

Mark Scheme (Results)

January 2007

GCE

GCE Economics and Business Studies
6361 (Unit 1)

MARK SCHEME 6361

Question 1

- (a) Explain what you understand by:
- (i) 'cost cutting drive' (Evidence A line 2)

Knowledge 2 marks

A deliberate and concerted effort by a firm to reduce the level of its total/average costs in order to increase its competitiveness and/or profitability.

Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.

- (ii) 'operating profit' (Evidence A line 12)

Knowledge 2 marks

Gross Profit minus overheads/selling and admin expenses.

Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.

- (iii) 'market segment' (Evidence B line 6)

Knowledge 2 marks

A division of a market that represents a group of customers with different preferences.

Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.

- (b) Briefly explain why the share price rose despite Northern Food apparent difficulties.

Knowledge 1, application 2, analysis 1 marks

We are looking for an awareness that sacrifices in the short run may lead to long run benefits. The evidence clearly shows a very competitive environment and sometimes apparently ruthless tactics must be used to maintain competitiveness and efficiency or even survive. Removal of possibly surplus labour, management and departments will make the company leaner and increase profitability. Investors will realise this and buy shares in the expectation of future improved performance. The increased demand for shares may push the price up.

Clear understanding of the issue and appreciation of short and long term scenarios; expect to see good use of toolkit. Clear appreciation that cost

cutting will bring benefits. Clear analysis in context leading to explanation of rise in share price.

3 - 4 marks

Less articulate and/or convincing, may lack depth of application. Brief identification of factors without development.

1 - 2 marks

- (c) Using a suitable diagram illustrate *and* explain why "This year's poor harvest will put further pressure on raw material costs" (Evidence A, line 9).

Knowledge 2, application 3, analysis 1 marks

There should be a demand and supply diagram with a leftward shift of the supply curve (ideally the supply curve should be vertical as we are discussing harvests, but accept normal supply curves). Poor harvests have caused a reduction in supply thus causing a movement along the demand curve to a new equilibrium. The price of raw materials has therefore risen. This increases the direct costs for Northern Foods.

Diagram is correct and properly presented with a clear explanation.

5 - 6 marks

Diagram is correct but explanation is not **OR** vice versa. Neither diagram or explanation is spot on but there is some merit.

3 - 4 marks

Some merit but vague and/or inaccurate.

1 - 2 marks

Answers lacking a diagram **OR** an explanation, **maximum of 3 marks**. For a diagram only or an explanation only they must be perfect and clear to gain 3 marks. Otherwise 2 marks or less dependent upon quality.

- (d) Examine **two** ways in which Northern Foods may add value.

Knowledge 1, application 3, analysis 2 marks

There is ample information in evidence B (although it is not essential to use this) to show how this may be done e.g. 'matching consumers needs and lifestyles', 'premium quality and taste' and 'responding to market trends'. Expect to see reference to ideas such as packaging, convenience, pre cooked/prepared food, creating ready meals etc.

A clear and accurate understanding of the concept, two ways explained and applied to Northern Foods. With full explanation including appropriate use of vocabulary and examples.

5 - 6 marks

Some understanding of the concept but will lack detailed analysis or convincing explanation, may not be as well developed. One way may be stronger than the other. If only one way discussed maximum of 4 marks.

3 - 4 marks

Some basic insights with little development.

Some understanding is evident but with little development.

1 - 2 marks

- (e) Assess the possible implications for Northern Foods developing closer relationships with the UK's major food retailers.

Knowledge 1, application 1, analysis 2, evaluation 4 marks

The evaluative element is paramount here, without it candidates will not get beyond L2. There are obvious benefits to developing closer relationships with major food retailers such as potential increased sales turnover and profit or the security of a market. There is also a trade-off in the sense that major retailers can be powerful and cause problems (see evidence A line 3&4), contracts can be cancelled and pressure brought to lower prices.

Reward positively candidates who use appropriate examples.

Level 4

Clear discussion and analysis leading to real evaluation of the benefits and costs and a balanced conclusion. Will include both aspects of the question and provide a balanced response using appropriate vocabulary and concepts.

7 - 8 marks

Level 3

Answers will show good knowledge and understanding of the effects but may be less wide ranging. Evaluation may be weaker or is particularly one sided, e.g. just benefits or just costs.

5 - 6 marks

Level 2

Some knowledge of the effects of closer relationships but fail to make appropriate assessment, development is perhaps not fully there. Evaluation is likely to be weak or missing altogether. Without it a response cannot go beyond L2.

3 - 4 marks

Level 1

Some merit in points but little if any development.

Limited awareness of relationships, candidates may quote from stimulus material and make bold assertions.

1 - 2 marks

Question 2

- (a) Explain what you understand by:

- (i) 'markets' (Evidence A line 1)

Knowledge 2 marks

Any medium by which buyers and sellers interact and agree to trade at a price.

Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.

(ii) 'profit margins' (Evidence A line 8)

Knowledge 2 marks

The percentage share of turnover that is profit.

Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.

(iii) 'variable costs' (Evidence A line 10)

Knowledge 2 marks

These are the costs that vary with the level of output.

Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.

(b) Briefly explain why Sony would want to reduce its fixed costs.

Knowledge 1, application 2, analysis 1 marks

The emphasis here should be on increasing/regaining profitability. There may also be mention of increased competitive advantage.

A clear understanding of the concept and applied to Sony with appropriate vocabulary and examples. Accept one point well developed well with appropriate use of toolkit. e.g. Break-even analysis.

3 - 4 marks

Less articulate and/or convincing, may lack depth of application. Response could be generic, not applied directly to Sony. Implicit responses with knowledge of fixed costs. May gain up to 2 marks.

1 - 2 marks

(c) Briefly examine two approaches Sony might adopt when launching a new product.

Knowledge 2, application 3, analysis 1 marks

There are several avenues here. This is Module 1 and the candidates should have looked at pricing strategies, advertising and promotion, use of brand image and market research and orientation. Answers may take these themes but accept any reasonable suggestions.

Two approaches that Sony might adopt clearly and logically explained.
Response is balanced with appropriate terminology, detail and in context.
5 - 6 marks

May lack the clarity of above and may not be as strong on toolkit or context.
One idea may be stronger than the other. If only one approach discussed
maximum of 4 marks. Abstract answers that do not refer to Sony should receive
a maximum of 3 marks.
3 - 4 marks

Some basic insights with little development. (E.g. bullet points, simple
statements without development in context)
1 - 2 marks

(d) Examine the importance of entering new markets for a company like
Sony.

Knowledge 1, application 3, analysis 2 marks

Again there are several reasons here for entering new markets including
increasing sales and profits, decline in existing portfolio, being left behind in
the digital music sector, spreading risks and increasing/preserving competitive
advantage. Good answers will offer two or more factors with sound
explanation.

Clear understanding of the importance of entering new markets and discussion
of two reasons relevant to Sony. Expect to see good use of toolkit and clear
reasoning and analysis.

5 - 6 marks

Not as clear or as analytical, may not be as strong on toolkit or context.
Answers that only give one factor 4 marks maximum.

3 - 4 marks

Some basic insights but lacking in specifics and detail

1 - 2 marks

(e) Assess the possible trade-offs involved for Sony in delaying the European
launch of the PSP.

Knowledge 1, application 1, analysis 2, evaluation 4 marks

The evaluative element is paramount here, without it candidates will not get
beyond L2. The emphasis is on 'possible trade-offs' therefore allow any
reasonable ideas. The US market is clearly important for Sony and they need to
have enough units to satisfy demand and to keep pace with/outstrip their
rivals. On the other hand neglecting the European market could prove to be a
costly mistake as Nintendo has already launched there.

Level 4

Clear discussion and analysis leading to real evaluation and a balanced conclusion. Will include both aspects of the question and provide a balanced response using appropriate vocabulary and concepts (both sides of the trade-off).

Clear link to Sony.

7 - 8 marks

Level 3

Answers will show good knowledge and understanding of the implications but may be less analytical or balanced. Evaluation may be weaker or is particularly one sided. Linked to Sony. A one-sided analysis, if done well may gain a maximum of 5 marks.

5-6 marks

Level 2

Some knowledge of the likely effects but development is perhaps lacking. Evaluation is likely to be weak or missing altogether. Without it a response cannot go beyond L2. May be vague with reference to Sony.

3 - 4 marks

Level 1

Some merit in points but little if any development. May not be linked to Sony.

1 - 2 marks

Question 3

- (a) Explain the likely effect of redundancies on worker motivation for firms such as Northern Foods.

Knowledge 2, application 2, analysis 2, evaluation 2 marks

Motivation is a key part of module 1 and there is the chance for candidates to use theory to reinforce their points. Expect to see many answers concentrate on the 'downside' of these job cuts e.g. creating uncertainty and worry amongst the remaining workers, Maslow's security needs may not be fulfilled. Candidates may see this as a block to movement up the hierarchy. A more balanced answer may question the validity of this. Better answers may point out that it may have a positive effect on worker motivation because the future of the firm is now more secure, it may also mean that the remaining workers are more likely to have more responsibility or more chance of promotion (again this could be linked to Maslow). Accept any other valid motivational theory.

Level 4

Well rounded discussion, clear use of motivational theory used in context that considers both sides with an evaluative element. Several aspects considered with good use of toolkit and theory.

7 - 8 marks

Level 3

Knowledge and application are evident, awareness of theory and use of toolkit is reasonable. Perhaps less clear and may lack balance. There may be more emphasis on the 'downside'; evaluation may be weak or lacking. One effect done very well can access L3.

5 - 6 marks

Level 2

Awareness of some issues but response fails to develop a clear analysis. Use of theory may be rather casual and lack use of toolkit, perhaps only one effect.

3 - 4 marks

Level 1

Some merit in points but little development, no toolkit. May be brief general comments couched in non-economic language.

1 - 2 marks

- (b) Assess the role of a Trade Union in protecting workers' interests.

Knowledge 1, application 3, analysis 3, evaluation 5 marks

The specification expects students to have knowledge of Trade Unions and their changing role. Mention may be made of their role in collective bargaining, representing the workers, pensions, advisory functions etc. Module 1 also looks at the working population, broad trends in employment & unemployment as well as recent trends in the labour market. All of these topics can be used to help answer this question. The role and influence of Unions are declining; nevertheless there are areas where they continue to be of importance. The nature of the labour market is changing as are other factors that will influence the ability of a Union to protect its member's interests.

There is a strong evaluative element here and good candidates must show this. Reward positively appropriate examples.

Level 4

A full understanding of the role of a Trade Union showing a realistic understanding of the factors that influence a Union's ability to carry out these responsibilities. The response will be clear and articulate. There is balance and a reasoned evaluation.

10 - 12 marks

Level 3

Candidates build on role of Trade Union and factors that influence their ability to protect workers' interests. Reasonable awareness of the issues affecting a Union's power but perhaps not as articulate. There is an attempt at evaluation, which might be rather unbalanced or uncritical.

7 - 9 marks

Level 2

Awareness of the role of a Union and may apply this to some examples, some knowledge but fails to build a balanced discussion. Evaluation or conclusions may be lacking or vague. Very limited view of trade unions will be capped at level 2.

4 - 6 marks

Level 1

Some merit in relevant but unsupported assertions. Will lack examples and make brief points in general terms only.

Question 4

- (a) Explain the likely consequences of shifts in competitive advantage for a firm such as Sony.

Knowledge 2, application 2, analysis 2, evaluation 2 marks

From the tone of the stimulus material many students are likely to interpret this as meaning a change for the worse, but the question could be looked at either way. It also does not have to be about Sony. There are a number of approaches to this question. Expect to see explanations based around a change in demand and therefore sales, leading to a change of market share and profitability. This could be developed and seen in terms of effects on breakeven points, cash flow, profit margins, job losses/gains, reduced/increased dividends, changes in production and costs etc. It may also mean the need to rethink strategy. Accept any reasonable argument.

Level 4

Clear understanding of the consequences for a company such as Sony. Answers are clear and make good use of terminology and toolkit.

7-8 marks

Level 3

Knowledge and application are evident and use of toolkit is reasonable. At this level expect to see appropriate contextualisation.

5 - 6 marks

Level 2

Candidates are able to identify the consequences of changes in competitive advantage with some development. Awareness of the central theme but response fails to develop a clear analysis.

3 - 4 marks

Level 1

Some understanding of competitive advantage as a concept, but little development, no toolkit.

1 - 2 marks

- (b) Assess the implications of market orientation for firms such as Sony.

There is clear evidence of the danger of drifting away from a market orientated approach in the evidence and much of the discussion might centre around this and the need to focus on the customer. The desire for success drives firms to satisfy the customer's needs in order to achieve a competitive advantage. Contrast may be made with a firm that is product led. The implications of this are many, not least in terms of the need for market research, R&D and therefore increased costs and investment. However there are other areas that firms must worry about as well, market orientation alone does not guarantee success.

Knowledge 1, application 3, analysis 3, evaluation 5 marks

Level 4

Full and clear understanding of the implications of market orientation with accurate terminology and good use of toolkit. There is balance, an awareness of both positive and negative implications and a reasoned evaluation.

10 - 12 marks

Level 3

Good awareness of the implications of market orientation for firms such as Sony, perhaps not as articulate. Some awareness of balance but evaluation is not as strong or as balanced. Some toolkit use applied in context.

7 - 9 marks

Level 2

Awareness of the implications, some knowledge, but fails to build a balanced discussion. Evaluation is likely to be lacking or vague at best. Toolkit use may be limited and answers may lack context.

4 - 6 marks

Level 1

Some merit in relevant but unsupported assertions. Comments will probably lack appropriate toolkit and may be very general in nature.

1 - 3 marks

ASSESSMENT OBJECTIVES GRID					
Question	Knowledge	Application	Analysis	Evaluation	Total
1a	6	-	-	-	6
1b	1	2	1	-	4
1c	2	3	1	-	6
1d	1	3	2	-	6
1e	1	1	2	4	8
2a	6	-	-	-	6
2b	1	2	1	-	4
2c	2	3	1	-	4
2d	1	3	2	-	6
2e	1	1	2	4	8
3a	2	2	2	2	8
3b	1	3	3	5	12
4a	2	2	2	2	8
4b	1	3	3	5	12
<i>Total</i> (1&3 or 1&4 or 2&3 or 2&4)	14	14	11	11	50