

# **Combined Mark Schemes And Report on the Components**

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**June 2005**

**9914/MS/R/05**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

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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**Mark Scheme 9914  
June 2005**

**1 To what extent is Sainsbury's a successful business? [20]**

| <b>Level</b> | <b>The candidate;</b>  | <b>Mark</b> |
|--------------|--|-------------|
| 4            | <ul style="list-style-type: none"> <li>• Integrates subject understanding with the given context, synthesising ideas, evidence and subject theory to produce a coherent, reasoned and logically correct answer.</li> <li>• Demonstrates excellent subject knowledge and applies this accurately and with precision to the given situation.</li> <li>• Selects appropriately from the variety of tools and techniques within the subject specification to support their reasoning.</li> <li>• Communicates their conclusion in an effective manner using appropriate grammatical and linguistic style.</li> </ul> | 20 - 16     |
| 3            | <ul style="list-style-type: none"> <li>• Integrates subject understanding with the given context, applying ideas, evidence and subject theory to produce a coherent answer.</li> <li>• Demonstrates good subject knowledge and applies this accurately and with precision to the given situation.</li> <li>• Selects tools and techniques within the subject specification to support their reasoning.</li> <li>• Communicates their conclusion using appropriate grammatical and linguistic style.</li> </ul>   | 15 - 11     |
| 2            | <ul style="list-style-type: none"> <li>• Applies subject understanding in the given context, synthesising ideas, evidence and subject theory to produce an answer.</li> <li>• Demonstrates some subject knowledge and applies this accurately to the given situation.</li> <li>• Applies tools and techniques within the subject specification to support their reasoning.</li> <li>• Communicates their conclusion in a sound manner using appropriate grammatical and linguistic style.</li> </ul>   | 10 - 6      |
| 1            | <ul style="list-style-type: none"> <li>• Offers an answer in the given context.</li> <li>• Demonstrates some subject knowledge and applies this to the given situation.</li> <li>• Applies tools and techniques within the subject specification.</li> <li>• Communicates their conclusion in a manner that uses inappropriate grammatical and linguistic style.</li> </ul>  | 5 - 1       |

Candidates might discuss the notion of “success”; what it is, and for whom. Different stakeholders will have their own objectives and therefore interpretation of success.

- *Rising sales over 5 year period, £17,414 to £18,239 = 4.74%*
- *19.8% increase in pre-tax profits 2000 to 2003, but fell 2.9% 2003 – 2004*
- *Consistent increase in dividends per share 2000 – 2005*
- *Rise in EPS from 2000 to 2004 but First loss in 135 years*
- *Sainsbury’s “better” than Tesco and Morrison regarding both EPS and DPS.*

|                    | <i>Sainsbury’s</i> | <i>Tesco</i> | <i>Morrison</i> |
|--------------------|--------------------|--------------|-----------------|
| <i>GPM</i>         | <i>3.7%</i>        | <i>4.8%</i>  | <i>6.5%</i>     |
| <i>ROE</i>         | <i>13.2%</i>       | <i>20.1%</i> | <i>24.3%</i>    |
| <i>FA turnover</i> | <i>2.14x</i>       | <i>2.18x</i> | <i>2.84x</i>    |

- *Falling market share; described as “one-time” market leader by the Economist and pie charts*
- *But talk of job losses, dispute with Usdaw going to ACAS*
- *Poorly stocked shelves*
- *New supplier initiatives; e.g. Westaways*
- *Online sales boost*

**2 Recommend, and justify, a strategy which Sainsbury's might adopt in the light of ONE of the following,**

**Either declining market share,  
OR society's concerns about healthy life styles,  
OR an announcement of a takeover bid for Sainsbury's,  
OR poorly stocked shelves in its stores. [20]**

| Level | The candidate;   | Mark    |
|-------|--|---------|
| 4     | <ul style="list-style-type: none"> <li>Integrates subject understanding with the given context, synthesising ideas, evidence and subject theory to produce a coherent, reasoned and logically correct strategy.</li> <li>Demonstrates excellent subject knowledge and applies this accurately and with precision to the given situation.</li> <li>Selects appropriately from the variety of tools and techniques within the subject specification to support their reasoning.</li> <li>Communicates their conclusion in an effective manner using appropriate grammatical and linguistic style.</li> </ul> | 20 - 16 |
| 3     | <ul style="list-style-type: none"> <li>Integrates subject understanding with the given context, synthesising ideas, evidence and subject theory to produce a coherent strategy.</li> <li>Demonstrates good subject knowledge and applies this accurately and with precision to the given situation.</li> <li>Selects tools and techniques within the subject specification to support their reasoning.</li> <li>Communicates their conclusion using appropriate grammatical and linguistic style.</li> </ul>   | 15 - 11 |
| 2     | <ul style="list-style-type: none"> <li>Applies subject understanding in the given context, applying ideas, evidence and subject theory to produce a strategy.</li> <li>Demonstrates some subject knowledge and applies this accurately to the given situation.</li> <li>Applies tools and techniques within the subject specification to support their reasoning.</li> <li>Communicates their conclusion in a sound manner using appropriate grammatical and linguistic style.</li> </ul>  | 10 - 6  |
| 1     | <ul style="list-style-type: none"> <li>Offers a strategy in the given context.</li> <li>Demonstrates some subject knowledge and applies this to the given situation.</li> <li>Applies tools and techniques within the subject specification.</li> <li>Communicates their conclusion in a manner that uses inappropriate grammatical and linguistic style.</li> </ul>   | 5 - 1   |



# **Report on the Component June 2005**

## **9914: Advanced Extension Award in Business**

### **General Comments**

The AEA in Business became a “live” qualification this summer following the successful trial in June 2004. The June 2005 paper closely followed the style and format of the trial paper. Given that the both the trial and the live papers served to offer the very best candidates a real challenge, whilst also being accessible to the majority, it is reasonable to assume that the format will remain for the foreseeable future. Hence, colleagues preparing candidates can expect a case study based on a large business which should be familiar to candidates. The case study will draw upon evidence from several sources and it will be presented in a range of styles. The format of two questions, one compulsory and one offering choice will similarly continue. Question 1 is likely to be diagnostic whilst Question 2 will invite a forward looking strategic response about how the business might address a problem it is having, possibly with a behavioural theme.

The entry was some 300 candidates, from about 90 centres. Entries ranged from single candidates to what may well have been an entire class. The experience of the examining team was that the paper was a good discriminator. At the top end of the ability range the quality of the answers seen was very impressive. Such answers integrated their clear subject understanding, vocabulary and concepts with the material provided in the case study. Further, it was clear by the argument advanced that these best candidates had invested time in planning and thought before committing pen to paper. Consequently, the answers had structure, precision and coherence; in short they were a real pleasure to read. Regrettably, at the opposite end of the range were answers which could have been written by any reasonably informed adolescent. These answers contained little explicit evidence of study of Business and tended to journalistic generality. Because the AEA is a test of the very best, and as such a self selecting sample, the presence of so many poorly equipped candidates was a real surprise.

Given the nature of Business, it is expected that the best candidates will be comfortable dealing with information in verbal, graphical and numerate form. The examiners were often left wondering whether all candidates had access to a calculator. Similarly, some answers betrayed a worrying inability on the behalf of candidates to accurately interpret graphical information. Another surprise was the poor presentation of answers, particularly as there was little evidence of a shortage of time.

## Comments on Individual Questions

- 1) Quite deliberately this question was very open ended. As such it invited candidates to approach the question from different perspectives and to consider the company's current situation. Typically answers tended to conform to one of three types. First, the use of a stakeholder framework to gauge Sainsbury's success. Second, the assessment of success against stated and/or implied objectives. The third, a semi-informed description of the business, which may or may not have touched on the notion of success.

The better answers didn't simply describe the evidence in the various extracts. Rather, they selectively drew upon the evidence, clearly reasoning how it could be used to assess success. In considering success, not all the evidence was pertinent and so not all was needed. Further, the evidence was analysed, not just described. For example, in using Extract M the best answers showed that Sainsbury's has the least favourable Gross Profit Margin of the three companies (Sainsbury's 3.7%, Tesco 4.8% and Morrisons 6.5%) and could therefore be deemed to be unsuccessful. Weak answers were wont to suggest "...Sainsbury's is more successful than Morrisons because its profit before tax is bigger and so it is quite successful." At this level it is expected that candidates will do more than merely repeat the evidence. It is hoped that they will link different parts together to create robust argument.

A commonly encountered misconception surrounded Extract C, the market share pie charts. Far too many candidates held the belief that if market share is falling, as it has for Sainsbury's over the period, then sales must be falling. Having made this basic error of interpretation the subsequent analysis of Sainsbury's success was fundamentally flawed and so made little sense. A few candidates discussed Sainsbury's in terms of a manufacturing organisation. Others believed, from presumably the most cursory glance at Extract M, that between 2001 and 2002, Sainsbury's opened 43 supermarkets.

As is appropriate, the examiners did not have a preconceived view about the successfulness of Sainsbury's. Top marks could have, and were, achieved by arguing either possibility. What differentiated candidates was their ability to synthesize the subject called Business with the data. The majority view which emerged was that whilst successful in many respects, Sainsbury's no longer enjoys the level of success it once did when compared to its major rivals, typically Tesco.

- 2) The task within this question is to offer a strategy which the business might adopt in the light of one of four scenarios. There was ample evidence within scripts that too many candidates were either unprepared for this question or have little appreciation of what a strategy is. Too often answers offered short term tactical behaviourally based advice, for example some aspect of marketing. Instead what was required was a longer term, integrated response which, whilst possibly starting within marketing, broadened out to consider the business as a whole, considering resources required, time scale or priority and sequence of actions. Clearly we cannot expect candidates to be able to solve the problems facing a FTSE 100 company, but we can expect them at this level to be able to offer a creative and imaginative response.

There were no rubric errors such that a candidate attempted more than one part of Question 2.

(i) Nearly half of the entry opted to answer Question 2(i). Few candidates actually questioned the definition of market here, whether it was food, non-food, value, volume or whatever. Similarly, it was the exception to read that, whilst market share has fallen, it has not fallen a great deal over a period of 15 months so although it might be disappointing it is not a crisis. Indeed, with 16% growth reported (Extract A), Sainsbury's sales continue to rise albeit at a slower rate than the market as a whole. Better answers suggested the starting point might sensibly be some research to discover the underlying cause of the 0.2% decline and then use the outcome of the research as the basis of the strategy. Various it was suggested that Sainsbury's retreat into niche markets, gain a USP, aggressively attack non-food and so on. A minority recognised acquiring companies within "other" would be a way to improve market share. However, those that did similarly recognised the possibility of intervention by the Competition Commission. Many candidates argued that whatever Sainsbury's did it could not afford to engage in a price war, either because of the oligopolistic nature of the market or that, as the third ranked player, they are unlikely to be able to outgun Tesco or Asda.

(ii) The second most popular of the four options, the average mark for this question about society's concerns for healthy life styles, was the lowest. Far too many candidates thought a suitable response was to launch a range of healthy goods and use Jamie Oliver in the TV advertising campaign. Such answers, which could well have been offered by candidates just starting to study Business, are simply not strategic in nature. Another frequently seen route was to suggest the sale of non food health related products, such as sports clothing and exercise equipment. Better answers attempted to draw on the evidence, for example Extract K, to argue that customers would be prepared to pay a premium price for goods related to health. It was the exception for candidates to question the validity and accuracy of this Extract. Others argued that Sainsbury's should engage in a joint venture with a fitness provider, linking sales in stores with gym membership. Another route was specialization in health foods. These included the purchase of Holland & Barrat through to the more extreme abandoning selling any unhealthy foods and so gain a market reputation for health.

Many candidates made a direct link between healthy life styles and ecological issues, assuming that customers interested in a healthy life style also had "green" concerns. Whilst this might be questionable assumption the examiners were prepared to continue under it.

(iii) By far and away the least popular of the four options, with the number of candidates attempting this question in single figures. However, the mean mark was amongst the highest. Responses ranged from embark on a defensive reverse merger to seeking to gain the highest possible bid price. The large shareholding of the Sainsbury's family was often commented upon in terms of the size of the market for shares and the subsequent impact on price.

(iv) Too many of the answers to poorly stocked shelves in stores focused exclusively upon Operations. Such answers frequently exhibited robust understanding of, variously, JIT, Kanbans, ICT and Bar Codes. The weakness here was the lack of a strategy. The better answers suggested the need for an integrated response rather than a technological fix. So, address the labour relations problems within Sainsbury's own distribution chain, work closely with suppliers, seeking to

forecast demand so that goods are moved to stores in advance and so on. The most imaginative response was to close the stores every lunch time to enable stock replenishment.

As with each part of Question 2, the clear demand is for a strategic response. Too often candidates were simply ignoring this requirement and as a consequence tended to score less well for Question 2 when compared to Question 1. Colleagues advising and preparing candidates must ensure that they are both aware of this requirement and respond to it if their charges aspire to either of the two grades available.

**Advanced Extension Award (Business) (9914)  
June 2005 Assessment Session**

**Component Threshold Marks**

| <b>Component</b> | <b>Max Mark</b> | <b>Distinction</b> | <b>Merit</b> | <b>Ungraded</b> |
|------------------|-----------------|--------------------|--------------|-----------------|
| 9914/01          | 40              | 30                 | 22           | 0               |

**Overall**

|                                | <b>Distinction</b> | <b>Merit</b> | <b>Ungraded</b> |
|--------------------------------|--------------------|--------------|-----------------|
| Percentage in Grade            | 3.78               | 35.05        | 61.17           |
| Cumulative Percentage in Grade | 3.78               | 38.83        | 100             |

The total entry for the examination was 302.



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