

Oxford Cambridge and RSA Examinations
General Certificate of Secondary Education

BUSINESS STUDIES SHORT COURSE
HIGHER TIER
CASE STUDY PAPER

1051/4 (CS)

Specimen Paper 2003

Additional materials: Pre-released case study material (1051/3 and 4 (CS))
Candidates answer on the question paper.

TIME 1 hour

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.
- Make sure that all your answers relate to the pre-released case study material.

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 60.
- 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
1	
2	
3	
4	
TOTAL	

Question 1

Use the information given in the case study to answer the following questions.

- 1 (a) Discuss the advantages to Tate plc of operating as a public limited company.

[7]

- (b) Discuss the importance of information and communication technology to Tate plc's business.

[6]

TOTAL MARKS 13

Question 2

Use the information in the case study and in Resource Sheet 2 to answer the following question.

- 2 Consider the benefits and drawbacks of this scheme from the staff's point of view. Do the benefits outweigh the drawbacks? Give reasons for your answer.

[6]

TOTAL MARKS 6

Question 3

Use the information in the case study and in Resource Sheet 1 to answer the following questions.

3 (a) Explain how Tate plc will add value to the site at Greenend.

[3]

(b) Explain why the costs of building the houses may decrease with the number of houses built.

[4]

***(c)** James Tate is responsible for marketing and promoting the Greenend site.

He is planning to equip a show house, prepare leaflets and establish a website on the Internet.

Advise James Tate on the benefits and drawbacks of these methods of advertising for selling the houses.

Which would you recommend him to use first? Give reasons for your choice.

[9 + 2]

TOTAL MARKS 18

Question 4

Use the information in the case study and in the Resource Sheets, especially Resource Sheets 3 and 4, to answer the following questions.

- 4 ***(a) (i)** The Board of Directors must make a decision about the proposal to develop local farm barns and redundant farmyards.

Analyse the accounts, showing from both a financial point of view and a non-financial point of view, the arguments for and against James Tate's proposal.

[12 + 2]

- (ii)** If you were a director, would you go ahead with the proposal? Give reasons for your answer.

[3]

- (b)** If the Board of Directors decides to go ahead with this proposal, it will need an extra £700 000 to help to finance it.

Advise the board on a suitable financial package it could use. Give reasons for your recommendations.

[6]

TOTAL MARKS 23

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MARK SCHEME

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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

No marks should be awarded for knowledge and understanding in the following answers.

1 (a)	<p>Target: to apply knowledge, analyse and evaluate the advantages of operating as a plc to Tate plc.</p>	
	<p>Level 3 (5-7 marks) Candidate identifies and relates points to Tate plc and considers the overall benefit of this form of company organisation for Tate plc.</p> <p>Level 2 (3-4 marks) Candidate identifies relevant points about plc form of business organisation and makes some attempt to relate them to Tate plc.</p> <p>Level 1 (1-2 marks) Candidate identifies some relevant points about the plc form of business organisation.</p> <ul style="list-style-type: none"> • Shareholders of Tate plc would have limited liability and so they would lose only their investment if the company went into liquidation. • Tate plc is a legal entity and so can sue and be sued and make contracts in its own name. • Greater access to capital through its shareholders and the Stock Exchange. • Continuity. <p>Any other relevant point.</p>	
(b)	<p>Target: to apply, analyse, interpret and evaluate information relating to the importance of technology to Tate plc.</p>	
	<p>Level 3 (5-6 marks) Has analysed in detail and evaluated several ways in which information and communication technology is important to Tate plc's business.</p> <p>Level 2 (3-4 marks) Has identified some relevant ways in which information and communication technology is important to Tate plc's business with some attempt at analysis and interpretation.</p> <p>Level 1 (1-2 marks) Has identified some relevant ways in which information and communication technology is important to Tate plc's business.</p> <p>Points to consider</p> <ul style="list-style-type: none"> • use of computerised systems within the office – removes boring, repetitive tasks • use of e-mail and fax for faster communication to architects, subcontractors • use of technology to prepare architects' drawings • use of spreadsheets in Phil Pigott's finance department • use of databases for stock control and ordering • use of word processing to produce documents within the office e.g. sales brochures for housing development. • making aspects of the work of the company more efficient –ordering building materials when required. 	6

Question 2

Marks 6

No marks should be awarded for knowledge and understanding in the following answers.

2	<p>Target: to apply knowledge, analyse and interpret information on appraisal and evaluate the benefits and drawbacks of appraisal, from the point of view of Tate plc's staff.</p>	
	<p>Level 3 (5-6 marks) Has examined and discussed the benefits and drawbacks of appraisal in relation to Tate plc's staff and has shown clearly, with reasons, whether or not the benefits outweigh the drawbacks.</p> <p>Level 2 (3-4 marks) Has examined and discussed the benefits and drawbacks of appraisal in relation to Tate plc's staff with no clear judgement about whether benefits outweigh drawbacks.</p> <p>Level 1 (1-2 marks) Has identified some benefits and/ or drawbacks applicable to Tate plc's staff.</p> <p>Points to consider</p> <ul style="list-style-type: none"> • May make office staff feel valued as part of the process is to identify strengths. • May be linked with either promotion prospects or pay. • May be linked with their ability to use the new computerised systems. • The staff may feel that they are being criticised and are unlikely to like this, may feel undermined because of all the changes. • The staff may feel that they are being checked up on and may resent this. • The staff may not like the method of or the person e.g. Pamela Tate doing the appraisal and resist it. • Management staff may resent other managers appraising them e.g. Roger Brand. <p>Any other reason.</p>	6

Question 3

Marks 18

No marks should be awarded for knowledge and understanding in the following answers.

<p>3 (a)</p>	<p>Target: to analyse and interpret information on adding value in relation to Tate plc.</p>	
	<p>Any three points x 1 mark each (+ 1 for a well developed point) such as –</p> <ul style="list-style-type: none"> • by buying land and building houses/factory units on that land which will sell for more money than they paid for the land. • by offering a range of house designs, some of which, with optional extras, can be sold for more than the basic ones. • by buying materials e.g. bricks and constructing houses with them. These houses have more value than the bricks. <p>Any other relevant point.</p>	<p>3</p>
<p>(b)</p>	<p>Target: to analyse, interpret and evaluate information about economies of scale in relation to the case study.</p>	
	<p>Any two points well explained x 2 marks such as –</p> <ul style="list-style-type: none"> • The company can take advantage of economies of scale i.e. the reduction of unit costs as output increases because it is building a large number of houses so materials may be bought in bulk so obtaining discount. • It can take advantage of other economies of scale such as –labour economies – builders working on many houses at one time and the use of sub-contractors so reducing unit costs. • Transport economies – use of company vehicles. • Technical economies – use of machinery and technology to reduce labour costs. <p>Any other relevant point.</p>	<p>4</p>

(c)	Target: to apply knowledge, analyse and interpret that knowledge and information from the case and evaluate an advertising strategy for James Tate.		
	<p>Points to consider -</p> <p>Show house Benefits - very visible to people visiting the site relates directly to what is on sale</p> <p>Drawbacks - very expensive to furnish and equip has to be staffed</p> <p>Leaflets Benefits - contains large amounts of information fairly cheap to produce can use colour, can be prepared by Tate plc's office staff.</p> <p>Drawbacks - disposable by prospective clients</p> <p>Web site Benefits - wide network of people may be targeted can give much information relating to the Greenend site.</p> <p>Drawbacks - expensive to set up not everyone has access to the Internet</p> <p>Level 3 (7-9 marks) Has discussed the benefits and drawbacks relating to the Greenend site of each method of advertising and given a clear recommendation with reasons.</p> <p>Level 2 (4-6 marks) Has discussed the benefits and drawbacks for marketing the Greenend site of most of the methods of advertising.</p> <p>Level 1 (1-3 marks) Has offered some comment relevant to the Greenend site on some of the methods of advertising listed.</p> <p>Candidates will also be assessed for their quality of written communication on this part of the question, according to the following criteria.</p>		9
	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2	2
	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.	1	
	Candidate fails to reach the threshold standard in all respects.	0	

No marks should be awarded for knowledge and understanding in the following answers.

4 (a)	<p>Target: to apply knowledge and understanding and to select, interpret and organise information relating to the accounts of Tate plc.</p>	
(i)	<p>Points to consider -</p> <ul style="list-style-type: none"> • Tate plc has increased fixed assets and a valuable land base for continuing building. • It has a low gearing ratio - long term borrowing of £600 000 in relation to share capital and reserves. • Its loan has reduced by £200 000 in the past year. • Its current ratio is reasonable 1.5:1 with working capital of £500 000. • Reserves have increased dramatically in the last year. • Sales Revenue has increased by £2 100 000 in the past year. • Retained profits have almost doubled. • ROCE is satisfactory. • The amount owed to creditors is high. • The acid test ratio is not good 600:1000 ie 3:1 indicating that the company could not pay its current liabilities from liquid current assets e.g. debtors and cash. • Operating expenses seem to be increasing in relation to gross profit. • May be paying too much in dividends at the present time. <p>Non-financial advantages</p> <ul style="list-style-type: none"> • The barns and farmyards are available and other sites are not so readily available. • The barns and farmyards are located around and close to Holtford, other building land may not be. • It would mean diversification for the company so that it has additional enterprises – spreading risk. <p>Any other non-financial advantage.</p> <p>Non-financial disadvantages</p> <ul style="list-style-type: none"> • Tate plc may not have the expertise to do this work. • They may not obtain planning permission. • They may encounter too much opposition from local people any other relevant non-financial disadvantage. <p>Level 4 (10-12 marks) Has analysed some features of both the Balance Sheet and the Profit & Loss Account with or without calculations or ratios and has identified financial arguments and non-financial arguments both for and against the project.</p> <p>Level 3 (7-9 marks) Has analysed some features of both the Balance Sheet and the Profit & Loss Account with or without calculations or ratios and has identified financial arguments or non-financial arguments for and against the project.</p>	

	<p>Level 2 (3-5 marks) Has identified financial arguments both for and against the project with little analysis.</p> <p>Level 1 (1-2 marks) Has mentioned some points about the accounts.</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>		12
	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2	2
	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.	1	
	Candidate fails to reach the threshold standard in all respects.	0	
4 (a) (ii)	Target: to evaluate information given in the case relating to the business decision.		
	<p>Choice 0 marks</p> <p>Any reasons explained x up to 3 marks each such as - (allow repeated points from (i) above)</p> <p>Would enable the company to expand with individual small developments so not too great a risk at one time.</p> <p>As James Tate is retiring, it may not be a development the other directors would want - delay a decision for a year.</p> <p>Any other relevant reason.</p>		3

4 (b)	Target: to apply, analyse, interpret and evaluate sources of finance in relation to the development of a farmyard site for Tate plc.	
	<p>Level 3 (5-6 marks) Has provided a detailed and appropriate range of sources of finance. The reasons for each recommendation are considered in detail.</p> <p>Level 2 (3-4 marks) Has given an appropriate package of finance. The reasons are detailed for some sources, but limited for others.</p> <p>Level 1 (1-2 marks) Limited range of sources of finance provided. No reasons for recommendations given. Not all sources of finance may be appropriate.</p> <p>Possible choices of finance:-</p> <p>Increase bank loan – already has loan facilities which have decreased over the past year. May be easy to agree with bank.</p> <p>Increase overdraft limit – will need finance for cash flow purposes such as paying company wage bill, paying for building supplies, easy access.</p> <p>Use reserves and retained profits – no interest has to be paid, does not have to be paid back but may be needed for other purposes, such as land purchase.</p> <p>Look at fixed assets – sell any that are not needed e.g. small plots of land.</p> <p>Invite another shareholder to make an investment and join the board - does not have to be repaid, may strengthen the board.</p> <p>Mortgage the company-owned buildings-may be risky as may lose them if financial difficulty. May not be able to do this as may already be secured to the bank.</p> <p>Explore a joint venture with another building company - the national company rumoured to be interested in Tate plc.</p> <p>Might be interested in this but this could be risky and be the prelude for them taking over Tate plc.</p>	6

