



General Certificate of Secondary Education

Business Studies 3132/F *Specification A*

Mark Scheme

2005 examination – June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Business Studies

Foundation Tier

3132/F

INTRODUCTION

Whilst every effort is made to give clear guidance, the mark scheme will always require the exercise of judgement in interpreting marginal points, not just occasionally, but continuously throughout the scripts. It should be seen as a set of guidelines, not rigid performance criteria.

One key area of judgement relates to the level of access to levels. In principle, candidates can ‘come in’ at any level, according to the quality of their response, with Level 1 commonly by-passed. However, problems can arise when, on a higher mark question, the candidate makes, or hints at, one high level point in an otherwise Level 1 (or zero mark) response. Usually the situation is anticipated by the structure of the mark scheme, but examiners should feel able to withhold access to a level should the spirit of the mark scheme appear to have been breached.

Responses suggested in this scheme are not exhaustive. The mark scheme cannot anticipate all possible responses. Any valid response should be given full credit, with reference being made to your team leader when serious doubt arises.

SECTION A

1

Total for this question: 12 marks

Explain briefly the meanings of the following Business Studies terms and give an example of each. Your examples can be drawn from the Case Study or from any other source.

- | | |
|--------------------|------------------|
| (a) Retailer | <i>(3 marks)</i> |
| (b) Partnership | <i>(3 marks)</i> |
| (c) Pressure group | <i>(3 marks)</i> |
| (d) Loss leader | <i>(3 marks)</i> |

For each sub-question (a) to (d) the following should be adopted.

	AO1 (max 2 marks)	AO2 (max 1 mark)
Level 2	Clear understanding demonstrated (2 marks)	
Level 1	Some understanding demonstrated (1 mark)	Appropriate example used (1 mark)

- | | |
|--------------------|---|
| (a) Retailer | Shop/store, place where goods are sold, final stage before customers, tertiary sector e.g. any known or plausible retailer, must name (not 'Paper Shop'). |
| (b) Partnership | Enterprise consisting of more than one owner, larger than sole trader, unlimited liability, share responsibilities and risks, e.g. MARKS & SPENCER pre-incorporation, any known or plausible partnership. Do not allow brand names e.g. Benson & Hedges, B&Q. |
| (c) Pressure group | Organisation which tries to influence government, business or individuals. Could include methods to draw attention to cause, e.g. Greenpeace, CRE. Must name, allow named trade union. |
| (d) Loss leader | Product sold at cost or below cost price. Intention is to attract customers into outlet. Possibly to increase market share or destroy competition, e.g. Tesco selling clothes. Allow example that does not name company, e.g. mobile phone company offering cheap handsets. |

2

Total for this question: 6 marks

(a) What is a franchise?

(2 marks)

An organisation which allows other businesses to trade using their corporate identity, in return for a royalty payment. Allow well known example, e.g. McDonalds, Simply Food, as showing understanding

	AO1 (max 2 marks)
Level 2	Clear understanding demonstrated (2 marks)
Level 1	Some understanding demonstrated (1 mark)

(b) Briefly explain **two** benefits to Marks & Spencer of franchising overseas.

(4 marks)

Benefits could include:

- Extend potential market for its products, without having to bear risk
- Allows expansion without having to have detailed knowledge of foreign markets
- Increase profits from royalties
- Raise profile of the business to create more custom

NB: Benefits should be to franchisor and not franchisees/allow points raised on franchising in general.

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid benefits identified (2 marks)	Both benefits adequately explained or one benefit well explained (2 marks)
Level 1	1 valid benefit identified (1 mark)	1 benefit adequately explained (1 mark)

3

Total for this question: 6 marks(a) Give **two** reasons why people buy shares in businesses.*(2 marks)*

Reasons could include:

- To be paid a dividend
- To obtain a capital gain
- To show support (e.g. football club)
- To gain access to AGM to protest, etc

	AO1 (max 2 marks)
Level 2	Two suitable reasons given (2 marks)
Level 1	One suitable reason given (1 mark)

(b) Briefly explain **two** actions that shareholders might take if they were unhappy with how their company was performing.*(4 marks)*

Actions could include:

- Sell shares
- Protest at AGM/sack directors
- Call EGM
- Form pressure group/lobby directors
- Any form of communication to director's
- Buy more shares to take control of business.

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid forms of action identified (2 marks)	Both actions adequately explained or one action well explained (2 marks)
Level 1	1 valid form of action identified (1 mark)	1 action adequately explained (1 mark)

4

Total for this question: 6 marks

(a) What is redundancy?

(2 marks)

Business no longer needs certain jobs because of demand change etc. Those made redundant usually receive a payment.

Do not reward a response that suggests the person has been sacked for misconduct etc.

	AO1 (max 2 marks)
Level 2	Clear understanding demonstrated (2 marks)
Level 1	Some understanding demonstrated (1 mark)

(b) Briefly explain **two** reasons why companies, such as Marks & Spencer, might want to avoid creating redundancies.

(4 marks)

Reasons could include:

- Bad publicity, seen as uncaring business, could cause fall in sales
- Cost of redundancy payments
- Might believe the problem is just short-term
- Unsettling effect on other employees

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid reasons identified (2 marks)	Both reasons adequately explained or one well explained (2 marks)
Level 1	1 valid reason identified (1 mark)	1 reason adequately outlined (1 mark)

SECTION B

In Section B, Level 2 AO2 and AO3 marks are not available for responses that fail to link firmly with Marks & Spencer. Answers that could apply to any business are limited to Level 1 with these AOs. The lack of meaningful analysis with such responses will probably restrict assess to Level 1 in AO4.

5**Total for this question: 14 marks**

Marks & Spencer's three company principles can be found in Table 3 on page 6 of the Case Study.

(a) Describe **two** ways in which Marks & Spencer could help the communities in which it operates.

(4 marks)

Possible ways could include:

- Donate money to worthy causes
- Help out in school: mentoring; etc
- Give unsold food to charities

Allow wider interpretation of communities (e.g. employees, customers).

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid ways identified (2 marks)	Both ways adequately applied to Case Study or one way well applied (2 marks)
Level 1	1 valid way identified (1 mark)	Some application/no context (1 mark)

(b) Explain **two** methods that Marks & Spencer might use to ensure that its products are of a high standard. (4 marks)

Possible methods for discussion include:

- Monitoring standards at suppliers
- Insist on high quality materials/ingredients
- Form close relationship with suppliers
- Suppliers have ISO 9000 etc
- In-store inspections by supervisors or assistants
- Customer questionnaires

	AO2 (max 2 marks)	AO3 (max 2 marks)
Level 2	2 valid methods applied (2 marks)	Both methods briefly analysed/commented upon or one method well analysed (2 marks)
Level 1	One suitable methods applied (1 mark)	One method briefly analysed/commented upon (1 marks)

(c) Discuss whether Marks & Spencer should concentrate on looking for cheaper suppliers rather than providing high quality products. (6 marks)

Possible areas for discussion include:

- Effect on long term reputation
- Would alienate current customers
- Would move to another market segment with greater competition

To secure AO4 Level 2, both sides of the argument needs to be expressed clearly and judgments need to be supported by the analysis undertaken.

	AO3 (max 2 marks)	AO4 (max 4 marks)
Level 2	Analysis in context (2 marks)	Good judgement offered based on balanced analysis (3 - 4 marks)
Level 1	Some analysis/ no context (1 mark)	Some judgement based on analysis (1 - 2 marks)

6

Total for this question: 14 marks

We are told on page 4 of the Case Study that most of Marks & Spencer’s stores are in high street locations. Much of Marks & Spencer’s clothing is now sold under its new brand names, such as those shown in Table 5, on page 9. Marks & Spencer sells an increasing number of its goods through the internet.

(a) Describe **two** benefits to Marks & Spencer of creating new brand names. *(4 marks)*

Benefits could include:

- Use brands to target certain groups, could attract new non-traditional customers
- Gives Marks & Spencer a fresh image, helping it restore sales
- Re-branding as an extension strategy
- Consumers want to buy branded clothing

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid benefits identified (2 marks)	Both benefits adequately applied to Case Study or one benefit well applied (2 marks)
Level 1	1 valid benefit identified (1 mark)	Some application/no context (1 mark)

(b) Explain **two** difficulties that Marks & Spencer has selling its goods through the internet? *(4 marks)*

Possible difficulties include:

- Not everyone has access to computers or are happy using them,
- Consumers are unable to see or try on clothes
- Delivery problems with customers not at home
- Needs investment in transport
- Credit card fraud

	AO2 (max 2 marks)	AO3 (max 2 marks)
Level 2	2 or more valid difficulties applied (2 marks)	Both difficulties briefly analysed/commented upon or one difficulty well analysed (2 marks)
Level 1	One suitable difficulties applied (1 mark)	One difficulty briefly analysed/commented upon (1 marks)

(c) Discuss whether Marks & Spencer should be opening more stores in out-of-town locations.
(6 marks)

Possible areas for discussion include:

- Land is generally cheaper out of town
- Allows for more convenient car parking
- Many customers do not like city centre shopping
- Traditionally Marks & Spencer uses high streets
- Access for those without cars
- Potential competition

To secure AO4 Level 2, both sides of the argument needs to be expressed clearly and judgments need to be supported by the analysis undertaken.

	AO3 (max 2 marks)	AO4 (max 4 marks)
Level 2	Analysis in context (2 marks)	Good judgement offered based on balanced analysis (3 - 4 marks)
Level 1	Some analysis/no context (1 mark)	Some judgement based on analysis (1 - 2 marks)

7

Total for this question: 14 marks

On page 7 of the Case Study we are told that Marks & Spencer employs a number of staff who work part time. Marks & Spencer has a long history of looking after its employees and operates an employee telephone helpline for those with personal or work problems. The Company provides an extensive range of perks to its employees, such as a subsidised share scheme and store discount cards.

- (a) Briefly describe **two** possible reasons why Marks & Spencer decided to introduce its employees' telephone helpline. (4 marks)

Possible reasons include:

- Gives Marks & Spencer a caring image
- Could help motivate employees
- Could resolve problems before it affects absenteeism, etc

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid reasons identified (2 marks)	Both reasons adequately applied to Case Study or one reason well applied (2 marks)
Level 1	1 valid reason identified (1 mark)	Some application/no context (1 mark)

- (b) Explain **two** benefits to Marks & Spencer of having part-time employees. (4 marks)

Possible benefits include:

- Greater flexibility with shifts, Marks & Spencer can cover busy times with more staff
- Marks & Spencer gains access to wider labour market
- Employees more likely to be fresher and better with customers
- More employees to choose from for promotions

NB: Do not allow: Marks & Spencer can pay part-time workers a lower hourly wage or these employees are easier to make redundant

	AO2 (max 2 marks)	AO3 (max 2 marks)
Level 2	2 valid benefits applied (2 marks)	Both benefits briefly analysed/commented upon or one benefit well analysed (2 marks)
Level 1	One suitable benefits applied (1 mark)	One benefit briefly analysed/commented upon (1 mark)

(c) Discuss whether it is better, from Marks & Spencer’s point of view, to provide perks to its employees or to pay them higher wages. (6 marks)

Possible areas for discussion include:

Perks

- Can be cheaper (e.g. discount cards), good publicity for public to see employees shopping at store
- Hairdressing etc makes shop assistants more presentable to public
- Link to Maslow etc

Higher Wages

- Employees might respond more favourably to money, so better motivated
- Perks not always available to new employees, could discourage those not eligible

Evaluative comments might include

- Likely effectiveness of either/both methods
- What do other similar stores do?

Do not reward list of perks

	AO3 (max 2 marks)	AO4 (max 4 marks)
Level 2	Analysis in context (2 marks)	Good judgement offered based on balanced analysis (3 - 4 marks)
Level 1	Some analysis/no context (1 mark)	Some judgement based on analysis (1 - 2 marks)

To secure AO4 Level 2, both sides of the argument needs to be expressed clearly and judgments need to be supported by the analysis undertaken.

8**Total for this question: 14 marks**

Details of Marks & Spencer's finances can be found in Tables 1 and 2 on page 6 of the Case Study. In Table 1, we can see that the turnover from financial services declined between 2002 and 2004.

(a) Calculate the increase in Marks & Spencer's total assets from 2003 and 2004. (4 marks)

Total assets in 2003: £3467m + £3246m = £6713m
Total assets in 2004: £3508m + £3870m = £7378m

Difference = £665m

1 mark for adding Fixed and Current assets (either or both years) with incorrect answers

1 mark for 6713 and 7378

1 mark for 665, OFR applies, for reasonable totals

1 mark for having both £ sign and m, even with incorrect answer

Also allow:

Total assets in 2003: £3467m + £3289m = £6756m
Total assets in 2004: £3508m + £3870m = £7378m

Difference = £622m

1 mark for adding Fixed and Current assets (either or both years) with incorrect answers

1 mark for 6756 and 7378

1 mark for 622, OFR applies, for reasonable totals

1 mark for having both £ sign and m, even with incorrect answer

(b) Explain **two** possible reasons why Marks & Spencer’s fixed assets increased between 2002 and 2003. *(4 marks)*

Possible reasons include:

- More stores built
- Increase in number of vehicles etc
- Investment in computer technology

Each possibility needs to be explained e.g. why would Marks & Spencer need more vehicles?

NB: Allow link to Case Study or any reasonable possibility

	AO2 (max 2 marks)	AO3 (max 2 marks)
Level 2	2 or more valid reasons applied (2 marks)	Both reasons briefly analysed/commented upon or one reason well analysed (2 marks)
Level 1	One suitable reasons applied (1 mark)	One reason briefly analysed/commented upon (1 mark)

(c) Discuss whether Marks & Spencer should move out of the financial services sector and concentrate on retailing. *(6 marks)*

Possible areas for discussion include:

For moving

- Reduced turnover in 2003
- Susceptible to interest rate changes
- Competitive market that has attracted much criticism

Against moving

- Form of diversification
- Strengthens Marks & Spencer brand
- Encourages Marks & Spencer loyalty (&more card attracts loyalty points)

	AO3 (max 2 marks)	AO4 (max 4 marks)
Level 2	Analysis in context (2 marks)	Good judgement offered based on balanced analysis (3 - 4 marks)
Level 1	Some analysis / no context (1 mark)	Some judgement based on analysis (1 - 2 marks)

To secure A04 Level 2, both sides of the argument needs to be expressed clearly and judgements need to be supported by the analysis undertaken.

9

Total for this question: 14 marks

Most of Marks & Spencer's customers are over 30 years old. Imagine that the Board of Directors is considering whether it should try to attract more younger people. One way of doing this would be to carry out an extensive marketing campaign aimed at younger people.

- (a) List **three** marketing methods that Marks & Spencer's might use to attract younger customers.

(3 marks)

Possible methods include:

- advertise in suitable media
- loyalty cards, etc
- student discounts
- sponsor team watched by young people

Must have link with young people

AO1 (max 3 marks)	
Level 3	Three suitable methods identified (3 marks)
Level 2	Two suitable methods identified (2 marks)
Level 1	One suitable method identified (1 mark)

- (b) Choose **one** of the methods that you listed in **9(a)**. Explain why it is suitable for attracting under 30 year olds to Marks & Spencer.

(4 marks)

AO3 (max 4 marks)	
Level 2	Good analysis of method (3 - 4 marks)
Level 1	Some analysis of method (1-2 marks)

To access L2 the candidates must link their analysis clearly to Marks & Spencer's.

(c) Discuss whether Marks & Spencer should be trying to attract more young customers.

(7 marks)

Arguments for attracting younger customers

- Increase in customer base
- Would encourage Marks & Spencer's to provide more stylish clothes
- Provide customers that might remain a long time

Arguments against attracting younger customers

- Could alienate existing middle aged customers
- Cost of marketing to break prejudice with young people
- Lot of competition for young market

NB - Reward evaluation only

	AO4 (max 7 marks)
Level 3	Argument is balanced and supported, clear preference made (6 - 7 marks)
Level 2	Argument is clear and supported but one-sided, or perfunctory attempt at balance (3 - 5 marks)
Level 1	Limited attempt to support argument (1 - 2 marks)

Marking Criteria for Quality of Written Communication

High Performance	Candidates spell, punctuate and use the rules of grammar with almost faultless accuracy, deploying a range of grammatical constructions; they use a wide range of specialist terms adeptly and with precision.	5 – 4 marks
Intermediate Performance	Candidates spell, punctuate and use the rules of grammar with considerable accuracy; they use a good range of specialist terms with facility.	3 – 2 marks
Threshold Performance	Candidates spell, punctuate and use the rules of grammar with reasonable accuracy; they use a limited range of specialist terms appropriately.	1 mark
Below Threshold	Candidates do not meet the threshold performance criteria.	0 marks