



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

# Mark scheme

# June 2003

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## GCSE

### Business A

3132

Higher

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**BUSINESS STUDIES****Higher Tier****3132/1H**

Whilst every effort is made to give clear guidance, the mark scheme will always require the exercise of judgment 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 make, 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 marking scheme, but examiners should feel able to withhold access to a level should the spirit of the marking scheme appear to have been breached.

Responses suggested in this scheme are not exhaustive. The marking 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.

**1.****Total for this question: (12 marks)**

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

- |                            |                  |
|----------------------------|------------------|
| (a) Public limited company | <i>(3 marks)</i> |
| (b) Brand name             | <i>(3 marks)</i> |
| (c) Niche market           | <i>(3 marks)</i> |
| (d) Horizontal Integration | <i>(3 marks)</i> |

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

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 1 mark)</b>
Level 2	Clear understanding demonstrated (2 marks)	
Level 1	Some understanding shown (1 mark)	Appropriate example used (1 mark)
Level 0	Very weak or inappropriate response (0 marks)	Inappropriate example or none offered (0 marks)

- (a) PLC A company whose shareholders are not responsible for the debts of the business beyond the amount they invested. A plc is allowed to raise funds on the stock exchange. Cadbury Schweppes and Barclays Bank are plcs.
- (d) Brand name A well-known product or service, the name figuring highly when selling the product. Examples include: Nike, Cadbury's Dairy Milk.
- (c) Niche market A narrow segment of a larger market aimed at particular consumers. Often catered for by small businesses. Examples include: diabetic chocolate, specialist mountain climbing holidays.
- (d) Horizontal Integration This occurs when two businesses producing similar products or services join. This is often done to achieve economies of scale, eg TSB and Lloyd's Banks.

Level 1 is gained in AO1 as soon it becomes clear the candidate has some understanding of the term. For instance, a candidate who confuses a plc with a private limited company should be given 1 mark, but no marks for AO2.

Candidates should be rewarded for an unambiguous suitable example, even if Level 0 was achieved in AO1.

2.

**Total for this question: (6 marks)**a) Give **two** ways industry might harm the environment.*(2 marks)*Candidates should select **two** from:

- Pollution (eg air, noise);
- Depleted natural resources;
- Waste disposal.

Candidates need only to identify the concern, both responses can be drawn from the same category (eg two distinct types of pollution can be given). View environment in its widest sense, including working environment. (see Case Study pg8)

	<b>AO1 (max 2 marks)</b>
Level 2	Two suitable responses given (2 marks)
Level 1	One way only given (1 mark)
Level 0	Incorrect or very weak understanding (0 marks)

b) Briefly explain **two** reasons why businesses often try to reduce the harm they do to the environment.*(4 marks)*

Reasons include:

- Genuine concern about the harm, business takes an ethical stance;
- As a marketing ploy, promote the business by drawing attention to its eco-friendly position;
- To appeal to a niche market;
- Concerned about possible legislation if things are allowed to get worse.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 2 marks)</b>
Level 2	Two valid reasons identified (2 marks)	Both reasons adequately explained or one well explained (2 marks)
Level 1	One valid reason identified (1 mark)	One reason adequately explained (1 mark)
Level 0	No valid reasons identified (0 marks)	No explanation offered (0 marks)

3.

**Total for this question: (6 marks)**(a) Describe **one** method of sampling used in market research.*(2 marks)*

Methods include:

- Random;
- Quota;
- Convenience.

The candidate need do little more than outline the method to achieve 2 marks. There is no need to name the method, a description will do.

	<b>AO1 (max 2 marks)</b>
Level 2	Adequate description offered (2 marks)
Level 1	Brief description or name only given (1 mark)
Level 0	Incorrect or very weak understanding (0 marks)

(b) Briefly explain **two** ways market research can help a business like Cadbury Schweppes.*(4 marks)*

Reasons include:

- It gives information about customers and potential customers so these can be targeted in advertising, etc;
- It gives the business feedback on how the product needs to change, such as changes in fashions;
- It allows the business to set a suitable price.

Candidates might choose two points from a single bullet point above, but responses should be sufficiently distinct. For instance: discovering the geographic location of customers and most suitable advertising media for them, is regarded as two separate points.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 2 marks)</b>
Level 2	Two valid reasons identified (2 marks)	Both reasons adequately applied or one reason well applied (2 marks)
Level 1	One valid reason identified (1 mark)	One reason adequately applied (1 mark)
Level 0	No valid reasons identified (0 marks)	No application demonstrated (0 marks)

4.

**Total for this question: (6 marks)**

(a) Describe **one** problem a business might have if it buys its raw materials from abroad. *(2 marks)*

Possible problems include:

- Long lead times, so orders have to be placed early;
- Exchange rate fluctuations, which can mean prices change;
- Payment difficulties;
- Difficult to check quality other than at delivery, harder to return.

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

b) Briefly explain **two** reasons why Cadbury Schweppes might have chosen to manufacture in countries with emerging economies, such as Poland and China. *(4 marks)*

Reasons could include:

- To be closer to markets;
- Because costs are cheaper (eg labour/raw materials);
- Less demanding laws in other countries, including taxes;
- Raw materials easier to obtain;
- Spread risk, if one market declines others can be exploited;
- To be seen to be providing employment opportunities;
- Want to become established in a country before it develops ;
- Possible government handouts to businesses willing to operate in that country.

As long as they are sufficiently distinct, two separate points can be drawn from the same bullet point.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 2 marks)</b>
Level 2	Two valid reasons identified (2 marks)	Both reasons adequately applied or one reason well applied (2 marks)
Level 1	One valid reasons identified (1 mark)	One reason adequately applied (1 mark)
Level 0	No valid reason identified (0 marks)	No application demonstrated (0 marks)

**SECTION B****5.****Total for this question: (14 marks)**

We are told on page 7 of the Case Study that Cadbury Schweppes has an “open and inclusive” relationship with its employees. The Company also encourages its employees to develop skills, such as learning a foreign language, even when these skills have little to do with their jobs.

- (a) Explain **two** benefits this “open and inclusive” relationship might bring to the Cadbury Schweppes. *(6 marks)*

Possible benefits include:

- Motivate workers, they feel they are important;
- More likely to support the company and be loyal, eg lower labour turnover;
- More willing to welcome change;
- Allows better communication.

For AO2, the candidates just need make the benefit clear to gain the mark(s)

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 4 marks)</b>
Level 2	Two valid benefits identified (2 marks)	Both benefits adequately applied or one reason well applied (3-4 marks)
Level 1	One valid benefit identified (1 mark)	One benefit adequately applied (1-2 mark)
Level 0	No benefits identified (0 marks)	No application demonstrated (0 marks)

- (b) Discuss whether you believe that Cadbury Schweppes’ should encourage its employees to develop skills that are not directly related to their jobs. *(8 marks)*

Possible areas for discussion include:

Arguments for:

- Increases labour flexibility/adaptability;
- Makes workers feel important, could motivate;
- Some projects benefit the local community, seen as helping this stakeholder.

Arguments against:

- Time consuming, takes workers off their other duties;
- Maybe resentment, workers do not want to develop these skills;
- Cost of training could reduce profits.

A candidate can reach Level 2 (AO3) if he/she has explored at least two areas (whether on one or both sides of the argument).

To access Level 2 (AO4), both sides of the argument must be considered. The candidate should have attempted to use the analysis to form a judgement. If the candidate has formed a judgement based on discussing one side of the argument only, Level 1 (AO4) marks should be given.

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
Level 2	Good analysis demonstrated (3-4 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	One area only anaSimple analysis demonstrated (1-2 marks)	Some judgement offered based on analysis (1-2 marks)
Level 0	No analysis (0 marks)	Judgement not based on analysis, or none offered (0 marks)



6.

**Total for this question: (14 marks)**

Cadbury Schweppes uses batch production methods (see page 10 of the Case Study). The Case Study also states that Cadbury Schweppes tries to be efficient when manufacturing its products

- (a) Describe the benefits to Cadbury Schweppes of using batch, rather than flow, production methods. (6 marks)

Benefits include:

- Quality control can be easier with; batch can be identified;
- Runs can be produced to meet demand;
- Greater control of ingredients;
- Flow production may be impractical for foodstuff.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 4 marks)</b>
Level 2	Two valid benefits identified (2 marks)	Both benefits adequately applied or one benefit well applied (3-4 marks)
Level 1	One valid benefit identified (1 mark)	One benefit adequately applied (1-2 marks)
Level 0	No benefits identified (0 marks)	No application demonstrated (0 marks)

- (b) Chose **one** of aspect of production in the list below. Discuss how useful this method might be in increasing Cadbury Schweppes's efficiency.

- Benchmarking
- Just in time (JIT) stock control
- Quality circles

(8 marks)

Possible responses include:

Benchmarking

Arguments for

- Encourages the Company to increase
- Raises the profile of improving efficiency

Arguments against

- Comparisons may not be 'like with like'
- Might set unrealistic targets that demotivate employees

## JIT Stock control

## Arguments for

- Cost savings made (eg warehousing)
- Avoids wastage

## Arguments against

- Great risk involved in receiving supplies, reliance on suppliers
- Production runs can be stopped if delivery not made

## Quality circles

## Arguments for

- Involves workers/managers, so reduces ‘us and them’ mentality
- Workers more likely to identify ways of increasing efficiency

## Arguments against

- Workers may not want to take on this responsibility
- Time for meetings could be used to produce goods

A candidate can reach Level 2 (AO3) if he/she has explored at least two aspects of the chosen method (whether on one or both sides of the argument).

To access Level 2 (AO4), both sides of the argument must be considered and clearly related to efficiency savings. The candidate should have attempted to use the analysis to form a judgement. If the candidate has formed a judgement based on discussing one side of the argument only, Level 1 (AO4) marks should be given.

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
Level 2	Good analysis demonstrated (3-4 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	Simple analysis demonstrated (1-2 marks)	Some judgement offered based on analysis (1-2 marks)
Level 0	No analysis (0 marks)	Judgement not based on analysis, or none offered (0 marks)

7.

**Total for this question: (14 marks)**

Marketing is very important to Cadbury Schweppes. Details about the Company's marketing can be found on pages 9 to 10 in the Case Study.

- (a) (i) Using the information found in Table 1 on page 6 calculate the percentage of its turnover Cadbury Schweppes spent on marketing in 1999 and 2000. (3 marks)

1999:  $\text{£}767\text{m}/\text{£}4234 \times 100 = 18.1\%$

2000:  $\text{£}887\text{m}/\text{£}4575 \times 100 = 19.4\%$

Allow 18% and 19% respectively, or a greater number of decimal points

	<b>AO2 (max 3 marks)</b>
3 Marks	Both calculations correct, with or without working (no need for % sign)
2 marks	One answer correct
1 Mark	Neither correct but with correct working
0 Mark	Neither correct and incorrect or no working

- (ii) Outline **one** reason why Cadbury Schweppes might consider it necessary to spend such a large percentage of its turnover on marketing. (3 marks)

Possible reasons include:

- To match the expenditure of competition;
- To maintain brand awareness;
- To launch new brands.

	<b>AO1 (max 1 marks)</b>	<b>AO2 (max 2 marks)</b>
Level 2		Benefit applied well to Case Study (2 marks)
Level 1	Valid benefit identified (1 mark)	Some application to Case Study (1 mark)
Level 0	No benefits identified (0 marks)	No attempt to relate benefit to Case Study (0 marks)

- (b) Discuss how Cadbury Schweppes might change its marketing to respond to UK consumers becoming more wealthy. (8 marks)

Possible areas for discussion:

- Price: Prices could be raised to reflect increase in incomes
- Promotion: Promote products more in upmarket publications, less need for special offers, such as money off coupons. Create a more luxurious image through advertising
- Product: Consider producing products with more expensive ingredients

Discussion could be on whether the changes would be well received; the need to maintain the brand identity, the relative importance of each of the changes, a suitable marketing mix.

A candidate can reach Level 2 (AO3) if he/she has explored at least two aspects of the marketing mix (whether on one or both sides of the argument).

To access Level 2 (AO4), two topics or more need to have been considered and a judgement based upon an evaluation of the issue. If the candidate has formed a judgement based on discussing one side aspect of the marketing mix only or has limited evaluation, Level 1 (AO4) marks should be given.

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
Level 2	Good analysis demonstrated (3-4 marks)	Clear judgement/evaluation based on analysis (3-4 marks)
Level 1	Simple analysis demonstrated (1-2 mark)	Any judgement offered is loosely based on analysis (1-2 marks)
Level 0	No analysis (0 marks)	Judgement not based on analysis, or none offered (0 marks)

8.

**Total for this question: (14 marks)**

Table 1 on page 6 of the Case Study shows Cadbury Schweppes' financial position in 1999 and 2001. It can be seen that the Company's trading profits increased from £685 million to £930 million; a rise of about 36%.

(a) Explain **two** possible causes for the increase in trading profits. (6 marks)

- Increase in marketing
- Reduction in labour

Candidates can also bring in a second topic, not evidenced in the table. Eg, lower costs for raw materials.

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	Two valid reasons identified (2 marks)	Both reasons adequately applied or one reason well applied (3-4 marks)
Level 1	One valid reason identified (1 mark)	One reason adequately applied (1-2 mark)
Level 0	No reasons identified (0 marks)	No application demonstrated (0 marks)

(b) Despite trading profits rising, the dividend per share only went up by 1 penny between 1999 and 2001. Discuss how shareholders might have responded to this. (8 marks)

Possible areas for discussion include:

- Sell their share;
- AGM/EGM;
- Pressure group activity.

Do not allow factors that would be deducted before calculating profits, eg marketing expenditure.

Candidates need to evaluate.

A candidate can reach Level 2 (AO3) if he/she has explored at least two aspects of the issue.

To access Level 2 (AO4), candidates need to have offered a clear judgement. This could consist of considering the rationale of paying a low dividend or another interpretation. The candidate should have attempted to use the analysis to form a judgement. If the candidate has formed a judgement, which has little to do with the preceding analysis, Level 1 (AO4) marks should be given.

	<b>AO3 (max 2 marks)</b>	<b>AO4 (max 4 marks)</b>
Level 2	Good analysis demonstrated (3-4 marks)	Good judgement offered based on balanced analysis (3-4 marks)
Level 1	Simple analysis demonstrated (1-2 marks)	Some judgement offered based on analysis (1-2 marks)
Level 0	No analysis (0 marks)	Judgement not based on analysis, or none offered (0 marks)

9.

**Total for this question: (14 marks)**

Cadbury Schweppes's main objective is to increase shareholder value. Cadbury Schweppes decided to try to earn the highest profit it could for its shareholders, this may affect other stakeholders. (A list of Cadbury Schweppes' stakeholders can be found on page 6 of the Case study.)

You are required to write a report to the Company's Board of Directors.

Your report should be:

- written in a suitable format;
  - analyse two or three effects the decision to increase profits might have on other stakeholders;
  - make a clear recommendation whether you feel this decision would be good for Cadbury Schweppes.
- (14 marks)*

Possible effects on stakeholders include:

- Employees: Company less concerned about personal development; wages might be reduced and working conditions worsen. These could lower motivation and lower work standards. Labour costs could rise as a result.
- Local Community: Fewer funds would be available to local projects. Company could lose its caring reputation, which would be bad publicity.
- Consumers/customers: Quality of products could deteriorate as cheaper ingredients are used. This could backfire as people buy less and consume competitors' products instead.
- Suppliers: Conditions in Ghana could get worse without Cadbury Schweppes' financial involvement, possibly leading to human rights issues; the Company might be slower in paying debts causing difficulties for creditors.

The recommendation should be clearly based on the analysis that precedes it. Either final interpretation is acceptable as long as it is supported with discussion and analysis.

Report format: one mark for each report feature (eg, FAO, headings, numbered paragraphs, originator's name, date). Letter format (salutation and/or complimentary close to get no marks). Allow memo style headings, for one mark.

	<b>AO1 (max 2 marks)</b>	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 8 marks)</b>
Level 3			Strong evaluation that develops well from analysis (7-8 marks)
Level 2	Two report features present (2 marks)	Clear analysis used (3-4 marks)	Some attempts made to support the recommendation (4-6 marks)
Level 1	One report feature present (1 mark)	Attempts made to analyse issues (1-2 marks)	Recommendation is loosely related to discussion (1-3 marks)
Level 0	Inappropriate report format (0 marks)		No application (0 marks)



**GCSE BUSINESS STUDIES 2003****Assessment Grid Higher 3132/2**

<b>Assessment Objectives</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Total</b>
1a	2	1			3
1b	2	1			3
1c	2	1			3
1d	2	1			3
2a	2				2
2b	2	2			4
3a	2				2
3b	2	2			4
4a	2				2
4b	2	2			4
5a	2	4			6
5b			4	4	8
6a	2	4			6
6b			4	4	8
7ai		3			3
7aii	1	2			3
7b			4	4	8
8a	2	4			6
8b			4	4	8
9	2		4	8	14
<b>Total</b>	<b>29</b>	<b>27</b>	<b>20</b>	<b>24</b>	<b>100</b>
<b>QWC</b>					<b>4</b>
<b>Percentage</b>	<b>20.59</b>	<b>19.17</b>	<b>14.2</b>	<b>17.04</b>	<b>75</b>