



General Certificate of Secondary Education

Business Studies 3132

Specification A

Foundation Tier

Mark Scheme

2008 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.

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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**

1 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) Manufacturer | <i>(3 marks)</i> |
| (b) Fringe benefit | <i>(3 marks)</i> |
| (c) Tax | <i>(3 marks)</i> |
| (d) Multinational company | <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) Manufacturer | A business/person that makes a product to be bought by a consumer. Secondary type of industry, eg Kellogg's, Ford. |
| (b) Fringe benefit | A reward, in addition to wages, made by a business to an employee. Often used to motivate/recruit/retain employees, eg health insurance, gym facilities, company car. |
| (c) Tax | Money paid to the government. The money is used to fund public services, eg income tax, VAT, corporation tax, but allow any clear reference to a specific tax, such as 'tax on wages', but not a 'tax on goods'. |
| (d) Multinational company | A business that has its headquarters in one (or more) countries and operates/produces in other countries, eg Kellogg's, Ford. |

2**Total for this question: 6 marks**

2 (a) What is meant by market research?

(2 marks)

Process of determining the demand for a product, the price consumers are prepared to pay, what they think about the product; etc. The process of gathering information about possible sales. Often involves performing interviews, surveys.

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

2 (b) Describe **two** different types of market research that Kellogg's might use before it brings out a new type of breakfast cereal. *(4 marks)*

Possible answers include:

- interviews with target groups;
- questionnaires, eg on websites;
- telephone/on the street surveys;
- trialling the product in a chosen area;
- researching competitors.

NB: The two methods should be different and not two variants on one method, eg conducting interviews in the street and in supermarkets. Allow both desk and field research for one mark each (AO1).

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

3**Total for this question: 6 marks**

3 (a) What is meant by voluntary redundancy?

(2 marks)

Employee/job is no longer required. The employee has agreed to leave the business in return for a payment, enhanced pension etc.

NB: Both 'voluntary' and 'redundancy' need to be addressed for Level 2.

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

3 (b) Give **two** reasons why jobs sometimes become redundant.*(4 marks)*

Reasons could include:

Demand for the product has fallen, because of:

- greater competition at home or abroad;
- change in consumer tastes;
- decline stage of product life style.

Alternative method of production, because of:

- greater use of machinery;
- deskilling means less need for skilled employees;
- more efficient use of labour;
- moved out of the area/abroad.

NB: Both reasons can be drawn from either a fall in demand or an alternative method of production, but must be sufficiently different.

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

4**Total for this question: 6 marks**

4 (a) What is flow production?

(2 marks)

A method of production that involves the product moving continually along a line during the production process where a different part of the process is completed.

NB: Allow an example to support the definition.

	AO1 (max 2 marks)
Level 2	Clear understanding demonstrated (2 marks)
Level 1	Some understanding demonstrated (1 mark)
Level 0	Incorrect or very weak understanding (0 marks)

4 (b) Describe **two** reasons why many large businesses choose to use flow production.*(4 marks)*

Reasons could include:

- more efficient than alternatives, eg batch production;
- large scale production available;
- allows economies of scale;
- allows greater use of capital/less reliance on labour;
- improvement in quality/greater standardisation of products.

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

SECTION B

In Section B, Level 2 AO2 and AO3 marks are not available for responses that fail to link firmly with Kellogg's. 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.

Clear context is needed to access Level 2 in AO2 and AO3. Context requires more than a mere mention of the company's name. The presence of context does not guarantee a Level 2 mark; it is a requirement. If a low level answer contains context, it remains at Level 1 for these two assessment objectives.

5

Total for this question: 14 marks

On **page 7** of the Case Study, we are told that Kellogg's has many brands of cereals. Each brand needs to be advertised on television to keep it well known. There is a freephone customer telephone number printed on the packaging of each product. Many of Kellogg's products are aimed at children.

5 (a) Describe **two** ways in which advertising of Frosties would be different from that of Special K. *(4 marks)*

Methods could include:

- Different target markets: Frosties – children; Special K – slimmers/women;
- Different programmes: Frosties are aimed at children so advertisements would be shown on kids' TV, Special K would be shown later in the evening or during school hours;
- Different approach: Frosties probably includes cartoons/humour. Special K is sophisticated.

NB: Responses should be restricted to advertising (not one of the other Ps, including promotion).

	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)	1 way adequately applied to Case Study (1 mark)

5 (b) Explain **two** benefits to Kellogg's of having its freephone customer telephone number printed on each product. (4 marks)

Possible ways include:

- reassures the customer that the company is concerned about quality;
- provides feedback on customers' views/form of market research;
- keeps up with competitors which do the same.

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

5 (c) Discuss whether it is a good idea for Kellogg's to have so many different brands aimed at children. (6 marks)

Possible areas for discussion include:

- children are big market for cereals;
- safeguard in case demand for one cereal falls;
- different brands appeal to different children's age groups;

but

- expensive to have brands can compete with each other, eg additional advertising;
- do not receive scale economies;
- may need to keep switching production.

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	2 or more areas analysed in context (2 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	1 area only analysed (1 mark)	Some judgement based on analysis (1-2 marks)

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

Kellogg's believes in treating its employees well to get the best from them. On **page 8** of the Case Study, we are told that Kellogg's encourages its employees to buy shares in the business. Kellogg's also has a family-friendly approach to working. Office workers are allowed to wear casual clothing, rather than business suits.

6 (a) Give **two** reasons why Kellogg's might encourage its employees to buy shares in the business. (4 marks)

Possible reasons include:

- make them more loyal/give them more ownership;
- encourage them to work more efficiently;
- to provide additional finance to Kellogg's.

	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)	1 reason adequately applied to Case Study (1 mark)

6 (b) Explain why Kellogg's might want family-friendly working conditions for its employees. (4 marks)

Possible types include:

- increases the number of available employees, eg mothers with dependent children;
- improve its caring image;
- employees motivated by more relaxed working conditions.

NB Response should address 'why' and not 'how'.

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

6 (c) Discuss whether you believe it is a good idea that Kellogg's allows office workers to wear casual clothes. (6 marks)

Possible areas for discussion include:

- whether employees work better/prefer to work in casual clothing;
- the benefits/goodwill Kellogg's receive from its employees from having this policy;
- whether a fall in standards affects the work of employees;
- whether the company's image improves in eyes of suppliers/customers.

	AO3 (max 2 marks)	AO4 (max 4 marks)
Level 2	2 or more areas analysed in context (2 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	1 area only analysed (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.

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

Details of Kellogg's finances can be found on **page 9** of the Case Study. The graphs show that Kellogg's sales and its operating profit in Asia fell between 2005 and 2006.

7 (a) What is meant by:

- (i) assets;
- (ii) liabilities?

(4 marks)

Assets: goods/funds owned by Kellogg's, can be current or fixed, eg stock (cereals), vehicles, debtors (supermarkets).

Liabilities: money Kellogg's owes to other people/organisations, eg loans, suppliers/creditors.

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 terms understood (2 marks)	Both terms adequately applied in context or 1 term well applied (2 marks)
Level 1	1 term understood (1 mark)	1 term adequately applied (1 mark)

7 (b) Calculate the value of Kellogg's fixed assets in 2006. *(Show your working)* *(4 marks)*

Fixed assets = Total Assets – Current Assets

$$10\,714 - 2\,427 = \$8\,287 \text{ m}$$

1 mark for selecting 10 714 and 2 427 as part of the calculation.

1 mark for performing subtraction.

1 mark for millions (or appropriate billions) and \$ sign.

Correct answer with \$m is 4 marks.

All marks are **AO2. (max 4 marks)**

7 (c) Discuss whether you believe that Kellogg's should stop selling cereals in Asia.

(6 marks)

Possible areas for discussion include:

For moving out:

- money is being lost by producing there, better to cut losses;
- could use resources to develop more profitable markets.

Against moving out:

- Kellogg's might still be being established there – demand might pick up;
- look for ways of developing demand before withdraw;
- profit in case study are percentage change so a profit not loss might still be being made.

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	2 or more areas analysed (2 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	1 area only analysed (1 mark)	Some judgement based on analysis (1-2 marks)

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

We are told in the Case Study (**page 8**) that Kellogg's has donated funds to improve deprived areas in Manchester and Wrexham. On the same page we learn that Kellogg's supports breakfast clubs in schools. On **page 5**, we are told that Kellogg's needs to make 220 jobs redundant.

8 (a) Describe **two** ways in which Kellogg's might help deprived areas of Manchester and Wrexham. *(4 marks)*

Possible responses include:

- sponsor/donate money to local causes;
- employ local people;
- specific help, eg school mentoring;
- use local suppliers (as long as it is clear this does not mean cereals).

	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)	1 way adequately applied to Case Study (1 mark)

8 (b) Explain **two** benefits to Kellogg's of supporting local schools' breakfast clubs. *(4 marks)*

Possible reasons include:

- increase demand for breakfast cereals;
- promotes the brands to children;
- good PR.

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

8 (c) Discuss whether Kellogg's should cut back the money which it gives to charity instead of reducing the number of jobs in Manchester. (6 marks)

Possible areas for discussion include:

- are the two things connected?
- charitable giving helps soften impact to public of cutting jobs;
- cutting back on jobs will help the business be profitable in the long run;
- if it did cut back on charitable giving, would the jobs be saved?
- charitable donations gives Kellogg's a good reputation;
- the redundancies are voluntary, not compulsory.

	AO3 (max 2 marks)	AO4 (max 4 marks)
Level 2	2 or more areas analysed in context (2 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	1 area only analysed (1 mark)	Some judgement based on analysis (1-2 marks)

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

On **page 5** of the Case Study, we are told that Kellogg's does not make cereals to be sold as supermarkets' own brands.

9 (a) What is meant by supermarkets' own brand products? *(2 marks)*

Usually cheaper goods, sold as offering good value for money. Products made by another manufacturer but sold under supermarket name. An example may be used to support the answer.

	AO1 (max 2 marks)
Level 2	Good understanding shown (2 marks)
Level 1	Some understanding of term shown (1 mark)

9 (b) Explain **two** reasons why a packet of a supermarket's own brand of cornflakes is usually sold at a lower price than a Kellogg's packet. *(4 marks)*

Responses could include:

- less advertising on own brand;
- often used as loss leaders;
- ingredients might be cheaper/inferior.

	AO3 (max 4 marks)
Level 2	2 strategies containing good analysis (3-4 marks)
Level 1	Some analysis on both strategies, or 1 strategy well analysed (1-2 marks)

9 (c) Discuss whether you believe that Kellogg's should sell cornflakes to supermarkets that will then be sold as supermarkets' own brands. (8 marks)

To access the AO4 marks, candidates need to weigh up arguments for and against.

In favour:

- demand for Kellogg's products will increase;
- size of Kellogg's could increase making it more dominant in the cereal market.

Against:

- if consumers find out, it could lower demand for Kellogg's branded products as consumers turn to own labels;
- Kellogg's might get a downmarket image;
- Kellogg's will be supplying a competitor;
- more advertising might be needed to make Kellogg's seem better than supermarkets' own labels.

	AO4 (max 8 marks)
Level 3	Good judgement offered based on balanced analysis (7-8 marks)
Level 2	Good evaluation of 1 side or some evaluation of both (4-6 marks)
Level 1	Some judgement based simple analysis (1-3 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.	4-5 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.	2-3 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