

## 4330 BUSINESS STUDIES, NOVEMBER 2005 MARK SCHEME

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### Paper 1F

#### Question 1

- (a) For each of the questions (i) - (v) . . .  
(AO1 - Demonstrate = 5)
- (i) C
  - (ii) A
  - (iii) C
  - (iv) D
  - (v) C
- 5**
- (b) List TWO types of 'below the line' promotional techniques.  
(AO1 - Demonstrate = 4)
- eg price reductions  
gifts  
point of sale  
after-sales  
free samples  
competitions
- 2**
- (c) (i) What is the difference between 'market' and 'market share'?  
(AO1 - Demonstrate = 2)
- eg 'market' refers to buyers and sellers  
'market share' refers to the size of a business's involvement  
in its market
- 2**
- (ii) What is the difference between EPOS and EFTPOS?  
(AO1 - Demonstrate = 2)
- eg EPOS refers to electronic point of sale/electronic reading at  
checkout  
EFTPOS refers to electronic funds transfer at point of  
sale/card is swiped
- 2**
- (d) (i) What is meant by 'factors of production'?  
(AO1 - Demonstrate = 2)
- eg resource(s) used by a business - to help achieve objectives/to  
make products
- 2**

(ii) Give ONE example . . . . . that *GL plc* is likely to have.  
(AO2 - Apply = 2)

eg (labour) employee  
accounts clerk  
purchase order clerk  
assembly worker

eg (capital) shares  
machinery  
delivery vehicles  
cash in the bank

2

(e) (i) Describe TWO activities that this Department will carry out.  
(AO2 - Apply = 4)

eg organise resources - used to make the company's products  
carry out research and development - into new products/to  
improve existing products  
implement quality checks - to ensure production is at an  
acceptable standard

4

(ii) Name ONE other department that *GL plc* will have.  
(AO2 - Apply = 1)

eg Marketing  
Sales  
Accounts/Finance  
HRM

1

Total 20 marks

## Question 2

(a) Classify each of the following types of market research as either  
primary or secondary.  
(AO1 - Demonstrate = 5)

	Primary	Secondary	
Carrying out a telephone survey	✓		
Using government statistics on the Internet		✓	
Interviewing people face-to-face	✓		
Using information published in a trade journal		✓	
Observing shoppers in a computer shop	✓		5

(b) (i) In which month did *GL plc* sell the most screens?  
(AO2 - Apply = 1)

October

1

(ii) Calculate the total number of screens sold in this month.  
(AO2 - Apply = 1)

700 OFR

1

(iii) **What are the best-selling screens in this four-month period?**  
(AO2 - Apply = 1)

35 cm ✓ 1

(c) . . . . . **compare the sales performance of each type of computer screen.**  
(AO3 - Analyse = 2; AO4 - Evaluate = 4)

eg Analysis  
35 cm, sales steady at 250 per month  
38 cm, fallen from 200 in July to 150 in October/stable the last 2 months at 150  
43 cm, up from 150 in July to 300 in October - increase of 50 per month 2

eg Evaluation  
43 cm was worst seller and now best seller - 35cm was best seller, now only second best - 38 cm second best, now worst seller - there is an overall increase - it is growing from 600 in July to 650 in both August and September, and 700 in October 4

(d) **Using the context on page 2, explain TWO benefits to GL plc of having a website.**  
(AO2 - Apply =6)

eg no 'middle man' - this saves costs - means higher profit margins/sales for GL plc/it reduces the number of staff needed to handle customer queries  
24 hour access - customers can access when GL plc is closed - this improves its sales  
two-way/interactive - customers ask questions - GL plc can give more details  
promotes its products - customers can see at any time - leads to higher sales/ profit 6

Total 20 marks

### Question 3

(a) (i) **State the difference between fixed costs and variable costs.**  
(AO1 - Demonstrate = 2)

eg fixed costs do not change as output/production changes  
variable costs change in proportion to output/production changes 2

(ii) **Give ONE likely fixed cost and ONE likely variable cost for GL plc.**  
(AO2 - Apply = 2)

eg fixed cost for GL plc = rent  
business rates  
office staff salaries  
variable cost for GL plc = production materials  
piecework wages 2

- (b) (i) **What is the break-even output and the break-even revenue for the new screen?**  
(AO2 - Apply = 2)
- 2 500 output  
£500 000 revenue 2
- Using the graph, identify the profit or loss if *GL plc* made and sold**
- 2 000 computer screens
  - 4 000 computer screens
- in the period. Identify whether it is a profit or a loss.**  
(AO3 - Analyse = 4)
- (2 000 output) a loss - of £40 000  
(4 000 output) a profit - of £120 000 4
- (c) **What is ONE advantage to *GL plc* of budgeting in this situation?**  
(AO3 - Analyse = 3)
- eg planning - *GL plc* now has a financial plan for all products - including the expected financial effects of the new screen  
control - *GL plc* can compare expected sales with actual - and analyse any differences 3
- (d) (i) **Name the month where a negative closing balance is shown.**  
(AO3 - Analyse = 1)
- February 1
- (ii) **Explain why an overdraft is appropriate in this situation.**  
(AO4 - Evaluate = 6)
- eg it is designed for short term borrowing - *GL plc* only expects to be overdrawn for about one month - but the time limit could be extended if necessary  
it is flexible - *GL plc* does not know exactly how much needs to be borrowed - because this is only a forecast/this may be inaccurate  
it is a cheap method of borrowing - because *GL plc* is charged only on the amount overdrawn - compared with, for example, a loan 6

**Total 20 marks**

## Paper 2H

### Question 1

- (a) (i) **State the difference between fixed costs and variable costs.**  
(AO1 - Demonstrate = 2)
- eg fixed costs do not change as output/production changes  
variable costs change in proportion to output/production changes 2
- (ii) **Give ONE likely fixed cost and ONE likely variable cost for GL plc.**  
(AO2 - Apply = 2)
- eg fixed cost for GL plc = rent  
business rates  
office staff salaries
- variable cost for GL plc = production materials  
piecework wages 2
- (b) (i) **What is the break-even output and the break-even revenue for the new screen?**  
(AO2 - Apply = 2)
- 2 500 output  
£500 000 revenue 2
- Using the graph, identify the profit or loss if GL plc made and sold**
- 2 000 computer screens
  - 4 000 computer screens
- in the period. Identify whether it is a profit or a loss.**  
(AO3 - Analyse = 4)
- (2 000 output) a loss - of £40 000  
(4 000 output) a profit - of £120 000 4
- (c) **What is ONE advantage to GL plc of budgeting in this situation?**  
(AO3 - Analyse = 3)
- eg planning - GL plc now has a financial plan for all products - including the expected financial effects of the new screen control - GL plc can compare expected sales with actual - and analyse any differences 3

- (d) (i) **Name the month where a negative closing balance is shown.**  
(AO3 - Analyse = 1)
- February 1
- (ii) **Explain why an overdraft is appropriate in this situation.**  
(AO4 - Evaluate = 6)
- eg it is designed for short term borrowing - *GL plc* only expects to be overdrawn for about one month - but the time limit could be extended if necessary  
it is flexible - *GL plc* does not know exactly how much needs to be borrowed - because this is only a forecast/this may be inaccurate  
it is a cheap method of borrowing - because *GL plc* is charged only on the amount overdrawn - compared with, for example, a loan 6
- Total 20 marks**

## Question 2

- (a) (i) **Outline what is meant by the term 'secondary sector'.**  
(AO1- Demonstrate = 2)
- eg businesses that manufacture - products/from raw materials  
businesses that process - products/from raw materials  
businesses that construct - products/from raw materials 2
- (ii) **Identify TWO services in the tertiary sector that would support *GL plc*.**  
(AO3 - Analyse = 2)
- eg banking  
transport  
insurance  
advertising  
retail  
professional service 2
- (iii) **Explain how EACH of the services you have identified would support *GL plc*.**  
(AO2 - Apply = 2; AO3 - Analyse = 4)
- eg (banking) (AO2) cheque/account facilities - (AO3) enables *GL plc* to trade - and keep money safe  
(banking) (AO2) loans/overdraft - (AO3) enables *GL plc* to borrow money - to expand/to meet debts  
(transport) (AO2) distribute products/bring raw materials - (AO3) means that *GL plc* can manufacture - and therefore meet customer demands  
(insurance) (AO2) financial loss/personal, staff, customer protection - (AO3) *GL plc* can meet its legal requirements - and is protected against major loss  
(advertising) (AO2) promote products - (AO3) helps *GL plc* to sell - and keep customers loyal

- (retail) (AO2) outlets for sales - (AO3) gives *GL plc* feedback on its products - and provides profit/cash inflow  
 (professional) (AO2) education/training support - (AO3) improves efficiency of *GL plc* staff - and therefore increases productivity/improves motivation 6
- (b) (i) **What is meant by 'internal economies of scale'?**  
 (AO1 - Demonstrate = 2)
- eg unit costs fall - as output increases 2
- (ii) **Give ONE example of an internal economy of scale that *GL plc* is likely to have.**  
 (AO1 - Demonstrate = 2; AO2 - Apply = 1)
- eg (AO1) technical - invest in new technology - (AO2) cost savings for *GL plc* such as less labour/greater manufacturing efficiency  
 (AO1) managerial - employ specialist managers - (AO2) improves the quality of decision making at *GL plc*  
 (AO1) trading - place larger orders - (AO2) *GL plc* gains bulk buying discounts  
 (AO1) financial - easier to obtain finance - (AO2) *GL plc* gains finance at cheaper rates  
 (AO1) marketing - spread costs of advertising/promotion over greater output - (AO2) *GL plc* can access more promotional media 3
- (c) **Discuss ONE drawback for *GL plc* if it continues to grow as a company.**  
 (AO1 - Demonstrate = 1; AO2 - Apply = 1; AO3 - Analyse = 3)
- eg (AO1) diseconomies of scale - (AO2) factors that push *GL plc's* unit costs up again 2
- eg (AO3) poor motivation in *GL plc* due to less personal contact - poor communication in *GL plc* due to increasingly tall hierarchy/structure - poor managerial coordination in *GL plc* through being unwilling to delegate 3

Total 20 marks

### Question 3

- (a) **Discuss a suitable marketing strategy for the new flat screen.**  
 (AO1 - Demonstrate = 1; AO2 - Apply = 1; AO3 - Analyse = 3; AO4 - Evaluate = 3)
- eg (AO1) price, place, product, promotion - (AO2) applied to *GL plc*
- 1 mark for demonstrating basic knowledge of marketing function  
 1 mark for applying this function to *GL plc* and/or the new screen  
 (either or both of these marks can be implied) 2
- eg (price) (AO3) low-price strategy - (AO4) this is due to *GL plc's* competition/chain store purchasing power  
 (place) (AO3) distribution to chain store depots - (AO4) the

frequency will probably be dictated by chain/shops that deal with *GL plc*  
(promotion) (AO3) must promote to retailers not to public - (AO4) this determines choice of medium/*GL plc* can still advertise to final consumer  
(product) (AO3) shops may influence the product's features - (AO4) such as design or packaging used by *GL plc*

6

(b) Outline and evaluate suitable methods to

- train
- motivate

the sales force to carry out their new duties.

(AO1 - Demonstrate = 1; AO2 - Apply = 2; AO3 - Analyse = 3; AO4 - Evaluate = 6)

eg (AO1) Human Resources/Personnel function involves staff - (AO2) including training *GL plc* staff, and motivating *GL plc* staff

1 mark for demonstrating knowledge of HR (personnel) function  
1 mark for applying HR function of training to *GL plc* and/or the staff

1 mark for applying HR function of motivating to *GL plc* and/or the staff

(all these marks may be implied)

3

Training issues

eg (AO3) *GL plc* must decide whether to use on-the-job or off-the-job training - and whether induction training is needed for any new staff - (AO4) Cost? Availability?

(AO3) Existing staff may resent additional training - (AO4) does *GL plc* have trainers on its staff? Will it need to employ trainers?

(AO3) New staff may need to be employed - (AO4) but how will *GL plc* recruit these new staff? Does it have a suitable induction scheme?

Motivational issues

eg (AO3) staff may expect additional pay/a new pay scheme/incentive based pay - (AO4) this will be an extra cost for *GL plc*. Can the cost be met? Is it budgeted for?

(AO3) staff may be rewarded by incentives - (AO4) are there any schemes already in existence?

(AO3) *GL plc* must consider non-financial ways to motivate the staff - (AO4) are staff already happy at work? What will be the likely effect on job satisfaction?

3 x 1 mark for an analytical point

6 x 1 mark for a balanced evaluative point

9

Total 20 marks