

GCSE 2004

June Series



Mark Scheme

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

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 Higher 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

Explain how Dewdrops' business objectives have changed since the firm first started. (9 marks)

The early 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 early objectives that candidates might suggest include:

- To survive
- To break-even by a certain time

Later objectives suggested by the data:

- To make record profits
- To expand the number of factories
- To diversify the product range
- To move into export markets
- To become a plc
- Continuous expansion

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 three of Dewdrops objectives and explains how they have changed. (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 two objectives and shows how they have changed. (7 marks)

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant points are made describing Dewdrops objectives but the response fails to explain how they have changed over time. (6 - 4 marks)

Effective and accurate application of sound relevant business knowledge and understanding to give a detailed description of two of Dewdrops objectives but without an explanation of how they have changed. (6 marks)

Some use and application of relevant business knowledge and understanding to simply describe two of Dewdrops objectives. No indication is given as to how objectives have changed. (4 marks)

Level 1 Statement of Knowledge**Straight copying of case study material and limited understanding shown. Listed objectives are given but with no additional description or explanation. (3 - 1 marks)**

Either three separate undeveloped objectives are stated or one objective is stated and simply described out of context (3 marks)

One objective is stated. (1 mark)

2

Explain the term 'product diversification'.	(4 marks)
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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 the possible external costs to the local community of Penwerris of Dewdrops' decision to open a factory in their town. *(9 marks)*

Possible external costs include:

- Pollution from the factory in various forms – noise, waste, smell
- The unsightliness of the building
- Possible loss of green belt land for the factory
- Safety hazards from the factory and the extra traffic
- Loss of peacefulness of area
- Over-stretching of some local resources
- Over-dependence on one large factory again for employment

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 external costs to the local community from the opening of Dewdrops factory. The external costs are clearly analysed in terms of the possible effects on the local community of Penwerris. ***(9 - 7 marks)***

At least two external costs arising from the opening of the factory are described *(9 marks)*

At least one external cost arising from the opening of the factory is described *(7 marks)*

Level 2 Application of Knowledge and Understanding

Business studies knowledge is used and applied to the case study. Relevant external costs are described but the response does not show how they arise from the opening of the Dewdrops factory. ***(6 - 4 marks)***

The response describe three relevant external costs arising from the opening of a factory *(6 marks)*

The response describes one relevant external cost arising from the opening of a factory *(4 marks)*

Level 1 Statement of Knowledge

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

Three external costs are listed *(3 marks)*

One external costs is given *(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

Explain why you think Dewdrops plc might have decided both to introduce just-in-time stock control and to improve its links with retailers. (12 marks)

Possible advantages of JIT 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 advantages of closer links with retailers:

- better market data will help plan production
- should help to ensure future sales
- should help to guarantee a market
- less risk in developing new clothing lines

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 reasoned judgements about the benefits or drawbacks to Dewdrops of both introducing JIT and improving links with retailers. These judgements should be based on a full discussion of the pros and/or cons of both changes as they might apply to Dewdrops. (12 - 9 marks)

Logical judgements about the effect on Dewdrops of making both changes are made and justified based on clear evidence of consideration of the advantages or disadvantages of both actions.

(12 marks)

Simple reasoned judgements about the effect on Dewdrops are made based on some consideration of the evidence and relevant business knowledge following the introduction of both actions. (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 the advantages or disadvantages of introducing both actions. The candidate does not make a reasoned judgement about the likely impact of both actions on Dewdrops 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. The relevant advantages or disadvantages of Dewdrops introducing the two actions are described but do not indicate how they will benefit the performance of Dewdrops. (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 of either or both actions are stated without any application to Dewdrops. (3 - 1 marks)

Three separate undeveloped pros are given but with no link to Dewdrops situation. *(3 marks)*

One pro is 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

Using figures from the data and appropriate calculations, explain whether you think that the directors of Dewdrops plc needed to be concerned about a decline in the company's performance between 1999 and 2000. (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	78.1/78.07/78.06/78% or 121 : 155
NP ratio	10% or 1 : 10	9/9.03% or 14 : 155
ROCE	11.1 or 11%	10.5/10.52/10.53%
Current ratio	1.4 : 1 or 7:5	1.14 : 1 or 8:7
Acid Test Ratio	0.2 : 1 or 5:1	0.23 : 1 or 0.228:1 or 8:35
Revenue		Increased by 3.3%
GP		Increased by 0.83%
NP		Decreased by 6.7% or 6.6%

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 ratios. Other calculations might also have been used to support the judgements. (12 marks)

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

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

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

9

Suggest appropriate ways in which Dewdrops plc might reduce costs in order to improve profitability. (9 marks)

Likely ways include:

- reduce workforce – direct and indirect workers
- reduce material costs
- reduce wastage
- cut back on hours of work such as overtime or shift work
- lower wages
- economise
- reduce overheads
- just in time production
- outsourcing
- invest now to save in future

NB Answers linked to improving revenue in order to improve profitability eg more sales value, more customers are not acceptable

Level 3 Selection/Organisation/Analysis/Interpretation

Information has been selected from the case study. The candidate effectively applies business terms/concepts to select ways would be appropriate to Dewdrops situation. The analysis is clearly related to a clothing factory and is linked to improving profitability. (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 situation. (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 suggestions of suitable ways for Dewdrops to reduce costs are described. (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 basic 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. Listed ways to reduce costs may be given but are not in the context of Dewdrops situation. (3 - 1 marks)

Three separate undeveloped ways to reduce costs are given without any link to Dewdrops situation. (3 marks)

One undeveloped way given with no link to Dewdrops situation. (1 mark)

10

Discuss how suppliers to and competitors of Dewdrops plc would be affected by the closure of the Dewdrops factory. Explain which of them you think would be most affected. (12 marks)

Likely effects include:

Suppliers:

- lost orders
- lost revenue
- lost profit
- may need to reduce workforce and make other cost savings
- some suppliers may be more adversely affected than others

Competitors:

- reduced competition in that market
- may pick up orders previously sold by Dewdrops
- some competitors may be in a similar situation

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 thorough 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 this market. (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 this market leading to a comparison involving both groups. (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 the situation in this market 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 this market. *(6 marks)*

Some use and application of relevant business knowledge and understanding within the context of one of the groups within this market. *(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 this market. (3 - 1 marks)

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

One effect given with no link to the situation in this market. *(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