

Mark Scheme with Examiners' Report IGCSE Business Studies (4330)

June 2005

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Mark Scheme with Examiners' Report

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BUSINESS STUDIES 4330, MARK SCHEME

Paper 1F

1. (a) For each of the questions (i) - (v)
(AO1 Demonstrate = 5)

- (i) B
- (ii) C
- (iii) B
- (iv) A
- (v) D

(5 marks)

- (b) Using information in the context, suggest why *RHL* hotels are located

- (i) near airports
- (ii) in the centre of towns and cities.
(AO2 Apply = 4)

Valid points could include:

- (i) eg *RHL* clients are tourists - business travellers - and (international) tourists use airports - business travellers use airports.
- (ii) eg *RHL* clients are business people - and most businesses are located in city centres.

(4 marks)

- (c) Explain ONE benefit to Jas from investing in *RHL* rather than in his sister's business.

(AO1 Demonstrate = 2; AO2 Apply = 1)

Valid points could include:

eg *RHL* offers limited liability - his sister's business has unlimited liability - with *RHL*, Jas's possible loss is limited to the amount agreed to invest / Jas risks losing his personal possessions if his sister's business fails.
eg *RHL* may pay dividends - his sister's business has no obligation to reward him - Jas can always sell his shares in *RHL*.

(3 marks)

- (d) (i) What does the term 'economies of scale' mean?
(AO1 Demonstrate = 2)

Valid points could include:

eg A fall in unit costs - as output increases / as business grows / example bulk buying.

(2 marks)

- (ii) From the context, give ONE reason why *RHL* benefits from economies of scale.

(AO2 Apply = 2)

Valid points could include:

eg 20 hotels / 120 rooms - it is a large business / it is a private limited company.
eg It has 20 hotels - and 120 rooms.

(2 marks)

- (e) Explain how *RHL* could benefit from each of these economies of scale.
(AO3 Analyse = 4)

Valid points could include:

eg (Marketing) cheaper advertising of hotels / of services - they can all be promoted at the same time.

eg (Purchasing) bulk buying of towels / crockery - because of the number of hotels.

(4 marks)

Total 20 marks

2. (a) What are the differences between a Profit & Loss Account and a Balance Sheet?
(AO1 Demonstrate = 4)

Valid points could include:

eg P & L Account calculates net profit - from sales less all expenses / from gross profit less expenses / over a period of time.

eg Balance Sheet displays assets and liabilities - shows the business 'worth' / snapshot.

(4 marks)

- (b) (i) Give TWO reasons why employees, as stakeholders, will be interested in the final accounts of *RHL*.
(AO2 Apply = 4)

Valid points could include:

eg Job security - final accounts show *RHL*'s ability to continue trading / to continue employing these staff.

eg Pay - final accounts show *RHL*'s ability to offer pay rises.

(4 marks)

- (ii) Name TWO other groups of stakeholders in *RHL*.
(AO1 Demonstrate = 2)

Valid points could include:

eg Directors (not Managers)

Customers

Suppliers

Lenders

Government

Local community

(2 marks)

- (c) Calculate
(i) Gross Profit ratio
(ii) Net Profit ratio
(AO2 Apply = 4)

(i) $450 / 1800 = 25\%$ (1 mark for correct method but wrong answer).

(ii) $90 / 1800 = 5\%$ (1 mark for correct method but wrong answer).

(4 marks)

- (d) Compare last year's Gross and Net Profit ratios with this year's. Assess how well the hotel has done this year.
(AO3 Analyse = 2; AO4 Evaluate = 4)

Valid points could include:

eg Gross Profit margin improved by 1% OFR - better control of purchases costs / better buying / obtaining discounts / increased selling margin OFR

Net Profit margin declined by 1% OFR - increased expenses as % of sales / worse control of costs / not passing on increased costs to customers OFR

Overall performance this year worse OFR - because RHL will be judged more on its Net Profit margin / Net Profit is a better indicator OFR

(6 marks)

Total 20 marks

3. (a) (i) What is the difference between a Job Description and a Job (Person) Specification?
(AO1 Demonstrate = 2)

Valid points could include:

eg Job Description outlines job content / details.

eg Job Specification outlines personal qualities needed.

(2 marks)

- (ii) How will these help the directors recruit a suitable person to create the new website?
(AO2 Apply = 2)

Valid points could include:

eg The directors can use the Job Description to advertise / shortlist people with suitable backgrounds / qualifications.

eg The directors can use the Job Specification to identify the type of person they want from those applying.

(2 marks)

- (b) (i) Describe the purpose of induction training.
(AO1 Demonstrate = 2)

Valid points could include:

eg To introduce the new person to the organisation - and the organisation to the new person

eg To get the new person to contribute as quickly as possible - by making her or him feel comfortable in the new environment

(2 marks)

- (ii) Identify **THREE** items likely to be found in *RHL*'s induction training programme.
(AO2 Apply = 3)

Valid points could include:

- Introduction to *RHL*
- Introduction to colleagues at *RHL*
- Tour of the *RHL* premises
- History of *RHL*.

No repetition between (i) and (ii)

(3 marks)

- (c) (i) Give the name of the pricing strategy that the directors plan to use for website bookings.
(AO1 Demonstrate = 1)

Valid points could include:

eg Promotional / penetration / competition.

(1 mark)

- (ii) Explain **TWO** likely reasons why the directors plan to use this pricing strategy for website bookings.
(AO3 Analyse = 4)

Valid points could include:

(eg Attract customers / increase sales 1 mark maximum.)

eg To gain a market share of Internet bookings - a sales method growing in importance.

eg To help control costs - eg lower staff costs / so profit will increase.

(4 marks)

- (d) Justify *RHL*'s decision to use a website for advertising.
(AO4 Evaluation = 6)

Valid points could include:

(positive points)

- Advertising can be persuasive - and the website allows *RHL* to use colour, movement, pictures.
- Advertising needs to inform - and *RHL* can include information on the website about the company, its products, contacts etc.
- The website can be accessed 24 hours a day, 7 days a week - so people can see *RHL*'s products at any time.
- Once established, *RHL*'s website needs maintaining only - so it is cost effective compared with other forms of advertising.
- *RHL* can link the website to its other advertising - by mentioning the website address in its other adverts.
- The website can allow customers to contact *RHL* - by email.
- Website usage can be monitored - so *RHL* can assess its effectiveness.

(negative points)

- The website will be one of millions on the Internet - and potential customers of *RHL* may not know it exists.
- The website needs maintaining - and uses resources that could be used for other forms of advertising.

(6 marks)

Total 20 marks

Paper 2H

1. (a) (i) **What is the difference between a Job Description and a Job (Person) Specification?**
(AO1 Demonstrate = 2)

Valid points could include:

eg Job Description outlines job content / details.

eg Job Specification outlines personal qualities needed.

(2 marks)

- (ii) **How will these help the directors recruit a suitable person to create the new website?**
(AO2 Apply = 2)

Valid points could include:

eg The directors can use the Job Description to advertise / shortlist people with suitable backgrounds / qualifications.

eg The directors can use the Job Specification to identify the type of person they want from those applying.

(2 marks)

- (b) (i) **Describe the purpose of induction training.**
(AO1 Demonstrate = 2)

Valid points could include:

eg To introduce the new person to the organisation - and the organisation to the new person

eg To get the new person to contribute as quickly as possible - by making her or him feel comfortable in the new environment

(2 marks)

- (ii) **Identify THREE items likely to be found in RHL's induction training programme.**
(AO2 Apply = 3)

Valid points could include:

- Introduction to RHL
- Introduction to colleagues at RHL
- Tour of the RHL premises
- History of RHL.

(3 marks)

No repetition between (i) and (ii)

- (c) (i) Give the name of the pricing strategy that the directors plan to use for website bookings.
(AO1 Demonstrate = 1)

Valid points could include:

eg Promotional / penetration / competition.

(1 mark)

- (ii) Explain TWO likely reasons why the directors plan to use this pricing strategy for website bookings.
(AO3 Analyse = 4)

Valid points could include:

(eg Attract customers / increase sales 1 mark maximum.)

eg To gain a market share of Internet bookings - a sales method growing in importance.

eg To help control costs - eg lower staff costs / so profit will increase.

(4 marks)

- (d) Justify *RHL*'s decision to use a website for advertising.
(AO4 Evaluation = 6)

Valid points could include:

(positive points)

- Advertising can be persuasive - and the website allows *RHL* to use colour, movement, pictures.
- Advertising needs to inform - and *RHL* can include information on the website about the company, its products, contacts etc.
- The website can be accessed 24 hours a day, 7 days a week - so people can see *RHL*'s products at any time.
- Once established, *RHL*'s website needs maintaining only - so it is cost effective compared with other forms of advertising.
- *RHL* can link the website to its other advertising - by mentioning the website address in its other adverts.
- The website can allow customers to contact *RHL* - by email.
- Website usage can be monitored - so *RHL* can assess its effectiveness.

(negative points)

- The website will be one of millions on the Internet - and potential customers of *RHL* may not know it exists.
- The website needs maintaining - and uses resources that could be used for other forms of advertising.

(6 marks)

Total 20 marks

2. (a) Using the formula below, calculate the Current ratio for the London hotel.

(AO2 Apply = 2)

1.25 : 1 (5 : 4)

(1 mark for correct method but wrong answer)

(2 marks)

- (b) Explain how the final accounts of *RHL* will be of interest to Jas

(i) as an employee of *RHL*

(AO3 Analyse = 2; AO4 Evaluate = 2)

Valid points could include:

- As an employee he will be interested in job security - and the final accounts / current ratio / ratios indicate *RHL*'s profitability / ability to stay in business / ability to pay its short term debts.
- As an employee he will be interested in pay / remuneration - and the final accounts indicate *RHL*'s ability to pay more / offer higher remuneration.

(4 marks)

(ii) as a shareholder of *RHL*.

(AO3 Analyse = 2; AO4 Evaluate = 2)

Valid points could include:

- As a shareholder he will be interested in dividends / share value - and the final accounts indicate *RHL*'s profitability / financial trends.
- As a shareholder he will be interested in the longer-term future of his investment - and the final accounts indicate *RHL*'s prospects of profitability / likelihood of staying in business / giving a return on his investment / being able to pay his investment back.

(4 marks)

- (c) What is meant by 'Total Quality Management'?

(AO1 Demonstrate = 2)

Valid points could include:

eg A culture of quality throughout a business - affecting all employees.

eg 'Get it right first time' philosophy - that emphasises everyone involved with the business is a customer.

(2 marks)

- (d) Explain the likely advantages and disadvantages to *RHL* of introducing TQM.

(AO3 Analyse = 4; AO4 Evaluate = 4)

Valid points could include:

(Advantages)

- Staff treat everyone as customers - which should improve quality of service offered at the hotels.
- Improved quality culture throughout - so guests become more satisfied - guests are more likely to use *RHL* hotels again.

(Disadvantages)

- Need for training - which will increase *RHL*'s costs - time costs.
- Staff may not accept the new culture - which will affect how they treat guests.

(8 marks)

Total 20 marks

3. (a) Explain how break-even analysis might help the directors make the decision to set up a membership scheme.
(AO1 Demonstrate = 2; AO2 Apply = 2; AO3 Analyse = 2)

Valid points could include:

- Break-even uses contribution / total revenue / total cost / margin of safety - and these are used in making business decisions
- Break-even could apply here because there is a unit fee - and because costs can be worked out
- But break-even will be difficult here - because the costs will apply to guests as well as to members

(6 marks)

- (b) Discuss the importance of Human Resources and Marketing in helping the directors with their decision.
(AO1 Demonstrate = 1; AO2 Apply = 1; AO3 Analyse = 6; AO4 Evaluate = 6)

Valid points could include:

- (AO1) HR issues involve staff - (AO2) such as employing new staff to deal with the scheme
- (AO1) Marketing issues will include the 'four Ps' - (AO2) such as how to promote the new scheme

HR issues

- (AO3) *RHL* already employs many staff because it is a large company - (AO4) but are there enough staff to handle the new scheme? Do all staff want to become involved in it?
- (AO3) Existing staff may need training in the new scheme - (AO4) but does *RHL* have trainers on its staff? Will it need to employ trainers?
- (AO3) New staff may need to be employed - (AO4) but how will *RHL* recruit these new staff? How will it affect *RHL*'s current induction programme?
- (AO3) Staff already deal with customers - (AO4) but will there be special needs / issues to do with the new members? Will induction sessions be required for these customers?

Marketing issues

- (A03) The market can be researched - (A04) but this will be an additional cost for *RHL*. Will the research be accurate?
- (A03) A price needs setting for the new scheme - (A04) but what pricing strategy will be used? Will local competition determine the price to be set?
- (A03) The scheme will need promoting - (A04) but which medium is most suitable?
- (A03) The 'product' offered needs defining - (A04) and how will it be 'packaged'? What life-cycle is it likely to have?

1 mark for demonstrating basic knowledge of HR and/or marketing functions

1 mark for applying to *RHL* and/or the new scheme (either or both of these marks are likely to be implied)

6 x 1 mark for an analytical point

6 x 1 mark for a balanced evaluative point
(Maximum 8 marks for one function only)

(14 marks)

Total 20 marks

Paper 3

1. (a) (i) **There are three main methods of production - job, batch and flow. Complete the table below with an example of a product made by each method of production.**

(AO1 - Demonstrate = 3)

three appropriate products (or product group, eg clothes) are named, eg
(job) - sculpture - painting - bridge
(batch) - loaves - rolls - ice cream - chocolates (specialist)
(flow) - cars - tractors - steel - petrochemicals - paper - chocolate (bars)

- (ii) **Productivity can be increased in a number of ways. List TWO ways to increase productivity.**

(AO1 - Demonstrate = 2)

any two from:
lean production
Just In Time (JIT)
stock control
empowerment (HR issues - eg training - motivation)
quality circles
technology - machines - new - maintained

(2 marks)

- (b) **Why would an overdraft be the appropriate way to raise the short-term finance needed?**

(AO2 - Apply = 5)

Basic statements
eg bank may have agreed
immediately available to John Jones Ltd
paid off quickly
John Jones will pay off after a year

(2 marks)

Expanded statements
eg (agreed) - no need to negotiate
(availability) - can be called on as soon as required
(paid off) - interest limited to pay off period, therefore can be lower than loan

(3 marks)

- (c) **Using this information, compare the success of each of these supermarket chains.**

(AO3 - Analyse/Select = 5)

eg
- Tesco is the most successful of the three
- gross, net and retained profits
- against the combined totals of the other two companies
- Sainsbury's more successful than Safeway
- Plus any other use of data - reference to different retained profits/correct use of calculations

(5 marks)

- (d) Each year many people start businesses as sole traders. Of these a large percentage fail and go out of business within three years. Suggest why this happens.
(AO4 - Evaluate = 5)

eg insufficient capital - unable to meet demand - market changes - breadth of skills - legislation - pressure on one individual - lack of demand - insufficient profits - cashflow problems - competition

(5 marks)

Total 20 marks

2. (a) Put the above stages in the correct order.
(AO1 - Demonstrate = 5)

producer
agent
wholesaler
retailer
consumer

(1 mark for each item in the correct order)

(5 marks)

- (b) How could these TWO examples of poor communication affect the day-to-day running of a large multinational business, such as The Ford Motor Company?
(AO2 - Apply = 5)

Basic statements

- lost orders - missed deadlines
- incorrect instructions - information

(2 marks)

Expanded statements

- (orders) - lost revenue - loss of goodwill - mistrust
- (instructions) - misunderstanding - danger in operation -
- legal liability - incorrect delivery

(3 marks)

- (c) Analyse why a business would change from partnership into a public limited company (plc).
(AO3 - Analyse/Select = 5)

Basic statements

- raise capital
- expansion
- economies of scale
- limited liability
- legal identity

(2 marks)

Expanded statements

- (capital) - sales of shares - easier to raise because of size - less risk
- (expansion) - more outlets - diversity
- (economies of scale) - financial - technological - managerial - marketing - purchasing
- (limited liability) - protection
- (legal identity) - continuity

NB Accept valid responses that include a reference to Ltd as an intermediary stage

(3 marks)

(d) Discuss how environmental influences might affect business decision making.

(AO4 - Evaluate = 5)

Basic

- (legislation) - restricts materials - products - use - place - promotion
- (corporate image) - reputation - sales - trust - growth - market share
- (recycling) - materials - safety - sustainability - image
- (nature) - breeding grounds - damage wildlife - pressure groups - bad press
- (pollution) - licences - changes in production - location

(5 marks)

Total 20 marks

BUSINESS STUDIES 4330, CHIEF EXAMINER'S REPORT

General Comments

The overall performance of candidates in this examination was pleasing. Centres coped well with the demands of the new specification and a slightly different approach to that used in O Level examinations. Judging by examination performance, Centres had entered their candidates for the correct tier.

Candidates coped well with the use of the question paper as answer book. However, there were occasions where candidates used space in addition to the answer lines, in order to complete their answers. Centres are encouraged to work with their candidates to ensure that (most) answers are limited to these answer lines, the number of lines being a good indicator of the expected length of answer.

The standard of written communication was usually at least satisfactory, and often very good. One area of improvement that can easily be made is in the communication of candidates' numerical answers. Some chose to change an incorrect figure by attempting to write the corrected figure over the incorrect one: this sometimes made it difficult to read the corrected figure. Centres are therefore encouraged to continue working with their candidates to ensure that incorrect figures are crossed out, with the replacement figure being positioned close to (at the side, above or below) the one that has been crossed out.

The Mark Scheme contains much information that is relevant to centres, as follows.

- Each question indicates the level(s) at which it is based:
 - AO 1 Demonstrate - this Assessment Objective tests candidates on their ability to demonstrate their knowledge and understanding of the business term, idea or concept featured in the question. For example, Paper 1F Question 2(a) asks candidates the differences between a Profit & Loss Account and a Balance Sheet. Command words such as 'Define', 'Describe', 'Name', 'List' and 'State' confirm the question is at this level.
 - AO2 Apply - this Assessment Objective tests candidates' ability to relate their answer to the context. In this series, candidates were required to use the information given about *RHL*. For example, Paper 1F Question 2(c) required candidates to use given figures to calculate two ratios: a question asking them to recall the relevant formulae would have been classed as AO1 Demonstrate. Command words such as 'Apply' and 'Give [an example in context]' confirm the question is at this level.
 - AO3 Analyse - this Assessment Objective requires candidates to select, interpret or otherwise analyse some issue presented by the question. For example, Paper 2H Question 1(c) asked candidates to analyse why a certain pricing policy was appropriate for bookings through a website. Command words such as 'Analyse', 'Compare' and 'Select' confirm the question is at this level.
 - AO4 Evaluate - this most demanding Assessment Objective tests candidates on their ability to formulate some judgements. For example, Paper 2H Question 1(d) expected candidates to consider positive - and, where relevant, negative - points associated with *RHL*'s use of a website for advertising. Command words such as 'Evaluate', 'Explain why', 'Judge' and 'Justify' confirm the question is at this level.

- Possible answers are provided as indicators of what is expected. It is important for Centres to realise that the answers given in the Mark Scheme are **not** meant to be exhaustive. This is confirmed by the use of the statement ‘Valid points could include’, and by the use of the abbreviation ‘eg’ As an example, one candidate’s answer to Paper 1F Question 3(b)(ii) (which asked for items likely to be found in the given company’s induction programme) included ‘*showing the new employees their work stations*’. This was an acceptable answer and gained one of the 3 marks available, even though it was not listed in the ‘Valid points could include’ section on the Mark Scheme.
- The possible answers are structured using dashes and obliques (‘slashes’). It is the practice in this examination to use a dash in order to separate points that are worth **additional** marks, and an oblique to indicate an **alternative** way of making the same point. For example, the answer to Paper 1F Question 1 (d)(i) is given as “A fall in unit costs - as output increases/as business grows/example bulk buying.”. A candidate who wrote ‘A *fall in unit costs*’ would gain one of the two marks available. If the candidate went on to add ‘*as a business grows*’ (or similar), the second mark would be awarded: alternative ways of gaining this mark are indicated by the phrases ‘as output increases’ and ‘example bulk buying’.

Paper 1F

Question 1

Part (a) was generally well answered, with many candidates achieving at least four of the five marks available. Question (a)(iii) caused the greatest difficulty: it was clear that some candidates did not understand the term 'factor of production'.

Part (b) was also generally well answered. It required candidates to use context information (AO2 - Apply), and most used appropriately the fact that *RHL's* customers are tourists and business people. An example of a strong answer gaining two marks for part (ii) was '*RHL hotels also provide accommodation for business people working in the area and in order to gain more customers, RHL should locate where they mainly work, which is in the centre of towns and cities.*'

Part (c) required candidates to compare two given businesses and explain the benefit from investing in a limited company rather than a sole trader's business. Fewer candidates than expected obtained all three marks. There was sometimes a failure to explain the relevance of ownership (one of the businesses has unlimited liability) to the risk factor. For example, '*...Jas has limited liability (1) and so will not lose personal possessions (1) ...while if he invests in his sister's business there is a high chance that the money will be lost.*' This candidate nearly obtained the third mark: however, a clearer statement that the sister's business does not have limited liability was looked for, rather than the rather vague statement '*there is a high chance that the money will be lost.*'

Most candidates obtained at least 1 mark for (d)(i): however, statements such as '*...benefits when their business is bigger*' without reference to a reduction in unit costs were too vague to score more than (at most) 1 mark. Some candidates also stated that 'costs' fall as output rises, which is not sufficiently clear. Part (d)(ii) asked candidates to consider the context when answering. Some did not, and therefore failed to gain a mark by only including vague references to 'materials' or other items not mentioned in the context. An example of a strong answer (note underlined points) is '*As RHL operates quite a large business and has a bar and restaurant, they are able to buy foodstuffs at a low price to sell to guests.*'

Part (e) was not well answered at all. The question was set at AO3 (Analysis) level, and expected candidates to explain how *RHL* could benefit from two given economies of scale (marketing and purchasing economies). A number of candidates ignored the phrase 'economies of scale' in the question, and based their answers on how the functions of Marketing and Purchasing would benefit *RHL*. Centres are therefore encouraged to continue working with their candidates on examination technique: in this case, to ensure that candidates read the question in full. An example of a wrong answer given to the Marketing economies of scale section was '*...it increases RHL's reputation ...that is how they attract more customers and make a higher profit.*' Two marks (for the Purchasing economies of scale) were given for this answer: '*...a large company which lets them purchase in bulk (1), which they can then divide for each of the 20 hotels and therefore save money (1).*'

Question 2

This question started with an AO1 (Demonstrate) question on the differences between a Profit & Loss Account and a Balance Sheet. There was a tendency to simply repeat the terms 'profit' and 'loss' mentioned in the question without any relevant description or explanation, or (for the Balance Sheet) give a brief mention of 'capital' or 'assets', again without further clarification. An example of a candidate's answer that made the differences clear (note the underlined sections) was *'A Profit & Loss Account is a statement that shows the profit and loss made by a business over a period of time, taking into consideration all sources of income and expense, whereas a Balance Sheet is a statement showing the worth of a business in monetary value at one moment in time.'*

Part (b) focused on employees at RHL. Part (i) tended to produce part-complete answers, with many candidates gaining two of the four marks available. Most candidates identified either job security or the issue of pay/remuneration although many failed to provide sufficiently detailed answers, either by describing only one of these issues, or by failing to expand their answer to both. For example, *'...they would want to know if their job is secure or stable (1), if the final accounts show RHL is not doing well they might be on the look out for other jobs (1)'*, and *'...they want to know how the company is doing to know how secure their jobs will be (1) ...if they will get a pay rise (1)'*. Answers to part (ii) generally earned 1 mark because most candidates selected 'managers' as another stakeholder group: since managers are employees, this answer was not accepted.

Virtually all candidates achieved full marks for part (c), using the given formulae effectively and accurately. (It is policy to give these formulae rather than expect candidates to memorise them.)

Part (d) challenged candidates to use the skills of analysis and evaluation in comparing two sets of results (analysis) and assessing the overall performance of the hotel this year (evaluation). Many obtained the relatively easy marks for making a numerical comparison of both gross and net profits, although some unfortunately confused which figures related to which year, and therefore made inaccurate statements. Centres are advised to work closely with candidates on such questions to ensure that given dates and other data are interpreted and used correctly. Stronger candidates were able to make relevant comments as to why the change in both ratios might have occurred: it was pleasing to read the number of answers referring to the increase in the percentage of (Profit & Loss) expenses that had taken place. However, few candidates proved capable of reaching a clear conclusion, and so most answers did not receive more than 4 marks. An example of a strong answer is as follows: *'This year's gross profit ratio is higher than last year's by 1 per cent (1), this increase may be due to increased turnover or a higher selling price with costs controlled (1). Even though there is an increase here, the net profit has decreased by 1% (1). This is due to the expenses of the business being higher this year or not as well controlled (1). In conclusion, the fact the net profit margin has fallen means this is a worse year than last year.'* (1).

Question 3 (also Question 1 on Paper 2H)

Part (a)(i) was generally very well answered, with most candidates knowing the difference between a Job Description and a Job (Person) Specification. Answers tended to use appropriate phrases such as *'the tasks a person will do'* and *'the qualities a person needs'*. There were some vague explanations, some of which just earned the mark: for example, *'Job Specification is a list of things that a person needs to have...'* Centres are encouraged to keep advising their candidates to use exact and precise statements, particularly when there is only 1 mark available for a given answer or statement. Part (ii) was also well answered, with most candidates referring to the use of these documents in advertising and/or shortlisting for posts. An example of a strong answer here was *'These will help the directors because it gives a view of what type of person they need to employ, and what are the job requirements. This allows them to keep these things in mind when they write job adverts and shortlist when selecting an applicant.'*

Part (b) was also generally well answered. Most candidates scored at least 1 mark in (i) when describing the purpose of induction training, with many getting both marks for clear statements about its purpose. There was, however, sometimes confusion between induction and other types of training. Part (b)(ii) was not quite as well answered. Many candidates did provide some items in context, for example by referring to the hotel facilities, but some answers lacked detail. An example of a good answer here that gained 3 marks was *'RHL's rules and regulations. How each department functions. Meeting the member of staff's colleagues.'*

Answers to part (c)(i) were usually accurate, with candidates naming either penetration, promotional or competitive pricing. In part (ii), some candidates were only able to explain one reason, whilst many others failed to read the question properly by ignoring the reference to *'use this pricing strategy'*: as a result, answers focused (incorrectly) on using websites for bookings. Answers that mentioned to *'attract more customers'* or *'increase sales'* gained one mark only. A strong answer here was *'To attract new customers and therefore increase market share, and target other market segments. (2) To differentiate themselves from other hotels who also offer an Internet booking system (1).'*

Part (d) was well answered, particularly since it required the skill of evaluation. Candidates regularly received at least 4 of the 6 marks available, by identifying and extending points, particularly those concerned with advertising's persuasiveness and ability to inform, and with aspects associated with websites, such as the use of email in this context. For example: *'Website advertising goes all over the world, not just reaching people in the UK (2). It is easier to have a website for advertising as leaflets don't have to be sent out...less money is spent on producing them (2).... The internet is getting more and more popular, with more people on-line ...who can see the adverts 24 hours a day... (2).'*

Paper 2H

For comments on Higher Question 1, see comments on Foundation Question 3 above.

Question 2

Part (a), calculating the Current ratio, was extremely well done with almost all candidates receiving the full two marks. There was the occasional error of calculating working capital (ie 250 less 200), and also some candidates failed to reduce the ratio to a more appropriate lower figure.

Part (b) was not well answered. Part (i) of this question was similar to one in the Foundation Paper (also Question 2(b)), and similar weaknesses in answers were also noted here. Some answers were part-complete, with candidates identifying either job security or the issue of pay/remuneration and then not providing sufficiently detailed answers, either by describing only one of these issues, or by failing to expand their answer to both. There were similar weaknesses in some answers to part (ii). An example of a good answer to each part is as follows. (Part (i)) *'if the company went into debt he would want to know if they were going to make job cuts ...see if he could lose his job (2) ...if the company was making a lot of profit this year he may want to ask for a rise in his wages (2)...*' (Part (ii)) *'With final accounts, he can calculate what his dividends could be ...see how safe the business is for investment (2) ...speculate how safe his shares are, and whether to buy more or sell his shares (2).'*

Many candidates struggled with part (c), confusing TQM with quality control and/or quality assurance. Stronger answers recognised that TQM sets a culture of quality throughout the business, which will affect all staff. For example, *'Every department in the hotel (1) will concentrate on improving the quality of its own service (1).'*

Part (d) required candidates to analyse and evaluate the likely advantages and disadvantages of TQM in RHL. Many candidates obtained at least half marks for some well argued positive points, often referring to the likely increase in sales and profits - and retention of customers - if quality is improved for guests. A number of candidates also presented valid negative points, often concentrating on issues of cost and possible lowering of staff morale through increased workloads. Many candidates received 6 or 7 marks by making (for example) four points (earning 4 marks), two or three of which were then expanded for a second mark.

Question 3

This question was designed to be the most challenging faced by candidates taking this paper, and so it proved. Candidates were expected to use the skills of analysis and evaluation, particularly when answering part (b).

The first part was not well answered because most candidates treated it as a question expecting them to describe break-even in general terms only. However, part (a) required them to relate break-even analysis to the given decision to set up a membership scheme. As a result, many candidates' answers were limited to 2 marks for only demonstrating knowledge of what break-even involves. Stronger answers did not simply refer to the elements in break-even - fixed and variable costs, sales revenue, margin of safety - but included some application to the scheme and analysis of its possible relevance. For example, *'...a break-even analysis will show how many members are needed to not make a loss on this scheme ...they may still have to keep up costs of the hotel itself ...help them find out the costs that will arise and the margin of safety ...they can shift the lines on a graph around to see what will happen if...'*

Part (b) also produced some weak answers where candidates simply described the relevance of the Marketing and Human Resources functions to any business. It is important that centres work closely with their candidates to ensure that the skill of applying general business knowledge to a given situation - such as represented in this question - is developed. This question asked candidates to discuss the importance of the two functions **in relation to a specific decision to be taken by RHL's directors**. Candidates who did apply their knowledge, and who could analyse and make judgements, were able to gain most of the marks. Examples of good analysis and evaluation are as follows. (Marketing) *'This includes advertising, which is needed for the scheme so that people find out about it . . . Marketing would tell the directors what type of promotional methods they should be using for the scheme ...they need to research what type of market is already present and if there are any competitors, and if so are they providing an adequate service, are their prices too high and are their customers happy? ...If there were competitors already in the market then a penetration strategy may be suitable because it would lower prices...'*. (Human Resources) *'...training might be needed by the employees to be able to help with the membership scheme ...the wages or salary to be paid to them also has to be considered ...the directors would need to find out whether any specially qualified staff were needed and if they were, are there any candidates living nearby ...HR would also have to find out what health and safety requirements are needed...'*

Paper 3

General Comments

With the exception of one question, the general performance of candidates in this paper was encouraging. Candidates appeared to find the use of the question paper as the answer book acceptable although in some Centres candidates did make use of additional space in the paper to complete their responses. A few Centres had candidates who wrote so much that they made use of additional sheets of paper. Centres are encouraged to work with candidates to ensure that the length of the answers they give should usually fit within the lines provided. This space can be taken as a good indicator of the expected length of the response required.

This paper is taken by those candidates who have chosen not to submit coursework and therefore, unlike Papers 1F and 2H, covers the complete range of awards, ie A*-G. There are two questions with each being sub-divided in exactly the same fashion, as set out below.

- Questions 1(a) and 2(a) address Assessment Objective 1 that requires candidates to demonstrate their knowledge and understanding of the specified subject content.
- Questions 1(b) and 2(b) address Assessment Objective 2 that requires candidates to apply knowledge and understanding using appropriate terms, concepts, theories and methods effectively to address problems and issues.
- Questions 1(c) and 2(c) address Assessment Objective 3 that requires candidates to select, organise, analyse and interpret information from various sources to analyse problems and issues.
- Questions 1(d) and 2(d) address Assessment Objective 4 that requires candidates to evaluate evidence, make reasoned judgements and present conclusions accurately and appropriately.

Each question is worth five marks and hence matches the balance of Assessment Objectives as applied to coursework. The Principal Examiner's Report for Papers 1F and 2H gives further details on these Assessment Objectives and these also apply to Paper 03 as does his commentary on how the mark scheme format works - specifically the second and third bullet points.

Centres are encouraged to work with their candidates to ensure that they have a clear understanding, not only of the structure of this paper but also of the Assessment Objectives as this should enable candidates to achieve their full potential.

It was disappointing to see too many candidates simply re-arranging the words of the stem and the question as their response. Centres should inform their candidates that examiners are trained to look for this strategy and it will never be credited. Other candidates used the question as an introduction to their response. This does not present a problem but in some cases it was probably an avoidable misuse of the available time.

Question 1(a)(i)

Approximately 90% of candidates scored at least one mark on this question with nearly half of candidates scoring full marks. Most candidates did give an example of a product although some gave a generic response such as clothes for batch. Batch and flow were the most frequently answered correctly with some candidates having more of a problem with job. The candidates who answered, '*A tailor made suit.*' clearly understood what job production was. Although an example was requested in the question, correct generic answers were awarded the mark.

Question 1(a)(ii)

Many candidates answered this question using variations of more workers and more money. Such responses were not given marks. The best candidates provided the responses to be found in the mark scheme although lean production and Just In Time (JIT) made rare appearances. Centres may wish to note at this point that the command word 'List' means exactly that and there is no need for explanation as the Assessment Objective being tested here is knowledge and understanding. Some candidates went into excessive and unnecessary detail: usually such candidates gained the marks in the first phrase of their sentence(s).

Question 1(b)

This question was poorly answered with no candidate gaining full marks. Nearly half of all candidates gained no marks at all. The question did not require candidates to demonstrate their knowledge of an overdraft but to apply that knowledge to a business situation that was given in the stem. Too many candidates went into great detail of what an overdraft was but never applied that knowledge to the problem they had been presented with. Other candidates who appeared to have little or no knowledge of an overdraft crafted answers using the stem and the question. One such response was, '*An overdraft would be an appropriate way to raise short term finance for John Jones Ltd because it is like a bank loan.*' This response gained no marks.

A good response was, '*...will allow John Jones Ltd to receive the money quickly (1)... and there is no need to negotiate a loan (1) with all the paperwork so time is saved (1)... The overdraft can be paid back quickly, means less interest.*' (1)

Many candidates did not appreciate that the overdraft was only required for four months and thus did not work within the given problem. This was probably the main reason for the failure of any candidate to gain full marks in this question.

Question 1(c)

Most candidates scored two or more marks for this question. Candidates were given details of profits for three UK supermarket chains and asked to compare the success of each. Most candidates did not really do this, instead they concentrated on repeating the figures they had been given and making simple judgements along the lines of, '*Tesco is the most successful company.*' Such a statement does not meet the analysis requirement of this Assessment Objective. A better candidate would add '*because*' after this statement and give a reason or reasons. One candidate wrote, '*Tesco profits are the highest of all three...*'. This is a simple statement and shows no evidence of analysis. Some candidates did not make accurate use of the figures they had been given and appeared confused as to the differences between the three types of profit.

Some candidates made calculations using the figures given and this was welcomed but then they did not make effective use of such calculations. One candidate worked out the retained profit as a percentage of the net profit, correctly, and then did nothing with it. This candidate could have made a point about the percentage of retained profit for Safeway in comparison to the same percentage for Tesco.

Candidates will always know that this question and 2(c) will require them to analyse a problem or an issue. They will benefit from working at becoming proficient in this Assessment Objective by working through past papers as they become available and making reference to published mark schemes.

Question 1(d)

Only a few candidates failed to gain any marks on this question and many candidates showed that they were capable of making appropriate and valid judgements. Some candidates spent too much time on unlimited liability - not really a factor in this question and not appearing in the mark scheme as it applies to sole trader, successful or otherwise.

Most candidates were capable of suggesting causes for going out of business, the most popular being the pressures of working alone, lack of capital, the effects of competition, pricing policies and issues relating to customer demand, positively and negatively.

A poor answer was, *'Maybe something goes wrong, like insanity, or in the business like a disaster.'* The best answers took two of the causes and then developed them in an appropriate manner. The candidate who listed a series of reasons with no development would not gain full marks.

Question 2(a)

This was the best performing question on the paper with approximately 75% of candidates scoring full marks. The next most popular mark was three and this was usually because candidates reversed the agent and wholesaler. A few candidates did not score at all on this question. All bar one candidate began the table with the producer at the top.

Question 2(b)

Although this question had the same Assessment Objective as Question 1(b), candidates performed better than in Question 1(b). They appeared to find the context of the Ford Motor Company easier to use and apply than that of John Jones Ltd. As in Question 1(b), some candidates did little more than demonstrate generic knowledge relating to communication or rendered their response using words and phrases from the stem and question - a method that examiners are well aware of.

A good answer was, *'...decision making being delayed (1) and people not knowing what to do could lead to the production line being stopped (1)... If car manuals were mistranslated car owners could do wrong things in their cars (1) and this could be dangerous leading to Ford getting a poor reputation (1).'*

One poor answer, after six lines of writing that was not worthy of a mark concluded with, *'...the letter might be misunderstood by the receiver in a different way and this could cause a problem.'* This was deemed to be just worthy of one mark. If only the candidate had gone on to suggest what the problem could have been and even a resolution to that problem then more marks would have been given.

Question 2(c)

A common error in this question was to state that government had an active role in a business moving from partnership to plc. Leaving this aside, candidates generally answered well with the majority gaining three or more marks. Points of analysis that were most popular were: more capital, continuity, legal identity, selling of shares, limited liability and expansion. The best answers took two of these points and then expanded them, as in this response, *'...the business can raise more capital (1) by selling shares to the public (1) who are more likely to buy them as a plc has limited liability (1) which means that there is less risk for these investors. (1)*

Poor answers listed reasons and did not develop them; an example of this was set out on the paper thus:

- limited liability
- more money
- shares

One candidate used most of his time (as did many others) explaining what a partnership was and after seven lines of writing ended the response in this way, *'You don't even have to work, you can just buy a share and you get money from the share produces.'* This recorded no marks. The question required candidates to analyse from the perspective of the business and not the shareholders.

Question 2(d)

A number of candidates confused environment with the functions of location and responded to the latter and not the former. Other candidates did not mention business decision making. A few candidates made appropriate references to local businesses and usually gained good marks.

One candidate wrote of earthquakes in Iran and Turkey then said, *'The business can be going very well and this earthquake will destroy everything.'* The point of the question had been missed.

Good answers discussed and showed the effect such as the candidate who wrote, *'Businesses will have to follow government legislation (1) and not being allowed to pollute rivers with waste will make them look for different disposal methods. (1) This method could be more expensive (1) and could increase the price of the product, reducing output, revenue and perhaps, finally, profit (1).*

Paper 4

Coursework Option

Only one Centre entered candidates for this option in the May 2005 series. They have received a report that is specific to them.

The intention of this report is to give further guidance on the application of the coursework criteria to assist other Centres in their decision on entering candidates for coursework or for the 03 paper. The format will be to take each Assessment Objective and to explain the criteria giving examples of likely outcomes where this is practicable.

The criteria are not hierarchical and can be awarded as and when they are found within the coursework.

Candidates can raise their achievement by always:

- presenting their action or business plans in the future tense (2.3, 2.6, 2.9);
- identifying actual sources **used** by name (1.2, 3.4, 3.7);
- presenting reports in a recognised report format (3.9);
- doing more than **just** describe (1.6, 1.7, 1.9, 2.8, 3.5, 3.8, 4.7, 4.8)
- presenting original work and not work copied from textbooks, photocopies or downloads from CD-ROMs or the Internet;
- being concise and keeping volume of erroneous material to the minimum (eg only material which is capable of being given criteria).

BUSINESS STUDIES 4330, GRADE BOUNDARIES

Grade	A*	A	B	C	D	E	F	G
Option 1				43	37	32	27	22
Option 2				45	39	33	28	23
Option 3	75	62	49	37	25	19		
Option 4	80	66	52	39	26	19		

Option 1: candidates taking Paper 1F and paper 3

Option 2: candidates taking Paper 1F and submitting coursework

Option 3: candidates taking Paper 2H and paper 3

Option 4: candidates taking Paper 2H and submitting coursework

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.

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