

**Oxford Cambridge and RSA Examinations**  
**General Certificate of Secondary Education**  
**BUSINESS STUDIES SHORT COURSE**  
**HIGHER TIER**  
**PAPER 2**

**1051/2**

**Specimen Paper 2003**

Additional materials:  
Candidates answer on the question paper.

**TIME** 1 hour 30 minutes

Candidate Name	Centre Number	Candidate Number										
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**INSTRUCTIONS TO CANDIDATES**

- Write your name in the space above.
- Write your Centre number and candidate number in the boxes above.
- Answer all the questions.
- Write your answers, in blue or black ink, in the spaces provided on the question paper.
- Read each question carefully and make sure you know what you have to do before starting your answer.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 100.
- The quality of your written communication will be taken into account in marking your answers to questions marked with an asterisk (\*).

Question number	For examiner's use only
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>TOTAL</b>	

**Question 1**

Millennium Crystal plc is a public limited company set up recently to produce high quality glass and crystals for the Millennium and for the 21<sup>st</sup> Century.

- 1 (a) State **two** major business objectives Millennium Crystal plc might have and show why they are important to the company.

Objective 1 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Objective 2 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[4]

- (b) Most companies wish to add value to their products.

(i) Explain the term 'to add value'. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[2]

- (ii) State **one** way in which Millennium Crystal plc might add value to its products.

\_\_\_\_\_

[1]

- (c)** Millennium Crystal plc is in competition with many small businesses operating as sole traders.

How might Millennium Crystal plc differ from these sole traders in the following ways?

- (i)** Ownership.

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**[2]**

- (ii)** Where to obtain finance to set up the business.

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**[4]**

- (iii)** Distribution of profits.

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**[2]**

- (d) The UK is a member of the European Union. State and explain **two** reasons why Millennium Crystal plc might find it difficult to export to other EU member countries.

Reason 1 \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Reason 2 \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

[4]

- (e) How might working at Millennium Crystal plc help to satisfy workers' needs?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[4]

**TOTAL MARKS 23**



- (ii) Why would knowledge of a foreign language be a desirable requirement for employment in the export department?

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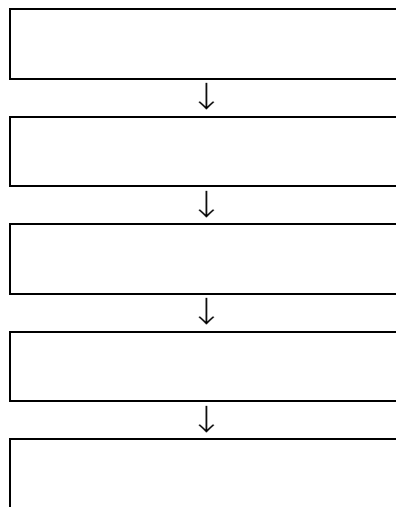
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[2]

- (b) In the spaces provided, draw up a flow chart of five headings to indicate the main stages in the recruitment and selection process for a job in the export department.



[5]

- (c) (i) State and explain **one** way in which the training of new staff in the export department would differ from the training in other areas of the company.

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[2]

- (ii) State and explain **two** reasons why it would be important to offer staff appraisals and further training after a year with the company.

Reason 1 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Reason 2 \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[6]

**TOTAL MARKS 25**

**Question 3**

Millennium Crystal plc undertook considerable market research before deciding on its range of products.

- 3 (a) (i)** State and explain **two** reasons why market research is essential for a new company.

Reason 1 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Reason 2 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (ii)** Explain **two** differences between field research and desk research. **[4]**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**[4]**



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- 3 Millennium Crystal plc has decided to sell expensive cut glass bowls to mark the Millennium. One of the bowls is shown below.



It has conducted a market survey to help it in its decision making. Some of the findings are set out in Fig 1.

Market Segments	Price willing to pay	Number of people Questioned	% of those questioned willing to buy the bowls
Overseas tourists	£100	50	20%
Day Trippers	£20	10	10%
Young Married	£40	20	20%
Single Employed	£80	50	10%
Professionals	£100	60	20%
Managers	£100	50	20%
Homemakers	£70	60	20%
Married 30-40	£70	60	20%
Married 41-60	£80	60	25%
Retired	£40	60	20%
Students	No interest	20	-
<b>Total Questioned</b>		500	

Fig. 1



- (c) The Marketing Department has been discussing the distribution of the cut glass bowls. The following outlets have been suggested.

Airports / Departments stores  
Specialist shops / Souvenir shops  
Mail order / Own factory outlets  
Hardware stores / Hypermarkets

- (i) Using the findings given in Fig 1, state **one** outlet from those listed above you would strongly recommend for selling these bowls. Give **two** reasons for your choice.

Choice \_\_\_\_\_

[1]

Reason 1 \_\_\_\_\_

\_\_\_\_\_

Reason 2 \_\_\_\_\_

\_\_\_\_\_

[2]

- (ii) Choose **one** outlet you would **not** recommend for selling these bowls. Give **two** reasons for your choice.

Choice \_\_\_\_\_

[1]

Reason 1 \_\_\_\_\_

\_\_\_\_\_

Reason 2 \_\_\_\_\_

\_\_\_\_\_

[2]



#### Question 4

Millennium Crystal plc plans to sell 8000 Millennium bowls.

4 (a) If the company manufactures more than 8000 bowls, it can take advantage of economies of scale.

(i) Explain what is meant by economies of scale.

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(ii) Name and explain **one** economy of scale which might apply to the production and sale of the Millennium bowl. [2]

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[2]

Millennium Crystal plc obtains its supplies of raw materials for the Millennium bowl from Producer X. It has recently been looking at ways of reducing this cost and has obtained information from Producer Y.

A comparison of the two producers is shown in Fig. 2.

	<b>Producer X</b>	<b>Producer Y</b>
Total cost of raw materials	£76 000	£74 000
Lead time (from order to delivery)	7 days	4 days
Minimum quantity	2 tonnes	6 tonnes
Distance from Millennium Crystal plc	10 miles	40 miles
Payment terms	35 days credit	20 days credit

**Fig. 2**







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MARK SCHEME

**Specimen Paper 2003**

**1051/2**

## General advice to Assistant Examiners on the procedures to be used

1. An element of professional judgement is required in the marking of any written paper, and candidates may not use the exact words which appear in the detailed sheets which follow. If the business studies is correct and also answers the question then the mark(s) should normally be credited.
2. Mark in red. A tick (✓) should be used, at the appropriate point, for each answer judged worthy of credit.
3. Strike through all blank spaces and/or pages in order to give a clear indication that the whole of the script has been considered.
4. The mark total for each question should normally be ringed at the bottom right hand side.
5. In cases where candidates give multiple answers, mark the first answer(s) up to the total number required. In specific cases where this simple rule cannot be applied, the exact procedure to be used will be given in detail at the Examiners' Standardisation meeting.
6. Some questions may have a 'Level of Response' mark scheme. Details of these are given in this Mark Scheme.
7. Abbreviations, annotations and conventions used in the detailed Mark Scheme

/ = alternative and acceptable answers for the same marking point

NOT = answers which are not worthy of credit

       = (underlining) key words which **must** be used to gain credit

ecf = error carried forward



<p>1 (c) (iii)</p>	<p>Any two differences x 1 mark each or 1 difference well explained e.g. comment on both Millennium and on the small businesses –</p> <p>profits from Millennium used to pay corporation tax used to pay dividend used as reserves.</p> <p>profits from sole trader used as drawings by owner used to pay back loans ploughed back into the business. used to pay income tax</p>	<p>2</p>
<p>(d)</p>	<p><b>Target: Apply knowledge of the European Union, analyse and evaluate the exporting problems of Millennium Crystal.</b></p> <p>Any two reasons well explained x 2 marks each such as –</p> <p>distance – higher costs of transport language – difficulties in trading laws – different regulations so may have to trade differently competition – from other EU members individual tastes – what may suit UK market may not be acceptable elsewhere.</p> <p>Any other relevant problem. 2x2</p>	<p>4</p>
<p>(e)</p>	<p><b>Target: Apply knowledge of needs from work to the business, analyse and evaluate these needs in relation to Millennium Crystal plc.</b></p> <p>Any four points x 1 mark each or 2 points well developed x 2 marks such as –</p> <p>some of the jobs may provide a challenge – glass blowing/craft skills may provide job satisfaction provide a sense of achievement – job production – making a finished piece of glass may provide job security provide pay – needed for survival/to pay bills may provide responsibility – management roles.</p> <p>Any other relevant point.</p>	<p>4</p>
<p style="text-align: right;"><b>Total Marks 23</b></p>		

<p>2 (a) (i)</p>	<p><b>Target: Demonstrate knowledge and understanding of job descriptions, apply this to the business and analyse information suitable for the job description.</b></p> <p>Job Description for Sales Person</p> <p>The person required will be answerable to the Export Manager and will work in the newly created Export Department.</p> <p>The person appointed should be outward going, have experience in exporting and be fluent in a European language.</p> <p>The duties of the job are:</p> <p>To be responsible for an area in Europe and to create sales in that area.</p> <p>To be responsible for clients in that area.</p> <p>To instigate or take part in special promotions in that area.</p> <p>To introduce new products to prospective clients.</p> <p>To have a thorough understanding of the products of Millennium Crystal plc.</p> <p>To handle orders placed from time of order to delivery of order.</p> <p>To deal with any complaints within that area etc.</p> <p><b>Level 3 (7–10 marks)</b> Has given a job title, four duties relating to the job title in a logical order and has introduced other information which makes the job description workable.</p> <p><b>Level 2 (4–6 marks)</b> Has given a job title and shown up to four duties relating to the job title.</p> <p><b>Level 1 (1–3 marks)</b> Has given a job title and stated at least two duties with little relationship to the job title.</p>	<p>10</p>
<p>(ii)</p>	<p>Any two points x 1 mark or 1 point well developed for two marks such as –</p> <p>most sales are to be made in Europe/where English is not the native language</p> <p>clients may expect sales people in the export department to speak their language</p> <p>it may give competitive advantage.</p> <p>Any other relevant point.</p>	<p>2</p>

2 (b)	<p><b>Target: Demonstrate knowledge and understanding of recruitment, and apply this knowledge to the export department.</b></p> <p>Any five stages of recruitment and selection x 1 mark each such as –</p> <p>Identify job vacancy          Prepare job description          Prepare person specification          Prepare application form          Design advertisement          Place advertisement          Receive applications          Short list applications          Call applicants for interview          Interview candidates          Select successful candidate          Offer job          Send written contract of employment          Induction course.</p>	5
(c)	<p><b>Target: Demonstrate knowledge and understanding of training, staff development and appraisal and analyse its importance to the export department and the business.</b></p> <p>(i) Any one way x 2 marks such as –</p> <p>emphasis on information about the countries the company is trading with/example – customs          emphasis on export procedures/example – documents          emphasis on marketing techniques/export compared to home trade.</p> <p>Any other relevant difference.</p>	2
(ii)	<p>Any two reasons well explained x 3 marks each such as –</p> <p>shows commitment to the staff – motivational reasons such as recognition of worth of staff          further training may enable them to work more efficiently – be more confident in their work and make fewer mistakes          to acquaint staff with changes in their work since starting – saves mistakes, aids efficiency          to identify staff strengths and show recognition of them and also weaknesses in an attempt to put them right.</p> <p>Any other relevant point. 3x2</p>	6
<b>Total Marks 25</b>		

<p><b>3 (a)</b></p> <p><b>(i)</b></p>	<p><b>Target: Demonstrate knowledge and understanding of market research and apply this to the business.</b></p> <p>Any two reasons well explained x 2 marks each such as –</p> <p>needs to find out if there is a market for the product – saves making a huge financial mistake</p> <p>needs to find out the possible market segments to be aimed at – can then target those markets</p> <p>needs to find out particular details about the product in relation to potential customers – examples</p> <p>needs to find out details about the competition – to decide if the competition is too strong</p> <p>needs to find out the prices people are likely to pay – can then price appropriately.</p> <p>Any other relevant point well explained.</p>	<p><b>4</b></p>
<p><b>(ii)</b></p>	<p>Any 4 from</p> <p>field research – primary research</p> <p>desk research – secondary research</p> <p>field research is done in relation to the specific project</p> <p>desk research uses other people’s findings.</p> <p>field research is often done by means of questionnaires/surveys</p> <p>desk research uses government statistics or any other example of other people’s data.</p> <p>Any other relevant difference.</p>	<p><b>4</b></p>

<p><b>3 (b)</b></p>	<p><b>Target: Demonstrate knowledge and understanding, apply that knowledge, analyse and interpret that knowledge and make reasoned judgements about the results of the survey.</b></p> <p>Mark sections (i) and (ii) together as indicated below –</p> <p>Market segments – overseas tourists professionals managers married 41–60</p> <p>as these segments are willing to pay a high price – the bowl is likely to be expensive and 20%+ of those questioned in those segments said that they would buy the bowl.</p> <p>Price range – £70–£100 Ceiling £100 enough market segments said that they were willing to pay within that price range to make it worthwhile.</p> <p>Pricing strategies – creaming/skimming cost plus pricing</p> <p>Any other relevant point e.g. segments which should not be considered.</p> <p><b>Level 3 (7–10 marks)</b> Has examined the data closely, identified 2+ market segments, indicated the price range to be charged giving at least 1 pricing strategy. The points made are presented in a logical sequence with reasons to justify the answers given.</p> <p><b>Level 2 (4–6 marks)</b> Has identified 2+ market segments from the data and indicated the price range to be charged, with some explanation to justify answer.</p> <p><b>Level 1 (1–3 marks)</b> Has named 1+ market segment and given some idea of price to be charged with no explanation.</p> <p>Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the following requirements:</p>	<p><b>10</b></p>	
	<p>Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</p>	<p>2</p>	<p><b>2</b></p>
<p>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</p>	<p>1</p>		
<p>Candidate fails to reach the threshold standard in all respects.</p>	<p>0</p>		



<p><b>3 (c) (i)</b></p>	<p><b>Target: Analyse and evaluate various retail outlets in relation to the sale of the bowls.</b></p> <p>Choice (which should be related to the data) – 1 mark any two related reasons x 1 mark each such as –</p> <p>Airport shops – stock expensive items, overseas tourists likely to use them.</p> <p>Specialist shops – kind of shop that market segments such as managers, professionals might visit, can be specially displayed, be displayed with other ranges of the same product.</p> <p>Department stores – upmarket so likely to stock an up-market product, identified market segments likely to visit them, suitable for browsers and impulse buyers.</p> <p>Own factory outlets – can display all the company products, people interested in glass will visit, saves costs, many of the identified market segments like visiting factory shops.</p> <p>Souvenir shops – less likely unless such as national trust but please accept with valid reasons.</p>	<p><b>3</b></p>
<p><b>(ii)</b></p>	<p>Choice – 1 mark</p> <p>Any two reasons x 1 mark each such as –</p> <p>Mail order – too expensive, wrong market segment, too fragile.</p> <p>Hardware shops – not part of the range of this kind of shop, could not be adequately displayed.</p> <p>Hypermarkets – too expensive, market segments not likely to be looking for this type of product in this store – food and cheaper goods.</p> <p>Souvenir shops – please accept with valid reasons.</p>	<p><b>3</b></p>

<p><b>3 (d)</b></p>	<p><b>Target: Apply knowledge of promotion methods, analyse information and evaluate ways of promoting the bowls.</b></p> <p>Advertising or example of advertising such as catalogues/leaflets/home-making magazines/women's magazines (accept for only one method of promotion) – to inform people, to persuade people to buy or reasons related to example of advertising.</p> <p>display – the bowls can be seen, improve the look of the sales outlet, shows the quality of the product, appealing to the eye.</p> <p>special offers – reduce prices as people like bargains, may encourage increased sales of particular lines which are not selling well.</p> <p>sale of seconds – large market for imperfect glassware, may encourage people to buy the perfect items.</p> <p>link with another product – sell two products at once, encourage interest.</p> <p><b>Level 2 (4-6 marks)</b> Has written a detailed answer mentioning at least 2 methods of promotion and why they are appropriate for selling the bowls.</p> <p><b>Level 1 (1-3 marks)</b> Has stated 1/2 methods of promotion with or without reasons.</p>	<p><b>6</b></p>
<p style="text-align: right;"><b>Total Marks 32</b></p>		

4 (a) (i)	<p><b>Target: Demonstrate knowledge and understanding of economies of scale and apply that knowledge to the production of the millennium bowl.</b></p> <p>Any explanations x2 marks such as – The greater the output the lower the unit costs of production.</p>	2
(ii)	<p>Any one economy explained x 2 marks such as –</p> <p>Purchasing economies/ buying in large bulk – discount for greater quantities Marketing economies – under advertising, more outlets possible Technical economies –greater use of technology in production.</p>	2
(b)	<p><b>Target: Apply knowledge and understanding of production costs, analyse and evaluate the evidence and make a reasoned judgement.</b></p> <p><u>ARGUMENTS FOR PRODUCER X</u> Can deliver small quantities – storage saved Is located close to millennium crystal plc Offer a longer period of credit.</p> <p><u>ARGUMENTS FOR PRODUCER Y</u> Lower costs Larger quantities delivered Quicker delivery time.</p> <p><u>ARGUMENTS AGAINST PRODUCER X</u> Higher cost Longer delivery time.</p> <p><u>ARGUMENTS AGAINST PRODUCER Y</u> Unknown to the company Not a great saving Located a longer distance – may not deliver Shorter period of credit offered.</p> <p><b>Level 3 (6-8 marks)</b> Has made a recommendation, has mentioned other factors to be considered with reasons for their consideration.</p> <p><b>Level 2 (3-5 marks)</b> Has selected and analysed some advantages and disadvantages of each and may not have mentioned other factors.</p> <p><b>Level 1 (1-2 marks)</b> Has stated some advantages and/or disadvantages of each.</p>	8

4 (c)	<p><b>Target: Demonstrate knowledge and understanding of how accounts aid financial decision making.</b> Any two ways x 1 mark each such as</p> <p>Enables managers to make comparisons between two years figures Enables trends to be identified Enables the financial health of the business to be identified Enables ratios to be applied e.g. ROCE Enables the liquidity of the company to be reviewed to provide evidence for decisions Any other relevant point.</p>	2
(d)	<p><b>Target: Apply knowledge, organise and analyse information and evaluate a plan of action relating to the sale of bowls.</b></p> <p>More and wider advertising – meaning more expenditure on advertising (but advertising costs were reduced in the amended budget). Reduce the price slowly towards the end of the year – sale prices may attract people. Special promotions. Look for other distribution outlets. Stop producing the bowls (if not all have been made) and sell off what are left to minimise the loss.</p> <p>Any other relevant action.</p> <p><b>Level 3 (5–6 marks)</b> Candidate has given a reasoned argument suggesting at least 2 actions to sell the bowls and has shown how the loss may be minimised or how a profit might be made.</p> <p><b>Level 2 (3–4 marks)</b> Candidate has suggested actions to be taken with some justification or reason.</p> <p><b>Level 1 (1–2 marks)</b> Candidate has stated actions to be taken without any reasons.</p>	6
<b>Total Marks 20</b>		