



General Certificate of Secondary Education

Business Studies 3132/H *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

Higher Tier

3132/H

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) Pressure group *(3 marks)*
 (b) Loss leader *(3 marks)*
 (c) Stakeholder *(3 marks)*
 (d) Economies of scale *(3 marks)*

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) Pressure group Organisation which tries to influence government, business, or private individual. Could include methods to draw attention to cause, e.g. Greenpeace, CRE. Must name, allow named trade union.
- (b) 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.
- (c) Stakeholder Someone/group that has an interest in the success of a business, they are affected by the conduct of the organisation e.g. shareholder, local community. The interest may be described.
- (d) Economies of scale A factor that allows the production cost of each item to be lowered as greater numbers are made, e.g. cost benefits from buying in bulk, more efficient use of fixed assets. Allow example that describes economies of scale

2

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)

3**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.*(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 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)

4

Total for this question: (6 marks)

(a) What is meant by decentralisation?

(2 marks)

Splitting up the functions of a business and operating them away from a central base. Delegating responsibility.

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

(b) Briefly explain **two** reasons why a business might decide to decentralise.

(4 marks)

Responses could include:

- Could take advantage of cheaper labour/other costs in different parts of the country
- Allows for greater specialisation/efficiency/accountability
- Creates internal competition
- Gives managers greater autonomy

	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)**

Table 4 on page 9 of the Case Study suggests that the most of Marks & Spencer's customers are homeowners, female and in socio-economic groups ABC1. Pages 4 and 5 describes how Marks & Spencer has diversified from its core business of clothing retailing into new areas. These include Café Revive and the financial sector.

- (a) Explain **two** ways in which the promotion of Marks & Spencer's goods would be affected by the information in Table 4. (6 marks)

Ways could include

- Advertise in suitable media
- Special offers need to be suited to these groups
- Direct marketing
- After sales service

NB: Methods should be promotional and not other aspects of marketing (pricing, place and products) Reward application, even if method is not stated

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	2 valid ways identified (2 marks)	Both ways adequately applied to Case Study or one way well applied (3 - 4 marks)
Level 1	1 valid way identified (1 mark)	Some application/no context (1 - 2 mark)

(b) Discuss whether Marks & Spencer was wise to diversify into new areas of business. (8 marks)

Possible areas of discussion are:

- Spreading risk by diversification or increasing risk by moving into unknown areas
- The costs of setting up in relation to potentials returns
- Whether brand is reinforced by moving into a range of business areas

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

6

Total for this question: (14 marks)

Marks & Spencer's three principles can be found in Table 3 on page 7 of the Case Study.

- (a) Explain **two** reasons why it is important that Marks & Spencer creates a good working environment for its staff. *(6 marks)*

Possible reasons include:

- To motivate staff
- To maintain its ethical reputation
- To reduce health and safety claims
- To attract new staff

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	2 valid reasons identified (2 marks)	Reasons adequately applied to Case Study or one reason well applied (3 - 4 marks)
Level 1	1 valid reason identified (1 mark)	Some application but no context (1 - 2 mark)

- (b) Discuss whether, in times of low profitability, Marks & Spencer should consider looking for cheaper suppliers of the products it sells. *(8 marks)*

Possible areas for discussion include:

- The possibility of losing traditional customers who value quality
- The effects on pricing strategies
- The increased competition at this end of the market
- The long term effects of lowering quality, difficult to recover later

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 4 marks)	AO4 (max 4 marks)
Level 2	Good analysis in context (3 - 4 marks)	Good judgments offered based on balanced analysis (3 - 4 marks)
Level 1	Low level analysis / no context (1 - 2 marks)	Some judgement offered based on analysis (1 - 2 marks)

7

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.

(a) (i) From the information in the tables, calculate Marks & Spencer’s current ratio for 2004.
(3 marks)

Current ratio = current assets / current liabilities (allow CA : CL)

= 3870 / 1885 = 2.05 (or 2.053 or increased decimals, or 2.1)
Or 2.05 (etc): 1

1 mark each for using current assets and current liabilities, regardless of equation

Summary

1 mark clear use of CA and CL

1 mark sight of formula

Full marks correct answer

All marks are AO2

(ii) Explain **one** difficulty which Marks & Spencer might face if it had a very low current ratio.

(3 marks)

- Business would not be able to pay its immediate debts (e.g. wages but not share holders)
- Would have to borrow liquid funds (overdraft) from a bank which is expensive to service

NB – Ensure not confused with fixed assets

	AO1 (max 1 marks)	AO2 (max 2 marks)
Level 2		Factor clearly applied to Case Study (2 marks)
Level 1	1 valid factor identified (1 mark)	Some application but no context (1 mark)

(b) Discuss whether Marks & Spencer should have paid a higher dividend to its shareholders.

(8 marks)

Possible areas for discussion include:

- If dividends are higher, there would be less money to invest at a time when investment is needed
- They would not want the share price to fall as this could make it easy to be taken over
- The level of dividend needs to be comparable to those being paid to other, similar businesses
- Comments may be made on the figures in the data, e.g. 36% increase in earnings but only 10.5% increase in dividend over the two years

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.

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

8

Total for this question: (14 marks)

On page 5 of the Case Study, we are told Marks & Spencer is affected by the state of the economy and by interest rates.

(a) Explain **two** ways in which Marks & Spencer might respond to a downturn in the economy.

(6 marks)

Possible areas include:

- Might have to close shops/make employees redundant
- Could change their pricing strategy to reflect lower incomes
- Could drop financial services if these are particularly hit

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	Two areas identified (2 marks)	Reasons adequately applied to Case Study or one reason well applied (3 - 4 marks)
Level 1	One area identified (1 mark)	Some application but no context (1 - 2mark)

(b) Discuss whether the rate of interest is the most important factor in determining Marks & Spencer's profits

(8 marks)

Areas for discussion include:

Interest rates are important factors because:

- Outgoings are affected by interest rates.
- Affects consumption patterns

But there are other factors, including:

- Marketing factors
- Effectiveness of management
- Sound business decisions, e.g. decentralising

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.

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

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 young people.

Write a report to Marks & Spencer's Board of Directors. In your report, you should:

- Identify points for and against attempting to attract more young customers
- Discuss these points, including business ideas and terms whenever you can
- Reach a clear recommendation based on the points you have raised.

Arguments for attracting younger customers

- Increase in customer base
- Would encourage Marks & Spencer 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

To score well on AO3, candidates will need to analyse the issues raised.

NB: no marks are awarded for simply identifying these issues.

	AO1 (max 2-marks)	AO3 (max 4 marks)	AO4 (max 8 marks)
Level 3			Strong evaluation of issues raised, clear supported preference made (7 - 8 marks)
Level 2	Two or more valid report features present (2 marks)	Good analyse in context (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)	Some analyse/no context (1- 2 marks)	Limited attempt to support issues raised (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.	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