

GCSE 2004

June Series



Mark Scheme

Business Studies Specification B *(Subject Code 3133/9/1F)*

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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Paper 1 Foundation Tier

Broad Principles:

- Most questions have a levels mark scheme, some have up to four levels, some up to three and some up to two.
- In all levels mark schemes, examiners must start at the top level and use the level descriptor to see if the candidate response matches that descriptor. If the response does not match the descriptor, examiners should move down to the next level until the appropriate descriptor is matched by the candidate response.
- Once the correct level has been identified, examiners will also have to decide which mark to award within that level. This will be done by using the level descriptor, any further guidance and where applicable the exemplar responses. At its simplest, this will require the examiner to decide if the candidate is operating at the top, middle or bottom of a level that has three marks available to be awarded.
- Examiners should take great care, when using the range of marks for each level, to award the right number of marks for each response.
- For most questions a list of possible points is included in the mark scheme. This is not intended to be a comprehensive list. Nor is the wording deemed to be the only acceptable form for which marks may be awarded. Examiners will need to use their judgement as to whether a point made by the candidate is relevant to the question. Team leaders may be used for advice where examiners are unable to make such a decision.

1

Describe the possible objectives which the owners had for Dewdrops Ltd in its early years, up to 1975. (9 marks)

The objectives suggested by the data are:

- To produce quality clothing
- To sell to a wide range of specialist outlets
- To make a reasonable profit
- To expand the number of factories

Other feasible objectives that candidates might suggest include:

- To survive
- To break-even by a certain time
- Build up a company reputation
- Maintain a well motivated workforce
- Profit maximisation

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to address the situation of Dewdrops. Data is correctly interpreted and analysed. (9 - 7 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Dewdrops. The response clearly identifies and describes **three** of Dewdrops objectives suggested by the data. (9 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Dewdrops situation. The response identifies and describes **one** of the objectives suggested by the data. (7 marks)

NB Do not reward at level 3 objectives suggested by the data after 1975

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made describing at least one possible objective for Dewdrops not suggested by the data. (6 - 4 marks)

Effective and accurate application of sound relevant business knowledge and understanding to give a thorough description of **two** possible objectives for Dewdrops not suggested by the data. (6 marks)

Some use and application of relevant business knowledge and understanding to simply describe **one** of the possible Dewdrops objectives not suggested by the data.. (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Listed objectives are given, either as suggested by the data or from the candidates ideas, but with no additional description or explanation. (3 - 1 marks)

Three separate undeveloped possible objectives are stated. (3 marks)

One possible objective is stated. (1 mark)

2

Explain the term 'product diversification'.

(4 marks)

Level 1 Statement of knowledge

Award (1) mark each for points such as:

- Producing different types of products
- Products might be quite similar
- Products might be quite different
- This spreads risks of one product failing
- Moving into other markets
- Changing existing products
- Widening the existing range

NB *The use of examples and developments added to the above points may also achieve max of (4) But there is a maximum of one example per point made. The examples do not have to be related to Dewdrops type of products.*

Application of examples might read as follows:

“Product diversification is where you offer a wider range of goods (1). This is so that you have more products which would appeal to customers (1). Eg before you might have sold trainers but now you sell trainers, trousers, t-shirts and jumpers (+1)”

“This means making other products or branching into something new. (1) This could be to try something new or to guarantee a profit all year round. (1) For example as well as making clothes they could start to make shoes as well (+1)”

“This means making a wider variety of different types of products (1, in this case clothes. They may have started to produce different styles of clothes (+1) to widen their target market (1), satisfy more customers (1) which will then increase sales (1) and their position in the market (1) NB Max of (4 marks).

(4 - 1 marks)

3

Explain the reasons why you think Dewdrops changed from being a private limited company to being a public limited company. (9 marks)

Possible points include:

Cons of private limited company:

- Limited finance to make the major further expansion
- Needed to bring in much greater expertise if expansion to continue, especially into export markets
- At risk of being taken over if stayed small
- Operating as a private company restricted chances to become household name

Pros of public limited company:

- Major source of funding possible through selling shares to the public
- Likely to be able to attract greater management expertise to handle continued expansion
- Even greater economies of scale likely to be gained eg more sources of finance
- Possible benefits from greater exposure of name

Other points:

- Profits are at a record level – can afford the change or enables it to take the risk

NB We cannot reward pros of private and cons of public as these will not answer the question

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to address the situation of Dewdrops. Data is correctly interpreted and the response analyses the possible reasons for Dewdrops changing from Ltd to plc. The pros of public are clearly compared to the cons of private. (9 - 7 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Dewdrops. (9 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Dewdrops situation. (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made about both the limitations of operating as a private company and/or the advantages of operating as a public company but the response fails to compare them. (6 - 4 marks)

Effective and accurate application of sound relevant business knowledge and understanding. (6 marks)

Some use and application of relevant business knowledge and understanding to simply describe pros or cons. (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Either the possible problems from operating as a limited company or the advantages of operating as a public company are stated.. (3 - 1 marks)

Three undeveloped points (3)

One undeveloped point (1)

4

Describe how the local community of Penwerris might have benefited from Dewdrops' decision to open a factory in their town. (9 marks)

Possible benefits include:

- 520 direct jobs
- other indirect jobs in suppliers and ancillary businesses
- higher incomes for those employed
- greater spending in the local community
- other jobs, e.g. in shops, secured as a result of this economic improvement
- halts outward migration of young labour
- may act as a magnet to other businesses to set up
- improvements in social welfare of community eg may reduce crime, poverty etc
- improvements to local infrastructure
- effect on house prices

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to address the situation of Penwerris. Data is correctly interpreted and the response analyses the possible benefits to the local community from the opening of Dewdrops factory. The benefits are clearly linked into improving employment and stopping the outward migration of young workers. (9 - 7 marks)

The response analyses the benefits **both** to employment **and** migration. (9 marks)

The response analyses the benefits for **either** employment **or** migration. (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant benefits about the opening of the factory are described but are not in the context of Penwerris. (6 - 4 marks)

Three benefits described but not in the context of Penwerris (6 marks)

One benefit is described but not in the context of Penwerris (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Undeveloped benefits are given with no link to Penwerris or Dewdrops. (3 - 1 marks)

Three benefits are stated with no description (3 marks)

One benefit is stated with no description (1 mark)

5

Describe the advantages and disadvantages of adding elements of flow production when making batches of clothes. Explain whether you think Dewdrops plc was right to do this. (12 marks)

Possible advantages from adding flow to batch production include:

- faster production process and higher output
- unit costs lowered
- workers will need to be more specialised and might become more skilled at their narrower tasks
- less time lost in making changes to machinery

Possible disadvantages from adding flow to batch production include:

- reduced quality
- workers become less motivated
- will require large orders to meet output
- products might need to become more standardised when clothing requirements usually require variation
- production process might be less flexible
- might be high machinery cost from introducing flow production

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Judgements as to whether Dewdrops was right to combine flow production with batch should be based on and justified by a weighing up of the pros and cons. (12 - 9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the pros and cons of combining flow with batch production for clothing. (12 marks)

Simple reasoned judgements are made based on detailed consideration of the pros and cons of flow as they might apply to batch production for clothing (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. Data is correctly interpreted and analysed so that the candidate effectively applies business terms/concepts to compare the pros and cons of flow production or flow against batch production; but either there is no conclusion as to whether the candidate feels that Dewdrops made the right decision or the judgement is based on insufficient or incorrect interpretation. (8 - 7 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Dewdrops clothing production. (8 marks)

Some analysis based on the selection of some appropriate information from the case study and including effective application of business concepts to Dewdrops clothing production. (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant pros and cons of flow as they might apply to clothing are given. (6 - 4 marks)

Effective and accurate application of relevant business knowledge and understanding within the context of Dewdrops situation. (6 marks)

Some use and application of business knowledge and understanding within the context of Dewdrops situation. (4 marks)

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple pros and/or cons of flow are given with no development. There is no application to clothing production nor to batch production. (3 - 1 marks)

Three separate undeveloped pros/cons given but with no link to Dewdrops and clothing. (3 marks)

One pro or con given with no link to Dewdrops and clothing. (1 mark)

Note: Mention of Dewdrops name is not sufficient to put an answer into context

6

Describe the possible advantages and disadvantages to Dewdrops of just-in-time stock control. Explain how effective it might be in improving Dewdrops plc's efficiency. (12 marks)

Possible advantages include:

- do not have to store stock of materials
- this reduces warehousing space and costs
- helps with cash flow
- not left with unwanted stock
- faults should be spotted quickly

Possible disadvantages include:

- delivery problems will possibly stop production
- faults in materials will cause shortages and possibly stop production
- will only work if businesses involved work and plan closely together

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Candidates should be making judgements as to how effective JIT might be in improving efficiency in the Dewdrops factory. This judgement should be based on a discussion of the pros and cons as they might apply to Dewdrops. If candidates suggest that efficiency might not have improved by a large amount this should be rewarded. (12 - 9 marks)

Logical judgements about the effect on efficiency are made and justified based on clear evidence of weighing up the pros and cons of Dewdrops introducing JIT. (12 marks)

Simple reasoned judgements about the effect on efficiency at Dewdrops are made based on some consideration of the evidence and relevant business knowledge following the introduction of JIT. (9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. Data is correctly interpreted and analysed so that the candidate effectively applies business terms/concepts to show how the pros and/or cons of JIT affect efficiency at Dewdrops factory. The candidate does not make a reasoned judgement about the effectiveness of JIT on efficiency at this level (8 - 7 marks)

Clear, good analysis based on the selection of appropriate information from the case study and effective application of business concepts to Dewdrops situation. (8 marks)

Some analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to Dewdrops situation. (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant pros and cons of Dewdrops introducing JIT are described but do not show how they will improve efficiency.

(6 - 4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of Dewdrops situation. *(6 marks)*

Some use and application of relevant business knowledge and understanding within the context of Dewdrops situation. *(4 marks)*

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple unexplained pros and/or cons of JIT are stated without any application to Dewdrops. **(3 - 1 marks)**

Three separate undeveloped pros/cons are given but with no link to Dewdrops situation or a full description of JIT which is not applied to Dewdrops *(3 marks)*

One pro or con given with no link to Dewdrops' situation. *(1 mark)*

7

The traditional UK retailers considered responding to competition by:

- developing internet shopping;
- improving the quality of their clothes;
- introducing designer ranges.

Discuss the advantages and disadvantages of each of these methods, and explain which you think would be the most effective. (12 marks)

Possible advantages and disadvantages of each method include:

Method	Advantage	Disadvantage
Internet shopping	<ul style="list-style-type: none"> • new type of customers • not very costly in terms of fixed costs • more convenient for shoppers 	<ul style="list-style-type: none"> • not everyone has internet • difficult to return goods • clothing cannot be actually seen or tried on • teenagers may not have credit cards • extra costs setting up the system • security concerns for consumers
Improving clothing quality	<ul style="list-style-type: none"> • may improve image and reputation • may attract new type of customers 	<ul style="list-style-type: none"> • may increase costs • may not meet customer requirements
Designer range introduced	<ul style="list-style-type: none"> • new market segment • new image 	<ul style="list-style-type: none"> • no guarantee of success • may be very costly – production and promotion • may put off existing customers

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the three methods using business studies knowledge and terminology correctly. Candidates should be making judgements as to which course of action is likely to be best for the traditional retailers. This decision needs to be based on a correct discussion of three methods given in the question with the candidate weighing up the pros and cons in order to reach a justified decision.

(12 - 9 marks)

Logical judgements are made and justified based on clear evidence of weighing up the pros and cons of each method to the situation for the traditional retailers. *(12 marks)*

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to the situation of the traditional retailers. *(9 marks)*

Level 3 Selection/Organisation/Analysis/Interpretation

The candidate effectively applies business terms/concepts to discuss and compare at least one advantage and one disadvantage of at least two of the methods given in the question. Either no judgement has been made as to the best course of action or the judgement is based on insufficient discussion or incorrect interpretation.

(8 - 7 marks)

Clear, good analysis based on the selection of appropriate information and effective application of business concepts to the situation of the traditional retailers. *(8 marks)*

Some analysis based on the selection of some appropriate information and including reasonably effective application of business concepts to the situation of the traditional retailers. *(7 marks)*

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied. The basic pros and/or cons of at least two of the methods given in the question are simply described. No comparison is made at this level.

(6 - 4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of the situation of traditional retailers. *(6 marks)*

Some use and application of relevant business knowledge and understanding within the context of the traditional retailers' situation. *(4 marks)*

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple pros and cons of the methods are listed without further description and without application to the traditional retailers

(3 - 1 marks)

Three separate undeveloped points are given with no links to the traditional retailers' situation *(3 marks)*

One point given with no link to the traditional retailers *(1 mark)*

8

Showing your working, calculate Dewdrops plc's gross profit to sales revenue ratio in 1999.
(5 marks)

For the correct answer of 80% or 4:5 award (5) marks.

Otherwise build up as follows:

Either: (1) 120×100 (1)
 (1) $\frac{\quad}{150}$ = 80% (1)
 (1) 150

Or: (1) (1) (1)
 120 : 150

(1) for some reduction e.g. 12 : 15

(1) for final reduction to 4 : 5 or 0.8:1 or 1:1.25

NB No idea = (0) marks

NB No marks for stating the formula

NB Selecting the correct two figures of £120m and £150m (million does not have to be shown) but using them in reverse in the calculation = max of (2 marks). So, if the candidate simply gives 5:4 or 125% (0 marks)

NB If the candidate gives an answer of '80 million' award (4) marks

9

Showing your working, calculate Dewdrops plc's net profit in 1999.

(4 marks)

For the correct figure of £15 million award (4) marks

Otherwise build up as follows:

(1) (1) (1) (1)
120 - 105 = £15m

NB *No idea = (0) marks*

NB *No marks for stating the formula*

NB *The correct answer must include an indication of million but not £ sign to achieve the marks indicated above so an answer that simply states '15' = (0 marks) if there is no working evident.*

10

The Board of Directors thinks that there has been a worrying fall in profitability between 1999 and 2000. Explain whether you think the directors are correct in their view. Use your answers to questions 8 and 9, together with figures from the data and any other calculations, to support your answer. (12 marks)

NB *In this question no marks are being awarded for knowing part of the calculation process. A correct calculation allows the candidate to access a particular level. If the candidate expresses the GP and NP ratios as ratios rather than %s this should also be rewarded.*

The following figures may be calculated by candidates:

	1999	2000
Net profit	£15m	£14m
GP ratio	80% or 4 : 5	78.1% or 121 : 155
NP ratio	10% or 1 : 10	9% or 14 : 155
ROCE	11.1%	10.5%
Current ratio	1.4 : 1	1.14 : 1
Acid Test Ratio	0.2 : 1	0.23 : 1
Revenue		Increased by 3.3%
GP		Increased by 0.83%
NP		Decreased by 6.7%

NB *The own figure rule (OFR) must be applied and candidates rewarded if candidates use their own incorrect calculations from questions 8 and 9 to make appropriate comments about profitability.*

Level 4 & Level 3 combined Evaluation plus Selection/Organisation/Analysis/Interpretation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Judgements are justified through analysis and interpretation that makes correct use of ratios. Information has been selected from the case study to enable correct calculation of ratios. (12 – 7 marks)

Logical judgements are made about whether the directors are right in their view of the financial position, with the judgements being justified through the use and analysis of at least two pairs of correctly calculated profit ratios. Other calculations might also have been used to support the judgements. (Remember OFR) (12 marks)

Simple judgements are made about the financial position based on consideration and analysis of at least two pairs of correctly calculated profit ratios. (Remember OFR) (10 marks)

A comparison has been made between at least two pairs of correctly calculated profit ratios but no judgement has been made about the financial position of the company. Other calculations might also have been compared. (Remember OFR) (9 marks)

One pair of correctly calculated **ratios** are shown but no judgement has been made about the financial position of the company. (Remember OFR) (7 marks)

11

Discuss how both the young people living in the area and the local shops would be affected by the closure of the Dewdrops plc factory. Explain which of them you think would be most affected.
(12 marks)

Likely effects include:

Young people:

- some employed at Dewdrops will lose their jobs
- those that do so will have reduced incomes
- reduced incomes will result in lower spending
- those employed in firms supplying Dewdrops with goods and services may lose jobs
- those hoping to gain jobs at Dewdrops and supplying businesses in the future may lose confidence in the chances of finding jobs

Local shops:

- reduced revenue as a result of reduced spending due to rise in unemployment
- some shops more affected than others
- some shops may have to lay off workers or even forced into closure

NB *Any conclusions do not have to be at the end of the candidate's answer. Be prepared to reward reasoned judgements made within the body of the response.*

Level 4 Evaluation

The candidate makes conclusions or reasoned judgements from logical evaluation of the evidence in the case study and using business studies knowledge and terminology correctly. Candidates should be making judgements as to which group will be most affected. The judgement should be based on and justified by a comparison and weighing up of the effects on the two groups.
(12 - 9 marks)

Logical judgements are made and justified based on clear evidence of considering the relative effects on the two groups.
(12 marks)

Simple reasoned judgements are made based on some consideration of the evidence and relevant business knowledge to the situation in Penwerris.
(9 marks)

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. Data is correctly interpreted and analysed so that the candidate effectively applies business terms/concepts to discuss and compare the possible effects on the two groups or within the two groups or before and after. The discussion lacks justification of any judgements as to which group is likely to be most affected.
(8 - 7 marks)

Analysis based on the selection of appropriate information from the case study and effective application of business concepts to the situation in Penwerris leading to a comparison involving both groups.
(8 marks)

Analysis based on the selection of some appropriate information from the case study and including reasonably effective application of business concepts to the situation in Penwerris leading to a comparison involving one group.
(7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. The basic effects of the closure on the two groups are simply described in the context of the case study. (6 - 4 marks)

Effective and accurate application of sound relevant business knowledge and understanding within the context of both of the groups within Penwerris. *(6 marks)*

Some use and application of relevant business knowledge and understanding within the context of **one** of the groups within Penwerris. *(4 marks)*

Level 1 Statement of Knowledge

Straight copying of case study material and limited understanding shown. Simple effects of the closure are given without further description or application to the situation in Penwerris. (3 - 1 marks)

Three separate undeveloped effects are given without any link to the situation in Penwerris. *(3 marks)*

One effect given with no link to the situation in Penwerris. *(1 mark)*

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 performance	Candidates do not meet the threshold performance criteria	0 marks