



## General Certificate of Secondary Education

# Business Studies 3132

## *Specification A*

*3132/H*

# Mark Scheme

*2006 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 bypassed. 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) Entrepreneur        | <i>(3 marks)</i> |
| (b) Planning permission | <i>(3 marks)</i> |
| (c) Mission statement   | <i>(3 marks)</i> |
| (d) Lead time           | <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 demonstrated (1 mark)	Appropriate example used (1 mark)

- |                         |  |
|-------------------------|--|
| (a) Entrepreneur        | Person who starts a business, comes up with a commercial idea, takes the risk, eg any named entrepreneur (such as Richard Branson, Alan Sugar, Piet Derkson).                                      |
| (b) Planning permission | Local government consent to operate a business in an area or change use of or extend a building, possible reason for permission included, eg CP needs planning permission to open its new village. |
| (c) Mission Statement   | Statement that sums up the objectives of an organisation, catchy phrase to reflect the business, eg CP’s mission statement “Every day, the perfect break naturally”.                               |
| (d) Lead time           | Time between ordering and delivery, eg lead time of two years in deciding upon a holiday village and first guests arriving.  |

**2****Total for this question: 6 marks****(a)** What is meant by recruitment?*(2 marks)*

Process of finding suitable people to work in an organisation. Allow description that suggests selection, ie interview etc.

	<b>AO1 (max 2 marks)</b>
Level 2	Clear understanding demonstrated (2 marks)
Level 1	Some understanding demonstrated (1 mark)

**(b)** Describe **two** ways in which Center Parcs might recruit the best staff to work at a holiday village. *(4 marks)*

Any suitable recruiting/selection method is acceptable, eg advertising in local paper, word of mouth, job centre. Allow CV, interviews, headhunted, etc.

Allow interpretation – best way for CP to get the staff it wants, eg recruit local people, part timers, experienced staff, etc.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 2 marks)</b>
Level 2	2 valid ways of recruitment identified (2 marks)	Both ways adequately applied or one way well applied (2 marks)
Level 1	1 valid way of recruitment identified (1 mark)	1 way adequately applied (1 mark)

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

(a) What is meant by quality control?	<i>(2 marks)</i>
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Checking products/services to ensure that they are up to the required standard. May be a separate department within a business, or employees check their own work.

Do not reward “to control the quality”, without further development.

	<b>AO1 (max 2 marks)</b>
Level 2	Clear understanding demonstrated (2 marks)
Level 1	Some understanding demonstrated (1 mark)

(b) Describe <b>two</b> reasons why a business needs to be concerned about the quality of its product.	<i>(4 marks)</i>
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Reasons could include:

- poor quality could cause customers to go elsewhere;
- the business might get a bad reputation get a good reputation if products are good;
- products may need to be recalled, which is expensive;
- consumers may sue the business if injury is caused by faulty products;
- certain consumer laws on the quality of the product.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 2 marks)</b>
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**

(a) What is meant by limited liability?	<i>(2 marks)</i>
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Owners (shareholders) are not personally responsible for debts of business. Company can be sued in its own right.

	<b>AO1 (max 2 marks)</b>
Level 2	Clear understanding demonstrated (2 marks)
Level 1	Some understanding demonstrated (1 mark)

(b) Describe <b>two</b> advantages of a business becoming a limited company.	<i>(4 marks)</i>
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Advantages could include:

- less personal risk to shareholders, so more likely to invest;
- able to raise higher levels of finance;
- higher profile, eg share in paper.

Allow interpretation of benefits to other stakeholders (especially shareholders).

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 2 marks)</b>
Level 2	2 valid advantages identified (2 marks)	Both advantages adequately applied or one well applied (2 marks)
Level 1	1 valid advantage identified (1 mark)	1 advantage adequately applied (1 mark)

**SECTION B**

In Section B, Level 2 AO2 and AO3 marks are not available for responses that fail to link firmly with Center Parcs. 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**

Center Parcs conducted market research before it decided to open its first UK holiday village. It is developing the use of its holiday villages for business conferences (see **page 6** of the Case Study).

- (a) Describe **two** items of information which Center Parcs might have obtained by desk research before it opened its first UK holiday village. *(6 marks)*

Ways could include:

- finding out about the number of ABC1 people in UK;
- research cost and location of potential sites;
- find out about competition;
- looking into availability/cost of labour.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 4 marks)</b>
Level 2	2 valid items identified (2 marks)	Both items adequately applied to Case Study or one item well applied (3-4 marks)
Level 1	1 valid item identified (1 mark)	Item(s) adequately applied, but not to Case Study (1-2 mark)

- (b) Discuss whether penetration pricing would be the most appropriate pricing strategy for Center Parcs to use for its new conference business customers. *(8 marks)*

Possible areas for discussion:

For:

may kick-start interest from new business customers;  
price can creep up over time without losing business.

Against:

loss of potential revenue;  
retaliation from competitors, eg price war;  
equating price with quality.

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
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)



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

Center Parcs believes that it is important to have a well-trained and motivated staff (see **page 9**). We are told that Center Parcs tries different ways to motivate employees.

- (a) Describe **two** difficulties which Center Parcs might experience by having a large proportion of its employees working part-time. *(6 marks)*

Possible reasons include:

- lack of commitment to the organisation;
- communication problems;
- finding sufficient people in the area;
- difficult to form teams if people working different hours.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 4 marks)</b>
Level 2	2 valid difficulties identified (2 marks)	Difficulties adequately applied to Case Study or one difficulty well applied (3-4 marks)
Level 1	1 valid difficulty identified (1 mark)	Difficulty(ies) adequately applied, but not to Case Study (1-2 mark)

(b) Discuss whether paying higher wages is the best way of rewarding Center Parcs' employees. (8 marks)

Possible areas for discussion include:

- whether employees are motivated most by wages;
- the costs involved in increasing wage payment;
- what other businesses are paying;
- what alternative strategies might be, eg fringe benefits.

*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.*

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
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 Center Parcs’ finances can be found in **Figure 7** on **page 10**. Center Parcs will need to consider ways of funding the new holiday village it has planned (see **page 4**).

(a) (i) Use the information in **Figure 7** to calculate Center Parcs’ Gross Profit Margin for 2005. *(3 marks)*

$$\text{GPM} = \frac{\text{Gross Profit}}{\text{Turnover}} = \frac{194}{230} = 84.3\% \text{ Allow } 84\% \text{ or greater decimal place.}$$

**OR**

$$\text{GPM} = \frac{\text{Gross Profit}}{\text{Turnover}} = \frac{195}{230} = 84.7\% \text{ Allow } 85\% \text{ or greater decimal place.}$$

**Either amount is acceptable because of the anomaly in figure 7 as a result of the rounding.**

1 mark for seeing 194 (or 195) and 230 (but no more than one other number).

1 mark for applying correct formula.

Correct answer receives 3 marks, even if no working shown.

Max 2 marks if either £ or m present.

Max 2 marks for correct number without % sign.

All marks are **AO2** (max 3 marks)

(ii) Explain why it is important that Center Parcs makes a high Gross Profit. *(3 marks)*

Possible responses include:

- Center Parcs has high expenses to deduct to determine operating profit;
- needs profits to fund major project of Warren Woods;
- as a new plc, Center Parcs needs to keep its shareholders happy with dividend payment.

Allow for L1 (AO2): Any interpretation of profit. For L2 (AO2) GP and context needed.

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

(b) Discuss whether selling more shares is the best way for Center Parcs to raise money to pay for the proposed fifth holiday village. *(8 marks)*

Possible areas for discussion include:

- advantages of raising capital by share issue: no interest rate to pay;
- disadvantage of share issue;
- alternative methods, eg bank loans, retained profit: advantages and disadvantages of these.

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
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**

We are told on **pages 6 and 11** that Center Parcs is affected by economic recessions and changes in exchange rates.

- (a) Describe **two** effects which an economic recession might have on Center Parcs' business. *(6 marks)*

Possible ways include:

- consumers cut back on luxuries, so fewer holidays;
- people will be more likely to stay in UK rather than take foreign holidays, so Center Parcs might benefit;
- high unemployment might reduce Center Parcs' labour costs.

	<b>AO1 (max 2 marks)</b>	<b>AO2 (max 4 marks)</b>
Level 2	Two effects identified (2 marks)	Both effects adequately applied or one effect well applied to Case Study (3-4 marks)
Level 1	One effect identified (1 mark)	Effect(s) adequately applied, but not to the Case Study (1-2 marks)

(b) Discuss whether an increase in the value of the pound against the euro is likely to have a big impact on Center Parcs' profits. *(8 marks)*

Areas for discussion include:

- it makes it more attractive to take holidays abroad, so there could be a decrease in Center Parcs customers;
- people spend less on their main foreign holiday, so more can afford a second, Center Parcs holiday;
- cost of imported materials decrease;
- fewer foreign guests visit UK.

	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 4 marks)</b>
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**

Imagine that Center Parcs discovered that another company had announced plans to open a UK holiday village aimed at the ABC1 market.

Write a report for the Chief Executive of Center Parcs outlining your ideas on how the company should react to this possible competitor.

You will need to:

- state **two** or **three** strategies which Center Parcs might use to keep its market share;
- analyse these strategies, saying clearly how effective each is likely to be;
- state which course of action you would recommend, justifying your view.

(14 marks)

*To score well on AO3, candidates will need to analyse their chosen strategies.*

**NB**, no marks are awarded for simply identifying the strategy, AO3 marks are given for analysing the implications. AO4 assesses the candidate's evaluation of each chosen method and for justifying the final recommendation.

	<b>AO1 (max 2 marks)</b>	<b>AO3 (max 4 marks)</b>	<b>AO4 (max 8 marks)</b>
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 analysis 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 analysis/no context (1-2 marks)	Limited attempt to support strategies (1-3 mark)

### **Marking Criteria for Quality of Written Communication**

<b>High Performance</b>	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.	<b>5 – 4 marks</b>
<b>Intermediate Performance</b>	Candidates spell, punctuate and use the rules of grammar with considerable accuracy; they use a good range of specialist terms with facility.	<b>3 – 2 marks</b>
<b>Threshold Performance</b>	Candidates spell, punctuate and use the rules of grammar with difficultyable accuracy; they use a limited range of specialist terms appropriately.	<b>1 mark</b>