored- the high level of front ended payments for marketing may be ignored. Profitability is not measured. Although payback is better, the profitability of the marketing is significantly 		projects. There does need to be some evidence in the		

Question	Answer	Marks	Guidance	
			Content	Levels of response
	lower. This is important for QRL as it is trying to increase its profitability. Factors to consider when referring to ARR method: All cash inflows over the life of the project and profitability are measured. This means the high later		answer that the candidate knows what IA is to receive any reward, even at Level 1. One L2 annotation = 3 or	
	returns and better profitability from the ovens is recognised. • A reasonable idea about the life of the project is needed. It is hard to know the true length of the		4 marks Two L2 annotations = 5 or 6 marks	
	benefits from the marketing campaign compared to the ovens. This may make the ARR for the marketing option less reliable.		One L3 annotation = 7, 8 or 9 marks Two L3 annotations = 9, 10 or 11 marks	
	Reference may be made to the fact that neither method takes into account the value of money over time, or that qualitative or external factors are considered.		One L4 annotation = 12, 13 or 14 marks Two L4 annotations = 14,	
	It may also be argued that trying to use investment appraisals (especially over such a long period of time) is invalid when you are comparing a long-term investment such as the ovens against a much shorter term project such as the marketing campaign.		15 or 16 marks	

Question	Answer	Marks	Guidance		
			Content	Levels of response	
4	To what extent may these new corporate objectives affect QRL's marketing activities? Justify your answer. Changes in a firm's corporate objectives should lead to changes throughout the business down the hierarchical structure, with these subordinate objectives/changes being introduced to help achieve or to tie in with the corporate objective. They may be structured around activities for one or more of the 4Ps. Contextual issues that may be considered include: PRODUCT Improving authenticity could mean having to source food products from Spain. This may be possible given the fact the contract with QRL's food supplier is soon up for renewal. However, at the same time, QRL want to be more aware of localised market conditions. This may conflict with the wish for greater authenticity. There are also issues about product quality that may mean a change of focus in this area of the mix. PRICE The desire for increased footfall may mean that price is an issue. However, QRL need to consider the PED of its products- it may mean different pricing strategies for different products (or times of the day). Care needs to be taken in terms of how any pricing objective fits in with the statement by John about the problems of 'aggressive discounting' and how this has raised significant issues seen in the customer	16	L2 answers are likely to explain possible new marketing activities, but without any consideration of how they link with the stated new corporate objectives. L3 answers are likely to consider the impact of any changes on QRL, with some use of the context. Any attempt to answer the question strategically or prioritise ideas may be awarded at Level 4. In addition, recognition of how the 3 corporate objectives may cause conflict may be seen to be evaluative.	Level 4: 16-12 marks Some evaluation shown by considering how any changes will strategically impact on QRL or by prioritising these changes or considering the differing impacts in the short & long-run, with consideration of the circumstances which QRL face. Level 3: 11-7 marks Some analysis of the changes needed to marketing activities, with reference to how they will help to achieve the new corporate objectives. Level 2: 6-3 marks Some understanding shown of possible changes to marketing activities. No context required. Level 1: 2-1 marks Some knowledge of marketing activities and/or how to achieve objectives. The bottom mark in Levels 2-4 MUST only be used for a BOD answer at that level.	

Question	Answer	Marks	Guidance	
Question	PROMOTION The plans for increased localisation (de-badging) of some of QRL's venues imply a move to being more upmarket (or at least less downmarket). This 'piecemeal' approach has significant implications for QRL's promotion, in particular, the fact that it will benefit less from the advantages of brand identity and the marketing economies of scale that accrue. Any promotion will need to be done at a more local level, requiring greater local knowledge that the marketing people at head office may not have. All of this adds to costs. PLACE There is limited context here other than the fact that the issue of de-badging may cause confusion in the mind of the customer as well as making any central buying & distribution policy much more difficult to operate. Allow references to market research as a marketing activity.	Marks	Content One L2 annotation = 3 or 4 marks Two L2 annotations = 5 or 6 marks One L3 annotation = 7, 8 or 9 marks Two L3 annotations = 9, 10 or 11 marks One L4 annotation = 12, 13 or 14 marks Two L4 annotations = 14, 15 or 16 marks	Levels of response

Question	Answer	Marks	Guidance	
			Content	Levels of response
5*	Evaluate how Total Quality Management (TQM) may be used by QRL to help improve its operations management. TQM is a philosophy linked to quality assurance that places quality at the heart of all that a business does, using Deming's 14-point plan. The main areas covered include: Encouraging continuous improvement to achieve consistent, defect-free, quality There is evidence of training having been reduced in quantity (and maybe quality). Issues have arisen with the 'simpler' training scheme with a consequent drop in quality. The new IT system has been introduced poorly which has caused problems that reflect badly on the business. Should QRL be actually looking to increase training (seen as a vital part of TQM) and accept that short-term costs will be offset by long-term benefits? There is clearly a need for QRL to ensure that its quality image matches what is actually perceived by customers. (This becomes a greater issue as QRL attempt to move some sites into a more upmarket position.) Provide a consistent message on quality The de-badging is not giving this consistent image. It may be argued that an average customer will not realise that these 'separate' sites are all part of the one chain. However, the staff are all part of the one business and this de-badging concept is not encouraging a unified approach to the business. There is also evidence (in Fig.2) of differing quality experiences of customers. Is this due to poor training or the consequences of the 'all you can eat' promotion? This latter scheme also shows a lack of consistency about QRL's	20	Do not forget that this question is marked out of 20. Unsupported comments should not be rewarded above Level 2 Reward any quality concepts which may be seen as being linked to improving the culture of quality and especially the involvement of all employees in the process (e.g. quality circles, Kaizen, benchmarking, zero defects but NOT quality control or lean production). Answers may suggest that TQM is a good idea that will help, or a bad idea that will distract QRL from its current objectives/ situation. The reward is ultimately for how candidates discuss the way in which TQM could or could not be helpful	Level 4: 20-15 marks Some evaluation shown of the feasibility of QRL implementing TQM, in the current business situation which it faces. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar. Level 3: 14-9 marks Some analysis of how TQM may be put into place and the impact of this, with specific reference to the context available about QRL. Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.

Question	Answer	Marks	Guidance	
			Content	Levels of response
Question	activities ('all you can eat' schemes tend to be associated with downmarket fast food establishments.) Build partnerships with staff and suppliers to ensure that everyone is working to the same goals There is much evidence of this not being the case. For example, staff are paid low wages (many of QRL's staff are on minimum wage or just above it). This sends out the wrong signal to the staff about the vital role they play in the firm. Problems with the quality of food supplies suggest that QRL do not work closely enough with them. Establish a quality culture across the whole business The presence of environmental/green policies is usually part of a TQM culture. It sets the right sort of message and is company-wide, from top to bottom. This appears not to be the case according to Jay (at least at head office). All employees can be involved and can share in the ownership of a policy that can make them feel better about the firm. The fact that the business pays low wages can also send out the wrong signals. Evaluation points may come from the following.	Marks	Content Do NOT reward answers that show no knowledge and/or understanding of what TQM is or what it might include. (i.e. do not reward answers which generally refer to improving quality) One L2 annotation = 4, 5 or 6 marks Two L2 annotations = 6, 7 or 8 marks One L3 annotation = 9, 10 or 11 marks	Levels of response Level 2: 8-4 marks Some understanding shown of how TQM may be put into practice in a business. No context required. Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. Level 1: 3-1 marks Some knowledge of what TQM is about (e.g. a list of
		t	10 or 11 marks Two L3 annotations = 12, 13 or 14 marks One L4 annotation = 15, 16 or 17 marks Two L4 annotations = 18,	
	Whether TQM can be introduced at QRL is an issue to consider. Amy does appear to be more focused on the 'bottom line' and TQM will be costly in the short-term (a problem given QRL's current financial situation and finance-based objective). Given the suggestion by John that Amy is more focused on short-term targets then she may not be open to the idea. Even if the other managers, such as Jay, attempt to push ahead with TQM, support of the policy from the very top is a vital component for it to be successful. It may also be suggested that TQM is an unnecessary distraction at present given that Amy is still 'fire-fighting' to a certain extent.		Poor QWC cannot prevent a candidate from accessing any level, but within any individual level QWC can affect, by up to two marks, the final mark given.	The bottom mark in Levels 2-4 MUST only be used for a BOD answer at that level.

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