

Business Studies Specification A

General Certificate of Secondary Education **GCSE 1951**

General Certificate of Secondary Education (Short Course) **GCSE 1051**

Combined Mark Schemes And Report on the Components

June 2005

1951/1051/MS/R/05

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General Certificate of Secondary Education Business Studies A (1951)

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- (iii) Candidates need to choose TWO and explain relative importance in detail.

e.g. The most important objective for Jack is that he makes a profit. This will allow him to have a high standard of living and to invest in his business for the future. He will be able to give his employees a good wage and job security.

Level 3 (5-8 marks)

Candidate explains the difference between objectives and evaluates the importance of both the most and the least important. Marks will be given to any real evaluation of one as opposed to another.

Level 2 (3-4 marks)

Candidate explains and identifies the importance of one or other of the objectives with no real evaluation of their relative importance.

Level 1 (1-2 marks)

Candidate states objectives with no real insight into their difference. Only one explained.

NB: If all answers in (ii) are incorrect, up to 4 marks for choices and reasonable explanation. [8]

(c) Target: To identify and analyse the requirements of different stakeholders.

- (i) Stakeholders:

- suppliers
- bank
- inland revenue/government
- community
- employees
- customers
- shareholders

Any appropriate stakeholder.

Any TWO stakeholders 1 mark each. [2]

- (ii) Candidate must choose TWO stakeholders at least. Answer for example:

Jack must keep his employees happy by offering them good working conditions (1), wages (1) and security (1). This should result in higher work rate (1), less absenteeism and loyal staff (1).

Level 3 (3 - 6 marks)

Candidate must look at both sides of at least TWO stakeholders, explaining why and what result this will have on the business.

Level 1 (1 - 2 marks)

Candidate must look at at least one in detail or two without any analysis of the effects of keeping/not keeping them happy.

General statement about stakeholders up to 2 marks

NB Maximum of 4 marks for analysis of one stakeholder.

[6]
Total marks 28

2 (a) Target: To demonstrate an understanding of the methods of production and the production process.

(i) Advantages:-

- can do a range of styles/sizes
- machines can be adjusted
- production can be based on demand
- buy in bulk – costs lower
- make it in one go – 1 mark

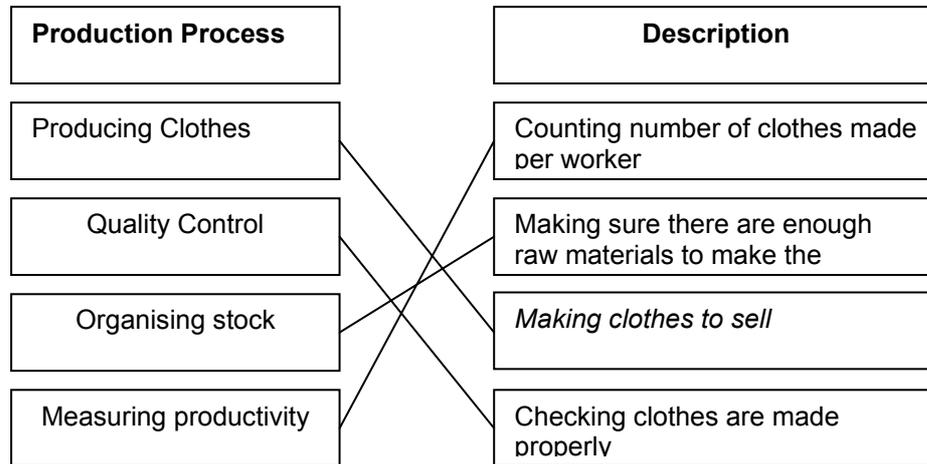
Disadvantages:-

- expensive to set up
- wastes time changing machinery
- can lead to boredom

1 mark for each + 1 mark for development 2 x 2 marks

[4]

(ii)



1 mark for each correct line.

[3]

(b) Target: Demonstrate and apply understanding of economies of scale.

Economies of scale - Cost per unit falls as scale of production increases.

Purchasing economies – discount gained through bulk buying(1) which reduces costs of raw materials(1) and may increase profits.

Technical economies – ability to use up to date machinery and expertise(1) to increase productivity for the business(1).

2 x 2 marks

[4]

(c) Target: To explain the relationships of people within an organisation structure.

(i) Span of control = 18 people or 3. [1]

(ii) Function of a Production Manager: organise work, organise stock, monitor productivity, plan schedules, quality control.

Any rewardable comment.

One item with development 2 marks

NB: no reward for 'in charge of production'. [2]

(iii) Delegation – when decisions and tasks are passed down to employees from managers.

1 for example plus 2 for development.

+ any example from the organisation structure.

[3]

(d) Target: To show an understanding of the impact of technology on business.

(i) TRUE. [1]

(ii) TRUE. [1]

(e) Target: To show an understanding of communication and evaluate different methods of communicating information.

Candidate is required to explain how the information should be communicated. The best answers will make a recommendation (Level 1) for example, notice on website, and then analyse the effectiveness of this method in terms of the accessibility of the information, time factors cost, accuracy etc. Advantages and disadvantages of the recommendation and those rejected must be evaluated to achieve the highest marks.

Level 3 (5-8 marks) Candidate is able to evaluate the use of different methods of communication in this specific circumstance.

Level 2 (3-4 marks) Candidate makes recommendation and analyses it in terms of its effectiveness with little real discussion of other methods.

Level 1 (1-2 marks) Candidate makes a recommendation with limited analysis.

NB: Any answer well supported is rewardable.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

[8+2]

Total 29 marks

- 3 (a) **Target: To identify and show awareness of opportunities in the global economy and the EU.**

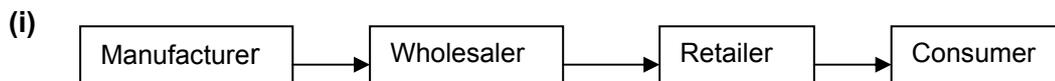
Must be understanding of each factor with development to achieve both marks. E.g.

China is far away and therefore there may be costs of transportation and duties to be paid.(1) This would result in higher costs and perhaps higher prices.(1)

Answers must contain cause and effect to achieve full marks.

2 x 2 marks
[4]

- (b) **Target: Analyse and evaluate aspects of distribution in terms of the business in question. .**



1 mark for each correct entry.

Description in order – up to 4 marks.

[4]

- (ii) Candidates should be able to use the information provided to develop a simple case for using a wholesaler as opposed to selling directly to the retailers. Answers should show a reasonable level of understanding in terms of the ideas in the question and the answer should be applied to the business in question. Better answers may include the idea that importing from further afield may require the expertise of wholesalers.

Level 3 (7-8 marks) Candidate should use the ideas suggested and look at the advantages and disadvantages of using the wholesaler when distributing clothes. Conclusions should be drawn in terms of the advantages of using a wholesaler. Candidates should use at least three of the factors.

Level 2 (5-6 marks) Candidate uses the information and applies it to the business in question with no evaluation.

Level 1 (1-4 marks) Candidate shows and understands the function of a wholesaler in terms of distribution with some application to the business.

NB: Candidate can be rewarded for choosing retailer.

[8]

- (c) **Target: To identify and give examples of different types of promotion as part of the marketing mix.**

National TV	
Local Radio	✓
Leaflets	✓
Branding	
Discounts	

1 mark for each correct tick. National TV is not suitable.

[2]

Total 18 marks

- 4 (a) Target : Identify ways in which workers can be motivated.**

Any TWO reasonable suggestions:

- working conditions
- training
- benefits/discounts
- overtime
- promotion
- bonuses

1 mark for each suggestion.

[2]

- (b) Target: Identify and apply different payment systems.**

- | | | |
|---|-------------------|-----|
| (i) Time rate/hourly rate | 1 mark | [1] |
| (ii) Piece rate/bonus/salary | 1 mark | [1] |
| (iii) $35 \times 10 = \text{£}350$ | 2 mark | [2] |
| (iv) $10 \times 15 = \text{£} 150$
$\text{£}350 + \text{£}150 = \text{£}500$ | 2 marks
1 mark | |

NB: If whole of questions (iii) and (iv) done in part (iii), reward both parts.

OFR applies.

[3]

- (c) Target: Analyse and explain the difference between the main costs incurred during production.**

Candidates should show an understanding of the difference between fixed and variable costs.

Examples: **Fixed** Salaries, Office rent, machinery
Variable Factory wages, Telephone calls, Power

2 x 1 mark.

[2]

(d) **Target: To demonstrate and evaluate how changes in costs will affect the decision making of the business.**

- (i) Answer: increase in costs may decrease the amount of profit made. Prices may need to rise . Employees may be made redundant. This may all lead to a fall in demand or the ability to meet orders.

1 mark for any relevant effect.

2 marks for development in terms of the ultimate effect.

[3]

- (ii) Answer: Jack may need to seek out new suppliers in order to achieve cheaper prices. Jack may find more efficient methods of production in order to eliminate waste. Jack may negotiate discounts from suppliers.

1 mark for response.

2 marks for reasons given.

[3]

(e) **Target: To apply and demonstrate an understanding of financial statements.**

Profit and loss account	✓	Inspection schedule	
Contract of employment		Balance sheet	✓
Job description		Stock control chart	
Production plan		Person specification	

1 mark for each correct tick.

[2]

(f) **Target: Apply knowledge of sources of finance, analyse and evaluate these sources in terms of decision making.**

- (i) Any reasonable suggestions (NOT shares).

[2]

- (ii) Candidates should choose one source e.g. loan.

(1 mark)

Answer should include: a loan is a long term form of finance, it is at a fixed rate of interest over a specified period. It is low risk. It can be paid back earlier. It is particularly useful for large purchases. Better candidates might mention that as Jack is a sole trader his ability to borrow may be limited

Level 2 (3-4 marks)

Candidate chooses one with good reasons evaluated.

Level 1 (1-2 marks)

Candidate chooses one with no/limited explanation.

[4]

Total 25 marks

Mark Scheme 1051/2
June 2005

1 (a) Target: To explain the factors involved in operating as a type of business organisation.

- (i) Advantages:
- Independence
 - Own decisions
 - Rapid Decisions
 - Easy to set up

Any reasonable explanation/development. 1 mark + 1 for development.

[4]

- (ii) Jack's objectives:
- survival
 - own boss
 - job satisfaction
 - profit (for himself and business)
 - independence.
 - gain a good reputation – quality service
 - expand.

Accept any reasonable and appropriate answer.

[4]

- (iii) Candidates need to choose TWO and explain relative importance in detail.

E.g. The most important objective for Jack is that he makes a profit. This will allow him to have a high standard of living and to invest in his business for the future. He will be able to give his employees a good wage and job security.

Level 3 (5-8 marks)

Candidate explains the difference between objectives and evaluates the importance of both the most and the least important. Marks will be given to any real evaluation of one as opposed to another.

Level 2 (3-4 marks)

Candidate explains and identifies the importance of one or other of the objectives with no real evaluation of their relative importance.

Level 1 (1-2 marks)

Candidate states objectives with no real insight into their difference. Only one explained.

NB: If all answers in (ii) are incorrect, up to 4 marks for choices and reasonable explanation. **[8]**

(b) Target: Explains how a business adds value.

Adding value means increasing the margin between selling price and the raw materials.

BUT how can it be achieved?

- Cheaper raw materials
- Quality of goods
- Changing production processes
- Increased technology
- Packaging

Explanation of example should give an indication of the level of understanding.

1 mark for example + 3 marks for explanation depending on development or 2 x 2.

[4]

(c) Target: To explain the importance of environmental constraints on a business.

Candidates should show an understanding of environmental packaging and its implications in terms of the objectives of business and in terms of the environment and keeping the stakeholders happy. Candidates may use examples to develop their answer, e.g. using recycled materials, saving waste, enhanced consumer profile, marketing advantages.

2 marks for understanding of term and purpose.

2 marks for development

[4]

(d) Target: To identify and analyse the requirements of different stakeholders.

- (i) Stakeholders:
- suppliers
 - bank
 - inland revenue/government
 - community
 - employees
 - customers
 - shareholders

Any appropriate stakeholder.

Any TWO stakeholders, 1 mark each.

[2]

(ii) Candidate must choose TWO stakeholders at least. Answer for example:

Jack must keep his employees happy by offering them good working conditions (1), wages (1) and security (1). This should result in higher work rate (1), less absenteeism and loyal staff (1).

Level 3 (3 - 6 marks)

Candidate must look at both sides of at least TWO stakeholders, explaining why and what result this will have on the business.

Level 1 (1 - 2 marks)

Candidate must look at at least one in detail or two without any analysis of the effects of keeping/not keeping them happy.

NB General statement about stakeholders – up to 2 marks.

Maximum of 4 marks for analysis of one stakeholder.

[6]
Total 32 marks

2 (a) Target: Demonstrate, apply and discuss different methods of production.

Candidates may concentrate on either the positive or negative effects of using batch production on employees. The effects that may be suggested are as follows:

POSITIVE:

- Productivity could be higher.
- Less training is required.
- There is more opportunity for job rotation.
- There are more opportunities for bonuses.

NEGATIVE:

- Employees don't like change.
- Lower wages.
- More boring.

Level 3 (5-6 marks)

Candidate attempts to evaluate the different effects on employees of batch rather than job and come to a conclusion. Candidates may be able to achieve the highest mark by comparing one positive with one negative.

Level 2 (3-4 marks)

Either positive/or negative effects on employees are identified with some analysis of these effects.

Level 1 (1-2 marks)

Some idea of effects but no real attempt to assess the impact of the change.

NB: explanation of Batch only, up to 3 marks.

[6]

(b) Target: to identify and explain the relationships of people within a business organisation in terms of motivation.

- (i) Appraisal is a system used to identify an employees strengths and weaknesses. It usually takes place annually and is done by the employees immediate superior.

It can be linked to pay and is regarded as a form of motivation.

1 mark + 2 marks for development.

[3]

- (ii) Candidates explain how Jack can use different methods as a means to motivate workers. Candidates may talk about training/induction as a motivator. Recognition of the needs of employees. Also that employees are made to feel part of the business and therefore work better as a member of a team. Better candidates may evaluate training by saying that it costs time and money and may not serve any useful purpose. May explain payment methods, working conditions or job security or promotion prospects in the same way.

Level 4 (7-8 marks) Candidates should have a clear understanding of the meaning and use of motivation methods. Conclusions should be drawn in terms of their relative usefulness to the business.

Level 3 (5-6 marks) Candidate understands motivation methods and how they are used by the business. Some analysis of the methods and the effects on the employees in this business.

Level 2 (3-4 marks) Candidate applies motivation methods in this business with limited application to the workforce and its motivation.

Level 1 (1-2 marks) Candidate shows an understanding of motivation with no application to the business.

[8]

(c) Target: To show an understanding of communication and evaluate different methods of communicating information.

Candidate is required to explain how the information should be communicated. The best answers will make a recommendation (Level 1) for example, notice on website, and then analyse the effectiveness of this method in terms of the accessibility of the information, time factors cost, accuracy etc. Advantages and disadvantages of the recommendation and those rejected must be evaluated to achieve the highest marks.

Level 3 (5-8 marks) Candidate is able to evaluate the use of different methods of communication in this specific circumstance.

Level 2 (3-4 marks) Candidate makes recommendation and analyses it in terms of its effectiveness with little real discussion of other methods.

Level 1 (1-2 marks) Candidate makes a recommendation with limited analysis.

Candidates will also be assessed for the quality of their written communication on part of this question, according to the following criteria.

NB: any answer/option well supported is rewardable.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

8+2 marks

Total 27 marks

3 (a) Target: To explain and apply knowledge of ICT in terms of the global business opportunities open to the business.

- (i) The obvious answer to this would be e mail. However any reasonable answer would be acceptable .e.g. Videoconferencing.

[2]

- (ii) Advantages:
- more choice of suppliers
 - competitive prices
 - investment in developing countries

Disadvantage:

- tariffs/duties
- distance/delivery time/transportation
- quality

1 mark for each/advantage/disadvantage + 1 mark for development of each.

Any rewardable comment.

[4]

(b) Target: Analyse and evaluate aspects of distribution in terms of the business in question.

- (i) Channel of distribution is the method by which products are moved from the manufacturer to the end user. In the case of Profashion this is :

Manufacturer → Wholesaler → Retailer → Consumer

1 mark for each stage.

Description in order, up to 4 marks. **[4]**

- (ii) Candidates should be able to use the information provided to develop a simple case for using a wholesaler as opposed to selling directly to the retailers. Answers should show a reasonable level of understanding in terms of the ideas in the question and the answer should be applied to the business in question. Better answers may include the idea that importing from further afield may require the expertise of wholesalers.

Level 3 (7-8 marks) Candidate should use the ideas suggested and look at the advantages and disadvantages of using the wholesaler when distributing clothes. Conclusions should be drawn in terms of the advantages of using a wholesaler. Candidates should use at least two/three of the factors

Level 2 (5-6 marks) Candidate uses the information and applies it to the business in question with no evaluation.

Level 1 (1-4 marks) Candidate shows and understands the function of a wholesaler in terms of distribution with some application to the business.

[8]

Total 18 marks

4 (a) Target : To explain and describe different payment systems in terms of recruitment.

- (i) Suggestions could be: only asking for a man. (sexist)
Any reasonable suggestions 1 mark, +1 mark for development.

N.B. The law does not have to be stated. **[2]**

- (ii) E.g. Candidates should recognise that the advertisement is offering a time rate of pay. Candidates should explain that due to the nature of the work a piece rate system could be used which is based on the payment of each piece of work.

Salary is acceptable. **[2]**

- (iii) This is a manufacturing business and cutting is a production job, therefore the amount of pieces cut out could be used as a basis for payment.

Any reasonable explanation accepted/piece rate/salary. **[2]**

(b) Target: Explain and use the main elements of the profit/loss account and balance sheet in terms of decision making.

(i) Balance Sheet:-

- to show the assets and liabilities of the business
- to show how much the business is worth
- to help make decisions about solvency, purchase of assets.

Any reasonable explanation of the use of the balance sheet 1 + 2 for development.

[3]

(ii) Use of Profit/loss account:

- To show level of sales over time in order to make price/marketing decisions.
- To show level of costs and profit. Decisions can be made about controlling costs.

Candidates should describe features of the profit/loss account and explain how they can be used to make decisions.

Level 2 (3-4 marks)

Candidates apply knowledge of p/l accounts to decisions made.

Level 1 (1-2 marks)

Candidates show knowledge of p/l account with no application to decision making.

[4]

(c) Target: Demonstrate understanding of the main elements of the balance sheet.

(i) Working capital = current assets – current liabilities (1) OR
182,000 (1) - 40,000 = 142,000 (1)

[2]

(ii) Working capital is the ability of the business to cover its short term liabilities.. It is important because without enough assets the business may not be able to pay its debts and will go bankrupt. It is important that the business does not have too many debtors or too much stock which they cannot turn into money quickly to pay for expenses and raw materials to make the clothes.

1 mark for reasonable suggestion + 1 mark for development.

[2]

(d) **Target: Apply knowledge of sources of finance, analyse and evaluate these sources in terms of decision making.**

(i) Any reasonable suggestions NOT shares. **[2]**

(ii) Candidates should choose one source e.g. loan. (1 mark)

Answer should include: a loan is a long term form of finance, it is at a fixed rate of interest over a specified period. It is low risk. It can be paid back earlier. It is particularly useful for large purchases. Better candidates might mention that as Jack is a sole trader his ability to borrow may be limited.

Level 2 (3-4 marks)

Candidate choose one with good reasons evaluated.

Level 1 (1-2 marks)

Candidate choose one with no/limited explanation.

[4]

Total 23 marks

Mark Scheme 1051/3
June 2005

NB No marks for the assessment of knowledge are awarded for this question paper.

- 1 (a) Target: ability to apply knowledge and understanding to analyse and evaluate classification of occupations relating to Grade Autos plc.**

Tertiary (1)

plus any two points such as:

Grade Autos plc provides a service to its customers such as repairs/maintenance/rental/parts. Any one example.

Allow negative comment eg does not manufacture cars.

If candidate classifies Grade Autos plc as either primary or secondary = 0 marks.

[3]

- (b) Target: ability to apply knowledge and understanding and analyse business organisations in relation to Grade Autos plc.**

Any one advantage x 2 marks such as:

- Opportunity to raise large amounts of capital for purchasing new garages by selling shares on stock exchange
- Limited liability for all shareholders of Grade Autos plc encourages potential investors, especially, small investors, to buy shares in an expanding business/ protection of personal possessions
- Stock Exchange approval gives some indication to investors that Grade Autos plc is a reputable company
- Stock Exchange provides a market where Grade Autos plc's shares can be bought and sold so giving small investors confidence to buy

Any other relevant point. No risk of takeover = 0 marks.

[2]

- (c) Target: ability to apply knowledge and understanding and analyse the organisational structure of a garage in Grade Autos plc.**

(i) Parts Manager

[1]

(ii) Two/names e.g. Workshop Supervisor and Bodyshop Supervisor
(Must have both names complete.)

[1]

(iii) 15 mechanics plus 5 apprentices plus 5 other people
(1 mark) = 25 (1 mark)

OFR applies. If the correct answer is given without working, award full marks.

[2]

Total mark: [9]

2 (a) Target: ability to apply knowledge and understanding and analyse and evaluate the selection process for a sales person.

(i) Any two qualities in context x 1 mark for each such as:

<ul style="list-style-type: none"> • Good knowledge of motor vehicles • Enthusiasm for Onyx cars and vans • Outward going personality • Able to relate to people • Perseverance • Sense of humour • Team player • Cheerfulness • Patience • Well presented appearance 	<ul style="list-style-type: none"> • Good talker • Experience • Polite/good manners • Persuasive • ICT skills • Confident
---	---

Any other relevant quality.

[2]

(ii) Any difficulty explained x 2 marks such as:

- Difficulties of offering shift work which will involve unsocial hours working on Saturdays and Sundays
- May be difficult to find sales staff with enough specialised knowledge of vehicles
- There may be full employment so no-one looking for work
- The garage may have a poor reputation so people will not wish to work there
- The garage may offer poor pay with sales staff reliant on commission

Any other relevant difficulty.

[2]

(iii) Any four points x 1 or two explained points for and/or against training such as:

Need for training:

- Most new sales staff will not have specialised knowledge of Onyx vehicles
- New sales staff have to work as a team and so will need training in the ways in which the dealership functions
- Some new sales staff may be new to selling cars although they have the potential to be sales staff
- Will make them better skilled sales people able to sell more cars

No training:

- Costs of training
- Should be able to sell without any training
- Can learn from others while working (although this is the on-the-job training)

Any other relevant point.

[4]

- (b) **Target: ability to analyse and evaluate personnel problems in a Service Department of Grade Autos plc.**

Level 2 (4-6 marks)

Has offered the most suitable solution to the problem with good reasoning. Has explained why the other two solutions have been rejected.
(Could have followed a sequence of solutions.)

Level 1 (1-3 marks)

Has commented on a solution with little or no reasoning. Has/has not indicated why the other two solutions have been rejected.

Points to consider

Possible solutions:

- Hold a meeting between the two men – need to find out the causes of the problems and talk them through, need to find remedies

Less likely solutions:

- Move Jim or Tom or both to other jobs – may cause problems elsewhere but if the cause of the problems is a clash of personalities, this may be the solution
- Give them both a pay rise – seems to be a reward for causing difficulties and poor performances. May motivate them to better work

Any other relevant point.

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

(c) Target: to analyse net profit figures for Grade Autos plc.

20% (Allow £350000)

[1]

(d) Target: to analyse the success of the Parts Department of Garage A.

Any two items of information x 1 mark each such as:

- Richard Bell is a long serving manager who has much experience
- Not holding too much stock at any one time
- Offering efficient service to both the Service Department and individual customers
- Achieving 97% success rate for parts being available on demand
- Obtaining most parts on the weekly delivery where greater trade discount (60% is given
- Recognition of a good manager – being made Onyx Parts Manager of the Year
- Has stock valued at £40000 at any one time
- Uses computerised stock control
- Offers front counter service

Any other relevant piece of information.

[2]

(e) Target: ability to analyse and evaluate sources of finance in relation to purchasing a computerised stock control system.

Choice = 0 marks as either is feasible.

Any reasons x up to 3 marks to 3 max such as:

Bank loan:

- Large sum may be required as the project is for all garages
- Finance is required for a fixed project
- Grade Autos plc can provide sufficient security with the garages owned
- Interest rate may be reasonably low
- Long repayment period
- Uses business profits to repay
- plc has greater borrowing capacity

Bank overdraft

- May require only short-term finance
- Interest paid only on the amount outstanding so can be paid off as Grade Autos plc deposits sales revenue
- Grade Autos plc may have an overdraft limit which allows it to purchase the system without having to organise a formal loan

Any other relevant point.

[3]

Total mark: [22]

3 (a) Target: to analyse figures for Garage B's Service Department.

- (i) $£150 \times 200$ (1 mark) = $£30,000$ (1 mark)

OFR applies. If the correct answer is shown without working award full marks. **[2]**

- (ii) $£150 - £100 = £50$ profit for one service (1 mark)
 $£50 \times 200$ (1 mark) = $£10,000$ (1 mark)

OR $200 \text{ services} \times £100 = £20,000$
 $£30,000 - £20,000$ (1) = $£10,000$ (1)

OFR applies. If the correct answer is shown without working award full marks. **[3]**

(b) Target: ability to apply knowledge and understanding, analyse and evaluate extracts from the final accounts of Grade Autos plc.

- (i) The probable choice is Garage A

Any reasons well explained x up to three marks such as:

Garage A –

- Good Parts Department – Parts producing good profits – may be making a large contribution to overall profits
- Contributes 28% of total sales revenue
- Contributes 40% of net profit
- Current ratio 2:1
- Has the most valuable fixed assets

Another choice might be Garage D which contributes 24% to net profit and has a current ratio of 2:1. It has also generated considerable sales revenue and its cost of sales in proportion to sales revenue is lower than the other garages.

Any other relevant points made on the other garages may be rewarded. **[4]**

- (ii) Possible choices are Garage B or Garage E or even Garage C.

Any reasons well explained x up to three marks such as:

Garage B -

- Problems with the Service Department – may mean its contribution to the 30% profits may be decreased this year
- Rented and small
- Made the lower contribution to net profit – 5.7%
- Servicing declining – quality problems - $£150$ per service lost

Garage C –

- Difficulties with the petrol station – may account for high cost of sales from this garage
- Very small profit margins from petrol station
- Current ratio 1:1 – may be holding too much stock eg fuel

Garage E –

- Rundown buildings
- Limited space
- Fire in workshop
- Made only 8.6% contribution to net profit

- But better in relation to sales revenue than Garage B
- Renovate or sell

Any other relevant point.

[4]

Total mark: [13]

4 (a) Target: ability to apply knowledge and understanding, analyse and evaluate ways of promoting the new range of cars.

- (i) Choice (1) – free car service/letters offering part exchange.

Reasons x 1 mark each such as:

- Offer customers worthwhile monetary incentives/ allows customers to keep warranty free of charge
- People like good offers
- May be targeted at particular customers
- Service – means that the car is brought to Grade Autos plc's
Not usually very expensive for the garage
Customer's perception is that the garage is being generous and may give competitive edge over other garages
- Part exchange – saves customer visiting other garages
There is always a problem as to what to do with the old car/
customer loyalty to buyer

Any other relevant reason.

[3]

- (ii) Choice (1) – free subscription/vouchers for car washes.

Reasons x 1 mark each such as:

- Represent minimal value
- Some people do not read motoring magazines
- Some people prefer to wash their own cars
- Unnecessary after car purchase

Any other relevant reason.

NB: Allow one free service if supported by suggestion that car quality unreliable, ie 2 marks max.

[3]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate the proposal to buy Site X and to sell Garage E.

Level 3 (6-8 marks)

Has analysed the proposal and has made a recommendation, which may involve other actions, supported by suitable reasons.

Level 2 (3-5 marks)

Has explained some arguments for and/or against the proposal and has made a recommendation supported by reasons or has analysed the proposal without any recommendation or with an unsupported recommendation.

Level 1 (1-2 marks)

Has commented on the proposal with/without a recommendation.

Points to consider

Arguments for:

- Selling Garage E would help finance the purchase of Site X
- Site X probably larger than the site for Garage E so the proposal represents expansion
- Grade Autos plc has a buyer for Garage E
- Site X already has planning permission for industrial use
- Garage B is small, rundown and has fire damage, Site X could be purpose built
- Site X is close to a new road – accessibility with more cars passing by
- Site X is close to the end of M4 – more passing traffic
- Site X may present an opportunity to take on a second dealership

Arguments against:

- Grade Autos plc will have only four outlets while Site X is developed
- Site X has competition from other garages – two non Onyx garages within 2 mile radius
- Garage B is within 3 miles of Site X so there will be two garages serving the same area
- Garage E may not provide sufficient finance and so Grade Autos plc will have to find finance elsewhere
- The potential buyer for Garage E may not buy the site and so Grade Autos plc will have to find another buyer – additional expense
- Garage E covers another area of London so Grade Autos plc's dealership will be reduced in area
- Not enough is known about Site X – planning restrictions on the site, reason for sale, when the new road will be built **[8]**

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

Total mark: [16]

Mark Scheme 1051/4
June 2005

NB No marks for the assessment of knowledge are awarded for this question paper.

- 1 (a) Target: ability to apply knowledge and understanding to analyse and evaluate classification of occupations relating to Grade Autos plc.**

Tertiary (1)

plus any two points such as:

Grade Autos plc provides a service to its customers such as repairs/maintenance/rental/parts. Any one example.

Allow negative comment eg does not manufacture cars

If candidate classifies Grade Autos plc as either primary or secondary = 0 marks.

[3]

- (b) Target: ability to apply knowledge and understanding and analyse business organisations in relation to Grade Autos plc.**

Any one advantage x 2 marks such as:

- Opportunity to raise large amounts of capital for purchasing new garages by selling shares on stock exchange
- Limited liability for all shareholders of Grade Autos plc encourages potential investors, especially small investors, to buy shares in an expanding business
- Stock Exchange approval gives some indication to investors that Grade Autos plc is a reputable company
- Stock Exchange provides a market where Grade Autos plc's shares can be bought and sold so giving small investors confidence to buy

Any other relevant point. No risk of takeover = 0 marks.

[2]

- (c) Target: ability to and analyse and evaluate the organisational structure of Grade Autos plc.**

Any two points explained or four points x 1 mark each to support or refute the statement made such as:

(NB: allow a mixture of both arguments)

Arguments for:

- There are five managers of equal status who report to the Dealer Principal
- The Dealer Principal has a reasonable span of control
- All communication goes through the Dealer Principal
- The case study mentions the importance of the Parts Department in relation to the Service Department and it has equal status
- Each member of staff seems to have a defined role
- Most of the employees work in the Service Department so this is the most important in terms of personnel – usual in a garage
- The work of the Service Department is sub-divided – workshop and bodyshop

Arguments against:

- All contact with the Managing Director is through the Dealer Principal
- There is quite a long chain of command to the Dealer Principal e.g. from a mechanic
- There is no indication of how rental and servicing work together e.g. if a hire car needs servicing
- Large numbers of people are answerable to one person e.g. workshop
- How is communication made between Parts and Service? No indication
- Presumably contact between departments is made through Department Heads

[4]

Total mark: [9]

2 (a) Target: ability to analyse and evaluate the selection process for a sales person.

Any one argument x up to 3 marks such as:

Yes:

The selection process will differ as each person has different skills/these will need to be tested e.g. practical test for mechanic/each will have different qualifications

No:

The selection process will be the same as each person should be enthusiastic about the motor trade/you are looking for good work ethics in both jobs e.g. honesty, punctuality/both kinds of candidates are likely to be interviewed and to have completed application forms – although there may be different application forms for different jobs

Any other relevant point.

[3]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate personnel problems in a Service Department of Grade Autos plc.

Level 3 (5-6 marks)

Has offered two ways of resolving the situation and has explained convincingly how these suggestions would resolve the difficulties.

Level 2 (3-4 marks)

Has offered two ways of resolving the situation with some explanation of how these suggestions might resolve the difficulties OR has offered one way of resolving the situation with a convincing explanation of how it might resolve the difficulties.

Level 1 (1-2 marks)

Has commented on one/two solutions to the difficulties.

Points to consider

- Identify where faults lie
- Hold a meeting between the people involved – to bring issues into the open especially as there are complaints from customers and loss of customers
- Try to find out the underlying causes to the difficulties – Tom is not keen on change, regards himself as a supervisor rather than a manager
- Issue formal warnings if necessary
- Move Tom or Jim or both to other jobs – possibly in Site X if it is bought
- Give better supervision
- Introduce quality measures e.g. quality circles in Service Department
- Impose changes if necessary
- Send Tom on training courses in human resource management and Jim on supervisory training
- Give an appraisal to each man to identify to them their strengths and weaknesses
- Introduce the Fast-Fit bay promoting someone to supervise it
- Reorganise the workshop area with more supervisors reporting to Tom or a replacement for him

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

Total mark: [11]

3 (a) Target: to analyse figures for Garage B's Service Department.

- (i) $\text{£}150 \times 200$ (1 mark) = $\text{£}30,000$ (1 mark)

OFR applies. If the correct answer is shown without working award full marks. **[2]**

- (ii) $\text{£}150 - \text{£}100 = \text{£}50$ profit for one service (1 mark)
 $\text{£}50 \times 200$ (1 mark) = $\text{£}10,000$ (1 mark)

OR $200 \text{ services} \times \text{£}100 = \text{£}20,000$
 $\text{£}30,000 - \text{£}20,000$ (1) = $\text{£}10,000$ (1)

OFR applies. If the correct answer is shown without working award full marks. **[3]**

(b) Target: to evaluate the relationship between percentage sales revenue and percentage net profit for servicing.

Any two points x 1 mark each or one point developed x 2 marks:

- Servicing earns $\text{£}7\text{m}$ in sales revenue for Grade Autos plc representing 20% of total sales revenue
- Servicing contributes 30% of total net profit i.e. $\text{£}525,000$ and is the most important department in terms of profit earned in the dealership

Any other relevant point. **[2]**

(c) Target: to analyse the net profit from selling new and used cars and vans in 2004.

$10\% + 18\% = 28\%$ (1)
 28% of $\text{£}1,750,000$ (1) = $\text{£}490,000$ (1 mark)

OR

$1,750,000 \times 10\% = 175,000$ (1)
 $1,750,000 \times 18\% = \underline{315,000}$ (1)
 $490,000$ (1)

OFR applies if the correct answer is shown without working award full marks. **[3]**

(d) Target: ability to apply knowledge and understanding, analyse and evaluate extracts from the final accounts of Grade Autos plc.

Level 3 (5-6 marks)

Has analysed, using numerate techniques, the performance of the dealership and may/may not have commented on individual garages, showing, with reasons whether or not Paul Preston would be pleased with this performance.

Level 2 (3-4 marks)

Has attempted some analysis with/without numerate techniques on the financial performance of the dealership OR individual garages OR has made some comment on whether or not Paul Preston would be pleased with the financial performance with some reasoning.

Level 1 (1-2 marks)

Has made some comment on the financial performance of the dealership.

Points to consider

Points for:

- ROCE is 13.25%
- Sales revenue has improved by £5m from 2003
- Current ratio is 3:2 – reasonable liquidity but needs watching
- Some garages are performing well e.g. Garages A and D with Garage A contributing considerably to net profit
- Gross profit margin is very high – 43%

Points against:

- Net profit has remained the same
- The sale of new cars is variable between the garages
- Some garages are giving cause for concern e.g. Garages B and E
- Petrol sales at Garage C are declining
- Net profit margin is 5% - somewhat low – expenses seem to be high but there are rental costs for two garages
- Difficult to make an overall judgement as there is little information on 2003 with which to compare 2004

[6]

Total mark: [16]

4 (a) Target: ability to apply knowledge and understanding, analyse and evaluate ways of promoting the new range of cars.

(i) Choice (1) – free car service/letters offering part exchange

Reasons x 1 mark each such as:

- Offer customers worthwhile monetary incentives/ allows customer to keep warranty free of charge
- People like good offers
- May be targeted at particular customers
- Service – means that the car is brought to Grade Autos plc's
Not usually very expensive for the garage
Customer's perception is that the garage is being generous and may give competitive edge over other garages
- Part exchange – saves customer visiting other garages
There is always a problem as to what to do with the old car/
customer loyalty to buyer

Any other relevant reason.

[3]

(ii) Choice (1) – free subscription/vouchers for car washes.

Reasons x 1 mark each such as:

- Represent minimal value
- Some people do not read motoring magazines
- Some people prefer to wash their own cars
- Unnecessary after car purchase

Any other relevant reason.

NB: Allow one free service if supported by suggestion that car quality unreliable, ie 2 marks max.

[3]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate the proposal to buy Site X and to sell Garage E.

Level 3 (6-8 marks)

Has analysed the proposal and has made a recommendation which may involved other actions supported by suitable reasons.

Level 2 (3-5 marks)

Has explained some arguments for and/or against the proposal and has made a recommendation supported by reasons or has analysed the proposal without any recommendation or with an unsupported recommendation.

Level 1 (1-2 marks)

Has commented on the proposal with/without a recommendation.

Points to consider

Arguments for:

- Selling Garage E would help finance the purchase of Site X
- Site X probably larger than the site for Garage E so the proposal represents expansion
- Grade Autos plc has a buyer for Garage E
- Site X already has planning permission for industrial use
- Garage B is small, rundown and has fire damage, Site X could be purpose built
- Site X is close to a new road – accessibility with more cars passing by
- Site X is close to the end of M4 – more passing traffic
- Site X may present an opportunity to take on a second dealership

Arguments against:

- Grade Autos plc will have only four outlets while Site X is developed
- Site X has competition from other garages – two non Onyx garages within 2 mile radius
- Garage B is within 3 miles of Site X so there will be two garages serving the same area
- Garage E may not provide sufficient finance and so Grade Autos plc will have to find finance elsewhere
- The potential buyer for Garage E may not buy the site and so Grade Autos plc will have to find another buyer – additional expense
- Garage E covers another area of London so Grade Autos plc's dealership will be reduced in area
- Not enough is known about Site X – planning restrictions on the site, reason for sale, when the new road will be built

[8]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

(c) Target: ability to apply knowledge and understanding and analyse factors affecting choice of finance for purchasing more garages.

(i) Any one point explained in context x 2 marks for each such as:

- Many sources of finance require collateral as security against a loan e.g. bank loan, mortgage, some kinds of debentures
- Grade Autos plc has substantial collateral in the three garages it owns so could use a source of finance requiring security to be offered rather than offer additional shares which convey ownership but which do not need to be repaid

Any other relevant point. **[2]**

(ii) Any two points explained in context to a maximum of 3 marks:

- May not be able to keep up the interest over a long period and so may have to sell assets e.g. a garage
- Some sources of finance are cheaper than others e.g. no interest on retained profits made by Grade Autos plc
- Interest does not have to be paid on some sources of finance but they confer ownership e.g. shares
- With some forms of borrowing interest rates may change during the borrowing period e.g. variable rate mortgage

Any other relevant point. **[3]**

(iii) Any points explained in context to a maximum of 3 marks such as:

- A large amount of finance is required for garage purchase so borrowing long-term has to be considered e.g. bank loan
- May be taking on a very long-term commitment which future Directors of Grade Autos plc may not be able to sustain
- The longer the period of repayment, the lower the rate of interest but the total repayments are likely to be high
- Some sources of finance available to the Directors of Grade Autos plc do not have to be retained e.g. retained profits and shares
- Some sources of finance readily available to Grade Autos plc may be short term finance e.g. overdraft, debt factoring, others are long term

Any other relevant point. **[3]**

Total mark: [24]

Mark Scheme 1951/1
June 2005

1 (a) Target: Knowledge of sectors of the economy.

One mark for the correct answer.

- Secondary sector.

Max: 1 mark

(b) (i) Target: Knowledge of the term redundancy.

One mark for ticking the correct box.

Statement	Tick the appropriate statement
This is when a worker is dismissed for breaking the rules.	
This is when a worker loses his or her job because there is no longer any work for him or her to do.	✓

Max: 1 mark

(ii) Target: Ability to apply numerical skills to a business context.

Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.

- Answer: £10000 (2)
- Method: 20 x £500 (1)

Max: 2 marks

(c) (i) Target: Ability to apply numerical skills to a business context.

Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.

- Answer: £5m (2)
- Method: £ 15m - £20m or £20m - £5m (1) or value of assets/liabilities – value of debts/assets (1)

Max: 2 marks

(ii) Target: Ability to evaluate the relevance of the concept of limited liability.

One mark for each appropriate point

- Pamela will lose the value of the shares she invested/£2000 (1).
She will not have to sell her private possessions (1).
This is because the assets of the business that her investment has bought will be sold off (1) to repay the debts of the business.

This is because the shareholders have limited liability/it is a limited company (1) because the business is a separate legal body in law (1). The debts are the debts of the business not the debts of the owners (1).

Max: 4 marks

(d) Target: Ability to apply numeracy skills to a business context.

- (i) Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.

Price of valves in £s	Price of valves in Euros
£200	200 x <u>2</u> = Euros 400

- Answer: 400 Euros (2)
- Method: x 2 Euros (1)

Max: 2 marks**(ii) Target: Ability to evaluate the effect of a rise in the exchange rate.**

One mark for each point.

- Sales of valves would fall (1) because the price of them in euros has risen (1).

Max: 2 marks**(e) Target: Ability to apply knowledge about the effects of the closure of a business on the other businesses.**

One mark for each point of explanation – for bad effects on other businesses.
NB A list with no explanation can only get 2 marks.

- Other businesses in the town are likely to sell less/to lose business/lose money (1).

This is because more people will be unemployed/lots of redundancies (1)
and so will have less money to spend (1).

Businesses may have to reduce prices (1) to maintain sales (1) as people will not be able to spend as much as they did.

People who came to Hedley to work or to buy things will no longer look around other shops/businesses in the area (1)

Suppliers to Hedley may lose sales (1), they may have to close (1) if they sold a large amount to Hedley (1).

Firms that use the valves that Hedley produces (1) that sell Hedley's valves (1) may have to look for a new supplier (1) who may be more expensive (1) raising their costs (1).

If Hedley sell off all their remaining stock cheaply (1) firms that compete with Hedley may lose sales (*allow this effect on competition only in the context of Hedley selling off stock cheaply*) (1) though in the long term they may get higher sales (1) if they survive (1).

Max: 2 x 2 or 3 + 1 or 1 x 4 = 4 marks

- (f) (i) **Ability to apply knowledge about how a new business may benefit the people of a town.**

One mark for each point of explanation. NB A list with no explanation can only get 2 marks.

- This would provide jobs for people in the town/reduce unemployment (1) either because Daniel employs them (1) suppliers to Daniel employ them (1) general businesses who get more custom from people coming to the town (1).

Greater employment (1) would raise income (1) and increase spending (1) which would help other businesses (1) in the town. It may attract new business to the town (1).

It would also provide a product/toys/more choice (1) for local people to buy.

This might mean competition for existing toy shops (1) and they might have to reduce prices (1) and will have more choice/new shop (1).

Also there may be more tax income for the local council (1) because Daniel will need to pay the uniform business rate (1) and this money can be used to provide more services (1) for the people in the town.

Max: 2 x 2 or 3 + 1 or 1 x 4 = 4 marks

(ii) Target: Ability to evaluate the relevance of different business structures.

One mark for each point of explanation. Do not reward “mirror” arguments eg points made in favour of one option, then used as an argument against the other.

- I would recommend starting the business as a sole trader.
It is easier to set up (1) because Daniel would not have to register the business (1).

It is also cheaper to set up (1) because Daniel does not have to register the business/there are no legal costs involved (1) in creating a Deed of Partnership (1).

Sole traders have certain tax advantages (1).

Daniel can keep the financial details of his business private (1) because he does not have to publish accounts each year (1).

It is easier for him to control (1) If he sets up as partnership he will need to share decision-making (1) and there is no-one he is going to have arguments with over what to do (1).

He will keep profits for himself and not have to share them (1).

He will not have to draw up a Deed of Partnership (1) which will save money/money (1).
- I would recommend setting up as a partnership because he can share the responsibility of running the business (1).

There will be more capital (1) since the partner can contribute (1).

Responsibility/decision-making is shared/the partner can share the work (1) making it easier for Daniel (1). If Daniel is sick, there will still be someone to help run the business (1).

The partner may be able to offer different skills to Daniel (1) which may improve the management/efficiency (1) produce more ideas (1) for the business (NB One mark for any appropriate illustration eg John can do the accounting/money/financial side of the work).

Daniel will be able to share any debts with his partner (1).

Max: 6 marks

Total: [28]

2 (a)(i) and (ii) Target: Knowledge of terms related to business structures.

- (i) One mark for each correct answer.
- The name of the parent company of Lowes Engineering Ltd – Martindale Holdings plc.
 - The name of a subsidiary of Martindale Holdings plc - Hedley Engineering Ltd/Lowes Engineering Ltd/Baveno Engineering Ltd.

Max: 2 marks

- (ii) One mark for each correct answer.

- Public (Martindale)
- Private (Lowes Engineering Ltd)

Max: 2 marks

(iii) Target: Knowledge of the terms dividend and shareholders.

One mark for each correct use of the statements. Credit answers that use own phrasing.

- Dividends - This is money paid to shareholders (1), the more profit a business makes, the more the shareholders receive (1).
- Shareholders - These are the owners of businesses (1). They take a risk by investing money into the business (1).

Max: 4 marks

(b) (i) Target: Ability to analyse data.

One mark for each correct point of explanation.

It is better for production to take place at Lowes Engineering Ltd because the average cost of production falls (1) to £100/by £50 (1).

Max: 2 marks

(ii) Target: Ability to apply knowledge of economies of scale.

Reason	Tick correct answer in this column
The firm can buy supplies of raw material in bulk and so get a discount.	√
The firm could pay each of its workers less money.	
The firm could use computerised machinery instead of workers.	√
The firm could import cheaper raw materials from abroad.	
The firm could rent a cheaper factory.	
The firm could cut transport costs by transporting more goods at a time.	√

Max: 3 marks

(iii) and iv) **Target: Ability to evaluate the benefits of computerised machinery compared with labour.**

(iii) One mark for each point.

- The firm will be able to increase production (1) because machines will work faster (1) and can work 24 hours a day/without a break (1).
- The quality of the valves produced will increase (1) because machines make fewer mistakes than workers (1).
- The costs of production will fall (1) because the firm does not need to pay wages to its workers (1).

Max: 4 marks

(iv) One mark for each correct point.

- The machines may break down (1) which will cause disruption to production (1).
- The machines are very expensive to buy (1) and to maintain (1).

Max: 2 marks

Total: [19]

3 (a) Target: Ability to use knowledge of methods of recruitment and selection to recommend an appropriate process.

One mark for each appropriate recommendation, one mark for each point of justification. Maximum of 2 points for statements of recommended methods (i.e. lists) or knowledge only statements (eg. details of job description and person specification), remaining marks for reasons/evaluative comments. NB Please put section marks to the left of the margin, the question total to the right at the bottom.

How useful are job descriptions and person specifications.

Job description – lists the duties/tasks involved in a job (1).

Person specification - communicates the qualifications/skills/qualities that a person will need to do the job (1).

Justification:

They help the firm to clarify its thinking about what type of worker they need (1) provide information that can be put in an advertisement (1) so that the applications are received from appropriate people/inappropriate people do not waste Lowes time (1). It will also help them to choose the methods of selection (1) which will show whether or not the person has the right skills (1).

How Lowes Engineering Ltd should advertise the post.

(NB Do not reward repeated justifications eg the point about local people used for newspapers/radio or about a lot of people reading/listening). NB Max of 2 list of media.

The firm will need to design an advert (1) - that will attract people with the appropriate skills (1).

Lowes should advertise locally in the local newspaper/free newspaper (1) local radio (1) because people will not move from another area (1) for this type of work/for clerical work (1). It is not expensive to advertise in a local newspaper/not as expensive as TV. (1).

Lowes should advertise on local radio (1) local newspaper (1) – because a lot of people listen to local radio stations/read local newspapers (1)

Lowes should advertise using local radio (1) because people may hear it driving to work (1).

Lowes should advertise in a job centre (1) – because this is where people will go to find a job (1).

Advertise on an internet site/job site/Lowes site (1).

How Lowes Engineering Ltd should choose 10 office workers if 50 people apply. NB The candidate must state a method. NB Maximum of 2 for a list of methods.

Shortlisting (1) - this will be needed because there are a lot applicants for the jobs (1).

Letters of application (1) to decide who to interview (1) can be used which show how well a person can communicate (1) and how well they can lay out information (1).

A CV (1) could be used - This gives information about the person/skills/qualifications/previous experience (1). It will also show how well the person can organise/lay out information (1).

References (1) from previous employers or a college/school - These will give information about how good a worker the person was, such as if they were punctual (1), efficient (1) etc.

An application form (1) could be used - This would make all the candidates answer the same questions (1) so they would provide the information required to make a short list (1) and the answers of each of the applicants could be compared (1).

Once they have shortlisted people an interview (1) would show the communication skills (1) of the person and how well they present themselves (1).
A telephone interview could be used to shortlist people (1).

A test (1) - of computer skills (1) could be given.

A group activity (1) could be given - to see how well the applicants would work with other people (1).

Use a recruitment agency (1) followed by discussion of methods used.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

Max: 3 x 4 or 3 + 3 + 6 = 12 + 2 marks

(b) Target: Ability to evaluate the appropriateness of different training methods.

How to use the photocopying machine

- Training method – Demonstration.
- Reasons - The worker can see the machine and be shown how it works.

How to deal with difficult customers on the telephone

- Training method - Role play or demonstration.
- Reasons - Role play would give the worker the chance to practice dealing with the customers (1) and the trainer could point out good and bad things that they did (1) and how to improve (1).
- Reasons - Demonstration by someone who is good at dealing with difficult customers (1) would show what kinds of things the worker should say (1).

To help them to work together as a group

- Training method - Team building.
- Reasons - Team building makes people do things together (1) so they will learn to get on (1) and to know each other better (1) and appreciate each other's good points (1).

Max: 9 marks

(c) Target: Knowledge of the advantages of trade union membership.

One mark for each benefit.

- Credit mention of issues dealt with - pay (1), holiday entitlement (1), work conditions (1) health and safety issues (1), hours, (1) unfair dismissal (1) discrimination (1) etc.
- Credit mention of why unions can help workers - strength in numbers (1), financial support (1), access to legal expertise (1).
- Maximum of one mark for a general point, eg fight for rights/interests of workers.

Max: 4 x 1 = 4 marks

Total: [27]

4(a) (i) and (ii) Target: Ability to apply numerical skills to business performance data.

- (i) Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.
- Answer - Value of expenses = £10m (2)
 - Method - £15m - £5m or Gross Profit - Net Profit (1)

Max: 2 marks

- (ii) Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.
- Answer - £ 18m (2)
 - Method - £32m - £14m (1)

Max: 2 marks

(iii) Target: Ability to evaluate financial data.

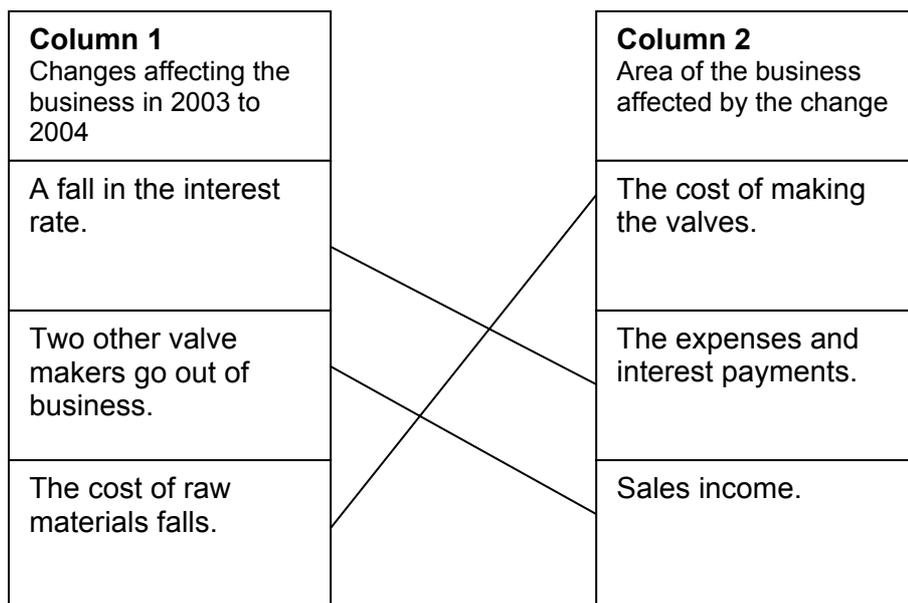
One mark for each point of explanation.

Shareholders would be pleased because gross profit has gone up (1) as well as net profits (1) and sales income (1) and this means they will receive more money (1) in dividends (1).

Max: 2 marks

(b) Target: The ability to evaluate the effect of external factors on business performance.

One mark for each line that correctly matches up a change with an effect. NB There is more than one correct answer.



Max: 3 marks

(c) Target: Ability to evaluate the appropriateness of different methods of finance.

One mark for choosing each appropriate source, one mark for each point of justification of that source.

To finance the expansion of the factory

- Shares (1) - the firm can sell shares because it is a limited company (1). It is a good way because the firm needs a lot of money (1) and it will take time to generate income from the investment (1).
- Bank loan (1) – it is a large sum of money (1) and can be paid back over time (1) as the investment generates income (1). Also the firm will know how much it will have to pay in interest (1) and this will help financial planning (1). It is quicker to arrange than selling shares (1).
- Hire purchase (1) could be used to buy machines (1) used in the enlarged factory.

To finance the cash flow problem.

- Overdraft (1). The firm will only pay interest on the amount that it is overdrawn (1) for the period of time of the overdraft/it can be paid off once production starts (1) and it is flexible in the amount that it can be borrowed (1).
- Trade Credit (1) – you could extend the credit period with your suppliers (1) and reduce the credit period given to customers (1).

Max: 2 x 3 = 6 marks

Total: [15]

5 (a) Target: Ability to interpret data presented in the form of a pie chart.

Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.

- Answer - Value of valves sold = £ 15m (2)
- Method - $100/100 \times 15$ (1)

Max: 2 marks

(b) Target: Knowledge of the terms desk and field research.

One mark for each point of explanation, one mark an appropriate illustration of each type of research.

- (i) Field research involves generating new data/you find out the information yourself/you ask what people want (1) known as primary data (1). It is collected by using questionnaires/interviews/ask around the town etc (1).

Max: 2 marks

- (ii) Desk research involves researching secondary data (1) that already exists/information already collected (1) such as census data/accounts/newspapers/internet/on a computer etc (1).

Max: 2 marks

(iii) Target: Ability to evaluate the usefulness of market research data.

One mark for each point of explanation.

To find out what types of valves are needed by each of the businesses it sells to.

- Type of market research -Interviews (1).
- Reason for choice - The firm could send someone to talk to people at the business (1) or telephone them (1) to ask what kind of valves they needed.

To find out the prices charged for valves by its competitors.

- Type of market research - The firms could get catalogues/use the Internet (1).
- Reasons for choice - These would be produced by competitors and made available to customers (1). They would give information about products and prices charged by each of its competitors (1).

Max: 2 x 3 = 6 marks

(iv) Target: Ability to evaluate the usefulness of price information.

One mark for each point of explanation.

It will help to know the prices charged by competitors because then it can decide what to charge (1). It may want to sell more cheaply than competitors (1) so that it increases sales (1).

Max: 2 marks

(c) Ability to evaluate methods of advertising.

- (i) One mark for each point of explanation.
- The advantage of advertising on television is that it reaches a lot of customers (1) and so leads to high sales (1).
- Max: 2 marks**
- (ii) One mark for each point of explanation.
- The disadvantage of advertising on television is that it is very expensive (1) and will not be relevant for many of the people who watch it (1).
- Max: 2 marks**
- (iii) One mark for each appropriate method of advertising suggested, one mark for each point explaining/justifying it.
- I would use direct advertising (1) such as sending leaflets or catalogues or brochures (1) or send a representative (1). This makes sure that the advertising only reaches those people that are interested in buying valves (1) and it will save money (1) because unnecessary advertising materials are not made (1). Also Lowes Engineering Ltd could advertise on the Internet (1) because buyers would look up the information on their web site (1) and it is reasonably cheap (1).

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

Max: 5 + 2 marks

(d) Target: Knowledge of the product life cycle.

One mark for each correct answer.

- (i) Introduction
- (ii) Growth
- (iii) Maturity
- (iv) Decline

Max: 4 marks

(v) One mark for each point of explanation.

- Sales are now in decline/falling (1). Reducing the price will make it cheaper for customers to buy the valves (1) and so they may want to buy more (1). However, if the valves are no longer needed (1) because they have been replaced by something else (1) the fall in price will not help (1).

Max: 2 marks

Total: [31]

Mark Scheme 1951/2
June 2005

1 (a) (i) **Target: Knowledge of the term redundancy.**

One mark for ticking the correct box.

Statement	Tick the appropriate statement
This is when a worker is dismissed for breaking the rules.	
This is when a worker loses his or her job because there is no longer any work for him or her to do.	✓

Max: 1 mark

(ii) **Target: Ability to apply numerical skills to a business context.**

Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.

- Answer: £10000 (2)
- Method: 20 x £500 (1)

Max: 2 marks

(b) (i) and (ii) **Target: Ability to evaluate the relevance of the concept of limited liability.**

(i) **One mark for each appropriate point**

- Pamela will lose the value of the shares she invested/£2000 (1).
She will not have to sell her private possessions (1).
This is because the assets of the business that her investment has bought will be sold off (1) to repay the debts of the business.

This is because the shareholders have limited liability/it is a limited company (1) because the business is a separate legal body in law (1). The debts are the debts of the business not the debts of the owners (1).

Max: 4 marks

(ii) **One mark for each point of explanation.**

- As Hedley is a limited company/owners have limited liability (1) Mencaster International Bank will not be repaid all the money that it is owed (1).
The money raised from the sale of assets will be used to repay the debts of the business (1).
There is not enough to pay off all the debts (1).
The Bank might receive all the money it is owed (1), but some creditor may not. They may not get the interest due/profit (1) either.
It depends on how the liquidator distributes the money raised (1).

Max: 3 marks

(c) **Target: Ability to evaluate the effect on business of a change in the exchange rate.**

(i) One mark for each point of explanation.

- Calculation - from €300 to €400 (1).

-

The price of exported valves will rise/the valves will now be more expensive in Euros/Hedley valves will be dearer than those made by their European competitors/sold at €375/Hedley used to sell valves cheaper than the European made valves (1).

This will make it harder for UK firms like Hedley Engineering Ltd to sell valves in the countries that use the euro/to export/make them less competitive/lose sales (1). They may have to lower prices (1) to maintain sales/attract more sales (1).

Foreign buyers may prefer to buy valves made in their own country (1) or made in countries whose exchange rate has not risen (1).

Max: 3 marks

(ii) One mark for each point of explanation

- Calculation - £250 - £187 (1).

- The rise in the exchange rate/strength of the exchange rate will make imports /European sellers valves cheaper (1) than goods made in the UK.

UK buyers may switch to buy the imports (1).

This will lead to a loss of sales (1) for Hedley Engineering Ltd. They may have to lower prices (1) to maintain sales/to attract more sales (1).

Max: 3 marks

(d) Target: Ability to apply knowledge of the effects of the closure of a business on the other businesses.

One mark for each point of explanation – for bad effects on other businesses.
NB A list with no explanation can only get 2 marks.

- Other businesses in the town are likely to sell less/to lose business/lose money (1).

This is because more people will be unemployed/lots of redundancies (1)
and so will have less money to spend (1).

Businesses may have to reduce prices (1) to maintain sales (1) as people will not be able to spend as much as they did.

People who came to Hedley to work or to buy things will no longer look around other shops/businesses in the area (1)

Suppliers to Hedley may lose sales (1), they may have to close (1) if they sold a large amount to Hedley (1).

Firms that use the valves that Hedley produces (1) that sell Hedley's valves (1) may have to look for a new supplier (1) who may be more expensive (1) raising their costs (1).

If Hedley sell off all their remaining stock cheaply (1) firms that compete with Hedley may lose sales (*allow this effect on competition only in the context of Hedley selling off stock cheaply*) (1) though in the long term they may get higher sales (1) if they survive (1).

Max: 2 x 2 or 3 + 1 or 1 x 4 = 4 marks

(e) (i) Ability to apply knowledge about how a new business may benefit the people of a town.

One mark for each point of explanation. NB A list with no explanation can only get 2 marks.

- This would provide jobs for people in the town/reduce unemployment (1) either because Daniel employs them (1) suppliers to Daniel employ them (1) general businesses who get more custom from people coming to the town (1).

Greater employment (1) would raise income (1) and increase spending (1) which would help other businesses (1) in the town. It may attract new business to the town (1).

It would also provide a product/toys/more choice (1) for local people to buy.

This might mean competition for existing toy shops (1) and they might have to reduce prices (1) and will have more choice/new shop (1).

Also there may be more tax income for the local council (1) because Daniel will need to pay the uniform business rate (1) and this money can be used to provide more services (1) for the people in the town.

Max: 2 x 2 or 3 + 1 or 1 x 4 = 4 marks

(ii) **Target: Ability to evaluate the relevance of different business structures.**

One mark for each point of explanation. Do not reward “mirror” arguments eg points made in favour of one option, then used as an argument against the other.

- I would recommend starting the business as a sole trader.
It is easier to set up (1) because Daniel would not have to register the business (1).

It is also cheaper to set up (1) because Daniel does not have to register the business/there are no legal costs involved (1) in creating a Deed of Partnership (1).

Sole traders have certain tax advantages (1).

Daniel can keep the financial details of his business private (1) because he does not have to publish accounts each year (1).

It is easier for him to control (1) If he sets up as partnership he will need to share decision-making (1) and there is no-one he is going to have arguments with over what to do (1).

He will keep profits for himself and not have to share them (1).

He will not have to draw up a Deed of Partnership (1) which will save money/money (1).
- I would recommend setting up as a partnership because he can share the responsibility of running the business (1).

There will be more capital (1) since the partner can contribute (1).

Responsibility/decision-making is shared/the partner can share the work (1) making it easier for Daniel (1). If Daniel is sick, there will still be someone to help run the business (1).

The partner may be able to offer different skills to Daniel (1) which may improve the management/efficiency (1) produce more ideas (1) for the business (NB One mark for any appropriate illustration eg John can do the accounting/money/financial side of the work).

Daniel will be able to share any debts with his partner (1).

Max: 6 marks

Total: [30]

2 (a)(i) Target: Knowledge of holding companies.

One mark for each correct point of explanation.

Martindale Holdings plc will own shares in/is the owner of Lowes Engineering Ltd (1).

This gives it the right to vote at shareholder meetings (1) .

It owns greater than 50% (1) so can outvote all other shareholders (1).

Max: 3 marks

(ii) Target: Knowledge of the advantages of public over private limited companies.

One mark for each correct point of explanation.

- Martindale Holdings plc will be able to raise more finance than Lowes Engineering Ltd (1).

This is because its shares can be sold on the Stock Exchange (1) so can sell the shares to a wide range of people/the general public (1).

This means that they are more liquid (1) than the shares of private limited companies so that it is easier for investors to sell the shares (1) and so they are more likely to buy the shares in the first place (1).

With private limited companies, shares can only be sold privately (1) with the permission of other shareholders (1) which might make them difficult to sell (1).

Also public companies usually find it easier to borrow money/get a bank loan (1) because they are often large/as it has more funds available (1) and less of a risk to the lender (1).

More recognition/more well known (1) because financial records are provided to the public (1) and often get scrutiny in the media (1).

Max: 2 + 2 or 3 + 1 = 4 marks

(b) (i) Target: Ability to analyse data.

One mark for each correct point of explanation.

- The average cost falls (1).
£100 per valve produced to £80 (1).

The costs have not gone up in proportion to output (1).

Max: 2 marks

(ii) Target: Ability to apply knowledge of economies of scale.

One mark for each kind of economy stated, one mark for each appropriate illustration in relation to a clothes manufacturer.

- Buying economies/bulk-buying (1) - the firm may get discounts on the raw materials (1) that it buys because it buys in large quantities (1).
- Technical economies (1) - the firm may be able to use flow/mass production (1) or expensive equipment/machines (1) which saves labour costs (1) and reduces average production costs.
- Marketing economies (1) - the firm may be able to spread (1) marketing costs across a bigger range of foods (1). Distribution costs may fall (1) because more can be transported at one go (1).
- Managerial economies (1) - the firm may be able to employ specialist managers (1) who can manage the business efficiently (1).
- Financial economies (1) - the firm may find it cheaper to raise capital (1) because banks charge lower interest rates to larger customers (1).
- Risk-bearing economies (1) - the firm may be able to work on lower profit margins (1) because it produces a larger range of goods (1) or they can spread risk (1).

Max: 3 x 2 or 2 x 3 = 6 marks

(c) Target: Knowledge of "just-in-time" production.

One mark for each correct point of explanation.

- (i)** Just-in-time production involves ordering/the delivery of raw materials/production of goods just before they are needed (1) in the process of production/as they are ordered so they do not store materials/finished goods (1) though they may store a small buffer stock (1).

Max: 2 marks

(ii)

- The advantage of just- in-time production is that stocks of materials/manufactured goods do not need to be stored (1). This saves on storage costs (1) because no warehouse is needed (1) or people to run it/or security guards (1). This may reduce insurance costs (1) as there is left chance of theft (1). There will be less chance of being left with damaged (1) and obsolete stock (1). Also only the materials that are needed are ordered (1) so the firm does not buy materials that it will not be able to use/waste is reduced (1). It reduces the amount of working capital (1) needed, improving cash flow (1).
- Production may be delayed (1) because production cannot start until the materials have been ordered and delivered (1) and some times the supplier may not send enough/delivery is delayed (1) and may lead to a loss of sales (1) if order dates cannot be met (1). The materials that arrive may be faulty (1). The firm buying the materials needs to be sure that the seller has very good quality controls (1) to avoid this problem. Bulk buying discounts may be lost (1) so the materials cost more (1). Delivery costs may rise (1) if bulk deliveries are not made (1).

Max: 2 x 3 = 6

Total: [23]

3 (a) Target: Ability to evaluate the choices of re-location or local recruitment of labour.

One mark for each correct point of explanation.

- The advantages of employing engineers who had worked at Hedley Engineering Ltd are that they will have the skills necessary (1) to produce the valves (1) and will know how the firm works (1).

Lowes Engineering Ltd will be confident that they can recruit the best engineers (1) because they can select from those made redundant depending on the type of reference given by Hedley Engineering Ltd (1) and so can be sure of the quality of their work (1).

Recruiting the unemployed people will improve the reputation of Lowes (1).

- The disadvantages are that the workers will have to be re-located (1). Lowes Engineering Ltd may have to pay them to re-locate (1) or help them to rent temporary accommodation (1) whilst they move permanently from Mencaster to Bowton.
Not many workers may be willing to re-locate (1) especially if they have family and friends in Mencaster (1).
Lateness/tiredness/motivation may be a problem/ (1) if they travel everyday (1).
Not many people may be prepared to travel (1) so they not be able to recruit all 120 from Mencaster/Hedley (1).
- Lowes could lay on transport but it would still take a long time (1) and it would cost Lowes money (1).
- Recruiting the new skilled workers in Bowton will cost money (1) because of the expenses involved in the recruitment process (1). Also 120 is a lot of skilled workers to find (1).
The workers may need training (1) and this will cost money (1). However you can make sure they are trained to Lowes' way of doing things (1).
The new workers may be motivated (1). The new workers may bring new ideas (1) they will want to impress (1) and this will lead to higher quality production (1).
They will live near by so are more likely to be punctual/less likely to have time off/no problem getting to work (1).
Lowes may not need to pay the new workers as much (1) because they are less experienced (1).
- The decision will depend on such things as how much skilled labour is available in Bowton to recruit/if all the skilled labour is already employed in Bowton (1) and how much re-location will cost (1).

Max: 8 marks

(b) Target: Ability to use knowledge of methods of recruitment and selection to recommend an appropriate process.

One mark for each appropriate recommendation, one mark for each point of justification. Maximum of 2 points for statements of recommended methods (i.e. lists) or knowledge only statements (eg. details of job description and person specification), remaining marks for reasons/evaluative comments. NB Please put section marks to the left of the margin, the question total to the right at the bottom.

How useful are job descriptions and person specifications.

Job description – lists the duties/tasks involved in a job (1).

Person specification - communicates the qualifications/skills/qualities that a person will need to do the job (1).

Justification:

They help the firm to clarify its thinking about what type of worker they need (1) provide information that can be put in an advertisement (1) so that the applications are received from appropriate people/inappropriate people do not waste Lowes time (1). It will also help them to choose the methods of selection (1) which will show whether or not the person has the right skills (1).

How Lowes Engineering Ltd should advertise the post.

(NB Do not reward repeated justifications eg the point about local people used for newspapers/radio or about a lot of people reading/listening). NB Max of 2 list of media.

The firm will need to design an advert (1) - that will attract people with the appropriate skills (1).

Lowes should advertise locally in the local newspaper/free newspaper (1) local radio (1) because people will not move from another area (1) for this type of work/for clerical work (1). It is not expensive to advertise in a local newspaper/not as expensive as TV. (1).

Lowes should advertise on local radio (1) local newspaper (1) – because a lot of people listen to local radio stations/read local newspapers (1).

Lowes should advertise using local radio (1) because people may hear it driving to work (1).

Lowes should advertise in a job centre (1) – because this is where people will go to find a job (1).

Advertise on an internet site/job site/Lowes site (1). Recruitment agency (1).

How Lowes Engineering Ltd should choose 10 office workers if 50 people apply. NB The candidate must state a method. NB Maximum of 2 for a list of methods.

Shortlisting (1) - this will be needed because there are a lot applicants for the jobs (1).

Letters of application (1) to decide who to interview (1) can be used which show how well a person can communicate (1) and how well they can lay out information (1).

A CV (1) could be used - This gives information about the person/skills/qualifications/previous experience (1). It will also show how well the

person can organise/lay out information (1).

References (1) from previous employers or a college/school - These will give information about how good a worker the person was, such as if they were punctual (1), efficient (1) etc.

An application form (1) could be used - This would make all the candidates answer the same questions (1) so they would provide the information required to make a short list (1) and the answers of each of the applicants could be compared (1).

Once they have shortlisted people an interview (1) would show the communication skills (1) of the person and how well they present themselves (1).
A telephone interview could be used to shortlist people (1).

A test (1) - of computer skills (1) could be given.

A group activity (1) could be given - to see how well the applicants would work with other people (1).

Use a recruitment agency (1) followed by discussion of methods used.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

Max: 3 x 4 or 3 + 3 + 6 = 12 + 2 marks

(c) Target: Knowledge of the advantages of trade union membership.

One mark for each benefit.

- Credit mention of issues dealt with - pay (1), holiday entitlement (1), work conditions (1) health and safety issues (1), hours, (1) unfair dismissal (1) discrimination (1) etc.
- Credit mention of why unions can help workers - strength in numbers (1), financial support (1), access to legal expertise (1).
- Maximum of one mark for a general point eg fight for rights/interests of workers.

Max: 4 x 1 = 4 marks

Total: [26]

4 (a) and (b) Target: Ability to apply numerical skills to business performance data.

(a) Two marks for the correct answer, one mark for a correct method if an incorrect answer is given.

- Answer - Value of expenses = £10m (2)
- Method - £15m - £5m or Gross Profit - Net Profit (1)

Max: 2 marks

(b) Three marks for the correct answer, one/two marks for a correct method if an incorrect answer is given.

- Answer – Net Profit margin = 18.75% (2)
- Method - $6/32 \times 100$ (1)

Max: 2 marks

(c) Target: Ability to use appropriate techniques to interpret financial data.

Level Two (3 – 5 marks)

Candidate applies ratio analysis/applies thinking about proportions (income/profit changes).

- Shareholders will not be entirely pleased because although profits have risen, the gross profit margin has fallen (*) from 60% to 56% (*). This means that the cost of goods sold has increased (*) proportionately more than sales income (*).

Also the net profit margin has gone down (*) from 20% to 18.75% (*). This means that less net profit is being made per pound of sales (*) because of the rise in expenses and interest payments (*) which is more than the proportionate increase in gross profits (*).

Shareholders would not be pleased because although net profit has gone up by £1m this is not much of an increase considering that sales income rose by £7m (*).

Level One (1 – 2 marks)

Candidate draws conclusions based on information taken at face value.

- Shareholders would be pleased because gross profits have gone up (1) as well as net profits (1) and this means they will receive more money in dividends/from the profits (1). Share price may rise (1).
Because Lowes is producing/selling more it may now benefit from economies of scale (1) meaning lower average costs (1) and greater profits (1)

Max: 5 marks

(d) Target: The ability to evaluate the effect of a change in interest rates on the performance of a business.

- One mark for identifying components of the summary of performance that will be affected and one mark for each appropriate point of explanation of why the effect takes place.
- Sales income this would fall (1) because buyers would be reluctant to borrow money (1) to finance the purchase of materials/valves because it would cost more to borrow(1). This would result in a fall in gross profit (1). Also high interest rates may cause demand generally to fall (1) and the buyers may think that they will not be able to sell the goods they produce with the valves (1).
- If the business has loans (1) it has to pay a higher amount of interest (1). This would cause net profit to fall (1)
- If Lowes has money saved in the bank (1) it will receive more interest (1) which may increase its profit.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

Max: 6 + 2 marks

(e) Target: Ability to evaluate the appropriateness of different methods of finance.

One mark for choosing each appropriate source, one mark for each point of justification of that source.

To finance the expansion of the factory

- Shares (1) - the firm can sell shares because it is a limited company (1). It is a good way because the firm needs a lot of money (1) and it will take time to generate income from the investment (1).
- Bank loan (1) – it is a large sum of money (1) and can be paid back over time (1) as the investment generates income (1). Also the firm will know how much it will have to pay in interest (1) and this will help financial planning (1). It is quicker to arrange than selling shares (1).
- Hire purchase (1) could be used to buy machines (1) used in the enlarged factory.

To finance the cash flow problem.

- Overdraft (1). The firm will only pay interest on the amount that it is overdrawn (1) for the period of time of the overdraft/it can be paid off once production starts (1) and it is flexible in the amount that it can be borrowed (1).
- Trade Credit (1) – you could extend the credit period with your suppliers (1) and reduce the credit period given to customers (1).

Max: 2 x 3 = 6 marks

Total: [23]

5 (a) Target: Ability to interpret data presented in the form of a pie chart.

Level Two (3 – 4 marks)

Candidates will show an appreciation that the value of sales has risen.

- The value of sales by Lowes Engineering Ltd has risen (L2) from £10m in 2003 to £15m in 2004/by £5m (L2).

Level One (1 –2 marks)

The candidate describes changes in the percentage share of the market that Lowes Engineering Ltd has.

- The sales of Lowes Engineering Ltd have fallen (L1) from 15% to 10%/by 5% (L1).

Max: 4 marks

(b) Target: Knowledge of the terms desk and field research.

One mark for each point of explanation, one mark an appropriate illustration of each type of research.

- (i) Field research involves generating new data/you find out the information yourself/you ask what people want (1) known as primary data (1).
It is collected by using questionnaires/interviews/ask around the town etc (1).

Max: 2 marks

- (ii) Desk research involves researching secondary data (1) that already exists/information already collected (1) such as census data/accounts/newspapers/internet/on a computer etc (1).

Max: 2 marks

(iii) Target: Ability to evaluate the usefulness of market research data.

One mark for each point of explanation.

- Price
Market research may help Lowes Engineering Ltd to know what prices are being charged by its competitors (1) or what prices buyers can afford to pay (1) so that it can decide what prices to charge (1).
- Product
Market research can help Lowes Engineering Ltd to find out what kinds of valves/products (1) customers want so that it knows what to produce/to improve its valves (1) and how many to make (1).
- Promotion
Market research can help them to know how to promote the valves (1), what kind of advertising to use (1) what kind of packaging (1).
- Place
Market research could help Lowes to find out where sell the valves (1) such as whether to use the internet (1).

Max: 2 x 2 = 4 marks

(c) Target: Ability to evaluate the appropriateness of different methods of advertising.

One mark for each appropriate point.

Sending catalogues to new customers.

Good – develops awareness (1), relatively cheap to produce (1), is direct advertising (1)

Bad – may not get read (1), expensive to produce/send (1)

Sending representatives to existing customers

Good – develops relationship (1) makes customer feel valued (1) is direct advertising (1)

Bad – expensive (1)

Sending catalogues to existing customer

Good – cheaper than sending representatives (1), may only need to know current stock/prices (1)

Bad – loses the personal touch (1), cannot respond to particular issues of buyers (1).

Sending representative to new customer

Good – Make sure they get attention (1), can respond to particular issues of buyers (1).

Bad – Expensive (1), wasted calls (1), customer may feel pestered/representatives may appear pushy (1)

Max: 6 marks

Total: [18]

Mark Scheme 1951/3
June 2005

- 1 (a) **Target: To demonstrate knowledge of limited companies to stated company; to demonstrate and apply knowledge of company objectives.**
- (i) Shares can be sold to family and friends (1)
 The owners have limited liability (1)
 (Three ticks, allow one mark max.) [2]
- (ii) Many possible answers:
 Example Profit (1), break even (1).
 Provides money for expansion / investment (1) which helps them stay more competitive (1).
 Growth (1).
 'If they do not meet this objective they may not be able to compete (1) with other businesses due to lack of a G/S (1) or not achieve economies of scale (1) thus not able to set low prices (1). [3]
- (b) **Target: To demonstrate and apply knowledge of internal organisation charts to stated company; to demonstrate knowledge of the term 'chain of command'.**
- (i) Many possible answers
 Flat organisation (1).
 Split into departments (1).
 Wide span of control (1) e.g., MD is five (1).
 Short chain of command (1) - only five layers (1).
 Allow one mark for reference to hierarchy. For 4 marks, it is likely that both span of control and chain of command will be present.
 Allow 'head of the hierarchy is Board of Directors (1) – bottom are the workers e.g., production workers'.
 Allow 'each group has a supervisor who looks out for them (1)'.
 If candidate says small span of control or high chain of command, allow this.
 Listing only award once.
 4 x 1 or 2 x 2 marks [4]
- (ii) Five [1]

(c) **Target: To select appropriate data thus allowing calculation of 'total income'; to analyse and apply knowledge of negative closing balance on stated company suggesting relevant action a business may take; to analyse and apply knowledge of inaccurate forecasting thus evaluating its effect on stated company.**

(i) £150 000 + £100 000 = £250 000

Must give £ sign and correct number of zeros.

Correct answer only with no workings still award 2 marks.

[2]

(ii) Problem

Closing balance is negative each month (1).

Allow 'as the business does not have enough money' (1).

Allow 'still owe money'.

(iii) Many possible actions

Arrange an overdraft/loan

Raise their prices

Cheaper materials (1) to cut down expenditure (1).

'As the business does not have enough money in the bank to cover all short term costs (1) it should arrange short term finance – overdraft (1)'. **[3]**

- (d) Many possible answers

Example

'Manager is poor (1) at setting budgets as he is nowhere near accurate on any of the items (1) – 80% wrong on transport (1)'.

Allow two marks for 'not very good, all three are wrong'.

Must refer to actual data for (3).

No on its own = no marks.

One mark for judgement assuming backed by logical reasoning / one mark for reference to actual data of each (e.g., in terms of % worse area is transport).

[3]

- (e) **Target: To demonstrate knowledge and understanding of exchange rates by calculating appropriately; to demonstrate knowledge of international trade and evaluate its use to a stated company.**

- (i) $1200 \times 1/1.50$ (1) = £800 (1)

Correct answer only with no workings still award 2 marks.

[2]

- (ii) Many possible answers

Advantage

- increased potential sales
- improving image
- increasing knowledge of name
- further guidance into customer wants

Disadvantage

- likely high competition in USA
- \$ exchange rate
- transportation costs

Level 2 example

Although there will be an increase in transport costs / production ...it is likely to be an advantage overall as selling the computers abroad is will likely to bring in more customers and hence more profit. Also it will become a more recognisable brand which improves image (1) and could lead to further improvements in sales / profits.

Level 2 (4 – 5 marks)

Judgement backed with logical reasoning.

Advantage and disadvantage given. An overall judgement must be given for 5 marks.

Level 1 (1 – 3 marks)

Knowledge, application, analysis.

[5]

(f) **Target: To evaluate the possible effects of external factors on stated company.**

Many lines of argument

- Likely computer prices falling as this is likely to directly lead to falling revenue per computer
- Only 2% price fall not much affect on revenue
- Does the price fall relate to their particular computer?
- Is this a global fall in prices or USA or UK? – the article is too vague therefore we need more detail
- Many USA businesses will ignore their president

Level 2 (5 – 6 marks)

Evaluation.

Recognising both advantages and disadvantages.

Level 1 (1 – 4 marks)

Application, analysis.

Example level 2

Computer prices falling will have the greatest effect because it will mean O'Keefe Ltd will have to put its prices down to match competitors. This means it may lose revenue / profit. The other article may affect the business but it depends how many USA customers it has. If it is a lot then it may suffer greatly.

[6]

Total Marks [31]

- 2 (a)** Target: To demonstrate knowledge of how business success may be measured, and of the term market economy; apply knowledge of partnerships to stated company.
- (i)** Many possible answers
- Profit, number of employees, turnover.... [1]
- (ii)** Mixed economy [1]
- (iii)** Many possible answers
- Stated advantages split workload, specialism, extra capital, illness cover....
- Stated disadvantages arguments, split profit, unlimited liability, restricted capital, link to sole trader....
- Stated and explained 2 x 2 marks. [4]
- (b) Target: To demonstrate and apply knowledge of company location to stated company; to demonstrate and apply knowledge of social costs.**
- (i)** Many possible answers
- Size of market, cost of premises (including rent), wealth of area, competition...
Access good for customers (parking), convenient for labour employment.
- Stated and explained 2 x 2 marks [4]
- (ii)** Many possible answers
- Employment, attracting other businesses to area, allow increasing 'product/ services range to the community'. Allow 'cheaper prices caused by increased competition'.
- Allow 'more shops in high street'. Customers are part of the community.
Allow 'more attractive area – no dereliction – no empty shops'.
- Stated and explained 2 x 2 marks. [4]

(c) **Target: To demonstrate knowledge and understanding of mergers, and evaluating its use to stated company.**

(i) Horizontal merger [1]

(ii) **Level 2 (4 – 6 marks)**

Evaluation.

Recognising both advantages and disadvantages.

Level 1 (1 – 3 marks)

Application, analysis.

NB: bullets not set out as advantages and disadvantages, therefore if candidates use words 'benefit' or 'problem', and correctly select from bullets, they can get to level 2. For all 6 marks, an overall judgement must be given.

Example 2

Yes it should merge, as it will mean that it will have more customers and hence more profit. Also it will possibly pass on any benefits from economies of scale via lower prices. The business will also have one less competitor which again should mean more sales and also more control over setting their prices. However, the downside is that it will lose some control over the business as they will have to share with Funky Frames and this may mean a reduction of some of the staff.

[6]

- (d) **Target: To analyse and evaluate given data to make a recommendation to stated company.**

Many possible answers

Analysis of data

Household spending forecast to increase sharply by an additional 2% when compared to 2003 figure.

Selleck's Shades' sales forecast to sharply drop from £1.2 million to £400 000.

Recommendation - Many possible answers

Level 2 Examples

Diversify - given increase in household spending there is an opportunity and a necessity to explore new markets. Existing business is forecast to decline (66%) therefore competitiveness has clearly decreased. Thus the survival of the business may be in doubt, hence they have no real alternative.

Example 2

Household spending will go up in 2006 and sales of sunglasses will go down by 800 000. This means even though people are spending more they are not predicted to buy their products – poor image / poor range. Therefore SS needs to sell other products otherwise it will not be able to cover costs. Also selling watches may mean more people are attracted to the shop hence sales of glasses may improve.

Allow 'Do nothing as the figures are only forecasts and are not necessarily go to happen'.

Level 2 (4 – 6 marks)

Reference to **both** graphs. A **reasoned** judgement provided.

Level 1 (1 – 3 marks)

Analysis of data.

Application – an answer linked to stated **business/product**.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

[6+2]

Total Marks [29]

Mark Scheme 1951/4
June 2005

- 1 (a) **Target: To demonstrate knowledge and understanding of Government financial help to businesses; demonstrate and apply knowledge of partnerships to stated company.**
- (i) Many possible answers
- Tax incentives, grants, cheap loans, loan, subsidy. [1]
- (ii) Many possible answers
- | | |
|----------------------|---|
| Stated advantages | split workload, specialism, extra capital, illness cover.... |
| Stated disadvantages | arguments, split profit, unlimited liability, restricted capital, link to sole trader.... |
- Stated and explained 2 x 2 marks. [4]
- (b) **Target: To demonstrate and apply knowledge of company location to stated company; to demonstrate and apply knowledge of social costs.**
- (i) Many possible answers
- Size of market, cost of premises (including rent), wealth of area, competition...
Access good for customers (parking), convenient for labour employment.
- Stated and explained 2 x 2 marks [4]
- (ii) Many possible answers
- Employment, attracting other businesses to area, allow increasing 'product/ services range to the community'. Allow 'cheaper prices caused by increased competition'.
- Allow 'more shops in high street'. Customers are part of the community.
Allow 'more attractive area – no dereliction – no empty shops'.
- Stated and explained 2 x 2 marks. [4]

(c) **Target: To demonstrate knowledge and understanding of mergers, and evaluating its use to stated company.**

(i) Horizontal [1]

(ii) **Level 3 (7 – 8 marks)**

Judgment after weighing up the relative importance of the advantages and disadvantages.

Level 2 (4 – 6 marks)

Advantages and disadvantages. Reference to business.

Level 1 (1 – 3 marks)

Basic knowledge of mergers. Advantages or disadvantages.

Example level 3

‘Overall Selleck’s Shades should merge, as it will mean that it will have more customers buying sunglasses and hence more profit. It will also have one less competitor selling sunglasses, which again should mean more sales. It should also mean it has more control over setting prices for each pair of sunglasses, and also benefit from economies of scale such as buying the glasses in bulk. However, the downside is that it will lose some control over the business as it will have to share with Funky Frames and this may mean a reduction of some of the staff’.

Allow reference to ‘ensure survival’. [8]

- (d) **Target: To analyse and evaluate given data to make a recommendation to stated company.**

Many possible answers

Analysis of data

Household spending forecast to increase sharply by an additional 2% when compared to 2003 figure.

Selleck's Shades' sales forecast to sharply drop from £1.2 million to £400 000.

Recommendation - Many possible answers

Level 2 Examples

Diversify - given increase in household spending there is an opportunity and a necessity to explore new markets. Existing business is forecast to decline (66%) therefore competitiveness has clearly decreased. Thus the survival of the business may be in doubt, hence they have no real alternative.

Example 2

Household spending will go up in 2006 and sales of sunglasses will go down by 800 000. This means even though people are spending more they are not predicted to buy their products – poor image / poor range. Therefore SS needs to sell other products otherwise it will not be able to cover costs. Also selling watches may mean more people are attracted to the shop hence sales of glasses may improve.

Allow 'Do nothing as the figures are only forecasts and are not necessarily go to happen'.

Level 2 (4 – 6 marks)

Reference to **both** graphs. A **reasoned** judgement provided.

Level 1 (1 – 3 marks)

Analysis of data.

Application – an answer linked to stated **business/product**.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	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

[6+2]

TOTAL MARKS [30]

- 2 (a) **Target: To demonstrate and apply knowledge of limited companies to stated company.**

Many possible answers

- (i) Advantages of plc status

Able to sell shares on the Stock Market (1) hence able to raise funds for investment (1).

Allow 'improves marketing of business therefore possibly leading to more business/able to get loans...' [2]

- (ii) Advantage of staying Ltd

Raise finance by issuing shares to family and friends (1) therefore able to have closer control of the business (1).

No danger of hostile takeover bids (note Manchester United) as shares not sold on stock exchange. [2]

- (b) **Target: To demonstrate and apply knowledge of internal organisation charts to stated company; to analyse internal chart to highlight potential problems to employees of stated company.**

- (i) Many possible answers

Flat organisation (1).

Split into departments (1).

Wide span of control (1) e.g., MD is five (1).

Short chain of command (1) - only five layers (1).

Allow one mark for reference to hierarchy. For 4 marks, it is likely that both span of control and chain of command will be present.

Allow 'head of the hierarchy is Board of Directors (1) – bottom are the workers e.g., production workers'.

Allow 'each group has a supervisor who looks out for them (1)'.

If candidate says small span of control or high chain of command, allow this.

Listing only award once.

4 x 1 or 2 x 2 marks

[4]

- (ii) Many possible answers

'As the organisation structure is flat with a wide span of control, the opportunities for promotion (1) may be limited as there is only one managerial level to aspire to and a number of assistants in a position to apply for the job' (1).

Allow 'production workers not appreciated and productivity may decrease. [2]

- (c) **Target: To demonstrate knowledge and understanding of the term market economy.**

The majority of businesses are owned by private individuals (1) and goods/ services provided via market forces (1), ie if there is demand, it is likely it will be supplied (1).

Allow 'people decide (1) what to produce and consume (1).
 Allow 'business run to make a profit' (1).
 Allow 'little government intervention' / government does not own/run many businesses.. [3]

- (d) **Target: To analyse and apply knowledge of cash flow forecasts thus evaluating the current financial state of a company; to analyse and apply knowledge of inaccurate forecasting thus evaluating its effect on stated company suggesting possible actions which a business may take.**

- (i) **Level 2 (4 – 5 marks)**

Evaluation – judgement.

Recognising both advantage and disadvantage of accepting the order.

Level 1 (1 – 3 marks)

Application and analysis.

Many possible answers

Example

'It should accept the order as the net cash flow is sharply improved in the fourth month. The order is also likely to generate further orders as the business becomes more well known. However, it is noticeable that the business does not have enough money in the bank to cover all short term costs in the first three months therefore it should arrange short term finance (*allow raise prices*) – overdraft.'

Allow reference to 'more research as is this order simply one off – is it likely to generate additional sales'?

Allow reference to £ may increase against \$, therefore when paid in \$s, business will not get as much.

Allow reference to sales increased and costs, whilst increased, are not as great as the increase in sales.

Cash flow forecast is about cash flow, **NOT** profit.

[5]

(ii) Many possible answers

Analysis

- Negatively affect the expenditure part of the cash flow – 80% increase in transport costs.
- May harm liquidity of business.

Actions

- Arrange short-term finance.
- Raise prices.
- Allow 'cut staff, cut wages' especially if any temporary staff.
- Allow 'do nothing as they are likely to pick up additional orders'.
- Investigate why the forecasting was poor.

Level 2 (5 – 6 marks)

Justification of action – must reason their choice of action.

Level 1 (1 – 4 marks)

Application and analysis.

Example

Analysis

“Manager is poor at setting budgets as he is nowhere near accurate on any of the items - 80% wrong on transport’. This will significantly increase expenditure part of cash flow, which will eat into the forecasted closing balance and may cause liquidity problems (-8000) although the closing balance will only just go negative.

Action

O’Keefe Ltd should raise prices at home to cover likely problems with the USA order.

Thus improve income in the short run.’

If candidate inputs figures into Fig 4 with no comment then level 1.

Candidate must give suggested actions based on logical reasoning for required Level 2.

Allow 2 marks for ‘costs are higher and therefore cash flow will be a problem’.

[6]

- (e) **Target: To evaluate the possible effects of external factors on stated company.**

Many lines of argument

- Likely computer prices falling as this is likely to directly lead to falling revenue per computer.
- Only 2% price fall not much effect on revenue.
- Does the price fall relate to their particular computer?
- Is this a global fall in prices or USA or UK? – the article is too vague therefore we need more detail.
- Many USA businesses will ignore their president.
- R/I lowest can mean increase buying of luxuries such as computers.
- R/I lowest can mean cheaper to borrow and invest thus making business more competitive.

Level 2 (5 – 6 marks)

Reference to **ALL** articles with a judgement as to which headline might have a greater effect on sales than the others.

Level 1 (1 – 4 marks)

Knowledge, application, analysis.

Example level 2

Computer prices falling will have the greatest effect because it will mean O'Keefe Ltd will have to put prices down to match competitors. This means it may lose revenue / profit. The first article may affect the business but it depends how many USA customers it has. If it is a lot then it may suffer greatly. Also the second article may have no effect as most people have computers anyway.

[6]

Total Marks [30]

Mark Scheme 1951/5
June 2005

- 1 (a) **Target: Demonstrate knowledge and understanding of the term marketing, and apply this knowledge to show how marketing may help sell stated products.**

(i)

	Tick one box	
a	<input checked="" type="checkbox"/>	Marketing is identifying and satisfying consumer wants at a profit
b	<input type="checkbox"/>	Marketing is only about advertising on TV
c	<input type="checkbox"/>	Marketing is making sure businesses follow correct legal procedures

[1]

(ii) Many possible answers.

- Any of the 4 P's (1) including reference to market research (1) with explanation of link to sales / makes profit (1).
- Linkage to customer (1).

Example

Advertising (1) informs the public about their skis (1) ... this leads to customers wanting skis hence sales created (1). [3]

- (b) **Target: Apply, analyse and evaluate policy of selling one product.**

Many possible answers.

- Few potential buyers.
- Unlikely to be big suppliers to the market hence difficulty achieving economies of scale.
- Specialising in skis may enable business to set high prices which improves income/profits.
- Easy to target advertising as you know your market.

Level 2 (3 – 4 marks)

Evaluation including judgement. No mark for the decision unless logically backed.

Level 1 (1 – 2 marks)

Application and analysis. Judgement likely to be backed with weak reasoning.

Level 2 example

It is a bad policy since there are only so many people who want skis and what happens if the skis go out of fashion? The business will not have other products to fall back on. With fewer buyers there will be less profits which may mean the business always stays small which may make the business less competitive.

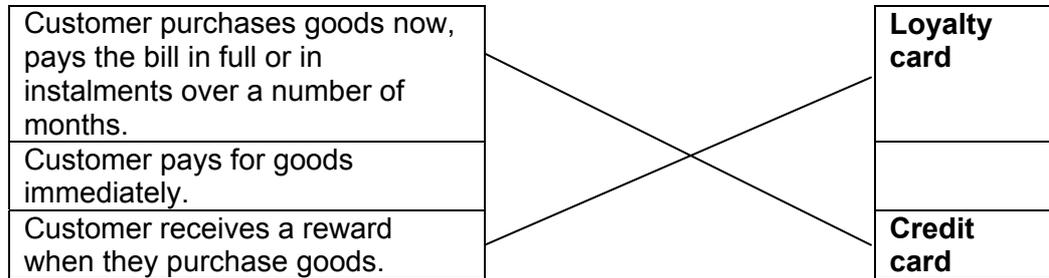
'If possible they should compete.'

If Prazers Ltd continue selling only skis and ski boots they will lose business to the more advanced range of Snow Valley Ltd. Therefore, competing may increase profit and custom as people may prefer to buy all their goods from Snow Valley Ltd as they can find everything there.

[4]

(c) **Target: To apply knowledge of loyalty cards and credit cards to stated company.**

(i)



[2]

(ii) Many possible answers.

- Allow 'discounts', and 'other perks' – giving discounts might attract repeat purchasing/loyalty to brand name leading increased sales.
- Create loyalty amongst customer base which leads to repeat purchases.

One mark for stated advantage, one mark for explanation.

[2]

(d) **Target: To apply knowledge of marketing mix to enable selection of appropriate information required for an advert.**

One mark for each element of marketing mix;

- | | | |
|-----------|---|---|
| Product | - | Reference to skis/quality. |
| Price | - | Reference to £800 (must be correct value). |
| Place | | includes either address/e-mail/telephone number/website address. |
| Promotion | - | Includes persuasive language (eg unbelievable price)/ discount/money off/interest free. |

[4]

- (e) **Target: To apply knowledge of selling through e-commerce, to explain its use in comparison to selling through shops; apply, analyse and evaluate prompts regarding stating business selling globally as opposed to nationally.**

(i) Advantage

- 7 day opening (1) thus more likely to sell more (1).
- promotion costs low (1) as no need to rent shops (1) ...thus more likely to maximise profit (1).

Disadvantage

- Personal contact (1) lost as no shops – customers may want to discuss skis as they are technical thus they do not want to shop over the Internet meaning less sales.
- Security (1) worries over giving credit card details over the Internet which leads to a decrease in sales (1).

The advantage and disadvantage must be linked to Prazers Ltd. **[4]**

(ii) Many possible answers.

Example Level 3

No because if they simply concentrate on the national market they will be reducing the size of their potential market hence less sales/profits whereas if they sold globally they would have far more potential customers hence higher potential profit which outweighs any exchange costs and any language problems.

Level 3 (5 – 6 marks)

Judgement with logical reasoning.

Judgment mark only awarded if backed by logical reasoning.

REFERENCE TO AT LEAST THREE FACTORS REQUIRED FOR L3.

Level 2 (3 – 4 marks)

Analysis.

Level 1 (1 – 2 marks)

Knowledge/ application.

Candidate must give logical backing for their recommendation. If candidate selects one but only gives the negatives of the other, then max Level 2.

Example

Because you are going to expect to have many buyers through across the world, the currency rates are always changing so you could either lose or gain money, doing it at risk. Level of profit will also change because of the currency always varying as mentioned above and to communicate with calls and addressed letters will cause a bit of money and hassle.

NB: Candidates can obtain L3 if giving full backing (positives) to their judgement. **[6]**

(f) **Target: To demonstrate knowledge and understanding of supply curves and apply this knowledge to stated company.**

(i) The amount of a product a business is prepared to sell at any given price (1).
S1 (1). **[2]**

(ii) Many possible answers.

Less supplied which means less sold (1) which means less profit (1).

Less supplied which may mean increasing their prices (1) which could mean a fall in demand (1) leading to a decrease in sales.

Not having enough skis may mean poor name (1) therefore falling sales (1). **[2]**

Total Marks [30]

- 2 (a) **Target: To demonstrate knowledge and understanding of ICT and apply this knowledge to stated company.**

Many possible answers.

Advantage

- Productivity of workers is high – produce work more quickly.
- Quality of presentation better.
- Information can be shared more easily.
- Large amounts of information can be processed very quickly.
- Communications (internally and externally) may be improved and achieved more quickly.
- Allows the use of mail-shots of information to a large number of customers at a reasonable cost.
- Allow 'fewer workers therefore cheaper'.
- Allow 'improve accuracy'.
- Allow 'easier storage'.

Disadvantage

- Workers need training and this costs money.
- It is expensive to invest in computers.
- Computers become obsolete quickly and thus need replacing.
- Technical problems can occur – server may lead to all work ceasing (note viruses etc).
- Workers need to be aware of the health and safety issues relating to using computers – problems with eyes, wrists ... this may cost business money.

Stated advantage and disadvantage one mark. Explanations required for additional marks.

[4]

- (b) **Target: To demonstrate knowledge and understanding of primary and secondary research and apply this knowledge to stated company; analyse data and information thus enabling an evaluative judgement regarding introducing an on line banking service.**

Many possible answers.

Primary research involves collecting information first hand (1) whereas secondary research is research carried out by another organisation (1). Finance Bank plc can ask questions it wants (1) which means it can find out exactly the information required (1).

Information will be up-to-date (1) which is important because consumers do change their opinion (1) and thus Finance Bank plc can make more informed decisions (1). Secondary research may have been carried out two years ago which may mean Finance Bank plc making decisions based in information that is now wrong (1).

Allow 'With secondary research, Finance Bank plc do not know the individuals which carried out the research, what methods they used (1). With primary research you do (1) hence Finance Bank plc are likely to be more confident when making decisions (1).

There must be reference to both primary and secondary to obtain 4 marks. Max 3 if not.

Stating what primary and secondary research is, max 2 marks.

1 x 4 or 2 x 2 marks

[4]

- (c) **Target: To select appropriate data: analyse given data thus enabling a business decision to be made.**

(i) 60% (1)

[1]

(ii) Many possible answers

Data shows

- percentage of UK households with computers sharply increased from 30% to 90% over time period
- percentage of UK households with Internet, increased from 15% to 60%

Level 2 example

Should introduce on-line banking a percentage of UK households with computers sharply increased from 30% to 90% over time period thus it implies the majority of households in UK could bank on-line as many of the computers have access to the Internet (90%). It is important to make banking more convenient and it may generate more individuals using Finance Bank plc hence increasing profits.

Level 2 (4 – 5 marks)

Judgement. Good use of data (both lines) for the fifth mark.

Level 1 (1 – 3 marks)

Application, analysis. Judgement may be backed weakly.

[5]

(d) **Target: To demonstrate and apply knowledge and understanding of methods of communication to stated company thus allowing an appropriate method to be selected; to demonstrate and apply knowledge and understanding of the terms encryption and ID security to stated company.**

(i) Many possible answers

- E-mail – 90% of households have a computer/also many will have access to one at home. It is likely the majority will have an e-mail address. Finance Bank already has many customers therefore they will be able to get information regarding whether they have email addresses.
- Leaflets – time in terms of handing out leaflets. Also how many people will it reach.
- TV advert – good but very expensive especially if national let alone European.

Overall depends on their target market. If they aim to target whole of UK and perhaps outside of UK then e-mail and they probably do not have the money and personnel to target across the country using leaflets and TV is very expensive.

Example

The amount of people using computers at home has increased from 1997 at 30% to 2004 with 90%. Figure 2 shows that a greater number of people use online banking in the EU or US population. As not many people use online banking however do have a computer it may not be advisable to start online banking. However, if competitors are starting too, it would be best for Finance Bank to offer this service to prevent losing customers.

Level 2 (4 - 5 marks)	Judgement needs to be made for 5 marks. <u>Comparative</u> element – short-comings of one method. Reference should be made to each method.
Level 1 (1 - 3 marks)	Knowledge, application, reference to business, analysis – appropriate choice with superficial reasons to justify the choice made. No short-coming of other method.

Example

I would consider to have people working from the offices then at home because the company will never be sure if they are trying to work up to their expectations and see if they are doing it with much quality. Also working from home will be hard for the business to motivate its staff and to pay for the costs of rates, electricity, etc. Also, being away from the staff it would be hard to keep a record of the quantity of work that is done from the workers at home whereas you have close determination if they are right next to you in the offices with everyone else. If I was to choose whether to work at home or in the offices, I would want the staff to be in the offices together so everyone can be treated the same and can keep records of work they are achieving.

[5]

- (ii) So they have the confidence (encourage) to buy on line/ use services of the bank (1) if they see a closed padlock (1) on the screen then they will know their details are safe (1).

So they know that their credit card details cannot be seen (1) by people who will use the details to commit fraud/buy goods (steal it) (1) which they may be liable to pay for (1).

1 mark for reason, 2 marks for explanation.

Example

People don't often feel safe using online transactions as there is a greater risk of fraud through hackers. Some people feel safer using banks (high street) as there is less chance of hacking and fraud and people knowing your details. By using encryption all credit information will be coded which can only be read by the bank. Security identification will also make it harder for hackers to commit fraud.

Example

These factors are very important as security and safe banking is key. If people's account details are not secure then they won't want to risk joining ebank.

[3]

- (e) **Target: To apply knowledge of home-working to analyse information given thus enabling a judgment to be made.**

Many possible answers.

- Cost of technology required at each employees house.
- Quality and quantity of work completed – targets completed.
- Motivation of workers – high initially but then may fall due to lack of social interaction.
- Size of premises – cost savings.
- Graph showing increase in working from home.

Level 2 example

Overall yes. There will be much cost savings via cheaper rent as premises required will be smaller. Also workers should be more fresh, and working on time as no travelling and congestion not a problem. The control of workers might be a problem because you will not see them every day, although it is likely the management of e-bank will constantly be in touch. Also if there is an increase in complaints and targets are not met, the management will know that employees are not doing any work at home. In addition, there seems to be a general increase in the number of employees working from home thus it appears the system works.

Level 3 (5 – 6 marks)

Judgement based on comparative analysis using factors and **DATA**. Reference to the business is required.

Level 2 (3 – 4 marks)

Three factors explained, one of which must be analysed.

Level 1 (1 – 2 marks)

Knowledge (of at least one factor) and application (reference to Finance Bank plc). Copying of factors with minimal development.

Candidates will be assessed for the quality of their written communication, according to the following criteria:		
<i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i>	2	
<i>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.</i>	1	
<i>Candidate fails to reach the threshold standard in all respects.</i>	0	

[6 + 2]

Total marks [30]

Mark Scheme1951/6
June 2005

- 1 (a) **Target: To demonstrate knowledge and understanding of ICT and apply this knowledge to stated company.**

Many possible answers.

Advantage

- Productivity of workers is high – produce work more quickly.
- Quality of presentation better.
- Information can be shared more easily.
- Large amounts of information can be processed very quickly.
- Communications (internally and externally) may be improved and achieved more quickly.
- Allows the use of mail-shots of information to a large number of customers at a reasonable cost.
- Allow 'fewer workers therefore cheaper'.
- Allow 'improve accuracy'.
- Allow 'easier storage'.

Disadvantage

- Workers need training and this costs money.
- It is expensive to invest in computers.
- Computers become obsolete quickly and thus need replacing.
- Technical problems can occur – server may lead to all work ceasing (note viruses etc).
- Workers need to be aware of the health and safety issues relating to using computers – problems with eyes, wrists ... this may cost business money.

Stated advantage and disadvantage one mark. Explanations required for additional marks.

[4]

- (b) **Target: To demonstrate knowledge and understanding of primary and secondary research and apply this knowledge to stated company; analyse data and information thus enabling an evaluative judgement regarding introducing an on line banking service.**

Many possible answers.

Primary research involves collecting information first hand (1) whereas secondary research is research carried out by another organisation (1). Finance Bank plc can ask questions it wants (1) which means it can find out exactly the information required (1).

Information will be up-to-date (1) which is important because consumers do change their opinion (1) and thus Finance Bank plc can make more informed decisions (1). Secondary research may have been carried out two years ago which may mean Finance Bank plc making decisions based in information that is now wrong (1).

Allow 'With secondary research, Finance Bank plc do not know the individuals which carried out the research, what methods they used (1). With primary research you do (1) hence Finance Bank plc are likely to be more confident when making decisions (1).

There must be reference to both primary and secondary to obtain 4 marks. Max 3 if not.

Stating what primary and secondary research is, max 2 marks.

1 x 4 or 2 x 2 marks

[4]

- (c) Many possible answers

Data shows

- percentage of UK households with computers sharply increased from 30% to 90% over time period
- banking on-line data as stated in question

Level 2 example

Percentage of UK households with computers sharply increased from 30% to 90% over time period thus it implies the majority of households in UK could bank on-line as many of the computers have access to the Internet. In addition, it is clear there is a major opportunity as only 14% of UK bank on-line when compared to the much higher percentages in Europe and USA. It is important to make banking more convenient and it may generate more individuals using Finance Bank plc hence increasing profit.

Level 2 (4 – 6 marks)

Evaluation including recommendation. Reference to **BOTH** bar chart and factors in the box.

Level 1 (1 – 3 marks)

Analysis of data. Weak recommendation.

[6]

(d) **Target: To demonstrate and apply knowledge and understanding of methods of communication to stated company thus allowing an appropriate method to be selected; to demonstrate and apply knowledge and understanding of the terms encryption and ID security to stated company.**

(i) Many possible answers

- E-mail – 90% of households have a computer/also many will have access to one at home. It is likely the majority will have an e-mail address. Finance Bank already has many customers therefore they will be able to get information regarding whether they have email addresses.
- Leaflets – time in terms of handing out leaflets. Also how many people will it reach.
- TV advert – good but very expensive especially if national let alone European.

Overall depends on their target market. If they aim to target whole of UK and perhaps outside of UK then e-mail and they probably do not have the money and personnel to target across the country using leaflets and TV is very expensive.

Example

The amount of people using computers at home has increased from 1997 at 30% to 2004 with 90%. Figure 2 shows that a greater number of people use online banking in the EU or US population. As not many people use online banking however do have a computer it may not be advisable to start online banking. However, if competitors are starting too, it would be best for Finance Bank to offer this service to prevent losing customers.

Level 2 (4 - 5 marks)	Judgement needs to be made for 5 marks. <u>Comparative</u> element – short-comings of one method. Reference should be made to each method.
Level 1 (1 - 3 marks)	Knowledge, application, reference to business, analysis – appropriate choice with superficial reasons to justify the choice made. No short-coming of other method.

Example

I would consider to have people working from the offices then at home because the company will never be sure if they are trying to work up to their expectations and see if they are doing it with much quality. Also working from home will be hard for the business to motivate its staff and to pay for the costs of rates, electricity, etc. Also, being away from the staff it would be hard to keep a record of the quantity of work that is done from the workers at home whereas you have close determination if they are right next to you in the offices with everyone else. If I was to choose whether to work at home or in the offices, I would want the staff to be in the offices together so everyone can be treated the same and can keep records of work they are achieving.

[5]

- (ii) So they have the confidence (encourage) to buy on line/ use services of the bank (1) if they see a closed padlock (1) on the screen then they will know their details are safe (1).

So they know that their credit card details cannot be seen (1) by people who will use the details to commit fraud/buy goods (steal it) (1) which they may be liable to pay for (1).

1 mark for reason, 2 marks for explanation.

Example

People don't often feel safe using online transactions as there is a greater risk of fraud through hackers. Some people feel safer using banks (high street) as there is less chance of hacking and fraud and people knowing your details. By using encryption all credit information will be coded which can only be read by the bank. Security identification will also make it harder for hackers to commit fraud.

Example

These factors are very important as security and safe banking is key. If people's account details are not secure then they won't want to risk joining ebank.

[3]

- (e) **Target: To apply knowledge of home-working to analyse information given thus enabling a judgment to be made.**

Many possible answers.

- Cost of technology required at each employees house.
- Quality and quantity of work completed – targets completed.
- Motivation of workers – high initially but then may fall due to lack of social interaction.
- Size of premises – cost savings.
- Graph showing increase in working from home.

Level 2 example

Overall yes. There will be much cost savings via cheaper rent as premises required will be smaller. Also workers should be more fresh, and working on time as no travelling and congestion not a problem. The control of workers might be a problem because you will not see them every day, although it is likely the management of e-bank will constantly be in touch. Also if there is an increase in complaints and targets are not met, the management will know that employees are not doing any work at home. In addition, there seems to be a general increase in the number of employees working from home thus it appears the system works.

Level 3 (5 – 6 marks)

Judgement based on comparative analysis using factors and **DATA**. Reference to the business is required.

Level 2 (3 – 4 marks)

Three factors explained, one of which must be analysed.

Level 1 (1 – 2 marks)

Knowledge (of at least one factor) and application (reference to Finance Bank plc). Copying of factors with minimal development.

Candidates will be assessed for the quality of their written communication, according to the following criteria:		
<i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i>	2	
<i>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.</i>	1	
<i>Candidate fails to reach the threshold standard in all respects.</i>	0	

[6 + 2]

Total marks [30]

2 (a) **Target: To demonstrate knowledge and understanding of the term marketing, and apply this knowledge to show its importance to the survival and growth of stated company.**

(i) Marketing is identification of, satisfying consumer wants at a profit. **[1]**

(ii) Many possible answers.

Marketing informs/aids the creation of a product which meets customer needs ... this helps generate sales which helps generate income which enables the payment of 'bills' which helps survival.

Marketing informs/aids the creation of a product which meets customer needs ... this helps generate sales which helps generate income which enables investment into other products which helps growth.

- *marketing - any of the 4 P's/reference to research (1)*
- *generation of money (1)*
- *payment of short term liabilities/funds for other products – expansion (investment) (1)*

Reference to both survival and growth for 3 marks

Example

By marketing it lets your customers know that your business is alive and so by using posters, adverts on TV and adverts on the internet it will attract new customers and help your business to grow.

[3]

(b) Target: To apply and evaluate policy of niche marketing in given context.

Many possible answers.

Disadvantage

- Few potential buyers.
- Unlikely to be big suppliers to the market hence difficulty in achieving economies of scale.

Advantages

- Set high prices which improves income/profits.
- Easy to target advertising as you know your market.

Level 2 (3 - 4 marks)	Evaluation including recommendation. If candidate suggests 'no' and then gives an alternative policy, award max marks.
Level 1 (1 - 2 marks)	Analysis. Judgement which lacks depth.

Level 2 example

Overall, it is not a good policy since your supply costs are likely to be higher as you are not buying skis in bulk thus profits may suffer albeit you are able to charge higher for the skis as the customer has more money.

Level 2 example

This is not a good policy for Prazers as high income earners are not a large part of the whole population. They could make a lot more money if they sold their products at lower prices, targeted at the main market of C₁, C₂ socio-economic grouped people. This would increase profits so they could grow well and continue to provide good service and get consumer loyalty.

[4]

- (c) **Target: To apply knowledge and understanding of selling products via e-commerce to highlight advantage when compared to selling via high street shops.**

Advantages – many possible answers:

- can reach a global market as well as European market
- seven day opening – 24 hours
- can present a professional image
- low promotion costs
- can achieve economies of scale
- Do **not** allow property in the UK, but allow property in Europe.

Example – Advantage

By using e-commerce in the business, Prazers Ltd can reach a global market as well as a European market. This is because the Internet covers the world so will reach far more people than their shops could. This means that Prazers Ltd's website can be seen by billions of people (1) giving them many potential customers (1).

Note: Some candidates may give two advantages for Advantage 1 – candidate can obtain the marks.

[4]

- (d) **Target: To analyse and evaluate changes in price elasticity thus making judgements regarding future pricing policy.**

Many possible answers.

Price elasticity is becoming more elastic – the demand for Prazer Ltd skis is more responsive to changes in price. This implies more competition or skis are less competitive. Prazers Ltd thus has to be more market led when setting prices i.e., it needs to be aware of how much competitors are charging as consumers are more sensitive to prices. An increase of 25% in price may lead to a drop in Q/D of 75% with a PED of 3. Clearly not a good idea.

Calculation

$$PED = \frac{\text{change in } q/d}{\text{change in price}}$$

$$3 = \frac{\text{change in } q/d}{25} = 75\%$$

Level 2 (4- 5 marks)	Judgement. Clear reference and understanding of elasticity concept. No need for calculations for 5 marks.
Level 1 (1 – 3 marks)	Analysis. General statement – price increase will lead to a drop in demand.

[5]

- (e) **Target: To demonstrate knowledge and understanding of the phrase ethical behaviour, and apply this knowledge to show how a conflict with company aims may occur when trying to be ethical.**

(i)

	Tick one box	
a		The changes to an old industrial area to attract new business.
b		The benefits that business activities bring to a local community and the environment.
c	✓	Business behaviour which places moral value above maximising profit.

[1]

- (ii) Many possible answers.

Safety features, use of safe materials, recycled packaging, ensuring skis from suppliers not made in sweat shops, adverts are appropriate and not shocking.

Allow 'paying workers a fair wage ...'

Do not allow illegal statements such as 'lowest price' when they are not.

[1]

- (iii) Many possible answers

May conflict because being ethical can cost the business money – they could possibly purchase skis cheaper from suppliers (1) which pay low wages to workers who make the skis (1). This would mean Prazers costs would be lower (1) and profits would be higher (1).

[4]

- (f) **Target: To demonstrate knowledge and understanding of supply and demand curves and apply this knowledge to stated company.**

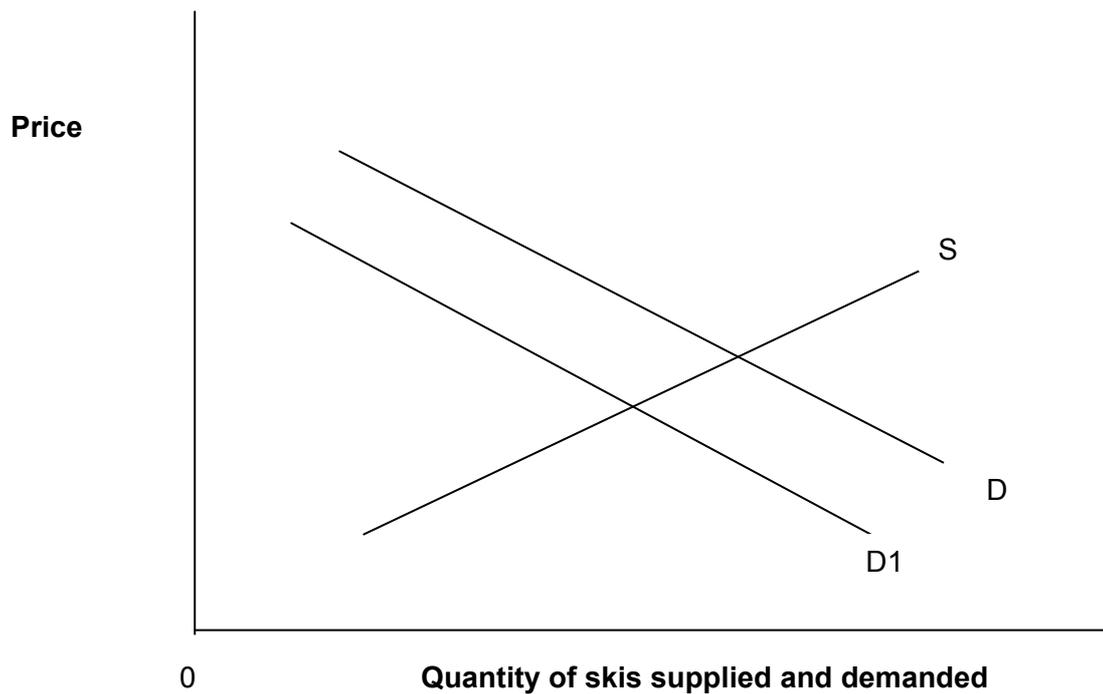
- (i) Many possible answers.

Less supplied (1) which means less sold (1) which means less profit (1).

Less supplied (1) may mean increasing their prices (1) which would mean less Q/D (1).

[3]

(ii) Many possible answers.



- 1 marks for CORRECT SHIFT IN DEMAND D TO D1.
- 3 marks for explanation.

Lower competitor prices likely to be lower demand/ profits/ sales (1) which shifts demand curve to left (1) and this may reduce their own prices (1).

1 mark for diagram + 3 for explanation.

Candidates answer using supply and demand analysis although award suggestions as to what Prazers Ltd may do (max 2 marks), eg spend more money on promotion.

[4]

Total Marks [30]

Mark Scheme 1951/7
June 2005

NB: No marks for the assessment of knowledge are awarded for the case study.

1 (a) Target: ability to apply knowledge and understanding and analyse business objectives in relation to Grade Autos plc.

Any two business objectives or example x 1 mark each plus 1 reason x 1 mark each in context such as:

- Survival as a Onyx franchise – needs to achieve 8% share of the new car market in its area
- Growth – looking at new sites for garages e.g. Site X and Site Y
- Diversification – looking at new enterprises e.g. selling older low mileage cars
- Wealth creation – looking at the possibility of a second franchise
- Rationalisation – sub-contracting bodyshop work to Autobodies Ltd
- Increasing market share – marketing new model and limited edition
- Profit
- Customer service quality – to attract more customers
- Take a second dealership

Any other relevant objective.

[4]

(b) Target: ability to apply knowledge and understanding to analyse and evaluate classification of occupations relating to Grade Autos plc.

Tertiary (1)

Plus any two points such as:

Grade Autos plc provides a service to its customers such as selling/ repairs/ maintenance/ rental/ parts. Any one example.

Allow negative comment, eg do not manufacture cars.

If candidate classified Grade Autos plc as either primary or secondary = 0 marks.

[3]

(c) Target: ability to analyse business organisations in relation to Grade Autos plc and Autobodies Ltd.

(i) Any one point explained x 2 marks such as:

- Opportunity to raise large amounts of capital for purchasing new garages by selling shares on Stock Exchange whereas a private limited company's opportunities for raising capital are more limited.
- Limited liability for all shareholders encourages potential investors, especially small investors, to buy shares in an expanding business.
- Grade Autos plc has greater opportunities for expansion in a wider area with Stock Exchange recognition than a private limited company.
- Stock Exchange approval gives some indication to investors that Grade Autos plc is a reputable company.
- Stock Exchange provides a market where its shares can be bought and sold so giving small investors confidence to buy.

Any other relevant point.

[2]

(ii) Any one point explained x 2 marks such as:

- Limited Liability - protection to small group of investors from losing personal possessions.
- Control is between a small group of owners rather than having to consider the needs of a large number of shareholders.
- Transfer of shares has to be approved by the other shareholders so giving the Directors of Auto Bodies Ltd control over who owns the shares.
- Capital is provided by a relatively small number of people who may also be directors and so have a personal commitment to the success of the business.
- Was able to start business when incorporated rather than have the expense of a Prospectus and selling shares on the open market.
- No general public access to accounts.

Any other relevant difficulty.

No risk of takeover = 0 marks

Quick decisions = 0 marks

NB: Limited liability = 1 mark max for (i) and (ii)

[2]

(d) Target: ability to analyse the organisation structure of a garage in Grade Autos plc's dealership.

(i) Five (or named staff) [1]

(ii) Sales staff/six staff selling new/used cars and vans [1]

(iii) Service Manager – Body Shop Supervisor/Workshop Supervisor – Mechanic [3]
For each omission deduct one mark

Total mark [16]

2 (a) Target: ability to apply knowledge and understanding and analyse ways in which Richard Bell might use the Internet.

Any point explained to 3 marks max or any three points x 1 mark such as:

- Richard uses the Internet to sell parts the garage no longer has use for – saves on working capital, may make profitable deals for the dealership
- Richard may use the Internet to find out details of other parts suppliers
- He may advertise surplus parts on the Internet
- He may e-mail potential clients and make deals on the Internet
- He may order/buy parts (cheaper).
- He could create website to sell parts.
- Use of Intranet

Any other relevant use.

Stock control = 0 marks

Reference to ebay = give credit

[3]

(b) Target: ability to analyse and evaluate an order for parts for Garage A.

Any three points x 1 mark each such as:
(accept pros and cons)

Yes he could have saved money:

- By ordering more on the weekly delivery which gives greater trade discount (30% more) (saving of £400+)
- The weekly order came immediately after two overnight deliveries so it is likely that some of the order could have been transferred

No he may not have been able to do this:

- Parts were needed in the garage for work on vehicles on the day of delivery
- By not having the parts, this work would have been held up and the Service Department may have lost money because vehicles could not be completed or other vehicles may not have been able to come in to the Service Department
- He may also have lost customers at the Front Counter by not having parts immediately available to them

Any other relevant point.

NB: Total order without TD = £21428.57. Total bill discounted at 60% = £8571.43.
Saving would be £429. **[3]**

- (c) **Target: ability to apply knowledge and understanding, analyse and evaluate the closure of the petrol station at Garage C.**

Level 3 (5-6 marks)

Has analysed the arguments for and against closing the petrol station and has given a substantiated opinion in context.

Level 2 (3-4 marks)

Has attempted to analyse the arguments without a reasoned opinion OR has analysed only one side of the argument giving a reasoned opinion.

Level 1 (1-2 marks)

Has commented on the arguments for and/or against and may have given an opinion without adequate reasons.

Points to consider

Arguments against:

- Is still profitable (2% of profits last year)
- Provides additional service for customers
- May mean redundancy among staff
- No local competition – nearest petrol station over 1 mile away
- May bring more customers to the garage
- It is the only garage in the dealership with a petrol station

Arguments for:

- It is the only garage in the dealership with a petrol station
- Oil companies and supermarkets can undercut its prices – economies of scale
- Increasing numbers of EU directives on H & S relating to petrol stations
- Difficulties of obtaining staff – unsocial hours
- Possible dangers in a built-up area
- Area could be used to expand business in other ways
- Very difficult to make profits from petrol sales

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

(d) Target: ability to apply knowledge and understanding and to analyse the effects on Grade Autos plc of the EU.

Any points x up to three marks such as:

- Have to conform to EU directives which may add to their costs e.g. H & S regulations
- May employ people from other EU countries
- May obtain parts from other European countries or sell parts in EU countries, dealing in Euros
- Brochures, handbooks and advertising material may have to be in several languages
- EU directive now allows Grade Autos plc to offer a second dealership
- Can trade more cheaply with EU countries
- A large market

Any other relevant point.

[3]

(e) Target: ability to analyse profit figures for Grade Autos plc.

10% plus 18% (1 mark) = 28% (1 mark) OFR applies

If the correct answer is given without working, award the marks.

NB: 10% = £175 000 + 18% = £315 000 = total amount = £490 000

NB: If candidate selects wrong pie chart
20% + 20% (0) = 40% (1) / £14m (1)

[2]

Total marks [19]

3 (a) Target: ability to analyse and evaluate personnel problems in the Service Department of Grade Autos plc.

Any two problems x 1 mark each plus 2 marks for an explained solution or 2 points x 1 mark to each of the problems (BUT allow 3 marks for a very well explained solution and 1 mark for the other solution).

- Tom and Jim do not work well together – identify where faults lie, hold a meeting between them and try to find out the underlying causes of the problems
- Tom does not seem keen on change – FastFit Bay – show him the benefits of such an area, make him visit other garages with similar bays
- Poor workmanship in the servicing area – interview Jim with Tom present to try to find out the reasons for this – may be poor equipment, poor maintenance of equipment – make sure that the plant and equipment are in good order
- Complaints from customers and loss of customers – investigate the complaints, offer compensation – free service and ensure quality is improved
- Body Shop unprofitable
- Large number of people under control of one person

Other solutions to problem may be:

- Issue formal warnings if necessary
- Move Jim or Tom or both to other jobs
- Better supervision
- Introduce quality measures e.g. quality circles in the Service Area
- Investigate customer complaints effectively e.g. free service
- Training courses
- Motivation (0) eg bonus etc.
- Hire new staff

[6]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate extracts from the final accounts of Grade Autos plc.

(i) Any one point well justified to 3 max or two points to 3 max such as:

Yes it has performed better:

- The value of the assets has increased
- Sales Revenue has increased (1) by £5m (1) – 16.6% (1)
- Capital Employed has increased by 5%

No it has not performed better:

- Net Profit is £1,750,000, the same as last year possibly because some garages are under performing, particularly B and E.
- Return on Capital Employed is 13.25% but because NP is unchanged, ROCE will be lower than previous year.

Accept answers that comment both for and against.

Any other relevant point.

[3]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

(ii) Any one point x 1 mark such as:

Garages B and D are rented so the buildings belong to the landlord.

[1]

(iii) Any two explained reasons x 2 marks or 4 x 1 mark such as:

Garage B

Problems with the Service Department – may mean its contribution to the 30% profits may be decreased this year. It is also rented and small
Has made the smallest contribution to net profit - £100,000 i.e. 5.7%
Servicing declining – losing average £150 per service

Garage C

Difficulties with the petrol station – may account for high cost of sales from this garage
Current ratio 1:1 – may be holding too much stock

Garage E

Rundown buildings/limited space/fire in workshop
Whether to renovate it or sell it
The second lowest in terms of net profit £150,000

Any other relevant points for Garages A and D may be rewarded.

[4]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

Total mark [18]

4 (a) Target: ability to analyse and evaluate a draft customer feedback form.

Any two improvements with reasons x 2 marks each such as:

- Omission of garage car is rented from
- There is no room to complete the bottom part of the form
- Details such as telephone number have been omitted so it might be difficult to contact the customer
- Insufficient questions OR example – vehicle - to provide more information to improve service – 2 max
- There are no details about the reliability of the car nor its quality/ condition at time of hiring – important part of the feedback procedure
- Your friendly Onyx garage – introduction of bias, does not contribute anything to the information required
- No opportunity for the customer to say whether the vehicle represented value for money – rental very competitive so important (comment on price)
- Better layout e.g. different fonts – to make the form more appealing to the customer/ tick box layout
- Instructions on completing the form should be given – no instruction about deleting so customer may cross out everything
- Different styles of questions, eg open questions, questions requiring scoring - more accurate information given.
- Insufficient information on GA plc, eg telephone number, email address, website, address
- Anonymity - can be more honest with answers.

Any other relevant point.

[4]

(b) Target: ability to apply knowledge and understanding and analyse advertising media in relation to the new car.

Award 1 mark for each correct answer and reason such as:

Exhibition of cars at local supermarket	Grade Autos plc (1)	Many people visit supermarkets Targeted at local people (1)
Motoring magazine	Onyx UK (1)	Nationwide cover Can be repeated so may be fairly expensive Has specialist staff to prepare advertising material (1)
Invitation to launch party in local newspaper	Grade Autos plc (1)	Has a list of customers Targeted at potential buyers People like to be invited to parties and may be tempted to buy May be cost effective in terms of results (1)

Any other relevant points.

[6]

(c) Target: ability to apply knowledge and understanding, analyse and evaluate ways of promoting the new range of cars.

(i) Choice (1) – free car service/letters offering part exchange.

Reasons x 1 mark each or well developed reason x 2 such as:

- Offer customers worthwhile monetary incentives/ allows customer to keep warranty free of charge
- People like good offers
- May be targeted at particular customers
- Service – means that the car is brought to Grade Autos plc
Not usually very expensive for the garage
Customer's perception is that the garage is being generous and may give competitive edge over other garages
- Part exchange – saves customer visiting other garages – there is always a problem as to what to do with the old car/ customer loyalty to Onyx

Any other relevant reason.

[3]

(ii) Choice (1) – free subscription/vouchers for car washes

Allow one free service if supported by suggestion that car quality is unreliable, ie 2 marks max.

Reasons x 1 mark each such as:

- Represent minimal value
- Some people do not read motoring magazines
- Unnecessary after car purchase
- Some people prefer to wash their own cars

Any other relevant reason.

[3]

Total mark [16]

5 (a) Target: ability to apply knowledge and understanding, analyse and evaluate the various options to ensure the long-term prospects of the company.

Any one advantage and any one disadvantage explained x 2 marks, or any two advantages x 1 mark and two disadvantages x 1 mark for each part question

(i) Option 1

Advantages:

- Probably obtain a good price
- Needs money spent on it which might be put to better used
- In a very congested location so difficult to expand
- Money obtained from the sale could be used for Option 2
- Means the loss of a garage which has not been performing as well as some of the others

Disadvantages:

- Competitor may acquire it
- Takes business away from Wandsworth – no other Onyx garage very close
- Means the loss of one garage unless another one is bought/ loss of business
- Would cause redundancy

Any other relevant point.

[4]

(ii) Option 2

Advantages:

- Ownership so can alter the premises within planning controls
- Saves rental costs
- Will add to the fixed assets of the dealership
- Good location so worth retaining within the dealership

Disadvantages:

- Low income from this garage so may take years to be viable
- Small so not much room for development
- May be better to end the rental and buy larger premises e.g. Site X
- Immediate drain of money

Any other relevant point.

[4]

(iii) Option 3

Advantages:

- Represents expansion
- Close to new road – greater accessibility/more cars passing by
- Close to M4 – much traffic
- Already has planning permission for industrial development

Disadvantages:

- Cost of development
- Time taken for development
- May be outside the area of the dealership and so may not be able to sell Onyx cars (but might be able to take advantage of the EU directive which allows a dealership to take a second car manufacturer's cars)
- Close to Garage B – competition for its own garage

Any other relevant point.

[4]

(iv) Choice = 0 marks

Award up to three marks for any well explained reason to substantiate choice. Answers may be repeat points from advantages given in (a).

[3]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate sources of finance for purchasing more garages.

Choices – retained profits, finance from shareholders, bank loan

Any two x 1 mark each

Any two reasons explained x 2 marks each such as:

- Retained profits – no interest, does not have to be repaid, readily available
- Bank loan – large amount available, relatively low interest. Garages can be offered as collateral, instalments, long repayment period, use business profits to repay
- Finance from shareholders – may be unpaid up capital, rights issue, does not have to be repaid, no interest

Any other relevant point. Accept disadvantages of alternative sources.

Any other source of finance introduced that are not listed = 0 marks.

[6]

Total mark [21]

Mark Scheme 1951/8
June 2005

NB: No marks for the assessment of knowledge are awarded for this question paper.

1 (a) Target: ability to apply knowledge and understanding to analyse and evaluate classification of occupations relating to Grade Autos plc.

Tertiary (1)

plus any two points such as:

Grade Autos plc provides a service to its customers such as selling/ repairs/ maintenance/rental parts. Any one example.

Allow negative comment, eg do not manufacture cars.

[3]

If candidate classified Grade Autos plc as either primary or secondary = 0 marks.

(b) Target: ability to analyse business organisations in relation to Grade Autos plc and Autobodies Ltd.

(i) Any one point explained x 2 marks such as:

- Opportunity to raise large amounts of capital for purchasing new garages by selling shares on Stock Exchange whereas a private limited company's opportunities for raising capital are more limited
- Limited liability for all shareholders encourages potential investors especially small investors to buy shares in an expanding business
- Grade Autos plc has greater opportunities for expansion in a wider area with Stock Exchange recognition than a private limited company
- Stock Exchange approval gives some indication to investors that Grade Autos plc is a reputable company
- Stock Exchange provides a market where its shares can be bought and sold so giving small investors confidence to buy

Any other relevant point.

[2]

(ii) Any one point explained x 2 marks such as:

- Limited liability – protection to small group of investors from losing personal possessions.
- Control is between a small group of owners rather than having to consider the needs of a large number of shareholders
- Transfer of shares has to be approved by the other shareholders so giving the Directors of Autobodies Ltd control over who owns the shares
- Capital is provided by a relatively small number of people who may also be directors and so have a personal commitment to the success of the business
- Was able to start business when incorporated rather than have the expense of a Prospectus and selling shares on the open market
- No general public access to accounts

Any other relevant point.

No risk of takeover = 0 marks.

Quick decisions = 0 marks

NB: Limited liability = 1 mark max for (i) and (ii)

[2]

(c) Target: to apply knowledge and understanding and analyse business objectives in relation to Grade Autos plc.

Any three business objectives explained x 2 marks or 2 business objectives x 3 marks in context such as:

- Survival as an Onyx franchise – needs to achieve 8% share of the new car market in its area
- Growth – looking at new sites for garages e.g. Site X and Site Y
- Diversification – looking at new enterprises e.g. selling older low mileage cars
- Wealth creation – looking at the possibility of a second franchise
- Rationalisation – sub-contracting bodyshop work to Autobodies Ltd
- Keeping or increasing market share – marketing new model and limited edition
- Good customer service – rental questionnaire, garage B quality problems
- Profit maximisation – net profit figures, petrol, used car sales.

Any other relevant objective explained.

List of objectives max 3. Credit for context.

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

- (d) **Target: ability to analyse and evaluate the organisational structure of Grade Autos plc.**

Level 2 (3-4 marks)

Has analysed and evaluated arguments for and/or against and given a substantiated opinion.

Level 1 (1-2 marks)

Has commented on the organisation chart of Grade Auto plc's garage.

Points to consider

Argument for:

- There are five managers of equal status who report to the Dealer Principal
- All communication goes through the Dealer Principal
- Mention is made of meetings in the case of Rental Managers and Sales Managers so each garage does not work in isolation
- The case study mentions the importance of the Parts Department in relation to the Service Department

Argument against:

- Each member of staff seems to have a defined role
- All contact with the Managing Director, Paul Preston, is probably through the Dealer Principal
- There is quite a long chain of command from some employees to the Dealer Principal e.g. mechanic
- There is no indication of how rental and servicing work together e.g. if a hire car needs servicing
- Large numbers of people are answerable to one person e.g. workshop
- How is communication made between Parts and Service? No indication

[4]

Total marks [19]

2 (a) Target: ability to apply knowledge and understanding and analyse ways in which Richard Bell might use the Internet.

Any point explained to 3 marks max or any three points x 1 mark such as:

- Richard uses the Internet to sell parts the garage no longer has use for – saves on working capital, may make profitable deals for the dealership
- Richard may use the Internet to find out details of other parts suppliers
- He may advertise surplus parts on the Internet
- He may e-mail potential clients and make deals on the Internet
- He may order/buy parts (cheaper)
- He could create website to sell parts
- Use of Intranet

Any other relevant use.

Stock control = 0 marks

Reference to ebay = give credit

[3]

(b) Target: ability to analyse and evaluate an order for parts for Garage A.

Any three points x 1 mark each such as:
(accept pros and cons)

Yes he could have saved money:

- By ordering more on the weekly delivery which gives greater trade discount (30% more) (saving of £400+)
- The weekly order came immediately after two overnight deliveries so it is likely that some of the order could have been transferred

No he may not have been able to do this:

- Parts were needed in the garage for work on vehicles on the day of delivery
- By not having the parts, this work would have been held up and the Service Department may have lost money because vehicles could not be completed or other vehicles may not have been able to come in to the Service Department
- He may also have lost customers at the Front Counter by not having parts immediately available to them

Any other relevant point.

NB: Total order without TD = £21428.57. Total bill discounted at 60% = £8571.43.
Saving would be £429.

[3]

- (c) **Target: ability to apply knowledge and understanding, analyse and evaluate the closure of the petrol station at Garage C.**

Level 3 (5-6 marks)

Has analysed the arguments for and against closing the petrol station and has given a substantiated opinion in context.

Level 2 (3-4 marks)

Has attempted to analyse the arguments without a reasoned opinion OR has analysed only one side of the argument giving a reasoned opinion.

Level 1 (1-2 marks)

Has commented on the arguments for and/or against and may have given an opinion without adequate reasons.

Points to consider

Arguments against:

- Is still profitable (2% of profits last year)
- Provides additional service for customers
- May mean redundancy among staff
- No local competition – nearest petrol station over 1 mile away
- May bring more customers to garage
- It is the only garage in the dealership with a petrol station

Arguments for:

- It is the only garage in the dealership with a petrol station
- Oil companies and supermarkets can undercut its prices – economies of scale
- Increasing numbers of EU directives on H & S relating to petrol stations
- Difficulties of obtaining staff – unsocial hours
- Possible dangers in a built-up area
- Area could be used to expand business in other ways
- Very difficult to make profits from petrol sales

[6]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

Total marks [14]

3 (a) Target: to analyse net profit figures.

£1,750,000 x 30% (1 mark) = £525,000 (1 mark) OFR applies.

OFR may apply where data has been drawn from wrong pie chart (eg 20% of £35m.)

If correct answer is shown without working award full marks.

[2]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate personnel problems in a Service Department of Grade Autos plc.**Level 2 (4-6 marks)**

Has identified/analysed some problems and has offered suitable solutions to the problems with reasons.

Level 1 (1-3 marks)

Has identified some problems and has commented on some solutions to these problems.

NB: has analysed one distinct problem only = 3 marks max

Points to consider

- Tom and Jim do not work well together
- The bodyshop work may be sub-contracted out
- Tom does not seem keen on change – Quick Fit Bay
- Poor workmanship in the servicing area
- Complaints from customers
- Loss of customers which may increase

Actions and solutions

- Identify where faults lie
- Hold a meeting between the people involved
- Try to find out the underlying causes of the problems
- Issue formal warnings if necessary
- Move Jim or Tom or both to other jobs
- Better supervision
- Introduce quality measures e.g. quality circles in the Service Area
- Investigate customer complaints effectively e.g. free service
- Make sure the equipment in the Service Area is in good order
- Impose changes if necessary

[6]

- (c) **Target: ability to apply knowledge and understanding, analyse and evaluate extracts from the final accounts of Grade Autos plc.**

Level 3 (7-8 marks)

Has analysed, using numerate techniques, strengths and weaknesses in the financial performance of some or all of the individual garages, showing, with reasons, whether or not the strengths outweigh the weaknesses.

Level 2 (3-6 marks)

Has analysed, with/without numerate techniques, strengths and weaknesses in the financial performance of some or all of the individual garages. (This may involve a comparison of the performance of individual garages.)

Level 1 (1-2 marks)

Has described the performance of the dealership and/or some individual garages.

NB: ratios on their own or with very little else = max L2/4. Comment on GA plc's overall performance without comment on individual garages = max L2.

Points to consider

The performance of the individual garages is variable
Some garages have certain strengths and some have considerable weaknesses
ROCE for GA plc = 13.3%

Garage A –

- Good Parts Department – Parts produce good profits and this garage may be making a large contribution to this
- Contributing 25%+ of total sales revenue
- Contributing 40% of net profit
- Gross profit margin 37% NPM = 7.7%
- Current ratio 2:1; ROCE 15.6%
- Has the most valuable fixed assets
- Sells the most cars

Garage B –

- Problems with the Service Department – may help to account for its contribution to net profit (5.7%) being low; GPM = 50% NPM = 1.6% ROCE = 16.7%
- Rented and small
- Sells the lowest number of new cars
- Current ratio 5:4 – not particularly satisfactory (1.25 : 1)

Garage C –

- Makes a reasonable contribution to net profit of 21% GPM = 33.3% NPM = 4.2%
- Sells a large number of new cars – second to Garage A
- Difficulties with the petrol station – but petrol sales will account for high sales revenue for this garage
- Expenses high possibly because the petrol station current ratio 1:1 – may be cause for concern
- ROCE 10% Current ratio 1 : 1

Garage D –

- Contributes 24% of net profit
- Net profit margin is 6% compared with Garage A 7.7% GPM = 57%
- Current ratio is 2:1 ROCE = 38%
- Not particularly successful at selling cars
- Gross profit is high but expenses are also high

Garage E –

- Possible buyer for development
- Rundown buildings/limited space/fire in workshop
- Net profit margin is 3.75%
- Gross profit margin 42% - expenses high in relation to gross profit
- Operating on a small scale compared to some of the other garages
- Car sales low
- Current ratio not very satisfactory 5:3 ROCE = 4.7%

[8]

Total marks [16]

4 (a) Target: ability to analyse and evaluate a draft customer feedback form.

Any two improvements with reasons x 2 marks each such as:

- Omission of garage car is rented from
- There is no room to complete the bottom part of the form
- Details such as telephone number have been omitted so it might be difficult to contact the customer
- Insufficient questions OR example – vehicle - to provide more information to improve service – 2 max
- There are no details about the reliability of the car nor its quality/ condition at time of hiring – important part of the feedback procedure
- Your friendly Onyx garage – introduction of bias, does not contribute anything to the information required
- No opportunity for the customer to say whether the vehicle represented value for money – rental very competitive so important (comment on price)
- Better layout e.g. different fonts – to make the form more appealing to the customer/ tick box layout
- Instructions on completing the form should be given – no instruction about deleting so customer may cross out everything
- Different styles of questions, eg open questions, questions requiring scoring - more accurate information given.
- Insufficient information on GA plc, eg telephone number, email address, website, address
- Anonymity - can be more honest with answers.

Any other relevant point.

[4]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate a marketing strategy for the new car.

Level 3 (7-8 marks)

Has recommended a particular marketing strategy including market segments to be targeted and two aspects of the marketing mix showing how this marketing strategy would be applied to the new car.

Level 2 (4-6 marks)

Has attempted a marketing strategy analysing one or more market segments to be targeted and one/two aspects of the marketing mix. May not have shown that it is particular to the new car.

OR has attempted a marketing strategy analysing either some market segments or two aspects of the marketing mix, as applied to the new car.

Level 1 (1-3 marks)

Has described how a new car might be marketed commenting on one or more market segments to be targeted and/or 1 plus aspects of the marketing mix.

If three aspects of marketing mix given, credit best two.

Points to consider

- Mention of some market segments – families with children, dogs, luggage/young professional people with reasons
- Comment on the marketing mix in relation to the new car
- Product – emphasis certain points – colour range, safety features, engine performance
- Place – cars available at all garages in the dealership
Full range of model available in the dealership although not all models at any one garage
- Price – suggestions for price e.g. starts from £8,000
Pricing in relation to extra features
- Promotion – suggestions on ways in which it could be advertised – full colour brochure, TV advertising by Onyx UK, letters to individual customers

[8]

Candidates will also be assessed for their quality of written communication for this part of the question, according to the following criteria:

Ideas are expressed clearly, fluently, legibly and in the appropriate way. There are few errors in spelling, punctuation and grammar.	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

[2]

(c) Target: ability to apply knowledge and understanding, analyse and evaluate ways of promoting the new range of cars.

- (i)** Choice (1) – free car service/letters offering part exchange.

Reasons x 1 mark each or well developed reason x 2 such as:

- Offer customers worthwhile monetary incentives/ allows customer to keep warranty free of charge
- People like good offers
- May be targeted at particular customers
- Service – means that the car is brought to Grade Autos plc
Not usually very expensive for the garage
Customer's perception is that the garage is being generous and may give competitive edge over other garages
- Part exchange – saves customer visiting other garages – there is always a problem as to what to do with the old car/ customer loyalty to Onyx

Any other relevant reason.

[3]

- (ii)** Choice (1) – free subscription/vouchers for car washes

Allow one free service (1) supported by suggestion that car quality is unreliable, ie 2 marks max.

Reasons x 1 mark each such as:

- Represent minimal value
- Some people do not read motoring magazines
- Unnecessary after car purchase
- Some people prefer to wash their own cars

Any other relevant reason.

[3]

Total marks [20]

- 5 (a) **Target: ability to apply knowledge and understanding, analyse and evaluate various options to ensure the long-term prospects of Grade Autos plc.**

Level 4 (11-15 marks)

Has analysed all three options, presented a coherent argument and made a convincing recommendation with suitable reasons based on this analysis.
May/may not have mentioned additional information required.

Level 3 (7-10 marks)

Has analysed two or more options and made a recommendation with some reasons based on the analysis. OR has offered strong analysis without clear recommendation. May/may not have mentioned additional information required.

Level 2 (3-6 marks)

Has shown some of the advantages and/or disadvantages of one or more of the options with/without a recommendation with superficial reasons or without reasons.

Level 1 (1-2 marks)

Has identified some advantages/disadvantages of one or more of the options or has made an unsupported recommendation.

Points to consider

Option 1

Advantages:

- Probably obtain a good price
- Needs money spent on it which might be put to better use
- In a very congested location
- Money obtained from the sale could be used for Option 2
- Means the loss of a garage which has not been performing as well as some of the others

Disadvantages:

- Takes business away from Wandsworth – no other Onyx garage very close
- Means the loss of one garage unless another one is bought

Option 2

Advantages:

- Ownership so can alter the premises within planning controls
- Saves rental costs
- Will add to the fixed assets of the dealership
- Good location so worth retaining with dealership

Disadvantages:

- Small so not much room for development
- May be better to end the rental and buy larger
- If Grade Autos plc ceases to use it, it may be rented/bought by another dealership and so be in competition

Option 3

Advantages:

- Represents expansion
- Close to new road – greater accessibility/more cars passing by
- Close to M4 – much traffic
- Already has planning permission for industrial development

Disadvantages:

- Cost of development
- Time taken for development
- May be outside the area of the dealership and so may not be able to sell Onyx cars (but might be able to take advantage of the EU directive which allows a car dealership to take a second car manufacturer's cars)
- Close to Garage B – competition for its own garage

[15]

(b) Target: ability to apply knowledge and understanding, analyse and evaluate sources of finance for purchasing more garages.

Choices – retained profits, finance from shareholders, bank loan

Any two x 1 mark each

Any two reasons explained x 2 marks each such as:

- Retained profits – no interest, does not have to be repaid, readily available
- Bank loan – large amount available, relatively low interest. Garages can be offered as collateral, instalments, long repayment period, use business profits to repay
- Finance from shareholders – may be unpaid up capital, rights issue, does not have to be repaid, no interest

Any other relevant point. Accept disadvantages of alternative sources.

Any other sources of finance introduced that are not listed = 0 marks.

[6]

Total marks [21]

Report on the Components

June 2005

Business Studies Short Course 1051/1 Foundation Paper

General Comments

Candidates responded reasonably well to the scenario and were able to respond, in context, to the questions. However, a significant number of candidates were entered for the wrong level of paper. This resulted in many achieving high marks on a paper with a C grade threshold. There were also a substantial number of candidates who failed to complete the majority of the paper and, therefore, achieved very few marks. Centres should encourage their candidates to attempt all questions in order to gain as many marks as possible.

It is important that Centres encourage their candidates to use the context of the question and to read the stem of the question carefully. Failure to do this resulted in problems with Questions 2(e) and 4(d) in particular. There were a substantial number of questions on the paper that required the candidates to make simple choices. In some cases these were poorly completed. It should be emphasised that selecting more choices than are required in the question will result in no reward. Candidates should also take particular note of the command word in the question. This indicates whether development is needed in order to gain marks. Those candidates who clearly understood the command word were able to achieve higher marks.

The candidates were able to attempt most of paper this year and there were very few questions that had not been addressed by the Centres. One area of weakness remains the concept of economies of scale and, therefore, the standard of responses to this question was particularly weak throughout.

The standard of written communication remains a concern. Candidates should be encouraged to use paragraphs and punctuation in order to structure their answers. Much more attention should be paid to the presentation of the work.

Comments on individual questions

Question 1

- 1(a) (i.) Well answered.
(ii.) Very few candidates understood the meaning of the private sector. There were some general answers about sole traders, but very few stated that the private sector was run and owned by individuals in comparison with the public sector which is owned by the government.
(iii.) Generally well answered.
- (b) (i.) There was much confusion here between wholesaler and retailer. The best answers mentioned that a retailer was a shop which sold to customers. Examples of shops were rewarded.
(ii.) Generally well answered with most candidates gaining at least one mark for profit. Some confusion with 4 of marketing which lead to problems in part (iii.)
(iii.) Many candidates were able to select appropriate objectives but only managed to briefly explain why they were or were not important to Profashion. Hence many only achieved Level 1 or Level 2. The best answers provided explanation and implications for the business of following the chosen objectives.
- c. (i.) The choice of stakeholders was general good. Candidates must read the stem carefully to ensure their choice is appropriate to the type of business specified.
(ii.) This was poorly answered with many candidates giving a general explanation of stakeholders in spite of the direction given in (i.) The best answers used specific stakeholders to explain why Stilo plc should keep them happy.

Question 2

- (a) (i.) Many candidates just gave one-word answers such as 'cheap' and 'quick'. These answers could have applied to flow production and were not rewarded. The best answers looked at factors such as producing more products which could be adjusted to suit the market, e.g. different sizes, colours, logos, etc. Also stated were problems such as cost of setting up, machinery maintenance and breakdown and effects on employees.
(ii.) This was generally done well, although in some cases the lines could have been clearer.
- (b) Very few candidates attempted this question. Those who did gained marks for purchasing economies mentioning discount for bulk buying but with little explanation. Fewer candidates attempted technical economies; those who did gained a mark for the mention of use of machinery, CAD, CAM, etc. This topic is commonly tested in the examination and candidates should be encouraged to understand its implications.
- (c) (i.) Well answered with reward being given for 3 or 18 as the span of control.
(ii.) Some very general answers here which could have been applied to many of the positions on the organisation chart. Candidates needed to focus on the specific responsibilities of the Production Manager. The best answers explained responsibility for organising work and raw materials, monitoring productivity and quality control.
(iii.) Very few candidates knew the meaning of delegation. A few candidates gained reward for stating that jobs were given to other people.
- (d.) On the whole, this was answered well.
- (e.) Most candidates made a good attempt to comment on all of the options available and to explain why they had accepted or rejected them. As a result many candidates achieved the highest marks in Level 2 on this question. The best answers identified the type of change which was to be communicated and explained their choice of communication in context, thereby, gaining Level 3 reward. Written communication marks were awarded on this question. Candidates should be encouraged to make their work presentable and as accurate as possible in order to gain these marks.

Question 3

- (a.) Candidates identified the consequences of China being far away and the best answers explained the problems of transport and its consequent costs. On the whole this was poorly answered considering the clues in the question. Centres should encourage the candidates to consider the implications to the business of factors involved in decision making for business.
- (b.) (i.) Reasonably well done.
(ii.) About a third of the candidates explained that the best choice for Profashion was to distribute its products through a wholesaler. Most of these gave a limited explanation of the role of the wholesaler but too few used the terms in the question. This may have been due to failure to properly read the stem of the question or that the understanding of the terms was poor. A substantial number of the candidates chose distribution through the retailer and, although they were rewarded for any relevant reason, there was much confusion between the two methods. Some candidates had failed to read the question and wrote at length about the best form of transport that Jack should use. A number of candidates did not attempt this question.
- (c.) Well done.

Question 4

- (a.) Generally well answered but some candidates identified 'holidays' and 'pay rises' which were not rewarded.
- (b.) (i.) / (ii.) Simple knowledge of payment systems required was scarce. Some candidates used the context and correctly chose piece rate as an appropriate payment method. Salary was also rewarded.
(iii.) / (iv.) Very well done. Full marks were given if the whole calculation was carried out in (iii.)
- (c.) Generally well done.
- (d.) Candidates' answers in (i.) were often repeated in (ii.) thereby only gaining reward in one part. However, there were some excellent answers showing a high level of analysis in terms of the effects of the increase in price on the costs and profits of Profashion.
- (e.) Well answered.
- (f.)/(g.) Most candidates identified bank loan as a source. There were a variety of other suggestions such as leasing, loan sharks, business angels and stealing the vehicle! Most candidates gained some credit for the explanations with a few achieving maximum marks.

Business Studies Short Course 1051/2 Higher Paper

General Comments

All candidates taking this Paper were able to identify with the scenario set and to use it in their responses. The majority of candidates were able to analyse and evaluate in order to achieve the higher marks.

There was greater evidence this year of knowledge and application of that knowledge in many of the responses. For example, knowledge of added value was evident this year showing that Centres have addressed this problem. Question 3 (b) was also particularly well answered with many candidates achieving a high level of analysis. There were still problems with accounting knowledge, especially in terms of how accounts are used to help businesses to make decisions. However, candidates overall could attempt all the questions and there were some excellent papers in which candidates displayed a good knowledge of the subject and were able to answer in depth.

It remains important that candidates are encouraged to use the context of the question as general answers only gain knowledge rather than analysis marks. This was particularly true of Question 2(b)(ii). The stem of the question indicates the response required and candidates should be encouraged to read this carefully.

A majority of candidates completed the paper and overall the standard of communication skills was satisfactory. However, candidates should be encouraged to use paragraphs to isolate ideas in their longer answers.

A common problem was a lack of structure in the answers and Centres should encourage their candidate to use a logical process in order to gain the higher levels of marks available. Candidates should also be encouraged to use the extra pages at the back of the booklet, rather than writing on every available space on the paper.

Comments on Individual Questions

Question 1

(a)(i.) Although many candidates chose two advantages, the majority failed to explain what they would mean to the business and to Jack. Too often candidates simply stated two different examples of decision-making. Candidates should also be encouraged to look at the command word given in the question to identify how best to achieve the marks available.

(a)(ii.) Most candidates identified objectives correctly and a substantial number were able to correctly assess the most/least important objective amongst their choices. However, more development of ideas was needed to achieve the highest levels. The best answers gave an indication of the developments which could take place if Jack did/did not follow the stated objective.

(b.) Responses to this question varied from Centre to Centre. A few candidates gave good explanations of added value in context, including ideas such as quality materials, logos, brand name, special editions etc.

(c.) Candidates were generally aware of the meaning and implications of environmental packaging, but often did not pinpoint the effect on Profashion in particular. The best answers explained what biodegradable material could do for the environment and that it was cost effective and then went on to explain why this was important to the reputation and consequent success of Profashion.

- (d.) (i.) The majority of candidates identified relevant stakeholders but there was a minority who stated that family and friends were stakeholders of a plc. This was not rewarded.
(ii.) This part of the question presented more of a problem with many candidates unable to explain why specific stakeholders should be kept happy. There were far too many candidates who wrote general statements about stakeholders in spite of being given a clue in part (i.) General statements only gained two marks.

Question 2

- (a.) There were some good answers to this question with comparisons of the two types of production made. The best answers focused on the effects of the change on the employees in particular as stated in the question.
- (b.) (i.) This was disappointing. Very few candidates knew the meaning of appraisal; the majority thinking it was simply praising the workers.
(ii.) Motivation was well understood with many candidates applying methods specifically to production rather than general descriptions. Centres should address evaluation skills by encouraging their candidates to come to conclusions about the relative effectiveness of different motivational methods, in order to gain the highest marks.
- (c.) Most candidates gave good explanations of why they had made their choice and why they had rejected the other two. The best answers applied the type of communication they chose to the specific context, that is the communication about training and why this was the best way of informing the workforce. Once again it is important that candidates read the stem carefully in order to appropriately focus their responses.

Question 3

- (a.) (i.) Well done with most candidates applying the idea of e-mail to the business in terms of ordering materials.
(ii.) Once again most candidates identified an effect of dealing with countries overseas but many failed to develop these points to achieve the full four marks available.
- (b.) (i.) This was well answered, most candidates could explain the traditional distribution channel.
(ii.) There were some very good answers to this question with comparisons between using retailers and wholesalers well explained and analysed to achieve full marks. However, many candidates simply recognised the role of the wholesaler and, therefore, only achieved Level 2. Some candidates suggested that using the retailer would be better but found it difficult to substantiate their choice.

Question 4

- (a) (i.) Well answered with most candidates identifying that the advertisement discriminated against women.
(ii.) Most candidates recognised that it was a time rate of pay. Salary was also rewarded as a possible method.
(iii.) Candidates found it difficult to justify their choice in some cases. This was a production job, therefore, piece rate was an obvious choice in terms of motivation and productivity. Salary was also supported by reference to the nature of the position as full time.
(i.) Very few candidates showed understanding of the purpose of a balance sheet. There were some general references to assets and liabilities, but very little understanding of what they were and why they were on the balance sheet. The best answers included an idea that the balance sheet showed the position of the business at one point in time and that it showed what the business owed and what it owned.

Report on the Components taken in June 2005

(ii.) Very superficial answers on the whole. Most candidates knew that it showed the profit of the business and made some suggestions about how it could be used to identify problems; for example, cutting costs. However, very few candidates suggested how this would help the business to make decisions in the future.

(c.) (i.) Well answered.

(ii.) There were some good answers to this question but these were rare. Most could not explain why working capital was important to the business and there was a substantial number who thought that it was to do with paying wages to workers.

(d.) (i.) / (ii.) This was well answered with the vast majority of candidates selecting two appropriate methods of finance and many giving a reasonable explanation of why they were chosen. Leasing was not rewarded as a method of buying a vehicle.

**Business Studies Short Course 1051/3 and 1051/4
Case Study**

General Comments

The entry for this component of the short course increased this year. Many candidates produced work of a high standard, both in Higher and in Foundation tier. These candidates were able to handle the data effectively and wrote in the context of the scenario given. Other candidates, again in both tiers, had little knowledge of the content of the case study and often their answers lacked any reference to the information given.

There was evidence of fluent writing with many candidates gaining full marks for their Quality of Written Communication. Some candidates wrote in note form and there were frequent misspellings of commonly used words such as 'no' and 'know', 'were' and 'where' and 'there' and 'their'.

Some candidates in Foundation tier gained very high marks and might possibly have been mis-entered. Most candidates finished the paper but some Higher tier candidates did not complete the last question. In the Foundation tier, many candidates had gaps in their work, particularly in Question 3.

FOUNDATION TIER

Comments on Individual Questions

QUESTION 1

1 (a) was a cross-over question. Candidates usually realised that Grade Autos plc was a tertiary business offering a service such as selling cars. Negative points relating to primary and secondary businesses were also allowed. Part (b) was focussed on the Directors, so answers relating to limited liability and raising capital on the Stock Exchange were acceptable. There was some confusion as regards ownership, here, with some candidates thinking that Grade Autos plc was owned by the government. Part (c) gave an opportunity for weaker candidates to score marks by using the data given in Resource Sheet 1. Many candidates scored full marks but some failed to give complete answers – supervisor only in part (c) (ii) was not accepted.

QUESTION 2

A wide range of qualities was accepted in part (a) (i), eg humour, good communication skills, confident. Some candidates mistook qualities for qualifications and so lost marks. Part (a) (ii) caused problems for some candidates. They failed to appreciate the points made in the case study, such as the need for working weekends and unsocial hours. Answers such as few people with the right qualifications or enough specialised knowledge were also accepted. Most candidates were able to score marks in part (a) (iii) with points such as need for specialised knowledge of Onyx cars and the need for training in selling techniques gaining credit. Candidates who argued against offering training because of cost also gained marks.

In part (b) candidates often spent too much time discussing the actions chosen rather than giving reasons for the choice. Some candidates failed to complete the question, omitting why they had not chosen the alternative actions. The meeting was usually chosen and many candidates were able to argue convincingly that a pay rise should not be given as it rewarded poor work. In part (c), an easy question, some candidates looked for difficulties that were not

there. The answer was 20% but some candidates attempted to work the data instead. Many answers were accepted to part (d) and candidates usually gained some marks for evidence such as using computerised stock control and Richard Bell being the Parts Manager of the Year. Part (e) was quite demanding as no marks were allowed for the choice. Candidates often gained two marks, but rarely the third mark. Many candidates still have misconceptions such as there is no interest paid on an overdraft, you can borrow as much as you like and also pay back when you like.

QUESTION 3

Only the better candidates scored well on this question. Part (a) was a crossover question relating to the data given. Some candidates mistook cost per service for sales revenue; own figure rule was allowed. In part (b) marks were allowed for the choice – Garage A usually in part (i) and also Garage D and in part (ii), Garages B, C and E. There was plenty of evidence given in the case study and the resource sheets to provide reasons, but some candidates failed to make use of it and contented themselves with one very general point, e.g. Garage B made little profit.

QUESTION 4

Part (a) was again a crossover question and many candidates produced accurate answers and gained full marks. The most successful methods of promotion were the letters and the free car service, and candidates were able to appreciate that these had monetary value for the customers and in the case of the part exchange deal would save the customer the problems of having to sell any existing car. The unsuccessful methods of promotion were the motoring magazine and the car washes. Again, candidates mentioned that they had little monetary value, the targeted audience was not always interested in motoring magazines and often people preferred to wash their cars themselves. One candidate said that a new car would not need washing anyway. Comment on sending the letters which might be regarded as junk mail was also given credit.

Part (b) was also a crossover question and the better candidates were able to write at length, substantiate their answers and offer a clear recommendation based on some reasoning. Some candidates failed to debate either Site X or Garage E and produced only the points given in the case study material. (See further comments on Higher tier).

HIGHER TIER

QUESTION 1

Most candidates gained full marks for part (a) clearly identifying Grade Autos plc as a tertiary business. They found part (b), also a crossover question, slightly more difficult, often giving answers which gained one mark but with insufficient explanation for the second mark. There was some confusion between limited and unlimited liability. Part (c) was well answered with detailed referral to the data in Resource Sheet 1. The better candidates argued both for and against, pointing out the wide span of control of the Workshop Supervisor but also the short chains of command.

QUESTION 2

Part (a) was often misread by candidates. The answers expected should have mentioned the skills needed and also commented on the differences in the selection procedure – the need for an interview for the sales person and a practical test for the mechanics. Most candidates concentrated purely on the skills required for each job and this was rewarded.

Many worthwhile answers to part (b) were read. Many candidates' immediate solution to such problems is to sack both of them, not an option in today's world, but changing job descriptions, holding meetings, offering training and giving better supervision were often suggested. Most candidates reached Level 2, but answers often lacked organisation and the detailed comment to raise them to Level 3.

QUESTION 3

Many candidates scored full marks in part (a) but some used the wrong data. Part (b) was more demanding, with many candidates repeating the data and failing to draw any conclusions between total sales revenue and total net profit from servicing. Those candidates who calculated 20% of sales revenue and 30% of total net profit and showed that servicing was the most important department in terms of profit earned in the dealership gained full marks. Many candidates calculated part (c) correctly but others often omitted one half of the calculation – failing to calculate for **both** new and used cars and vans. Answers to part (d) were disappointing. Many candidates just repeated the data given and drew no conclusions. Most candidates used no numerate techniques in their answers to substantiate their comment and so remained at Level 2. Some candidates attempted to comment on each individual garage instead of commenting on the performance of the business as a whole. This was rewarded although was not what was asked.

QUESTION 4

Part (a) was well answered – see also detailed comment on Foundation tier. Answers to Part (b) were often detailed with much useful interpretation of the information given on both Site X and Garage E. The candidates showed that they had been well prepared and had thought through the information provided. Some candidates introduced the additional dimension of Garage B and whether or not it should be purchased instead of rented and offered this as an alternative to Site X. Some candidates contented themselves with reproducing the information given in the case study to substantiate their recommendation. Some failed to discuss either Site X or Garage E. Some candidates had insufficient time to complete their answers.

Part (c) was not well answered. Candidates failed to appreciate what was required and also failed to link it to choosing sources of finance. In Part (c) (i) security, i.e. collateral such as assets, was confused with looking after money. This may have been the fault of the question – perhaps 'collateral required' would have been clearer. In part (c) (ii) many candidates scored marks for the effect of increased interest charges, but a detailed comment was not usually made. In part (c) (iii) the link between a large capital sum and the need for a long period of repayment was appreciated by some candidates but no candidates commented that some sources of finance, e.g. shares and retained profits, do not have to be repaid.

Business Studies Short Course Coursework -1051/5

Introduction

The work presented for moderation this year maintained the high standard seen in previous years. It is a credit to the candidates that work of high quality can be produced given the time constraints imposed by a short course. At times rather too much work was produced, going well beyond the recommended 1250 words. Whilst there is no direct penalty for this, candidates should be aware that a shorter, well constructed and argued piece of work can satisfy all the assessment criteria.

In some instances the higher volume of work was due to the inclusion of excessive amounts of downloaded Internet material and/or magazine articles. Care is needed to be selective on which material adds to the assignment, and which can be referred to directly within the body of the work.

Most Centres chose to use one of the prescribed titles within the specification, though there were a number of Centres who devised their own title to good effect. If Centres wish to use their own coursework title, they should first seek advice and guidance from the OCR Birmingham office.

Administration by Centres was more of a problem this year. Difficulties included:

- Entering '0' as a mark where a candidate produced no work. In these circumstances a mark of 'A' is required. A mark of '0' should be entered when a candidate has produced work which is of no value.
- Not sending the coursework authorisation form to moderators, signed by staff responsible for the teaching of the course.

Application of the Assessment Criteria

Criterion 1

For criterion 1, candidates should state their aim and explain their strategy for achieving the aim. It is important for candidates seeking to achieve full marks that the strategy is explained and not simply summarised as a short series of bullet points.

Criterion 2

Criterion 2 requires candidates to collect sufficient data to achieve the aim of the investigation. This will usually mean a combination of primary and secondary research, with most candidates conducting some survey based activity.

The number of interviews to be completed in an assignment is not prescribed, though it must be sufficient to make meaningful recommendations at the end of the work. At times the research was far too superficial to come to any meaningful conclusion.

It is under this criterion that the inclusion of superfluous Internet based material tended to detract from the investigation rather than add to it. The importance of being selective in the use of such material cannot be over emphasised.

Criterion 3

Criterion 3 rewards candidates for the presentation and logical ordering of their assignment.

Presentation continues to impress, with many students showing high levels of ICT skills. It must be remembered, however, that clarity is vital in this type of work. At times, in a small

number of assignments, over elaborate graphing techniques served to confuse rather than make the data clear.

Candidates should be encouraged to make full use of presentation techniques, such as maps, photographs, charts and diagrams in their work. Given the constraints of the short course, a well annotated photograph can say much more than the most detailed text. Care must always be exercised in the choice of presentation technique; candidates must ensure that it is suitable in the context of their investigation, and adds clarity to the work.

Criterion 4

Here candidates must use business terms and techniques within their assignment. This criterion along with criteria 5 and 6 will often differentiate between the relative performances of candidates.

In the worst cases, assignments contained little or no reference to Business Studies, with no specialist terms being used. Better assignments had a genuine business 'feel', with the full use of appropriate terms from the business area that formed the basis of their assignment. These terms were well understood and correctly used in context.

It should be emphasised that explanation of business theory which is NOT in the context of the work should be given no reward. The business terms must be applied to the business situation under investigation.

Criterion 5

In this criterion, candidates must analyse and interpret the data they have collected.

At a basic level, candidates made simplistic statements about the data they had collected, without making any attempt at interpreting the significance of a set of results.

At the highest level, candidates made good use of analytical techniques, used percentages to comment on the significance of results and made valid comments on the importance of their findings in the context of the business situation.

Criterion 6

For this criterion, candidates are required to make justified recommendations based on their earlier analysis of the data.

Weaker candidates in this criterion made only basic statements as to the recommendations being made. With a little more thought, adding some justification to their ideas would have gained extra marks.

The best work under this criterion made clear reference to the data analysis, using figures and percentages once again to emphasise a particular viewpoint. The recommendations made were also appropriate for the business being studied. More able candidates recognised that there was, at times, no clear outcome to the study, with the data collected giving no clear direction recommendations. Ideas developed on these lines should be rewarded as it is very much a reflection of reality in the business world.

Prescribed Titles

Evaluate the marketing strategy of a familiar product or service, making recommendations on whether the market mix should be changed in any way.

Once again this was the assignment choice for many candidates, with many relishing the opportunity to investigate a business in which they had some interest.

There was much to credit in many assignments, especially where care was taken in the market research with a clearly focused questionnaire, and perceptive analysis and interpretation of the data collected. Less creditworthy were assignments which included many descriptive passages with little in the way of analysis and evaluation.

It is within this title that candidates often include irrelevant publicity material from their chosen business which makes for a bulky assignment that says very little. Great care is always needed, especially with the ease of Internet downloading, that any material included contributes to the arguments being developed.

Evaluate the recruitment methods used by different businesses, making recommendations on how they may be developed.

This title was used by a small number of centres. Where good information on recruitment methods is available, candidates are able to make reasoned recommendations on how the recruitment policy may be improved. Where such information was not readily available, candidates would often make recommendations based on very flimsy evidence.

As stated in last year's report, it is advisable to check with potential businesses on the availability of recruitment information prior to undertaking this particular title.

With reference to the local area, would the opening of a fast food restaurant (or other business) make a sound business proposition?

This was another popular assignment choice, with fast food outlets and many other business types being investigated.

There are many different ways in which this could be investigated. It is vital, especially in the short course, that the investigative net is not cast too wide. In some instances, all manner of ways of ensuring business success were included. These ranged from marketing analysis, break even, cash flow, projected balance sheet etc. At times this made for an over long assignment which often confused candidates, and consequently the reader of the work.

It is beneficial to concentrate on one area and recognise that there are other considerations. One approach would be to conduct good quality market research on local consumer needs, investigate local competition, analyse and interpret the collected data and then make justified recommendations. This would enable all the assessment criteria to be met. In this style of work more able candidates are able to put well argued conditions on the opening of their chosen business. For example it may have to open at certain times, use a particular pricing strategy or stock certain items.

Supported study based on T Mobile

This was the first year of T Mobile being the focus of the supported study.

The work produced was of a good standard, with many students using their own experiences of the mobile phone service market to make telling points in their work. The availability of a nationally collected data base was once again a key factor in enabling candidates to have much data to analyse and then make meaningful conclusions.

Weaker assignments again included much downloaded material, and often confused a service provider such as T Mobile with a mobile phone maker such as Nokia. Whilst there is a link between the two, candidates must concentrate on the marketing mix of T Mobile and the service they provide for consumers.

General Introduction 1951

The overall performance of candidates in 2005 was in line with previous years. There was once again some exceptional performance within coursework and the written papers. It must also be said that a number of candidates could improve performance by answering the questions set in the context of the situation given to them, and using data provided to support any points being made.

A number of candidates lost marks by not showing their working in calculations. Where an incorrect answer is given, it is often the case that marks can still be awarded for appropriate methodology.

It would be helpful if Centres could familiarise candidates with the procedure of identifying in a written answer that there is further work in the extension pages at the back of the answer booklet. This will enable examiners marking the papers to see clearly the full answer given by a candidate.

Within the case study paper, the reduction of marks to 90 gave candidates the opportunity to write at greater depth, though it must be remembered that any such extended writing must be in the context of the case study.

The coursework option saw the introduction of T Mobile as the subject for the supported study. This worked well overall, with candidates examining in detail the marketing mix of a mobile phone service provider. Other work submitted was in line with previous standards, though Centres should take note of the advice in the Coursework report, especially that relating to excessive downloaded material being included in assignments.

Paper 1 – Foundation Tie - Common Core

General Comments

The paper which is targeted at grades C to G seemed to be approachable for candidates, if suitably challenging. It is felt that the questions set were accessible to candidates and provided effective discrimination across the paper. Few blank scripts were seen with the majority of candidates attempting all questions indicating that Centres are correctly preparing candidates well for this examination. Only the weakest candidates failed to answer most of the questions with the structuring of some of the questions enabling most of the candidates to tick boxes or extract the given statements into their answer. The main reasons for candidates not scoring more highly, as noted in the last two years' reports are:

- (a) A failure to develop answers into more detailed explanations. This meant candidates only scored points for identification within a question, but failed to access the full mark range for further development or explanation; eg. Q1(f)(i), candidates could identify suitable benefits to the people of Mencaster, eg provide employment, provide a service, etc, but then failed to explain their choices as the question asked and thus failed to score further marks.
- (b) A failure to answer the question set. As noted last year, this may be the result of learning 'by heart' standard responses and an inability to adapt to the question set, eg Q5(c)(iii). Many candidates could recommend an advertising media, eg radio, newspapers, etc, but failed to apply this to the scenario, ie Lowes Engineering Ltd which with only 12 accounts would use direct advertising, not general advertising.
- (c) A lack of understanding of key concepts, eg Q1(c)(iii) and Q3(c). Judging from responses, a large proportion of candidates were not properly prepared to answer questions relating to limited liability or the benefits of trade union membership. Candidates also need to clearly indicate when they have continued their answers on the spare pages at the back of the booklet.

The context of this year's paper was Lowes Engineering Ltd, a manufacturer of valves based in the fictitious town of Bowton. The questions were developed to explore issues relating to business start up, share ownership, limited liability, economies of scale, human resource management, finance, market research, advertising and the product life cycle. The main questions to which candidates failed to provide answers in sufficient depth were Q1(e), (f) (i) & (ii), Q3(a) (b) & (c), Q4(c), Q5(b) (iii) and (c)(iii). In each of these cases, candidates were expected to explain or recommend a course of action, only a few could do this. It is also worth pointing out that candidates do not gain credit for repeating the stem of the question.

There were questions where a large number of candidates provided incorrect answers, although few left the answer grid blank. These were Q1(c)(ii), many suggested Pamela would have to sell her private possessions to clear company debts despite having limited liability; and Q3(c) where many suggested that the benefits of trade union membership related to easier trading relations between countries. Most candidates were able to extract data from the scenarios such as Q1(a), (b)(i) & (ii), (c), Q2(a)(i)(ii) & (iii), (b) (i)(ii), Q4(a)(i) & (ii), (b) and Q5(d)(i). Sadly, as has been noted in previous years, candidates have struggled with the use of pie charts as in Q5(a). There were also many candidates who failed to score marks for a question because they had not carefully read the rubric. This was particularly evident in Q5(b)(iii).

In general, there were six main areas of the specification where a greater understanding of the concepts involved would have improved candidates' marks. These are limited liability,

the negative impact of business closure/positive impact of business start up, recruitment, trade unions, raising finance and direct selling. It was, however, also pleasing to see a good knowledge of business organisation, dividends/shareholders, advantages/disadvantages of computerised machinery, methods of training, market research and product life cycles demonstrated. As in previous years the quality of written communication was varied, although generally sound, with very few candidates failing to reach the threshold standard. Overall the spelling of subject specific words was very sound with fewer 'buisnesses' and proffits' noted. However, frequent mistakes with everyday words such as 'loose her money', 'shear' for 'share' and 'opatumaties' for 'opportunities' were commonly seen. The use of commas, apostrophes and semi-colons was weak, although the majority of candidates did attempt to use full sentences with capital letters. Sentences starting with 'because' are still common.

Comments on Individual Questions

- 1 (a) Overall a well-answered question with the majority of candidates able to place Hedley Engineering Ltd in the secondary sector.
- (b) (i) All candidates attempted this question with the vast majority answering correctly.
- (ii) Again a question attempted by all candidates with the vast majority able to select the correct information from the data to calculate the correct answer.
- (c) (i) The ability to understand the relationship between assets and liabilities was assessed here and it was pleasing to note that only a very small minority of candidates failed to gain full marks.
- (ii) Questions involving liability have proven a high level of awareness amongst candidates in the past which makes it even more disappointing to note a general lack of understanding of limited liability in this case. Candidates generally, for whatever reason, assumed wrongly that Pamela, a shareholder in Hedley Engineering Ltd, would have unlimited liability and as a result scored poorly. Despite this, some candidates scored very highly on this question.
- (d) (i) A simple calculation with the vast majority of candidates scoring full marks.
- (ii) Candidates were expected to explain the impact of a change in the exchange rate on foreign sales and it was pleasing to note that overall candidates did this successfully.
- (e) The majority of candidates could identify one or two factors impacting negatively on other businesses in Mencaster as a result of Hedley Engineering's Ltd closure but, sadly, very few scored higher marks due to a lack of explanation and development.
- (f) (i) Much the same as (e). The vast majority of candidates identified the provision of jobs and providing a new service as benefits to a new business starting in Mencaster but failed to develop their answers sufficiently to score higher marks.
- (ii) Generally a well answered question with many candidates scoring highly. It is clear that the benefits/drawbacks of sole traders and partnerships are covered in depth in Centres and this was reflected in the marks awarded.

- 2 (a) (i) The majority of candidates were able to identify the parent company and a subsidiary company as requested.
- (ii) Responses to this question were varied. The question required candidates to identify the meaning of plc and Ltd and, whilst many could do this, a large minority clearly did not understand the terms.
- (iii) This question was designed to assess candidates understanding of the terms dividend and shareholders. Candidates were required to select the appropriate phrases from a list provided. On the whole well answered, although it was not uncommon to see candidates ignore the written instructions and gain no credit for using their own (often irrelevant) phrases.
- (b) (i) The aim of this question was to test candidates' understanding of the average costs of production and it was disappointing that so many failed to comprehend this and as a result did not score any marks. On the other hand, more able candidates not only correctly identified Lowes Engineering Ltd as the lower cost producer but also calculated the correct cost per value, ie £100.
- (ii) A simple tick box question designed to assess candidates' understanding of the economies of large scale production with the majority of candidates scoring two out of three marks, a minority full marks and an even smaller minority zero marks.
- (iii) On the whole a well answered question with candidates able to write with ease about the advantages of computerised machinery.
- (iv) Not as well answered as part (iii), although a large proportion of candidates did score full marks. A common failing was to write about the disadvantages to the workers of computerised machinery rather than the company as the question required.
- 3 (a) This question was designed to assess candidates' understanding of the recruitment process and, overall, was poorly answered by candidates. The main reasons for this were (a) not following the instructions given in the question and (b) failing to adapt the answer to the scenario.

Although many candidates scored marks for defining person specification and job description, many failed to explain their use to Lowes Engineering Ltd and instead scored zero marks for outlining their use to the applicants. Equally, many candidates could recommend a wide range of advertising media for recruitment but failed to realise that in the scenario for office workers, only local media were acceptable. Subsequently, they scored zero for recommending national media including Television!

It was clear that candidates were much more at ease explaining selection procedures and as a result performed well in this part of the question. A common error noted here was an inability to follow instructions, with candidates not identifying any method of selecting, eg interview, shortlist, etc. Instead they scored no marks for vague responses such as 'see what they look like'.

- (b) On the whole very pleasing with all candidates scoring marks here. The question assessed candidates' understanding of training methods and their appropriateness. Candidates clearly are being well grounded in selection techniques with many full marks scored. A common failing, noted in previous years, was a lack of depth of reasoning in some responses and, hence, a lower mark scored.
 - (c) A very disappointing question with the vast majority of candidates failing to score marks here. Clearly a topic which has not been covered in some centres. The question required candidates to identify the benefits of trade union membership with many only able to identify the benefits of trade in general.
- 4
- (a) (i) & (ii) These questions required candidates to calculate performance indicators as indicated in a summary of performance 2003 & 2004, which the vast majority did correctly, scoring full marks. Common causes of low marks included omitting units from the final answer, ie £10 (0) but £10 million (2) and £18 (0) but £18 million (2).
 - (iii) Overall a well answered question testing candidates ability to explain why shareholders would be pleased with Lowes Engineering Ltd's performance in 2003-2004. Candidates on the whole could extract correct comparisons from Table 7 with the more able candidates recognising the impact on share dividends/prices.
 - (b) A novel question requiring candidates to link causes with effects. Candidates found it suitably challenging, with a large proportion scoring full marks.
 - (c) This question assessed candidates' knowledge of sources of finance, a topic which has often been tested in the past. Sadly, candidates' knowledge remains sketchy, and as a result marks remained low. As commented last year, candidates' knowledge of overdrafts/trade credit was lacking with many candidates using vague terms such as 'cheap', 'easy' and 'quick' whilst others merely repeated the stem. Clearly this is an area to which Centres need to devote more time.
- 5(a)
- This question required candidates to calculate the value of a simple percentage, i.e. 15% of £100m. The majority of answers gained full marks. As in the past, many candidates did not include their workings, as instructed, which did not prove a problem if the answer was correct but denied them access to a mark for the correct method even if the answer was incorrect. Again, a number of candidates could not calculate a simple percentage.
- (b) (i) & (ii) Candidates had to explain the meanings of desk and field research and, judging by the high marks scored by candidates, these topics are dealt with thoroughly by Centres.
 - (iii) On the whole a little disappointing due to candidates inability to follow instructions. Candidates were requested to recommend one type of desk research or field research to help Lowes Engineering Ltd in two situations. Sadly, the vast majority of candidates merely repeated desk or field research, failing to identify examples and thus providing very vague reasons for their choice.

- (iv) On the whole well answered with many full marks scored.
- (c) (i) The majority of candidates scored one mark here, failing to provide sufficient explanation to gain full marks.
 - (i) Again, another example of where candidates could correctly identify an advantage, in this case reaching a wide audience, but failed to explain why this was an advantage.
 - (ii) The vast majority of candidates scored one mark here for identifying one disadvantage of television advertising to Lowes Engineering Ltd but sadly, again, very few could explain why this was disadvantageous to the company.
 - (iii) This question proved the most challenging on the paper with the vast majority of candidates scoring zero. Candidates could write with ease about general advertising media, eg newspapers, radio, billboards, etc, but few realised these would not be appropriate in Lowes Engineering Ltd's situation with only 12 clients. Hence, only responses relating to direct advertising, e.g. leaflets, catalogues, sales representatives gained credit which was the case for only a small minority of candidates. Again, an example of candidates failing to adapt their knowledge to the specific scenario of the question.
- (d) (i) The product life cycle is a topic which has frequently been assessed and, judging by the number of correct responses, is a topic which is covered thoroughly in Centres. Very few, if any, incorrect responses were noted.
 - (ii) Again, a question where the majority of candidates scored one mark but failed to develop the answer sufficiently to gain full marks.

Paper 2 – Higher Tier – Common Core

General Comments

The context for the paper was the world of engineering. A foundry business closes due to international competition and changes in the exchange rate and production moves to a sister company within the group. This was a real world situation, simplified and adapted to provide an appropriate challenge for GCSE standard pupils. No specific knowledge of engineering businesses was needed, the context is used to present an opportunity for candidates to relate theoretical concepts to business situations.

The paper worked well to discriminate between candidates. Opportunities were provided for candidates to demonstrate their flare for the subject, particularly in questions 1 (b) (ii), 1 (c), 3 (a), 4 (c) and (d) and 5 (c). It was pleasing to see candidates using their “business sense” developed through a study of the subject to think through answers to the problems that these questions set. Good candidates know the key concepts of the subject and are able to apply them appropriately to deal with issues raised by the questions. This was evident throughout the paper, but particularly in the questions identified above. A good number of candidates scored very highly, some well over 100 marks out of the 120 available. At the other end of the spectrum, there were some candidates who clearly should not have been entered for the Higher tier paper which does not give as many prompts or supports as the Foundation paper and which has less of the questions requiring short answers only.

Handwriting was too frequently a problem. Weaker candidates tended to be unclear in their explanations and often lacked knowledge of basic business studies concepts.

Candidates still struggle with pie charts and percentages. The wording of question 1 (c) was written to focus attention on figures. However, only the more able candidates made use of the information presented to perform relevant calculations from which conclusions could be drawn which would answer the question.

Comments on the Individual Questions

- 1 (a) This introductory question, designed to give confidence to candidates, was very well answered by the vast majority of candidates. Part (i) required an understanding of the term redundancy. Part (ii) required the candidates to read the data provided and to perform appropriate calculations to determine the amount of redundancy that the worker, David Anselm, would receive. In questions requiring calculation, the instruction “show your working” is usually given. This is given to help candidates in two ways. Writing down the sum to be done should clarify the candidates thinking. Also, if the candidate then miscalculates for some reason and so does not give the correct answer, credit can still be given for an appropriate method. A significant number of candidates still fail to follow this instruction – often to their own detriment.
- (b) Parts (i) and (ii) were designed to test understanding of the concept of limited liability from two perspectives – that of the shareholder of a business that has gone into liquidation and that of a debtor of a liquidated business. There were many good answers to both questions. In part (i) good candidates recognised that limited liability applied, that the shareholder’s private possessions were not at risk but that she would lose the money invested. Many were able to explain how incorporation resulted in this situation. Part (ii) was less well answered. Weaker candidates who appreciated the relevance of limited liability restricted themselves to the suggestion that the bank would not get all the money it was owed. The better candidates were able to use the data provided to examine the scale of the problem and to recognise that Mencaster International Bank Ltd was not the only debtor and that this would affect the

distribution of funds made available from liquidation. A development point made by some candidates related to the loss of the interest that might have been earned from the loan had it not become a bad debt.

- (c) Both parts (i) and (ii) discriminated very well between the high and middle grade candidates. The best answers were based on calculations of the effects of the change in the value of the pound on the euro price of the valves. The calculations allowed candidates to work out and explain precisely the problem that resulted. However, many candidates gave very general answers many of which showed little understanding of the effects that exchange rate changes could have.
- (d) This question was often well answered. Candidates developed answers based around the negative multiplier effect on businesses in general and based on specific problems either businesses that supplied materials to Hedley Engineering Ltd or that used the valves that it sold. Where the question was answered poorly, candidates tended to write about how the reduction in competition would help businesses – an illustration of the age-old problem of candidates failing to read the question properly.
- (e) Part (i) answers often developed those given in part (d) with candidates suggesting that a positive multiplier effect would occur as jobs were created and income generated in the area. Another angle that was well developed was the benefit to consumers in terms of a new toy supplier which would generate competition in the market leading to lower prices and choice.

There were many very well developed answers to part (ii) with candidates applying their often detailed knowledge of the advantages and disadvantages of different types of business structures to make their recommendations. Particularly pleasing was how this general knowledge was applied to the specifics of the situation – for example, discussion of the benefits of specialisation that can result from a partnership were well illustrated by reference to the contributions that a qualified accountant could make.

- 2 (a) (i) Many candidates struggled with this question. The most common error was to attempt to provide an answer in terms of organisation charts with candidates referring to a hierarchical structure of staffing. Those who did gain credit discussed the ownership of Lowes Engineering Ltd by Martindale Holdings plc. However, very few gave precise answers relating to share ownership and controlling interests. There was some relevant discussion about the appointment of directors to the board of Lowes.
- (ii) Many answers lacked precision. The correct line of answer mostly commonly provided related to increased capital resulting from the ability to sell shares publicly through the stock exchange and/or because banks are more likely to lend to large public limited companies rather than (often) smaller private limited companies. Credit was given to those candidates who discussed the limitations of private limited companies in terms of only being able to sell shares privately. A significant number of candidates thought that public limited companies were public sector organisations and that they would benefit in some way from government support. The weakest candidates sometimes wrote about differences between private and public limited companies in terms of their liability for debts.
- (b) As in previous years, the question on economies of scale was a good discriminator between the high and middle grade candidates. In part (i) it was expected candidates would calculate the differences in average costs of production which indicated that economies of scale were gained. However many candidates restricted themselves to a more general answer about output doubling without a doubling of costs. In part (ii)

bulk buying economies were the most commonly cited reasons for falling average costs. Only a relatively small proportion of candidates fully developed answers, which discussed two or more types of economies of scale.

- (c) Just-in-time production was explained from two perspectives. First in terms of ordering stock and second in terms of production to meet the orders of customers. Credit was given to both. In part (ii) there were some very well developed answers. Advantages cited related to savings on storage costs and, by the more able candidates, better cash flow. On the down-side, problems with deliveries and with faulty materials and the consequent disruption to production were well explained. Weaker answers discussed the problems for workers in having to rush to meet orders.
- 3 (a) There were a large range of issues that could have been discussed in answer to this question. Many candidates developed well-structured coherent answers that discussed a wide range of issues. The most common reason why candidates did not score maximum marks was that issues were often repeated in a "mirror" form. For example, whilst a candidate was given credit for suggesting that employing the skilled workers who had worked at Hedley would save on training costs, further credit was not given for the point that the local people would need training and likewise with discussions about transport and related costs and problems.

Answers to the first part of this question often displayed a lack of detailed knowledge. Significant numbers of candidates could not distinguish between a job description and a person specification. Also, many thought they were provided by applicants for the job and would give Lowes Engineering Ltd information about them. Those who scored well could distinguish between them and could then develop ways in which they would help Lowes – clarifying thinking about the type of person they needed to recruit, providing information to include in job advertising, increasing the likelihood of only suitably-qualified applicants and, consequently, saving time and money in the recruitment process.

Answers to the second part about where to advertise the posts needed precision to score marks – for example, reward was given to those who suggested local papers or radio but not to those who suggested papers or radio. Job centres were also often identified as appropriate places to advertise the jobs. Reasons for the recommendations also needed to be precise.

Answers to the third section were often spoilt either because candidates did not discuss a method of selection, but rather focussed on the qualities and qualifications that Lowes should look for or because the candidates listed methods of selection without adequately justifying them. It was expected that candidates would recognise the need for shortlisting candidates in the first place and that this would require the use of application forms, CVs and letters of application. The better candidates were able to do this. Interviews and some kind of skills test were the most commonly suggested methods for selecting from the shortlisted candidates.

The mark scheme for this question was flexibly structured. It was possible to gain up to six marks on any one section of the question. Candidates need to be made aware that this is often the case, so that they are encouraged to write as much as possible for all answers. If they do this, they have more chance of gaining maximum marks – indeed good numbers provided more points than were necessary to gain full marks.

- (c) Despite critical comments in previous reports, knowledge of trade unions remains very variable. Too often candidates restrict themselves to general comments about trade unions providing advice or support without specifying the types of issues that

they deal with – pay, conditions, unfair dismissal, discrimination and so on. Some candidates thought they were consumer protection or trade organisations.

- 4 (a) This straightforward calculation was generally well-answered.
- (b) Questions requiring knowledge of the ratios commonly used in the analysis of financial accounts have featured regularly in recent papers. It was pleasing to see that many candidates knew the appropriate formula to apply.
- (c) The reference to net profit to sales in part (b) was included as a possible reminder that candidates should refer to ratios when comparing financial figures for one year compared with another. Unfortunately, large numbers did not recognise this – ratio analysis remains an area that many candidates appear to find difficult. The best candidates used both gross and net profit margins and drew appropriate conclusions. Credit was given to those who expressed some concern about the low increase in profit given the large increase in sales. However, too many candidates restricted themselves to the obvious conclusions – shareholders would be pleased because of larger sales and the profit that would increase the dividends they would receive. There were significant numbers of candidates whose knowledge of profit and loss accounts is clearly very poor – these, for example, would identify the rising costs of goods sold figure as a problem when it is a consequence of improved sales performance.
- (d) The response to this question was often disappointing. Many candidates went beyond saying that higher interest rates would raise costs and reduce profit. The question presented an opportunity for candidates to apply their learning about interest rates to a specific context – the wording of the question invited candidates to relate their answer to the data that had been provided. Better answers discussed the fact that the rise in interest rates may have been largely responsible for the rise in expenses and the consequent fall in net profit which might otherwise have been greater, given the increase in sales. Other candidates were able to explore how the firm might have gained if it had savings kept in bank accounts.
- (e) The response to this question was also disappointing. Where appropriate sources of finance were selected, too often the justification lacked any real depth or detail – in many cases there was little beyond reference to the time period for which the finance was needed. Information presented to the candidate in the stem of the question to help to guide their choice. For the expansion of the factory, credit was given to those candidates who suggested shares, bank loans and hire purchase. For shares, the main justification expected was the amount of money needed and the fact that it would not need repaying nor would there be any interest. For a bank loan, better candidates also suggested the large amount of money needed and the ability to repay over-time and plan cash flow based on the amount of interest payments. Hire purchase was less commonly suggested but a few candidates made good cases based on the need to equip the factory with new machinery and that this would be part of the overall cost. For financing the short term cash flow problem, an overdraft was the most obvious solution on the grounds that the amount could be varied depending on the need and that once production was restarted, it could be reduced or repaid. Some credit was given to trade credit when it was suggested that materials could be acquired at a time when cash income would be reduced because of the interruption to production.
- 5 (a) Questions requiring the interpretation of pie charts have been used very frequently

over many years. The examining team reported some improvement in performance on this question which is pleasing but despite this it is evident that many candidates still appear unable to apply their numeracy skills to make an appropriate interpretation. To answer the question, candidates need to perform calculations to translate the percentage market shares for Lowes Engineering Ltd in to values in terms of million pounds worth of sales. As in previous years, the question discriminated very clearly between the higher grade and middle grade candidates.

- (b) Whilst there were many good answers to both parts of this question, it was still surprising to see so many woolly, imprecise answers. At worst, candidates could often suggest little more than that field research involved going out asking people what they wanted. The better answers mentioned primary data and identified appropriate methods of collecting this, including questionnaires and interviews. If anything, answers to part (ii) were even more disappointing with often vague reference to using the Internet. The better answers discussed secondary data and key sources such as government statistics, business accounts and so on.
- (c) Answers to this question were also often disappointingly vague. Many candidates could suggest little benefit of market research beyond what valves customers would want to buy. The better developed answers were based on the 4Ps – research would give information about where to sell, what price to charge, how to advertise/promote the valves as well as what kind of valves to produce. It was also often suggested that research would help to identify the level of demand, the competition and what improvements might be made to the valves.
- (d) There was no correct answer to this question, candidates had the opportunity to develop reasoned arguments as they thought fit. There were some very good answers balancing the costs and benefits of both approaches. In favour of using catalogues it was most commonly suggested that they would develop awareness and were reasonably cheap. It was recognised though that catalogues might often be treated as “junk mail” in which case their use would be an expensive waste of time. The value of representatives in building good relations and answering specific questions of customers was also identified, as was the cost involved. Also on the down-side the possibility of feeling pressured by representatives was recognised. Some good answers suggested that it might be better to send representatives to new customers and catalogues to existing ones, whilst recognising the problems with such an approach.

Paper 3 – Foundation Tier – Option: Business and Change

General Comments

The majority of the candidates performed satisfactorily on this paper. A pleasing aspect was that the vast majority of candidates made an appropriate attempt and few scripts were not completed. As expected, candidates performed better on question 1 than on question 2, which contained the majority of the cross over questions.

The most common problems were:

- some candidates struggled with financial interpretations and basic numeracy;
- candidates' inability to analyse and evaluate.

Comments on Individual Questions

- 1) (a) (i) Satisfactorily answered. Whilst the majority of candidates could obtain one of the two marks on offer, few obtained both marks. A common incorrect answer was that the accounts of private limited companies are private.
- (ii) Generally well answered. The most common correct response included "profit as it provides money for growth which helps them stay competitive".
- (b) (i) Poorly answered. Very few candidates obtained the full mark allocation. Candidates tended to refer to either 'span of control' or 'the chain of command'. The more able explained both using the chart for O'Keefe Ltd. An example of a good answer was 'the company is split into departments. It has a fairly wide span of control; e.g., Managing Director has control over 5 managers. The chain of command for the MD is 3, i.e., orders from the MD have to go through 3 levels whereas the overall chain of command has 5 levels'.
- (ii) Generally well answered. The correct answer of '5' was frequently seen.
- (c) (i) Well answered. The majority of candidates were able to provide the correct answer. Some candidates lost one mark due to not inserting the £ sign.
- (ii) Generally well answered. Most candidates were able to highlight the problem of continual negative cash flow. Common correct responses included 'closing balance is negative each month' and 'more is going out than coming in'.
- (iii) Generally well answered. Many candidates obtained the full mark allocation. Responses for the action which businesses may take to solve a continuing negative cash flow included 'arrange an overdraft' and 'raise their prices'.
- (d) Satisfactorily answered. Only a minority of candidates, however, referred to actual data for full marks. A good example being '*No, the manager is not good at forecasting. His predicted costs are £78 000 less than actual costs. Being 40% out on materials is particularly bad and could prove a problem for the business in terms of paying its bills.*'

- (e) (i) Generally well answered. The £ sign was occasionally omitted.
- (ii) Satisfactorily answered. Many candidates only reached Level 1 (up to three marks), giving one-sided answers, and showing misconceptions on the use of exchange rates. Level 2 answers gave a judgement after referring to both advantages and disadvantages. An example being *'it will be good if O'Keefe sells its computers to the USA. Whilst they will have to pay to transport the computers, and will have to change \$ in to £s, they will get much more money than if they only sell in the UK. This will give the chance of much higher profit'*.
- (f) Satisfactorily answered. Generally, there was a very muddled approach to this question. A significant number of candidates thought O' Keefe Ltd was an American firm, and referred mainly to Headline 1. Assumptions were then frequently made that Headline 2 was a benefit of falling prices leading to higher demand, rather than lost revenue. Few candidates attained a Level 2 answer, owing to a lack of interpretation and analysis. An example of a good answer was *'Headline 1 because 40% of its income is forecasted to come from USA, and this may mean the business will lose a lot of profit. Headline 2 may lead to lower revenue as O'Keefe's will have to lower its prices to compete, but it is only 2% which is not a lot'*.
2. (a) (i) Answered well. Common answers being 'profit' and 'market share'.
- (ii) Answered well. The correct answer 'mixed' economy was generally selected.
- (iii) Satisfactorily answered. Advantages and disadvantages were selected, but frequently with poor explanations. As with the Higher tier, common responses for the advantages of partnerships included 'split workload, whereas you cannot with a sole trader; extra money put into the business as compared to a sole trader'. Correct responses for disadvantages centred on 'arguments/disagreements', 'split profit', and 'unlimited liability'.
- (b) (i) Satisfactorily answered. Generalisations were often used in the explanation of location factors, but many candidates did realise the necessary factors themselves. As with the Higher tier, common location factors highlighted were 'size of local market/local population', 'cost of premises', 'wealth of local area', and 'size of competition'.
- (ii) Poorly answered. A lot of candidates clearly did not understand the concept of a *'social benefit'*. As with the Higher tier, correct responses included *'Selleck's Shades will create jobs therefore the local unemployment rate will fall'* and *'Selleck's Shades will attract other businesses to area which brings more money and wealth which may lower crime rates...'*.
- (c) (i) Poorly answered. A fair proportion of candidates wrongly chose 'conglomerate' as opposed to the correct answer 'horizontal'.

- (ii) Satisfactorily answered. Candidates tended to regurgitate the four bullet point statements given. Some candidates could distinguish sufficiently the advantages and disadvantages inherent in the statements and achieved a level 2 mark. However, very few could add the judgement to gain a maximum six marks. An example of a full mark answer was *'they should merge because they will have fewer competitors, and be a bigger business, this means they can buy supplies in bulk therefore sell glasses at a lower price and therefore sell more sunglasses. It is true they will lose some control over decision making and some of their staff may lose their jobs but overall they will be better off'*.

- (d) Poorly answered. For this concluding question, the majority of candidates referred to the data but were then unable to interpret or analyse beyond general simplistic statements. Few, therefore, achieved Level 2. In addition, Foundation candidates tended not to refer to each of the bar charts and often did not make an overall judgement. A common Level 2 response from both tiers included *'Household spending may go up in 2006 and sales of sunglasses may go down by £800 000. This means even though people are spending more, they are not predicted to buy their products – poor image/poor range. Therefore, they need to sell other products otherwise they will not be able to cover their costs. Also selling watches may mean they attract more people in their shop hence sales of glasses may improve'*.

Paper 4 – Higher Tier – Option: Business Change

General Comments

The majority of the candidates performed well on this paper. As expected, candidates performed better on question 1 than question 2. Question 1 contained the majority of the cross-over questions. The paper discriminated well, although answers to some parts of question 2 were disappointing. However, there were few scripts where little attempt had been made to answer the questions.

As with last year, the most common problems were:

- many candidates did not ‘pick up’ clues from the questions as they did not read the question properly;
- some candidates were entered for the incorrect tier;
- specification coverage – some candidates did not have the basic knowledge of certain topics, e.g., market economy, cash flow forecast.

- 1) (a) (i) Well answered. The most common responses regarding government financial help were ‘grants’ and ‘tax incentives’.
- (ii) Generally well answered. This was question was a cross-over with the Foundation tier. Common responses for advantages of partnerships included ‘*split workload whereas you cannot with a sole trader, extra money put into the business as compared to a sole trader*’. Correct responses for disadvantages centred on ‘arguments/disagreements’, ‘split profit’, and ‘unlimited liability’.
- (b) (i) Well answered. Again, this was expected as the question was a cross over. Common location factors highlighted were ‘size of local market/local population’, ‘cost of premises’, ‘wealth of local area’, and ‘size of competition’.
- (ii) Satisfactorily answered. As with previous examination papers, the topic ‘social costs and social benefits’, caused difficulty with some Centres appearing not to cover this aspect. However, many responses did obtain the full marks. Correct responses included ‘*Selleck’s Shades will create jobs therefore the local unemployment rate*’ and ‘*Selleck’s Shades will attract other businesses to the area, bringing more money and wealth which may lower crime rates...*’.
- (c) (i) Answered poorly. Many candidates were unaware that a merger between two similar businesses selling the same type of product is called a ‘horizontal merger’.
- (ii) Satisfactorily answered. Whilst only the more able achieved Level 3, many candidates obtained Level 2. It was clear that a general understanding of mergers existed. A typical correct Level 3 response contained sophisticated analysis of both sides. An example included ‘*Overall, Selleck’s should merge as it will mean that they will have more customers buying sunglasses and hence more profit. They will also have one less competitor selling sunglasses which again should mean more sales. It should also mean they have more control over setting their prices for each pair of sunglasses, and also benefit from economies of scale such as buying the glasses in bulk. However, the downside is that they will lose some control over their business as they will have to share with Funky Frames and this may mean a reduction of some of*

their staff. However, in comparison with the gains I think it is clear that in long run they will be financially much better off'.

It is important that the candidate makes a judgement otherwise Level 3 cannot be achieved.

- (d) Generally well answered. This was expected as the question was a cross-over. Higher tier candidates tended to refer to each of the bar charts and made an overall judgement. Common Level 2 responses included *'Household spending may go up in 2006 and sales of sunglasses may go down by £800 000. This means even though people are spending more they are not predicted to buy their products – poor image/poor range. Therefore they need to sell other products otherwise they will not be able to cover their costs. Also selling watches may mean they attract more people in their shop hence sales of glasses may improve'*.
- 2) (a) (i) Well answered. The most common answer given as to why a business may wish to move to plc status from Ltd status was *'able to sell shares on the stock exchange therefore able to raise more funds for investment'*.
- (ii) Satisfactorily answered. A common incorrect response was *'want to keep their accounts private'*, which gained no marks. This appeared frequently and perhaps indicates incorrect teaching. Correct answers centred on control issues such as *'there is no danger of losing control of the business as they know who they have sold their shares to i.e., family and friends unlike a plc who sell their shares to the general public'*.
- (b) (i) Generally well answered. Candidates tended to refer to *'span of control'* or *'the chain of command'*. The more able explained both, using the chart for O'Keefe Ltd. An example of a good answer was *'the company is hierarchical, and is split into departments. It has a fairly wide span of control, e.g., MD has control over 5 managers. The chain of command for the MD is 3, i.e., orders from the MD has to go through 3 levels whereas the overall chain of command has 5 levels'*.
- (ii) Poorly answered. Correct responses such as *'the organisation structure is flat with a wide span of control, the opportunities for promotion may be limited as there is only one managerial level to aspire to and a number of assistants in a position to apply for the job'*. Credit was given to answers which referred to communication.
- (c) Satisfactorily answered. Although this aspect of the specification has frequently been asked in previous examination papers, this question was not answered as expected. Many able candidates often obtained no marks which indicated no coverage of this area of the specification. Candidates from those centres which had covered the topic generally obtained marks. Only the more able achieved the full three marks on offer. Good responses included *'the majority of businesses are owned by private individuals'*, *'goods/services provided via market forces'* *'the economy and business run to make a profit'*, and *'little government intervention'*.
- (d) (i) Satisfactorily answered. Again, it was apparent some Centres had not covered this aspect of the specification as many able candidates obtained low or no marks. In addition, some candidates only referred to the advantages of accepting the order when it was clear that both advantages and disadvantages had to be explained. A good full mark answer included *'they should accept the order as the net cash flow is greatly improved in July. The order is also likely to generate further orders as the business becomes*

more well-known in America. However, it is noticeable that the business does not have enough money in the bank to cover the increased costs caused by the order in the first three months, therefore they should arrange short term finance such as an overdraft.'

- (ii) Generally answered better than d(i). Candidates were able to identify the problems in Table 1, and many bright, well-reasoned ideas were put forward to resolve these problems. Correct responses included *'Manager is poor at setting his forecasts as he is nowhere near accurate on any of the items, e.g., 80% wrong on transport. This will significantly increase expenditure part of cash flow and may cause liquidity problems, although the closing balance will only just go negative. What O'Keefe should do is either raise prices at home or cut wages in the short run to cover possible liquidity problems with their USA order'.*
- (e) Satisfactorily answered. The question was a good discriminator. Answers were varied. The more able judged that Headline 1 would have the most effect on the stated business, and linked it to the earlier cash flow forecast. The less able tended to give basic statements regarding each of the headlines with no overall judgement. A common mistake linked Headline 3 to increasing sales, ie candidates misinterpreted the headline. Surprisingly the implications of lower interest rates were varied in response. A good full mark answer was *'Computer prices falling will have the greatest effect because it will mean O'Keefe will have to put their prices down to match competitors. This means they may lose revenue/profit. The first article may affect them but it depends on how many USA customers they have. If it is a lot, as implied by the cash flow forecast, then they may suffer greatly and it may be more of an effect than Headline 1. Also the second article may have no effect as most people have computers anyway, although possibly it allows people to have more disposable income which may generate extra spending on luxuries like computers'.*

Paper 5 – Foundation Tier – Option: Business Communication and Marketing

General Comments

The majority of candidates performed satisfactorily on this paper. Pleasingly, the vast majority of candidates made an appropriate attempt and few scripts were not completed. Candidates performed better on question 1 than on question 2, which contained the majority of the cross-over questions.

As with last year, the most common problems were:

- the scenarios giving rise to higher-level interpretation were rarely analysed fully by the candidates;
- candidates not reading the question properly.

- 1) (a) (i) The majority of candidates understood the meaning of the term marketing and appropriately selected the correct definition.
- (ii) Generally well answered. Candidates tended to understand the relationship between marketing and sales. The most common response was *'marketing finds out what the customer wants and then produces a product which meets these needs therefore increasing sales'*. This obtained the full mark allocation.
- (b) Most candidates scored at least two marks. The vast majority of candidates recommended that Prazers Ltd should increase its product range in order to compete, whilst the more able linked their answer to 'diversification allowing more potential buyers' and 'having more products to fall back on therefore more likely to survive'.
- (c) (i) Candidates were generally able to select the meanings of loyalty card and credit card. The explanation of credit card tended to be the one that candidates got incorrect.
- (ii) Generally well answered with correct responses linking to 'getting rewards therefore the consumer will keep on coming back to the business to purchase more ski products'. Some incorrect answers did not relate to the stated business.
- (d) Well answered. Candidates were able to design a suitable poster which illustrated each part of the marketing mix. Some candidates lost one mark because they did not refer to the "place" element.
- (e) (i) Generally well answered. The most common advantage given was seven day opening. The most common disadvantage chosen was 'security'. Some candidates lost marks due to their inability to explain their responses. A correct four mark answer was *'an advantage of using the Internet rather than using shops is that it is open for 7 days, therefore it is likely that the businesses will get more customers hence more sales. A disadvantage is that customers do not like giving credit card details over the Internet and this may lead to a lower number of customers, which means decreasing sales'*.
- (ii) Satisfactorily answered. Candidates gave a variety of answers. The most common suggested that Prazers Ltd should sell its products to a global

market. The reasons given tended to centre on 'more potential customers because of the size of the market therefore higher level of profit'. To obtain Level 3, candidates had to refer to at least three of the four factors provided. Many candidates were unable to explain the implications of 'going global' in terms of 'different currencies' or 'languages'. Therefore, few candidates obtained full marks.

- (f) (i) Poorly answered. Few candidates were able to explain what a supply curve shows. Most incorrectly believed that "it shows the amount consumers are prepared to buy at any given price". In addition, candidates did not realise that a shift to the left of a supply curve showed a decrease in supply.
- (ii) Well answered. The majority of candidates gave the correct answers such as 'Prazers Ltd will not have skis to sell which means they will make less profit'.
- (2) (a) Generally well answered. Candidates were able to provide an appropriate advantage and disadvantage of invested money in ICT. Common advantages were 'easier to store information than using file cabinets' and 'large amounts of information can be processed very quickly'. Common disadvantages were 'ICT costs a lot of money which means the business has less for other areas' and 'ICT can become out of date quickly which costs more money to update'.
- (b) Satisfactorily answered. Whilst candidates generally understood the meaning of the term primary research, few explained why this research would be better than secondary research. A correct four mark answer *'with secondary research Finance Bank plc do not know the individuals which carried out the research or what methods they used. With primary research you do because your business carried it out hence Finance Bank plc are likely to be more confident when making decisions as they will have asked good questions for their business'*.
- (c) (i) Well answered. The majority of candidates were able to give the correct answer of 60%.
- (ii) Satisfactorily answered. Whilst candidates were able to correctly analyse the data shown in Fig 3, few were able to link the data to the stated business. The majority of answers tended to be at Level 1. Some correct Level 2 answers linked the sharp increase in computer and Internet usage to the likely increased use of on-line banking as it provides more convenience to potential customers.
- (d) (i) Satisfactorily answered. Candidates were able to give basic reasons for using e-mail, leaflets, and television in communicating with new and existing customers. Many candidates, however, did not provide a drawback of either of the methods of communication. A common Level 2 answer was *'I would choose TV advertising because it will inform both new and existing customers whereas e-mail will only inform those who have an e-mail address. Leaflets are often simply put in the bin without the person reading them. Therefore, whilst TV might be expensive, it will be better in terms of informing new and existing customers.'*
- (ii) Generally well answered. The majority of candidates were able to obtain some marks. A common correct answer *'so the customer knows that their credit card details cannot be seen by people who may use the details to commit fraud/buy goods which may mean the Finance Bank plc will be liable to pay'*.

- (e) Satisfactorily answered. As expected this question did pose problems. Few candidates reached Level 3 because they failed to use both the data and the 'factors' provided in their answer. They also did not refer to the stated business. Correct answers used the 'increase in the number of people working from home' shown in the data to imply that home working is a good idea as it appears successful. Candidates then gave logical reasons in their explanation of the factors outlined in Fig 5.

A correct six mark answer was 'Overall yes. There will be much cost savings through cheaper rent as premises required will be smaller. Also workers should start work fresh and on time as travelling and congestion are not problems. The control of workers might be a problem because you will not see them every day, although it is likely the management of e-bank will constantly be in touch. Also, if there is an increase in complaints/targets are not met, the management will know that employees are not doing any work at home. In addition, there seems to be a general increase in the number of employees working from home thus it appears the system works.'

Paper 6 – Higher Tier – Option: Business Communication and Marketing

General Comments

The majority of the candidates performed well on this paper. As expected, candidates performed better on question 1 than question 2. Question 1 contained the majority of the cross over questions.

As with last year, the most common problems were:

- not all areas of the specification being by some centres, eg elasticity, supply and demand;
- candidates not reading the question properly;
- some candidates entered for the incorrect tier.

- (1) (a) Well answered. Candidates were able to provide an appropriate advantage and disadvantage of investing money in ICT. Common advantages were 'easier to store information than using filing cabinets' and 'large amounts of information can be processed very quickly'. Common disadvantages were 'ICT costs a lot of money which means the business has less for other areas' and 'ICT can become out of date quickly which costs more money to update'.
- (b) Well answered. Candidates generally understood the value of primary research as opposed to secondary research. An example of a four mark answer is '*with secondary research Finance Bank plc do not know the individuals which carried out the research or what methods they used. With primary research you do because your business carried it out hence Finance Bank plc are likely to be more confident when making decisions as they will have asked the questions based on their business*'.
- (c) Generally well answered. Whilst some candidates did not use both Figure 1 and 2 and thus were restricted to Level 1, many candidates recognised that an opportunity existed for Finance Bank plc. A common correct response was '*The percentage of UK households with computers sharply increased from 30% to 90% over time thus it implies the majority of households in UK could bank on-line, assuming the computers have access to the Internet. In addition, as only 14% of the UK banks on-line when compared to the much higher percentages in Europe and USA there appears to be an opportunity*'.
- (d) (i) Well answered. The majority of candidates from this tier found this question straightforward. A common Level 2 answer was '*I would choose TV advertising because it will inform both new and existing customers whereas e-mail will only inform those who have an e-mail address. Leaflets are often simply put in the bin without the person reading them. Therefore, whilst TV might be expensive, it will be better in terms of informing new and existing customers*'.
- (ii) Generally well answered. A common correct answer given was '*So the customer knows that their credit card details cannot be seen by people who may use the details to commit fraud/buy goods which may mean the Finance Bank plc will be liable to pay for*'. Alternatively candidates linked security to improving sales.

- (e) Well answered. The majority of candidates reached Level 3. Correct answers used the 'increase in the number of people working from home' shown in the data to imply that home working is a good idea as it appears successful'. Candidates then gave logical reasons in their explanation of the factors outlined in Figure 5.

A correct six mark answer was 'Overall yes. There will be many cost savings through cheaper rent as premises required will be smaller. Also workers should start work fresh and on-time as travelling and congestion are not problems. The control of workers might be a problem because you will not see them every day, although it is likely the management of e-bank will constantly be in touch. Also if there is an increase in complaints/targets are not met, the management will know that employees are not doing any work at home. In addition, there seems to be a general increase in the number of employees working from home, thus it appears the system works'.

- (2) (a) (i) The majority of candidates understood the meaning of the term marketing and appropriately selected the correct definition.
- (ii) Satisfactorily answered. Whilst most candidates could obtain two marks, only a minority fully linked marketing to both survival and growth. A correct response obtaining the three marks available was *'Marketing helps to create a product which meets customer needs..... this helps generate sales and income allowing survival. It also provides, therefore, the profit which enables investment into other products which allows growth'.*
- (b) Well answered. It was clear the topic 'niche market' had been covered. The majority of candidates obtained at least half marks. A full four mark example included *'You can set high prices because this group of people have high disposable income. This would improve income/profits. Also it is much easier to target advertising, as you know who your potential customers are, unlike with a mass market'.* The more able tended to offer the response outlined in the mark scheme namely, *'Overall, it is not a good policy since your supply costs are likely to be higher as you are not buying skis in bulk. Profits, therefore may suffer even though you are able to charge higher for the skis as the customer has more money'.*
- (c) Well answered. The majority of candidates were able to at least state two advantages of selling products over the Internet. Correct responses tended to centre on those outlined in the mark scheme, namely '24-7 thus more profit likely' and 'can reach a global as well as European market thus more potential sales'.
- (d) Poorly answered. Whilst recognising the concept of elasticity is difficult, it is clearly in the specification. It appeared that many Centres had not covered this topic. Few candidates understood the relationship between the elasticity value and sales. Those who did offered correct answers such as *"Their skis are becoming more elastic i.e., the demand for skis is more responsive to changes in price. An increase of 25% in price may lead to a drop in Q/D of 75%. This implies more competition. Prazers Ltd have to be aware of how much their competitors pricing as consumers are more sensitive to their prices. Clearly not a good idea'.*
- (e) (i) Generally well answered.
- (ii) Satisfactorily answered. Common correct answers included 'recycled packaging', and 'ensuring skis from suppliers not made using child labour'.
- (iii) Poorly answered. Whilst recognising the concept of ethics is relatively new, it

is clearly in the specification. It appeared that many Centres had not covered this area. Few candidates understood the possible conflict between behaving ethically and maximising profit. An example of a good response is *'May conflict because being ethical can cost the business money - they could possibly purchase skis more cheaply from suppliers which pay low wages/use child labour to make the skis. This would mean Prazers Ltd's costs would be lower and which means profits would be higher'*.

- (f) As with previous years, candidates found this aspect of the specification difficult in terms of understanding the supply and demand diagram. However, basic understanding of the concepts was shown.
- (i) Satisfactorily answered. Many candidates did not realise that the diagram was showing a decrease in supply. However, they tended to obtain marks by realising that an 'increase in price may be an effect which may cause a reduction in demand'.
 - (ii) Satisfactorily answered. Many candidates were unable to draw a shift in the demand curve showing the effect of a reduction in competitor's prices. However, most candidates were able to explain the likely effects of such an event. A common correct explanation included *'Lower competitor prices likely to lead to lower demand which shifts demand curve to left and thus may reduce their own prices'*.

Paper 7 – Case Study – Foundation Tier

General Comments

Candidates found the scenario interesting and were able to score well. Candidates seemed to identify with the scenario and benefited from the reduced mark allocation within the same time scale. There was a wide spread of ability and performance with many candidates being well prepared and others showing that they had little interest in, nor understanding of the case study material. Many candidates handled the data effectively and were able to answer in context. Some of these candidates had probably been misentered and would have coped very well with the Higher tier. These candidates were capable of producing extended answers and consequently gained good marks. Other candidates gave superficial answers, often not in context, and there were gaps in their responses.

It was evident that in Centres entering all their candidates for the case study, the candidates were well prepared and performed well across the paper. For Centres with small numbers of candidates, there was sometimes little evidence of familiarity with the case study and answers were at best erratic.

More attention should be paid to the mark allocations for questions. Where a question was worth more than two marks, it should be apparent that a developed answer explaining a point was required. Too many candidates settled for the minimum – phrases rather than sentences. Too often candidates repeated the question in their answers, using up space and gaining no marks.

Many candidates presented neat work with evidence of fluent writing. Most candidates scored some marks for Quality of Written Communication but a large number of candidates had a poor grasp of English with frequent misspellings and the use of slang words such as 'stuff'. Some candidates wrote in lists rather than in sentences. This is to be discouraged.

Comments On Individual Questions

- 1) (a) Most candidates scored some marks in Part (a) but the reasons for the objectives stated were often not in context. (b) a cross over question, was well answered. (c), also a cross over question, candidates often failed to answer the question and gave answers relating to the business organisation stated rather than making a comparison. (d) provided an opportunity for the weaker candidates to score marks. The span of control in part (d) (i) was not always understood but most candidates provided accurate answers to parts (ii) and (iii).
- 2) Some good responses were provided to part (a) with many candidates concentrating on the use of websites and selling unwanted spare parts. Part (b) provided an opportunity for calculation but few candidates attempted this. Many candidates thought that ordering overnight every day of the week would give better discount.

Candidates often offered a good discussion of part (c), a cross over question, with most candidates offering reasons for closing the petrol station. Some candidates thought that it meant the closure of Garage C. Answers to part (d) were disappointing with little knowledge being shown of the European Union. Some candidates still thought that UK was not a member of the European Union.

Unfortunately many candidates thought that part (e) was a more difficult question than was set. Candidates were required to read the data and add 10% and 18% to total 28%. Some candidates tried to calculate the figures. Others took figures from the wrong pie chart.

- 3) In Part (a) problems had to be identified before they could be solved and the question was set out to assist this requirement. Some candidates failed to identify the problems clearly and wrote only on the solutions to these problems. In part (b)(i) candidates often repeated the data given in the box without comment upon it. Better candidates were able to calculate the increase in sales revenue - £5m, i.e. 16.6%. Some candidates thought that Grade Autos plc had performed better in 2004, others were able to justify the opposite opinion. Most candidates realised that the fixed assets for Garages B and D were lower than for the other garages because they were rented. Part (b)(iii) produced some interesting answers but some candidates contented themselves with repeating data given in the resource sheets.
- 4) A wide spread of answers was accepted to part (a) and most candidates were able to score marks. Part (b) also presented few problems for candidates who were able to distinguish between those media and promotions which were aimed nationally (Onyx UK) and those which were focussed locally (Grade Autos plc). Part (c) was a cross over question. Most candidates could identify which methods of promotion were likely to be more successful than others, often because of their monetary value. Candidates stating that the letters to Onyx car owners were likely to be unsuccessful because they might be regarded as junk mail were rewarded.
- 5) Part (a) produced many effective answers and many candidates scored either full marks or most of the marks available. They were also able to identify which of the choices they would recommend and were able to substantiate their choice(s). In part (b) on sources of finance, candidates performed much better than in previous years. They were usually able to justify their choices. Some candidates gained no marks by choosing the overdraft, much more suitable when the need for borrowing is short term.

Paper 8 – Higher Tier – Case Study

General Comments

Candidates entering for the Higher tier found the benefit of the reduced demands of the paper – 90 marks instead of 120 and the reduction in the number of questions asked. Most completed the paper and there were fewer signs of rushed, time-pressed answers towards the end of the paper. Some candidates, however, failed to take into account the mark values of questions when deciding how much and in what depth to write. Questions with high mark values were sometimes skimmed resulting in a loss of marks.

It was also apparent that candidates from Centres where all the candidates were entered for the case study were very well prepared. They had debated the issues relating to Question 5(a) and often produced interesting and innovative comment. There is, however, a danger in being over-prepared – possible answers are learned parrot fashion – and examiners did report seeing very similar responses from all candidates in particular Centres and also repeated mistakes within a Centre, e.g. Question 5 (a) writing about selling Garage D instead of Garage E. For Centres with small numbers of candidates there was sometimes little evidence of familiarity with the case study material and answers were at best erratic.

Many scripts were well presented and there was much evidence of fluent writing and logical thought. Many candidates scored full marks for their Quality of Written Communication. There was, however, a tendency in many answers to present information without little thought to the organisation of the answer. This was very apparent in answers to Questions 3(b) and 3(c) where random afterthoughts were often found at the end of the answer. It was less apparent in answers to Question 5(a) perhaps because the question was more structured.

Comments on Individual Questions

- 1) Part (a), a cross over question, was well answered with most candidates scoring full marks. Part (b) caused problems with many candidates failing to respond to the required differentiation between public and private limited companies – for example, a comment on limited liability and share issue. There was also some confusion between public limited companies and the public sector. Part (c) proved to be an accessible question with most candidates able to relate the standard business objectives to the context of the case study. In part (d) the stronger candidates focussed on 'Resource Sheet 1 and were able to identify strengths and weaknesses in the organisational structure of Garage B. Other candidates used terminology such as the chain of command and span of control with little understanding of the terms and no reference to the case study material.
- 2) Part (a) was well answered with most candidates focussing on ordering, advertising and selling. There were several ways of answering part (b). Few candidates gave the correct calculation to prove that Richard Bell could have saved money by ordering only the weekly delivery. Most candidates achieved marks for identifying the basic idea of ordering weekly because the discount is higher. A few looked at the other side of the argument that Richard might have needed the parts urgently for customers and so offered good service to customers.

In order to achieve Level 3 in part (c), candidates should have discussed the arguments both for and against closure of the petrol station. Most voted for closure and produced some well reasoned answers. Many recommended, erroneously, the closure of Garage C. Few voted for keeping the petrol station open. Most candidates were able to write in context and usually achieved Level 2.

- 3) Part (a) was usually calculated correctly. Responses to part (b) were disappointing. Many candidates concentrated on the problems and gave reasons for them. This was not required. Some failed to identify the problems. Some gave solutions but rarely discussed the reasoning behind the solutions offered. It is important that candidates read the command words of the question – identify means just stating the problems with little amplification – advise means giving the best solutions to the problems, with reasoning to substantiate the suggestions.

Part (c) proved to be a very challenging question, a discussion of all five garages, and many candidates produced a description of the figures given in Resource Sheet 4. Candidates sometimes had difficulty in evaluating for this question. Level 3 was awarded when some understanding was shown of the financial relationships between the garages or when benchmarks such as liquidity ratios and overall garage performance were used to assess individual garages. Many candidates used calculations and most of these calculations were correct. Some gave lists of ratios without any comment – obviously prepared beforehand and somewhat pointless without making some sort of statement about them.

- 4) Part (a), a cross over question, was well answered, with a wide range of suggestions. Answers to part (b) were disappointing. Many answers were disorganised. Many candidates failed to identify the market segments to be targeted. Many candidates gave superficial comment on all aspects of the marketing mix and many answered without any reference to the new range of cars. The better answers identified specific market segments (some were too wide, e.g. all middle class drivers, women) and then showed how these market segments could be targeted by aspects of the marketing mix, e.g. price or advertising. Unfortunately some quite strong candidates misinterpreted the question and wrote on how to design a marketing strategy, thus gaining few marks.

Part (c), a cross over question, produced some well-reasoned answers. Most candidates gained some marks. They identified the letter and the free service as likely to be the most successful methods of promotion and the car wash and the motoring magazine as the least successful. Some candidates suggested the letter could be unsuccessful because it might be regarded as junk mail and this was rewarded. Some candidates suggested that by offering a free service, it suggested that the car was faulty. Some candidates stated that the car wash was valueless because new cars did not need washing.

- 5) A question requiring a discussion of several options and carrying a high mark tariff is usually set on the case study paper. It was evident that candidates had usually been well prepared for this type of question. They were able to organise their thoughts and produced structured answers. Many candidates reached Level 3. With a little more analysis, with a balance of factors and implications, mention of additional information required or conclusions arising more coherently from the analysis, many of these candidates would have reached Level 4. On the other hand, weaker candidates produced lists of the advantages and disadvantages of each option, many of which were given in the case study material, with little or no comment. The most common error was to suggest that Garage B, a rented garage, should be sold.

Answers to part (b) were encouraging. Candidates often find sources of finance a difficult aspect of the specification. Although some candidates opted for the overdraft, most chose correctly and were able to justify their choice(s).

Component 9 - Coursework

Introduction

The overall standard of coursework was maintained this year, with some outstanding assignments seen in the moderation process. Year on year there seems to be a new look at presentation by candidates with ever more inventive ways of presenting data. Candidates should be aware, however, that over elaborate presentation may well only serve to detract from the clarity of the work as a whole.

The prescribed titles were again the most popular source of titles, though an increasing number of centres devised their own title after seeking guidance from the OCR Birmingham office. This was the first year of T Mobile being the subject for the supported coursework scheme. The work produced by candidates on the marketing of mobile phones indicated a keen interest in the subject matter.

There were once again a number of administration problems regarding coursework this year.

Centres are reminded that a mark of 'A' should be used when a candidate produces no coursework. A mark of '0' should only be used if a candidate produces work which is of no value.

Where a clerical error is discovered (for example the incorrect addition of marks) an amendment form is sent to Centres. This should be returned to the moderator as soon as possible in order that the moderation process can be brought to a conclusion.

A Centre Authentication Form, signed by the teacher(s) responsible for the coursework, should be sent to the moderator with the coursework sample.

Application of the Assessment Criteria

Criterion 1

For this criterion, candidates should both state their aim clearly and explain their strategy for achieving that aim. Whilst this was generally well marked by Centres, there was a tendency in a minority of Centres to over reward a series of bullet points, which though setting out a strategy, did not explain why such a strategy was appropriate to satisfy the aim.

Criterion 2

To satisfy criterion 2, candidates must collect sufficient data to enable the assignment title to be met. This will usually mean a combination of both primary and secondary data.

In some instances there was arguably rather too much data collected. This was certainly the case when large volumes of material were downloaded from the Internet, to accompany the equally vast amounts of magazine and other paper based material. Whilst this material does have its place (especially in marketing based assignments) candidates should be encouraged to be selective about which to include within their work. All material included should be referred to within the assignment. If this cannot be done, then it is very likely that the inclusion of such material achieves no positive benefit.

At the other end of the scale, candidates collected very little data, basing wide ranging recommendations on very flimsy evidence. Whilst there is no specific number of interviews a candidate should conduct to achieve a balanced view, there must be sufficient data to be able to present meaningful recommendations later in the work.

Criterion 3

Here candidates are rewarded for both the clarity of their work and the logical way in which they present their assignment.

Overall skill within ICT is still increasing, with many candidates producing very professional work. Whilst some Centres made excellent use of maps, diagrams, charts, tables and graphs within their work, other centres placed much of their emphasis on text with graphs being used to display the results of market research. It is a question of candidates being both imaginative and selective. A number of candidates had the imagination to present work in a different way, and selected an appropriate form to present an aspect of their work in a way which enhanced their assignment as a whole.

Criterion 4

Criterion 4 requires candidates to use business terms and techniques within their work. It is this criterion, along with criteria 5 and 6 which will often differentiate between relative performances of candidates.

A common problem regarding this criterion is the listing of knowledge-based material which is not applied to the context of the business. Should a candidate describe in some detail the differing pricing strategies a business might use (often taken from a text book), no marks should be awarded. Only when the pricing strategies of the business under investigation are covered should credit be given.

Centres often over rewarded work under this criterion where there was only cursory use of business terms and techniques. Where the use of, for a example, a questionnaire forms a major part of the work, then sampling methods should be explained in the context of who was asked and why. In a marketing based assignment, all elements of the marketing mix should be covered (and applied to the business) and with depth in each of the 4 'P's. In a location based assignment, many candidates did not fully use the location factors a business might consider before making a location decision.

Criterion 5

This criterion rewards the ways in which candidates analyse and interpret the data they have collected.

This criteria is mainly (though not exclusively) found where graphs are drawn and the results analysed. Whilst many candidates were able to analyse on a simplistic level, where higher level marks are to be awarded there needs to be more sophisticated analysis, often using percentages, and an interpretation of the results. The interpretation element was often missing from work which had been marked quite highly, and yet it forms the basis on which the later recommendations are to be made.

Candidates may well benefit from writing frame practice for this skill. This will enable them to analyse and to link this to interpretation with phrases such as 'this indicates that...' and 'whilst a majority of those questioned said yes, at 57% this should be treated with caution because....'.

Criterion 6

For criterion 6 candidates must present their justified recommendations in line with the assignment title.

Recommendations must be clearly based on the earlier analysis and interpretation. This is best achieved by using once again the figures used in criterion 5 and making recommendations *which fit the context of the business*. In a minority of cases candidates seemed to forget the size of the business and were proposing national TV advertising for business as small as a corner shop.

More able candidates should ensure that full reasons are given for particular recommendations, especially where different options are open to a business. It may be the case that recommendations carry conditions. For example a particular location may be recommended only if a particular marketing campaign was adopted.

Prescribed Titles

Evaluate the marketing strategy of a familiar product or service, making recommendations on whether the market mix should be changed in any way.

This was a popular choice for candidates who could investigate a product or service in which they had an interest. Whilst this may well keep the levels of application high amongst candidates, there is the ever present problem of over descriptive passages which do little to answer the question.

Within the subject area there is still the tendency to include large amounts of publicity material which again does little to answer what is an analytical and evaluative title. In the worst cases, the title seemed to be forgotten, with personal ideas being put forward with little or no support from research.

Better results came from candidates where there was a clear focus to the investigation, a selective approach to material which would be included, and clear justified recommendations based on well constructed market research.

Evaluate the recruitment methods used by different businesses, making recommendations on how they may be developed

A small minority of centres chose this title. Where access to detailed recruitment policies was available, there was some good analysis and recommendations, with candidates leaning much from the work they produced.

At times, the availability of possible sensitive business policies hindered the investigation. Fictional recruitment policies developed by teaching staff as a replacement for any shortfall are not recommended for OCR assignments, though they clearly have a place in the classroom teaching of Business Studies.

With reference to the local area, would the opening of a new fast food restaurant (or other business) make a sound business decision?

This assignment was another popular choice for Centres. Many candidates developed the fast food aspect of the title, though there was a wide range of other businesses which were investigated.

The title is one essentially based on location and marketing, looking at the local area, competition, researching local views and coming to a recommendation based on the analysis and interpretation of the data. The construction of a suitable questionnaire is vital to this work. At times candidates were finding very little from their research, due to poorly constructed questions. This in turn meant that there was little to analyse and interpret, and recommendations had no real foundation. Basic questions on frequency of use, potential spend and product range to be stocked were often missing. It may benefit some candidates if further practice on questionnaire development was given prior to starting the assignment.

A number of candidates produced work which included every aspect of setting up a

business, from costings to projected profit and loss, balance sheets and break even analysis. Whilst the inclusion of such material may well be justified, it often led to an assignment which was rather too long, with candidates at times struggling with the many strands of the study. Within a GCSE framework, the recognition that such factors will need to be considered is sufficient, with the main thrust of the work concentrating on location and marketing.

Choose a local business site. Make recommendations on how it may be developed for business purposes.

This title enabled candidates to investigate a realistic business situation based on their local area.

The best work was from candidates who examined the site clearly with well annotated maps and photographs. Location theory was then applied to the site, looking at its strengths and weaknesses. Market research was then undertaken, often involving two or three potential business uses of the site. Recommendations were then made, based on the research undertaken and the candidates own assessment of the site's potential.

It may well be the case that there is no clear recommendation to be made, possibly due to conflicting data. This should be explained by candidates, who should reflect on this realistic aspect of business decision making.

Supported Coursework based on T Mobile

This was the first year for T mobile to be the focus for the supported coursework scheme. Candidates who chose this title produced well developed arguments, making full use of the national data base available. The rapidly changing technology of marketing mobile phones, especially on the development of different services and pricing strategies, was covered in detail, with interesting ideas being put forward for possible improvements to the marketing mix.

Weaker assignments often contained too much material from the Internet, which was more concerned with mobile phone design rather than the service network providers such as T Mobile. A number of candidates placed too much emphasis on business such as Nokia and Samsung rather than looking at how the marketing mix of T mobile could be improved.

T Mobile will again be the focus of the supported coursework for examination in 2006. Centres who would like more information should contact the OCR Birmingham office.

**General Certificate of Secondary Education
Business Studies A (Short Course) (1051)
June 2005 Assessment Session**

Component Threshold Marks

Component	Max Mark	A	B	C	D	E	F	G
1	100			59	49	39	30	21
2	100	65	54	43	27			
3	60			33	28	23	18	13
4	60	38	34	30	24			
5	60	44	38	33	26	19	12	5

Specification Options

Foundation Tier

Option FA (Foundation Tier with Coursework, 01, 05)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200				114	94	74	55	36
Percentage in Grade					23.3	29.3	24.4	13.7	7.4
Cumulative Percentage in Grade					23.3	52.6	77.0	90.7	98.1

The total entry for the option was 451.

Option FB (Foundation Tier with Case Study, 01, 03)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200				115	96	78	60	42
Percentage in Grade					20.3	21.9	22.6	17.9	13.3
Cumulative Percentage in Grade					20.3	42.2	64.8	82.7	96.0

The total entry for the option was 352.

Higher Tier

Option HA (Higher Tier with Coursework, 02, 05)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200	146	128	110	92	62	47		
Percentage in Grade		10.9	13.6	30.5	26.8	14.5	2.3		
Cumulative Percentage in Grade		10.9	24.5	55.0	81.8	96.3	98.6		

The total entry for the option was 441.

Option HB (Higher Tier with Case Study, 02, 04)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200	140	123	106	90	61	46		
Percentage in Grade		12.7	11.1	28.1	23.8	21	2.7		
Cumulative Percentage in Grade		12.7	23.8	51.9	75.7	96.7	99.4		

The total entry for the option was 181.

Overall

	A*	A	B	C	D	E	F	G
Percentage in Grade	5.2	5.9	13.6	23.8	21.8	13.9	8.4	5.4
Cumulative Percentage in Grade	5.2	11.1	24.7	48.5	70.3	84.2	92.6	98.0

The total entry for the examination was 1425.

**General Certificate of Secondary Education
Business Studies A (1951)
June 2005 Assessment Session**

Component Threshold Marks

Component	Max Mark	A	B	C	D	E	F	G
1	120			72	59	47	35	23
2	120	76	60	44	27			
3	60			33	27	21	16	11
4	60	41	32	24	16			
5	60			40	33	26	20	14
6	60	46	38	30	19			
7	90			54	46	38	31	24
8	90	57	50	44	37			
9	60	44	38	33	26	19	12	5

Specification Options

FA – Foundation Tier Business and Change with Coursework (Components 01, 03, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				135	111	87	63	39
Percentage in Grade					23.9	30.4	26.8	12.8	5.2
Cumulative Percentage in Grade					23.9	54.3	81.1	93.9	99.1

The total entry for the option was 2823.

FB – Foundation Tier Business Communication and Marketing with Coursework (Components 01, 05, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				141	116	91	67	43
Percentage in Grade					19.5	33.3	26.2	14.3	4.8
Cumulative Percentage in Grade					19.5	52.8	79.0	93.3	98.1

The total entry for the option was 1736.

FC – Foundation Tier Business and Change with Case Study (Components 01, 03, 07)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				138	116	94	72	50
Percentage in Grade					28.4	31.7	21.4	10.2	5.9
Cumulative Percentage in Grade					28.4	60.1	81.5	91.7	97.6

The total entry for the option was 990.

**FD – Foundation Tier Business Communication and Marketing with Case Study
(Components 01, 05, 07)**

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240				145	122	99	76	53
Percentage in Grade					20.0	31.0	25.2	14.5	5.8
Cumulative Percentage in Grade					20.0	51.0	76.2	90.7	96.5

The total entry for the option was 855.

HA – Higher Tier Business and Change with Coursework (Components 02, 04, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	182	155	128	101	69	53		
Percentage in Grade		5.5	20.3	33.0	28.8	11.2	0.9		
Cumulative Percentage in Grade		5.5	25.8	58.8	87.6	98.8	99.7		

The total entry for the option was 3260.

HB – Higher Tier Business Communication and Marketing with Coursework (02, 06, 09)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	182	157	132	107	72	54		
Percentage in Grade		5.0	15.4	31.8	29.0	17.1	1.6		
Cumulative Percentage in Grade		5.0	20.4	52.2	81.2	98.3	99.9		

The total entry for the option was 2010.

HC – Higher Tier Business and Change with Case Study (02, 04, 08)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	180	152	124	97	68	53		
Percentage in Grade		6.4	23.8	33.3	27.8	7.9	0.6		
Cumulative Percentage in Grade		6.4	30.2	63.5	91.3	99.2	99.8		

The total entry for the option was 1453.

HD – Higher Tier Business Communication and Marketing with Case Study (02, 06, 08)

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	240	183	156	129	103	71	55		
Percentage in Grade		5.1	18.7	30	26.6	17.2	1.8		
Cumulative Percentage in Grade		5.1	23.8	53.8	80.4	97.6	99.4		

The total entry for the option was 888.

Overall

	A*	A	B	C	D	E	F	G
Percentage in Grade	3.0	10.6	17.6	25.9	21.4	12.2	6	2.4
Cumulative Percentage in Grade	3.0	13.6	31.2	57.1	78.5	90.7	96.7	99.1

The total entry for the examination was 14,017.

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