

GCSE 2004

June Series



Mark Scheme

Business Studies Specification A *(Subject Code 3132/H)*

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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Publications Department, Aldon House, 39, Heald Grove, Rusholme, Manchester, M14 4NA
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Higher Tier

General Marking Guidance

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.

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|-----|---------------------|-----------|
| (a) | Public sector | (3 marks) |
| (b) | Flexible working | (3 marks) |
| (c) | Niche market | (3 marks) |
| (d) | Subsidiary business | (3 marks) |

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

	AO1 (<i>max 2 marks</i>)	AO2 (<i>max 1 mark</i>)
Level 2	Clear understanding demonstrated (2 marks)	
Level 1	Some understanding demonstrated (1 mark)	Appropriate example used (1 mark)
Level 0	Very weak or inappropriate response (0 marks)	Inappropriate answer or no response (0 marks)

- | | |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Public sector | Commercial activities carried out by local and central government. Allow any public sector organisation / industry – even if it has a private element, e.g. education, health. |
| Example | NHS, schools, fire service. |
| (b) Flexible working | Employment practices that change to suit changes in demand or employees' circumstances. Allow interpretation of multi skilled workers. |
| Example | Term-time working, compressed hours, flexihours. |
| (c) Niche market | A specialised segment of a larger market |
| Example | Co-op Bank providing banking facilities for public sector organisations, luxury ice cream for the adult market. |
| (d) Subsidiary business | A business that trades under its own name but is owned by another business |
| Example | smile.co.uk is a subsidiary of the Co-op Bank. |

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

(a)	What is a stakeholder?	<i>(2 marks)</i>
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Person or organisation that has a direct interest in the behaviour of a business. Usually a stakeholder benefits if the business is successful. E.g. employees, local community. Allow valid example as a part of definition, e.g. employees.

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

(b)	Briefly explain two reasons why the Co-operative Bank might give money to charity.	<i>(4 marks)</i>
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Reasons could include:

- to reach ethical targets;
- the charity is a long standing customer;
- as a marketing ploy;
- it is a worthy cause / humanitarianism.

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

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

(a)	What is on-the-job training?	<i>(2 marks)</i>
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Gaining skills by actually undertaking the work. Trained at the workplace. The trainee can be supervised by an experienced colleague or watches and copies another.

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

(b)	Briefly explain two reasons why a business might prefer this method when training its employees.	<i>(4 marks)</i>
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Reasons could include:

- it is cheaper than the employee being trained outside the organisation;
- the business has more control over what is taught;
- the trainee is adding to the production process;
- Easier to monitor progress / quality of training.

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

4

Total for this question: 6 marks

(a)	What is meant by a competitive market?	<i>(2 marks)</i>
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An industry in which there are many businesses. No one business dominates. Pricing will often be dictated by what others are charging. Allow valid example to support description.

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

(b)	Briefly explain two ways in which a competitive market can benefit consumers. <i>(4 marks)</i>
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Responses could include:

- there is more choice;
- there is more incentive for businesses to innovate and provide improved goods/services;
- prices can be lower.

	<i>AO1 (max 2 marks)</i>	<i>AO2 (max 2 marks)</i>
Level 2	Two valid ways identified <i>(2 marks)</i>	Both ways adequately explained or one well explained <i>(2 marks)</i>
Level 1	One valid way identified <i>(1 mark)</i>	One way adequately outlined <i>(1 mark)</i>
Level 0	No valid ways identified <i>(0 marks)</i>	No application demonstrated <i>(0 marks)</i>

Section B

Assessment objectives A02 and A03 – to access L2 on these, the candidate needs to provide a clear link / context to the case study. Providing context, but with weak application / analysis does not automatically take the candidate to L2, however. To get to L2, there needs to be a good standard of application / analysis.

Similarly, A04 needs to have a balanced argument to reach L2 – but looking at both sides of the argument does not guarantee L2 if the arguments are weak.

5

Total for this question: 14 marks

The Co-operative Bank tries to attract new customers and retain existing ones.

- (a) Explain **two** ways in which the Co-operative Bank might increase the number of customers that bank with smile.co.uk. (6 marks)

Methods could include:

- direct mail;
- promote the service in some way, e.g. advertise;
- offer an attractive rate of interest for savers/borrowers;
- give easier access, e.g. computer terminals at Co-op Banks;
- provide innovative saving plans etc.

Do not allow two broadly similar methods as discrete ways (e.g. advertise on television, use radio).

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	Two valid ways identified (2 marks)	Both ways adequately applied to Case Study or one way well applied (3-4 marks)
Level 1	One valid way identified (1 mark)	One way adequately applied or both poorly applied to Case Study (1-2 marks)
Level 0	No valid way identified (0 marks)	No application demonstrated (0 marks)

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| (b) Discuss whether the Co-operative Bank should close some of its branches in remote parts of the country. <i>(8 marks)</i> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|

Possible areas of discussion are:

- ethical policy would dictate against it;
- could be seen as uncaring business, bad publicity;
- business should use its resources effectively if it is to compete;
- there is a shift in business away from branch banking;
- increase in profits could be directed to worthy causes.

	<i>AO3 (max 4 marks)</i>	<i>AO4 (max 4 marks)</i>
Level 2	Two or more valid areas analysed well <i>(3-4 marks)</i>	Good judgements offered based on balanced analysis <i>(3-4 marks)</i>
Level 1	One valid area well analysed or two poorly analysed <i>(1-2 marks)</i>	Some judgement offered based on analysis <i>(1-2 marks)</i>
Level 0	No valid areas analysed <i>(0 marks)</i>	Judgement not based on analysis or none offered <i>(0 marks)</i>

6

Total for this question: 14 marks

The banking system relies increasingly on ICT to improve its efficiency (see page 6 of the Case Study). Removing layers of management (delaying) is another way of increasing efficiency (see page 7 of the Case Study).

- (a) Explain how the Co-operative Bank's efficiency could be improved by the use of ICT.
(6 marks)

Possible methods include:

- use of email and other forms of data transmission;
- standard letters can be held on file;
- account records kept using spreadsheets;
- electronic transfer of funds.

To gain the AO2 marks, the candidate needs to show clearly just how the method would improve efficiency for the Co-op Bank. Merely listing the methods without explaining the link with efficiency would only attract marks in AO1.

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	Two or more valid methods identified (2 marks)	Methods adequately applied to Case Study or one method well applied (3-4 marks)
Level 1	One valid method identified (1 mark)	One method adequately applied or both poorly applied to Case Study (1-2 marks)
Level 0	No valid method identified (0 marks)	No application demonstrated (0 marks)

- (b) Discuss to what extent delayering the organisation structure would help motivate Co-operative Bank employees. *(8 marks)*

Possible areas for discussion include:

- makes channels of communication shorter, so grievances can be heard and information gets through from top in shorter time;
- can encourage a more democratic management style;
- cost savings could make remaining jobs more secure;
- reduces intermediate stages for promotion;
- demotivates those who could be losing their jobs;
- period of transition could unsettle employees.

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

	AO3 (<i>max 4 marks</i>)	AO4 (<i>max 4 marks</i>)
Level 2	Two or more valid areas analysed well <i>(3-4 marks)</i>	Good judgements offered based on balanced analysis <i>(3-4 marks)</i>
Level 1	One valid area well analysed or two poorly analysed <i>(1-2 marks)</i>	Some judgement offered based on analysis <i>(1-2 marks)</i>
Level 0	No valid area analysed <i>(0 marks)</i>	Judgement not based on analysis, or none offered <i>(0 marks)</i>

7

Total for this question: 14 marks

Details of the Co-operative Bank's finances can be found in Table 2 on page 8 of the Case Study.

- (a) (i) Calculate the percentage increase in Retained Profit between 2001 and 2002.
Show your working. (3 marks)

$$(78.2 - 68.5) / 68.5 \times 100 = 14.16\%$$

(Allow 14%, 14.2%, 14.16% or further decimal places for max 3 marks)

Award 2 marks for 14.1%.

Award 2 marks for correct working but wrong answer.

Award 1 mark for $(78.2 - 68.5) / 78.2$ (i.e. denominator incorrect) or other close working

Award 1 mark if 'Operating Profit' or 'Profit before tax' selected with correct answer (i.e. 13.95%).

% sign is not needed to gain marks.

Allow max marks for correct answer, even if working is not present.

All marks are AO2

- (ii) Describe **one** factor, other than the level of Operating Profit, which can influence the amount of Retained Profit the Co-operative Bank has. (3 marks)

Factors include:

- demands from shareholders, could depend upon past dividends and what competitors pay;
- whether the Bank has any investment plans;
- other income, this needs to be explained;
- amount of tax paid;
- amount it gives to charity.

	AO1 (max 1 mark)	AO2 (max 2 marks)
Level 2		Factor clearly applied to Case Study (2 marks)
Level 1	One valid factor identified (1 mark)	Superficial application of factor to the Case Study (1 mark)
Level 0	No valid factor identified (0 marks)	No application demonstrated (0 marks)

- (b) Discuss **two** ways in which the Co-operative Bank might maintain its profits if other banks entered the “ethical banking” market. (8 marks)

Possible areas for discussion include:

- aspects of promotion, e.g. exploiting its history of ethical banking;
- introducing new dimension to ethical policy, e.g. stricter environmental policy;
- increasing savers’ interest rates and lowering borrowers’;
- improve quality of service;
- enter mainstream market;
- reduce costs / improve efficiency.

AO4 judgement could be an assessment of the likelihood of strategies achieving objective of maintaining profits and the relative strength of each method.

	AO3 (max 4 marks)	AO4 (max 4 marks)
Level 2	Two valid methods analysed well (3-4 marks)	Good judgements offered based on balanced analysis (3-4 marks)
Level 1	One valid method well analysed or two poorly analysed (1-2 marks)	Some judgement offered based on analysis (1-2 marks)
Level 0	No valid method analysed (0 marks)	Judgement not based on analysis, or none offered (0 marks)

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

The section “Interest Rates” on page 6 of the Case Study looks at how the Co-operative Bank is affected by the base rate of interest. The Bank of England uses the base interest rate to control the level of inflation.

- (a) Explain **two** ways in which an increase in the rate of inflation could affect the Co-operative Bank.

(6 marks)

Possible ways include:

- Bank’s wage bill and other costs rise;
- businesses more inclined to expand;
- Government might increase interest rates to depress demand affecting saving and borrowing;
- Bank might feel there is a need to support those affected by high inflation, e.g. those on fixed incomes;
- premises values increase in value raising capital.

	AO1 (<i>max 2 marks</i>)	AO2 (<i>max 4 marks</i>)
Level 2	Two effects identified (<i>2 marks</i>)	Both factors adequately applied or one factor well applied to the Case Study (<i>3-4 marks</i>)
Level 1	One effect identified (<i>1 mark</i>)	One factor adequately applied or both poorly applied to the Case Study (<i>1-2 marks</i>)
Level 0	No effect identified (<i>0 marks</i>)	No application demonstrated (<i>0 marks</i>)

- | |
|------------------------------------------------------------------------------------------------------------------------------------------------------|
| (b) Discuss whether the Co-operative Bank would prefer the base interest rate to be high or low. <i>(8 marks)</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------|

Areas for discussion include:

- how do interest rates affect the amount of money people save;
- will businesses/people cut back on borrowing if interest rates rise;
- will there be an increase in the amount of bad debts as businesses struggle;
- the link between interest rates and the Bank's stakeholders.

	<i>AO3 (max 4 marks)</i>	<i>AO4 (max 4 marks)</i>
Level 2	Two or more valid points analysed well <i>(3-4 marks)</i>	Good judgements offered based on balanced analysis <i>(3-4 marks)</i>
Level 1	One valid point well analysed or two poorly analysed <i>(1-2 marks)</i>	Some judgement offered based on analysis <i>(1-2 marks)</i>
Level 0	No valid points analysed <i>(0 marks)</i>	Judgement not based on analysis, or none offered <i>(0 marks)</i>

9

Total for this question: 14 marks

The Co-operative Bank loses a lot of money each year because some of its customers (both people and businesses) do not pay back all of the money they borrow. Details of this can be found in Table 2 on page 8 of the Case Study.

Imagine you have been asked by the Bank to comment on the amount of bad debt it has. Write a report to the Managing Director to express your views.

In your report you should:

- use a suitable report format;
- explain **two** or **three** methods by which the Bank could reduce its bad debts;
- discuss each of these methods;
- make a clear recommendation based on what you have written, on whether the Bank should try to reduce its bad debts.

Possible methods for reducing bad debts and implications include:

- take more care checking whom is lent money - this would stifle entrepreneurs, who could be long-term customers;
- monitor the performance of debtors' businesses - this costs time and money, but could be seen as taking an interest;
- sell debt to a debt collection business, or be more aggressive in chasing up debt - debt collectors can have a bad reputation, might spoil the Bank's caring image;
- ask for collateral - many small businesses do not have any.

Other discussions might be on:

- whether there is really a problem, only small percentage of loans turn bad.
- whether bad debt is a natural state for an ethical business.
- which of the options would be most appropriate.

To score well on AO3, candidates will need to analyse their chosen strategies. AO3 marks are given for analysing the implications. AO4 assesses the candidate's evaluation of each chosen method, questioning whether bad debts are actually a problem and the way in which a final judgement is made.

Add interpretation of bad debt as a result of computer fraud. A01 marks can be awarded for identifying methods of reducing bad debt (if these marks have not already been given for RF).

	AO1 (<i>max 2 marks</i>)	AO3 (<i>max 4 marks</i>)	AO4 (<i>max 8 marks</i>)
Level 3			Strong evaluation of strategies, clear supported preference made (7-8 marks)
Level 2	Two or more valid report features present (2 marks)	Good explanation of how strategies would work (3-4 marks)	Support is justified but can be incomplete or not entirely based on discussion (4-6 marks)
Level 1	One valid report feature present (1 mark)	Limited attempt to explain strategies (1-2 marks)	Limited attempt to support strategies (1-3 marks)
Level 0	No valid report feature present (0 marks)	No attempt to explain how strategies would work (0 marks)	No, or inappropriate, support offered (0 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

EXAMINERS

Having marked the candidate's script for subject content, recording the question totals for each question, you must review the script as a whole and according to the bands of marks defined above, decide on the mark to be awarded to the candidate for spelling, punctuation and grammar. This mark should be written in the next available mark box on the front of the answer book and SpaG written next to it in the corresponding question number box. Then you should total the marks awarded for each question together and add the SpaG mark to give the grand total and enter this in the box for the total mark. The grand total for the whole paper (including SpaG) is the mark you should write and encode on the Examiner's Mark Sheet.

PAPER TOTAL = 105 MARKS