



General Certificate of Secondary Education

Business Studies 3132

Specification A

Higher Tier

Mark Scheme

2007 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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Higher Tier (3132/H)

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) | Core business | <i>(3 marks)</i> |
| (b) | Merger | <i>(3 marks)</i> |
| (c) | Quality Control | <i>(3 marks)</i> |
| (d) | Diversification | <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) | Core business | The main part of a business's activities, the thing it is best known for, eg Boots's core business is healthcare, Tesco's is groceries. |
| (b) | Merger | Joining of two businesses, each may keep separate identity, often done to reduce competition or get economies of scale, eg Boots/Alliance UniChem, Cadbury Schweppes. Do not allow a takeover. |
| (c) | Quality control | The process of checking that product reach a certain standard, eg Boots must continually control the quality of the medicines it produces. An example of a method is acceptable, eg TQM, quality circles. |
| (d) | Diversification | A business moving into other markets. Reduces risk – all eggs not in one basket – widens product portfolio, eg Boots buying Halfords/Payless. |

2

Total for this question: 6 marks

(a) What is meant by a partnership? (2 marks)

Two or more people forming a business. Unlimited liability status. May give an example to support definition, eg Mary and Jesse Boot.

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

(b) Describe **two** advantages that a partnership might have over a sole trader. (4 marks)

Advantages could include:

- greater input of capital;
- more skills so wider range of jobs undertaken;
- morale and practical support to each other.

NB advantages should be compared with smaller business, not larger organisations such as private limited company, eg don't have to publish accounts, better communications/relationships.

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid advantages identified (2 marks)	Both advantages adequately applied to business or one action well applied (2 marks)
Level 1	1 valid advantage identified (1 mark)	1 advantage adequately applied (1 mark)

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

(a) What is meant by batch production?

(2 marks)

Production process where several items are made simultaneously, often one part of the process is completed on each before the next part of the process is started.

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

(b) Describe **two** benefits to a business of using batch production.*(4 marks)*

NB Benefits can be those compared with job or flow or any other production method.

Benefits could include:

- greater flexibility – can swap quite easily from one product to another in response to demand;
- less dedicated capital needed;
- greater control over ingredients and where products go, especially medicines (see case study);
- more interesting work for employees than flow method.

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid benefits identified (2 marks)	Both benefits adequately applied or one benefit well applied (2 marks)
Level 1	1 valid benefit identified (1 mark)	1 benefit adequately applied (1 mark)

4

Total for this question: 6 marks

(a) What is meant by an ethical business?	<i>(2 marks)</i>
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Business which is less concerned with making profits and more with satisfying the needs of stakeholders. Examples might be used to support the definition, eg fair trade practices, taking an interest in its local communities.

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

(b) Describe two reasons why a business, such as Boots, might choose to behave in an ethical manner.	<i>(4 marks)</i>
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Reasons could include:

- as a marketing device, to be seen as squeaky clean to attract customers;
- as a response to what its competitors are doing;
- because of its objectives/history;
- to avoid government intervention/legislation.

	AO1 (max 2 marks)	AO2 (max 2 marks)
Level 2	2 valid reasons identified (2 marks)	Both reasons adequately applied or one well applied (2 marks)
Level 1	1 valid reason identified (1 mark)	1 reason 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 Boots. 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 access to Level 1 in AO4.

5

Total for this question: 14 marks

We are told on page 6 of the Case Study that Boots operates its popular Advantage Card for customers. Boots sells some of its products under brand names, such as No7 and Botanics. Many products, however, continue to be sold under the Boots label.

- (a) Describe **two** ways in which Boots benefits from having the Advantage Card. (6 marks)

Ways could include:

- provides feedback on customers and their spending habits, allow Boots to target promotions;
- acts as a loyalty card encouraging repeat visits;
- is good public relations, seen to be returning money to customers;
- such a big scheme gets Boots in the public eye.

	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)	One way adequately applied or both poorly applied to Case Study (1-2 marks)

(b) Discuss whether Boots would benefit from creating more brand names for its range of products. (8 marks)

Possible discussion could include:

For

- new names might regenerate interest in products / extension strategy;
- could target consumer groups with name;
- possible way to fight competition, eg supermarkets.

Against

- cost of changing/establishing names;
- lack of acceptance from customers, may annoy existing customers;
- Boots is an accepted brand in its own right, has more cache than Tesco brand of health products;
- Boots own label suggests value.

	AO3 (max 4 marks)	AO4 (max 4 marks)
Level 2	2 or more valid points analysed well (3-4 marks)	Good judgments offered based on balanced analysis (3-4 marks)
Level 1	1 valid point well analysed or two poorly analysed (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**

It states on page 10 of the Case Study that Boots provides full training for its employees. Boots also considers that employees should be consulted before any major company decisions are made.

- (a) Describe **two** reasons why it is important that Boots provides full training for its employees. *(6 marks)*

Possible reasons include:

- to increase their flexibility so they can rotate jobs;
- to motivate them, retain them;
- to ensure that H&S conditions are met;
- to show they are a caring business.

	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)	1 reason adequately applied or both poorly applied to Case Study (1-2 marks)

(b) Discuss whether it is wise for Boots' managers to consult with employees and their trade unions before important decisions are made. (8 marks)

Possible areas for discussion include:

For

- produces more harmonious industrial relations by reducing uncertainty;
- it is part of its ethical position;
- more likely to agree with decision if part of process.

Against

- industrial secrets could get out to competitors;
- time might be wasted and opportunity lost;
- what happens if there is disagreement?

	AO3 (max 4 marks)	AO4 (max 4 marks)
Level 2	2 or more valid areas analysed well (3-4 marks)	Good judgments offered based on balanced analysis (3-4 marks)
Level 1	1 valid area well analysed or two poorly analysed (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.

7

Total for this question: 14 marks

Details of Boots' finances for 2004 and 2005 can be found in Table 1 on page 9 of the Case Study.

- (a) (i) Calculate the percentage change in Boots' retained profit between 2004 and 2005. (3 marks)

$$(86 - 185)/185 \times 100 = - 53.51\% \text{ (NB minus sign)}$$

or

$$-99/185 \times 100 = - 53.51\%$$

Allow 53% **or** 54%

1 mark for showing correct working/formula.

1 mark for 53% or 54% - allow greater decimals.

1 mark for clearly indicating the figure is minus/fall.

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

Needs % sign for full marks.

All marks are AO2

- (ii) Explain **one** way Boots might be affected by this change. (3 marks)

- Plough back into the business to buy new shops, develop new drugs, etc/Invest to create future growth.
- Saves going to the bank to borrow money and paying interest/avoids new issue of shares.

Do not allow any interpretation of profit, other than retained, eg give dividends to shareholders.

AO2 (max 3 marks)	
Level 2	Explanation of Retained Profit clearly applied to Case Study (3 marks)
Level 1	Superficial application of retained profit applied to the to Case Study (1-2 marks)

(b) Discuss whether Boots' turnover or its operating profit is the better way of measuring the company's success. (8 marks)

Possible areas for discussion include:

A good candidate will consider the success of a business in terms of reaching its objectives. Some may discuss whether the two are mutually exclusive, ie both will move in the same direction.

For Turnover:

- increase shows business is selling more, which would be good in light of increased competition;
- would be a way of measuring satisfaction of customer, supplier stakeholders – if achieved through greater sales rather than higher prices;
- high profits might be seen as exploitative.

For Operating profit:

- this is measure stock exchange/investors usually use to identify success;
- company is secure if profit is being earned;
- means more opportunity to retain funds for future growth;
- high turnover may result from having to lower prices to fight a price war, without profits increasing.

	AO3 (max 4 marks)	AO4 (max 4 marks)
Level 2	2 or more valid areas analysed well (3-4 marks)	Good judgments offered based on balanced analysis (3-4 marks)
Level 1	1 valid area well analysed or two poorly analysed (1-2 marks)	Some judgement offered based on analysis (1-2 marks)

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

8

Total for this question: 14 marks

Like all businesses, Boots is influenced by government policies. Page 11 of the Case Study tells us that the government has deregulated the pharmacy industry. Another government influence comes from the UK's membership of the EU.

- (a) Describe **two** ways in which Boots might respond to the deregulation of the pharmacy industry. *(6 marks)*

Possible responses include:

- greater competition from supermarkets, etc means there is more pressure on Boots to lower prices;
- smaller pharmacies might fold, Boots might buy them out;
- Boots has to move away from its core business.

	AO1 (max 2 marks)	AO2 (max 4 marks)
Level 2	Two ways identified (2 marks)	Both ways adequately applied or one factor well applied to Case Study (3-4 marks)
Level 1	One way identified (1 mark)	One way adequately applied or both poorly applied to the to Case Study (1-2 marks)

(b) Discuss whether Boots is likely to benefit from the UK's membership of the EU. (8 marks)

Areas for discussion include:

For:

- potential greater market in which to sell goods;
- more sources of labour available;
- can open up new stores in European countries;
- Europe grants to develop parts of UK, which could stimulate demand.

But Boots's experience in Europe was not good. Has expanded more in the Far East. UK does not have euro currency, so exchange rate is still an issue.

Against:

- greater competition from European companies;
- possibly more government intervention.

	AO3 (max 4 marks)	AO4 (max 4 marks)
Level 2	2 or more valid points analysed well (3-4 marks)	Good judgments offered based on balanced analysis (3-4 marks)
Level 1	1 valid point well analysed or two poorly analysed (1-2 marks)	Some judgement offered based on analysis (1-2 marks)

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

9

Total for this question: 14 marks

Boots recognises that most of its customers are women. Imagine that you are a business consultant and have been asked by Boots to consider ways of increasing the number of male customers.

You have to write a report to Boots' board of directors, examining the issues and advising the board on what it should do.

You will need to:

- State **two or three** strategies that Boots might adopt to increase the number of male customers
- 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.

Strategies could include:

- advertising in suitable media (ie likely to be seen by men);
- offering discounts/special offer to men;
- having a similar internet magazine as handbag.com for men;
- promote the Advantage Card to men - then male special offers can be targeted at men;
- have men's evenings, themed events at stores;
- celebrity endorsements to encourage men to shop there.

	AO1 (max 2-marks)	AO3 (max 4 marks)	AO4 (max 8 marks)
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)

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