

# **Business Studies**

General Certificate of Secondary Education

Unit **A293**: Production, Finance and the External Business Environment

## **Mark Scheme for June 2011**

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Question		Expected Answer	Mark	Rationale								
1	(a)	<p><b>Target: Ability to apply knowledge of the effects of changes in the local economy on a business.</b></p> <p>During the years 2000 to 2007 unemployment was <b>low</b> which meant that consumers had a lot disposable <b>income</b>. This would have been good for businesses such as Lathom's Dairy because people had more money to <b>spend</b> which meant the <b>sales</b> of cheese were high.</p>	[4]	One mark for each correct insertion up to a maximum of four marks.								
	(b)	<p><b>Target: Ability to apply numeracy skills to business data.</b></p> <p>Correct answer = 8,000 (accept also 40%) (2)</p> <p>Method = <math>28,000 - 20,000</math> (1) ( = <math>8000/20000</math> (1) )</p>	[2]	Two marks for the correct answer, one mark for a correct method where an incorrect response has been given.								
	(c)	<p>(i) <b>Target: Knowledge of business terminology.</b></p> <table border="1" data-bbox="407 746 1184 997"> <thead> <tr> <th>An example of inward investment is when</th> <th>Tick the correct definition</th> </tr> </thead> <tbody> <tr> <td>people put savings in local banks.</td> <td></td> </tr> <tr> <td>UK firms invest in their own business</td> <td></td> </tr> <tr> <td>foreign firms set up in the UK.</td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>	An example of inward investment is when	Tick the correct definition	people put savings in local banks.		UK firms invest in their own business		foreign firms set up in the UK.	✓	[1]	One mark for a correct response. NB No marks if the candidate ticks more than one response.
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Question		Expected Answer	Mark	Rationale												
(c)	(ii)	<p><b>Target: Ability to analyse the effects of inward investment.</b></p> <p><i>Benefits:</i></p> <ul style="list-style-type: none"> <li>• Create demand (1) – the firm may pay a local builder to build a new factory or buy supplies from local businesses (1)</li> <li>• The new demand will increase employment/unemployment will fall (1) and income (1) in the local area</li> <li>• The new firm may provide goods/materials (1) which it sells to local businesses (1)</li> <li>• The new firm may pay more tax (1) to the local council (1) which it can use to provide more/better services (1)</li> <li>• It may make the area more well-known (1) if it is a high profile business that invests there (1) which may lead to more investment in the area (1).</li> <li>• increases competition (1) which leads to competitive pricing (1) and greater competition (1).</li> </ul> <p>Credit the explanation of the multiplier concept as an answer to this question.</p>	[4]	<p>One mark for each benefit identified with a further mark for each explanation. Up to a maximum of four marks.</p> <p>Reward candidates who discuss the benefits of investment even if this is not specifically inward investment.</p> <p>2 x 2</p>												
(d)		<p><b>Target: Knowledge of the likely effects of cuts in local government spending.</b></p> <table border="1"> <thead> <tr> <th>Statement about cuts in spending by Moorshire County Council</th> <th>True</th> <th>False</th> </tr> </thead> <tbody> <tr> <td>Cuts in spending may lead to less services for people in Moorshire.</td> <td>✓</td> <td></td> </tr> <tr> <td>Cuts in spending will mean that businesses in East Moorshire may have to pay more taxes.</td> <td></td> <td>✓</td> </tr> <tr> <td>Cuts in government spending will not affect the demand for services provided by businesses in East Moorshire.</td> <td>✓</td> <td></td> </tr> </tbody> </table>	Statement about cuts in spending by Moorshire County Council	True	False	Cuts in spending may lead to less services for people in Moorshire.	✓		Cuts in spending will mean that businesses in East Moorshire may have to pay more taxes.		✓	Cuts in government spending will not affect the demand for services provided by businesses in East Moorshire.	✓		[3]	One mark for each correct answer.
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Question	Expected Answer	Mark	Rationale
(e)	<p><b>Target: Ability to evaluate the effect of population changes on a local economy.</b></p> <p><b>Level 2 (6 marks)</b></p> <ul style="list-style-type: none"> <li>• The effect depends on how much the new labour adds to the economy compared to the costs</li> <li>• The effect depends on how many work, how many are dependent on services eg the unemployed, children.</li> </ul> <p><b>Level 1 (1-5 marks)</b>  <i>Advantages of a growth in population.</i></p> <ul style="list-style-type: none"> <li>• Increased labour supply (1), give employers more/better choice (1), possibly lower wages (1) reducing business costs (1) which can help businesses to expand (1)</li> <li>• There <b>could</b> be more skilled workers (1)</li> <li>• Development of new business opportunities for existing (1), for new businesses (1), leading to more revenue/profit (1) because of increased demand for goods/services/more customers (1), new types of demand (1)</li> <li>• More tax for the local council (1) because eg people buy more properties (1), more services can be provided (1)</li> <li>• Residents may benefit (1) because there may be more plumbers (1) etc</li> <li>• There will be a multiplier effect (1) with income in the area increasing (1) which further increases the sales of business (1) and the income of the local population (1)</li> <li>• The new people may set up more businesses (1), there may be more competition (1), this can lead to lower prices (1), (<i>and more jobs – as per multiplier effect above</i>).</li> </ul> <p><i>Disadvantages of a growth in population.</i></p> <ul style="list-style-type: none"> <li>• Pressure on services/education/health (1) – increased demand (1), leading to increased costs for the local council/government (1)</li> <li>• Increased taxes needed (1) to pay for the higher spending on service (1)</li> <li>• It may cause unemployment (1), if the foreign workers take the jobs that local people might have done (1)</li> </ul>	[6]	<p><b>Level 2 (6)</b>  Evaluates in context – there must be judgement which discusses the <b>extent</b> of the effect which will often involve the word ‘depends’.</p> <p><b>Level 1 (1-5)</b>  One mark for stating a benefit or a problem of population growth, up to one for a point of development. Maximum of 3 marks for a discussion of advantages <b>or</b> disadvantages.</p>

Question	Expected Answer	Mark	Rationale
	<ul style="list-style-type: none"><li data-bbox="405 212 1397 276">• There could be an increased demand for houses/a shortage of houses (1), prices may rise (1).</li></ul>		

Question			Expected Answer	Mark	Rationale
2	(a)	(i)	<p><b>Target: Ability to read business data.</b></p> <p>Crumbly (Moorshire Cheese) (1)</p>	[1]	One mark for a correct answer.
		(ii)	<p><b>Target: Ability to apply numeracy skills to business data.</b></p> <p>Correct answer = £50,000 (2)</p> <p>Method = £200,000 - £150,000 (1)</p>	[2]	Two marks for the correct answer, one mark for a correct method where an incorrect response has been given.
	(b)		<p><b>Target: Ability to apply numeracy skills to analyse business data.</b></p> <p><b>Level 2 (2-4 marks)</b></p> <ul style="list-style-type: none"> <li>the value of sales by supermarkets falls (1 x L2 mark)</li> <li>from £270,000 in 2007 (1 x L2 mark)</li> <li>to £227,500 in 2010 (1 x L2 mark)</li> <li>by £42,500 (2 x L2 marks).</li> </ul> <p><b>Level 1 (1 mark)</b></p> <ul style="list-style-type: none"> <li>the percentage of sales by supermarkets rises, <b>or</b> goes from 30 to 35%.</li> </ul>	[4]	<p><b>Level 2 (2-4 marks)</b></p> <p>The candidate is able to analyse the effect on the value of sales. One L2 mark for each point or two for comparative calculation.</p> <p><b>Level 1 (1 mark)</b></p> <p>The candidate identifies the change in the percentage market share. Do not reward 'sales rise'.</p>

Question		Expected Answer	Mark	Rationale
	(c) (i)	<p><b>Target: Ability to apply numeracy skills to business data.</b></p> <p>Correct answer = US\$39 (1)</p>	[1]	One mark for the correct answer. NB Credit any answer that states 39 as correct (even if they put £39).
	(ii)	<p><b>Target: Ability to evaluate the effect of a change in the exchange rate.</b></p> <p><b>Level 2 (4 marks)</b></p> <ul style="list-style-type: none"> <li>the extent depends on how significant price is as a determinant of sales (the price elasticity of demand)</li> <li>if substitute cheeses are available</li> <li>if the cheese is perceived as an exclusive cheese</li> <li>relative changes between US and rest of the world.</li> </ul> <p><b>Level 1 (1-3 marks)</b></p> <ul style="list-style-type: none"> <li>export sales will fall (1)</li> <li>exports will be more expensive to the buyer/US produced goods will be cheaper (1)</li> <li>Example: <i>The cheese that cost £26 will now cost \$46.8 (1) rather than \$39.</i></li> </ul>	[4]	<p><b>Level 2 (4 marks)</b> The candidate discusses factors that determine the <b>extent</b> of the effect on the export sales.</p> <p><b>Level 1 (1-3 marks)</b> The candidate explains the impact on export sales.</p>
	(d) (i)	<p><b>Target: Knowledge of the advantages of specialisation.</b></p> <ul style="list-style-type: none"> <li>workers can produce goods more quickly (1)</li> <li>Increase output/productivity may rise (1)</li> <li>workers become more skilled/know more (1)</li> <li>costs fall (1)</li> <li>easier to train workers/require less training (1)</li> <li>more efficient (1)</li> <li>Increases/ensures the quality of the cheese (1).</li> </ul>	[2]	One mark for each appropriate advantage stated.



Question	Expected Answer	Mark	Rationale
	<p>(ii) <b>Target: Ability to apply knowledge of the term multi-skilled.</b></p> <ul style="list-style-type: none"> <li>• production workers/drivers (1)</li> <li>• accounts clerk/receptionist (1)</li> <li>• Ged Butler/developer/supervisor (1).</li> </ul>	[1]	One mark for an example correctly identified. Do not credit partners/owners
	<p>(iii) <b>Target: Ability to evaluate the effect of multi-skilled workers in context.</b></p> <p><b>Level 2 (5 marks)</b></p> <ul style="list-style-type: none"> <li>• Overall I think they would be better/worse off.</li> </ul> <p><b>Level 1 (1-4 marks)</b></p> <ul style="list-style-type: none"> <li>• some of the workers at Lathom's Dairies have kept their jobs/redundancies have been avoided (1) because they have been willing to do different jobs</li> <li>• they may earn more money (1), have expanded their skill set (1)</li> <li>• it will be easier to get other employment (1) because they have more than one skill (1)</li> <li>• It may increase their job security (1) they may be more motivated (1), more variety of work (1), more responsibility (1)</li> <li>• It will be easier for them to be made redundant (1) (in the future) as more people can do their jobs (1)</li> <li>• They will need training (1) to be able to do jobs they have not been trained to do (1)</li> <li>• Specialists may feel that their skills are not valued (1) because they are expected to less demanding tasks/other tasks outside their specialism (1)</li> <li>• The workers may feel more valued (1), because they have extended their skills (1)</li> <li>• They may feel under pressure/overworked (1)</li> <li>• They may be exploited (1)</li> <li>• They may not like to have to change (1)</li> </ul>	[5]	<p><b>Level 2 (5)</b> Makes an overall judgement whether they are better or worse off following from their analysis – this needs only to be a simple judgement on this occasion.</p> <p><b>Level 1 (1-4)</b> One mark for each appropriate point and one mark for a point of development.</p> <p><i>Do not reward any discussion of the effect on Lathoms such as that their training costs will rise or that output will be changed.</i></p>

Question	Expected Answer	Mark	Rationale
	<p>(iv) Ability to evaluate a business decision about redundancies.</p> <p><b>Level 2 (7-8 marks)</b></p> <ul style="list-style-type: none"> <li>• The business has survived the recession so the decision was good</li> <li>• The cash flow indicates that wage costs are a high proportion of total expenses so Lathoms may have been better to reduce its wages further</li> <li>• The business will be able to increase production quickly <i>when sales grow</i> putting them at a competitive advantage. No need to recruit new workers if the business wants to grow</li> <li>• If it keeps the workers these will be available to produce the new blue cheese that Lathoms plan to produce and will be able to meet demand. They could reduce their salaries to avoid the business closing</li> <li>• Avoiding redundancies is the right choice as it is consistent with the image of Lathoms as an ethical producer which is vital in encouraging customers to buy from them.</li> </ul> <p><b>Level 1 (1–6 marks)</b></p> <p><i>Benefits of Avoiding Redundancies</i></p> <ul style="list-style-type: none"> <li>• The business will be able to increase production quickly (1)</li> <li>• No redundancy money paid (1)</li> <li>• Avoids bad publicity (1)</li> <li>• Saves on training workers in the future (1)</li> <li>• Has been able to keep highly skilled workers who could be difficult to replace (1)</li> <li>• Is ethically sound/socially responsible (1) – looking after workers (1)</li> <li>• Avoids de-motivating remaining workers/affects production.</li> </ul> <p><i>Problems of Avoiding Redundancies/benefits of redundancy</i></p> <ul style="list-style-type: none"> <li>• Cost are not as low as they could be (1), does not save on wages/will continue to cost Lathoms money (1) which will reduce the profit (1)</li> <li>• It could threaten the survival of the business (1).</li> </ul>	[8]	<p><b>Level 2 (7-8)</b> Makes a reasoned judgement in favour or against the view that Lathoms was right to avoid making workers redundant.</p> <p><i>Judgement must follow analysis of both sides.</i></p> <p><b>Level 1 (1-6, 4 + 2, 3 +3)</b> One point for stating a benefit or a problem of avoiding redundancies, up to one for a point of development. Maximum of four marks for a discussion of advantages or disadvantages.</p> <p><i>Benefits of Avoiding Redundancies could be answered as 'problems with redundancies'.</i></p>

Question		Expected Answer	Mark	Rationale
	(e)	<p><b>Target: Ability to apply knowledge of the different methods of production.</b></p> <ul style="list-style-type: none"> <li>batch production is used (1)</li> <li>one type of cheese is made and then production is switched (1) to make another type.</li> </ul>	[2]	One mark for stating the method of production being used, one mark for explaining it.
	(f) (i)	<p><b>Target: Ability to apply knowledge of “green” production methods.</b></p> <ul style="list-style-type: none"> <li>milk is bought from local dairies (1) fewer food miles (permit air miles) (1) – this saves on the use of petrol (1) reducing the use of a fossil fuel (1)</li> <li>there is less transport (1) so it reduces pollution/the carbon footprint (1)</li> <li>organically-produced milk is used (1) – this saves on chemicals/fertilisers (1).</li> </ul>	[2]	One mark for stating the method used. One mark for explaining why it will be “green” or “environmentally-friendly.”
	(ii)*	<p><b>Target: Ability to evaluate the costs and benefits of “green” production methods.</b></p> <p><b>Level 2 (5-6)</b></p> <ul style="list-style-type: none"> <li>It depends on how important being green is to the customers – how much sales would increase if at all</li> <li>Lathoms will be seen to be ethical/environmentally friendly. This will be popular with many customers so will lead to increased sales</li> <li>The social costs may upset local people who may not want to buy cheeses from Lathoms and so sales will fall</li> <li>It depends on how much is saved in fuel bills compared to the cost of the wind turbine. It depends on how much of a loan Lathoms needs to pay for the turbine and how much the interest is. If it is high it may not be worthwhile</li> <li>It depends on the objectives of the business – Lathoms has an objective of being environmentally friendly and so it may not matter if it is not as profitable to use wind turbines as it is to buy from the national grid</li> </ul>	[6]	<p><b>Level 2 (5-6)</b> Evaluates in context – expect some kind of ‘it depends’ statement or a conclusion based on information provided in the case study or one which discusses the effect on sales (based on clear analysis of cause).</p> <p><i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p>

Question	Expected Answer	Mark	Rationale
	<ul style="list-style-type: none"> <li>• Paying for the turbines may be difficult given the state of the business, it has had to make redundancies as they are not earning a large income.</li> </ul> <p><b>Level 1 (1-4 marks)</b> <i>Benefits of wind turbines</i></p> <ul style="list-style-type: none"> <li>• Lathoms can claim to be a green/environmentally-friendly/ethical producer</li> <li>• It will save on power costs (1) because they will not need to buy electricity (1)</li> <li>• It can get a grant from the government (1) which reduces the cost of the turbines (1)</li> <li>• The turbines may produce a lot of electricity which Lathoms can then sell to the national grid so making a profit.</li> </ul> <p><i>Problems of wind turbine</i></p> <ul style="list-style-type: none"> <li>• Social costs (1) the wind turbines may be unsightly/noise pollution (1), the locals may object (1)</li> <li>• Cost of maintenance (1)</li> <li>• It costs money to erect (1) – Lathoms may need a loan (1) which will have interest to pay (1)</li> <li>• Lathoms may need to get permission from the council (1), this may take time/delay the installation of the turbine (1)</li> <li>• There may not be enough wind (1) turbines may not always produce electricity (1).</li> </ul>		<p><b>Level 1 (1-4, 2 + 2, 3 + 1)</b> One mark for stating an advantage and/or disadvantage of installing the wind turbines and one mark for a development. 2 + 2 marks – maximum of 2 if only advantage(s) <b>or</b> disadvantage(s) discussed.</p> <p><i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p><b>No Level</b> <i>Those candidates that fail to reach the threshold standard in all respects [0].</i></p>

Question			Expected Answer	Mark	Rationale		
3	(a)	(i)	<b>Target: Ability to analyse a cash flow forecast.</b>	<b>[4]</b>	One mark for each correct answer.		
			<b>Statement</b>			<b>True</b>	<b>False</b>
			The cash flow forecast shows the expected income and expenditure Wright's Farm for the 3 months July to September 2011.			✓	
			In July income from sales of goods will be greater than total expenditure.				✓
			In September, Wright's Farm is forecast to have £1000 to carry forward to start trading in October.				✓
The balance carried forward at the end of July shows a profit of £1400.		✓					

Question	Expected Answer	Mark	Rationale
(ii)	<p><b>Target: Ability to evaluate sources of finance.</b></p> <p><b>Level 2 (5-6 marks)</b></p> <ul style="list-style-type: none"> <li>• The overdraft may only be needed for a short time if the cash flow soon becomes positive. The cash flow shows that the deficit appears to be reducing. <b>Or</b> it depends on how long the cash flow deficit is likely to be needed for, if it is not for long, it may be worthwhile having an overdraft despite having to pay interest</li> <li>• Lathoms may be able to use cash that it has in its bank account, this will save having to pay interest on an overdraft and increasing its indebtedness</li> <li>• The partners could invest money/use their own savings saving the need to increase its debts and pay interest</li> <li>• Lathoms could extend trade credit which would save interest.</li> </ul> <p><b>Level 1 (1-4 marks)</b></p> <p><i>Advantages of an overdraft</i></p> <ul style="list-style-type: none"> <li>• An overdraft allows Lathoms to spend more than it has in the bank (1), this will help it to solve the problem of the deficit on cash flow (1)</li> <li>• It is a variable amount (1) so can be adjusted to meet the size of the deficit (1)</li> <li>• Overdraft is suitable because it is short term (1).</li> </ul> <p><i>Problems of an overdraft</i></p> <ul style="list-style-type: none"> <li>• Interest will need to be paid (1), it is charged daily (1)</li> <li>• It is usually a high interest (1)</li> <li>• It increases the debts of the business (1).</li> </ul>	<b>[6]</b>	<p><b>Level 2 (5-6)</b> Comes to a judgement in the context of the needs of the business or possible alternatives which needs to be developed clearly for L2.</p> <p><b>Level 1 (1-4, 2+2)</b> One mark for stating an advantages/disadvantage and one mark for a point of development. Maximum of two if only advantage(s) or disadvantage(s) stated.</p>

Question		Expected Answer	Mark	Rationale
	(iii)	<p><b>Target: Ability to display and apply knowledge of cash flow forecasts.</b></p> <ul style="list-style-type: none"> <li>• forecasts are only predictions (1)</li> <li>• data may be based on inaccurate information</li> <li>• income may change/all goods must be sold for income to be correct (1)</li> <li>• prices may change (1)</li> <li>• quantity sold may change (1)</li> <li>• costs may change (1)</li> <li>• competitor activity may affect sales (1)</li> <li>• external factors/one example of an external factor changing (1).</li> </ul>	[3]	One mark for each acceptable limitation.
(b)	(i)	<p><b>Target: Knowledge of mortgages.</b></p> <p>Using a mortgage to pay for the factory extension means that Lathoms Dairy can repay the money in monthly <b><u>instalments</u></b>. However, it will also have to pay <b><u>interest</u></b> which means it will pay back more than it borrowed. The extra amount the business will pay will depend on the <b><u>rate</u></b> of interest charged for the mortgage.</p>	[3]	One mark for each correct insertion up to a maximum of three marks.

Question	Expected Answer	Mark	Rationale
	<p>(ii)* <b>Target: Ability to evaluate when different methods of finance may be appropriate.</b></p> <p><b>Level 2 (7–8 marks)</b></p> <ul style="list-style-type: none"> <li>• Leasing will be better if the technology used in cheese production develops quickly (<i>because it can be updated at the end of the lease is only L1</i>)</li> <li>• It should lease because Lathoms is not sure that the cheese will be a success and if it is not it will not be left with the equipment it does not want</li> <li>• Leasing will be better if the machines depreciate in value quickly</li> <li>• A loan is better because Lathoms ends up with an asset which it can then sell.</li> </ul> <p><b>Level 1 (1–6 marks)</b></p> <p><i>Advantages of Bank loan/Disadvantages of Leasing</i></p> <ul style="list-style-type: none"> <li>• Lathoms will own the machinery/the machinery are only rented or it is not owned by Lathoms (1)</li> <li>• The payment can be spread/can be paid in instalments (1)</li> <li>• Lathoms will be able to borrow the entire amount needed to purchase the machinery (1)</li> <li>• Leasing is expensive (1).</li> </ul> <p><i>Advantages of Leasing/Disadvantages of Bank Loan</i></p> <ul style="list-style-type: none"> <li>• The payment can be spread/can be paid in instalments (1)</li> <li>• The machinery can be updated at the end of the lease (1)</li> <li>• There may be a maintenance contract (1)</li> <li>• There is no debt (1), the loan has to be repaid (1)</li> <li>• Don't have to find a lump sum with leasing (1)</li> <li>• Interest has to be paid on a loan/more has to be paid back (1).</li> </ul>	[6]	<p><b>Level 2 (7-8)</b> Evaluates the appropriate method of finance to use in the context.</p> <p><i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p><b>Level 1 (1- 6, 4 + 2)</b> One mark for stating an advantages/disadvantage and one mark for a point of development of each method finance. Maximum of four for statements of only one method. NB There is likely to be many one mark points made, not many with a development.</p> <p><i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p><b>No Level</b> <i>Those candidates that fail to reach the threshold standard in all respects [0].</i></p> <p>NB: Do not reward any discussion of the benefits of the machinery to Lathoms.</p>



Question	Expected Answer	Mark	Rationale
(c)*	<p><b>Target: Ability to evaluate production decisions.</b></p> <p><b>Level 2 (7-8)</b></p> <ul style="list-style-type: none"> <li>• Hand-made cheese has been tested on the market – this is the one that customers definitely like</li> <li>• By producing hand-made cheese Lathoms is sticking to it's strengths</li> <li>• It is riskier – If mass produced cheese does not go well Lathoms will be left with a lot of debt</li> <li>• It is not known if the mass produced cheese will be as good. The market research says it will sell more, because it is cheaper</li> <li>• Lathoms will make £50,000 gross profit per year which it can use to pay off the cost of the new factory. It will take (only) 3 years of profit to pay off the investment needed to mass produce the cheeses, so it (will be) will not be worth mass producing</li> <li>• In the first three years hand-made cheese will make £135,000 gross profit. Although mass-produced makes £5000 more per year it will take 27 years to catch up after the factory has been paid for.</li> </ul> <p><b>Level 1 (1-6)</b></p> <ul style="list-style-type: none"> <li>• There is a greater profit margin on the hand-made cheese, (1)</li> <li>• profit margin is £15 per cheese compared with £10 (1)</li> <li>• The gross profit margin on hand-made cheese is less (1)</li> <li>• at 50% compared with 55% (1)</li> <li>• The mark-up is lower on hand-made (1)</li> <li>• at 100% compared with 125% with mass produced (1)</li> <li>• The gross profit on the mass produced cheese will be greater (1)</li> <li>• by £5000 per year (1)</li> <li>• It will take longer to make as much profit with mass produced as with hand-made (1)</li> <li>• 30 years (1)</li> </ul>	[8]	<p><b>Level 2 (7-8)</b> Evaluates in context. NB If there is an appropriate discussion of relative profitability this is at Level 3.</p> <p><i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p><b>Level 1 (1-6)</b> One mark for each qualitative statement One mark for each correct comparative calculation made.</p> <p><i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p>

Question	Expected Answer	Mark	Rationale
	<ul style="list-style-type: none"> <li>• In first three years hand produced will make £135,000 gross profit (£45,000 x 3) as there are no extra costs to the firm. Meanwhile in those 3 years mass produced has only just paid back the set-up costs of £150,000 (1)</li> <li>• However mass produced makes £5000 more per year than hand produced therefore it will take them 27 years to make up the £135,000 gross profit that hand made is already ahead of it (27 x £5,000 per year = £135,000) (1)</li> <li>• There will be greater sales of mass produced cheese/smaller sales of hand-made cheese (1)</li> <li>• No investment of money is needed to produce the hand-produced cheese/if mass production is chosen, a loan will be needed and interest will have to be paid (1)</li> <li>• It costs more to make the hand-made cheese/costs less to make mass produced cheese. (1) £15 compared to £8 or by £7 less</li> <li>• Hand-made cheese needs to be sold at a higher price/mass produced at a lower price (1)</li> <li>• It's the USP of Lathoms dairy (<i>stays at Level 1 if a simple statement</i>) (1)</li> <li>• It will take 3 years to pay back (1)</li> <li>• Mass production makes more profit (1).</li> </ul>		<p><b>No Level</b>  <i>Those candidates that fail to reach the threshold standard in all respects [0].</i></p>

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