



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

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# Mark scheme January 2004

## GCE

### Business Studies

### Unit BU5W

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## **GENERAL MARKING GUIDANCE**

*You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 18 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates at the end of a full A Level course.*

### **Positive Marking**

*You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.*

### **Mark Range**

*You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.*

### **The use of Levels of Response**

*Levels of response marking has holistic aspects, yet must conform to the rule of positive marking. A candidate who has built a strong argument must have that achievement recognised fully, even if a subsequent paragraph of ambiguity reduces the power of the whole. For this to occur consistently requires careful annotation of the level of response achieved within each skill category, at each significant stage within an answer.*

*Fundamental to a Levels of Response approach is that there maybe more than one right answer to a written question. Examiners must use their professional judgement to credit any reasonable answer, whether or not it is listed on the mark scheme.*

*Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept that would receive credit for knowledge in one context could become a means of analysis in another. It is also possible that a candidate's line of argument could validate knowledge that would not have been recognised if the candidate had simply tabled it. For example, acid test is not listed within the specification as a test of financial efficiency, yet a candidate could build an argument that made it relevant. Then knowledge could be rewarded as well as analysis.*

*Despite the value of skills such as analysis and evaluation, all answers must be based upon relevant knowledge and understanding. Therefore, it is not possible to credit application, analysis or evaluation unless recognisable knowledge has been rewarded.*

The skills we seek from candidates are as follows:

1. Knowledge and understanding: accurate definitions or explanations of relevant terms should always be credited within this category; candidates can also gain credit for knowing and explaining a point relevant to the question, eg an advantage of factoring.
2. Application is the skill of bringing knowledge to bear to the business context faced by the candidate. Candidates should not be rewarded for simply dropping the company name or product category into their answer; the response must show recognition of some specific business aspect of the firm, its management or its situation.
3. Analysis: building up an argument using relevant business theory in a way that answers the question specifically and shows understanding of cause and effect.
4. Evaluation is judgement. This can be shown within an answer, through the weighting of an argument or in the perceptiveness shown by the candidate (perhaps about the degree of crisis/strength of the XYZ Company). It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Evaluation is **not** shown simply by the use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment". It is shown through the weighting of the candidate's response plus the logic and justification of his/her conclusions.

### Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

- LEVEL 4 Complex ideas are expressed clearly and fluently. Sentences and paragraphs follow on from one another smoothly and logically. Arguments are consistently relevant and well structured. There are few, if any, errors of grammar, punctuation and spelling. **4 marks**
- LEVEL 3 Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling. **3 marks**
- LEVEL 2 Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas **2 marks**
- LEVEL 1 Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas. **1 mark**
- LEVEL 0 Ideas are expressed poorly and sentences and paragraphs are not connected. There are errors of grammar, punctuation and spelling, showing a weakness in these areas. **0 marks**

**Total 4 marks**

**1****Total for this question: 40 marks**

You have been asked as an independent consultant to write a report for the Board of Directors analysing the case for and against the plan and recommending whether or not to go ahead with the new range of shoes.

*(2 marks are included for appropriate report format.)*

*(40 marks)*

**Knowledge and Understanding (Assessment Objective 1)**

**Max 8 marks**

LEVEL 3 Includes a **range** of relevant material, fully explained and presented appropriately **8 - 6 marks**

LEVEL 2 Includes explanation of relevant material, which is presented appropriately **5 - 3 marks**

LEVEL 1 Includes some relevant material, which is presented appropriately (up to 2 marks for report format) **2 - 1 marks**

LEVEL 0 Includes no relevant material **0 marks**

**Application of Knowledge (Assessment Objective 2)**

**Max 8 marks**

LEVEL 3 Relevant data applied in detail to context showing critical perspective **8 - 6 marks**

LEVEL 2 Relevant data applied in detail to context **5 - 3 marks**

LEVEL 1 Relevant data applied to context **2 - 1 marks**

LEVEL 0 No application of data to the question **0 marks**

**Analysis of Evidence (Assessment Objective 3)**

**Max 8 marks**

LEVEL 3 Substantial analysis of the data demonstrating insight and depth and identifying key issues **8 - 6 marks**

LEVEL 2 Analysis of the data demonstrating insight and depth **5 - 3 marks**

LEVEL 1 Limited analysis of the data presented, showing some understanding but neither insight nor depth **2 - 1 marks**

LEVEL 0 No analysis provided **0 marks**

**Synthesis (Assessment Objective 4)****Max 5 marks**

LEVEL 3	The report's structure is well thought through, making it easy to follow the logic, the communication and the recommendations which draw together the most appropriate evidence and arguments	<b>5 marks</b>
LEVEL 2	The report's structure is well thought through, making it easy to follow the logic, the communication and the recommendations	<b>4 - 3 marks</b>
LEVEL 1	The report has a structure and is built into a connected whole	<b>2 - 1 marks</b>
LEVEL 0	The report is unstructured and lacks coherence	<b>0 marks</b>

**Evaluation (Assessment Objective 5)****Max 11 marks**

LEVEL 4	Appropriate conclusions justified by the evidence, showing an awareness of the most relevant underlying themes or issues and their potential implications for the business concerned	<b>11 - 10 marks</b>
LEVEL 3	Appropriate conclusions justified by the evidence showing an awareness of the most relevant underlying themes or issues	<b>9 - 7 marks</b>
LEVEL 2	Appropriate conclusions which are partially supported by the evidence present	<b>6 - 4 marks</b>
LEVEL 1	An attempt at drawing conclusions, but based on hearsay or assertion rather than argument based on the evidence	<b>3 - 1 marks</b>
LEVEL 0	No attempt to draw conclusions	<b>0 marks</b>

**Answers might include:****Case for the plan:**

- The company already has a relatively high proportion of sales in the older segment of the market. This may suggest the company knows the segment well, which may help with design, production and the launch. Also, this market segment is set to grow relatively fast, as well as being a fairly big segment of the UK market. This suggests the potential may be there to exploit it further
- The company has achieved increased sales volume in a fairly static market. This may suggest managers may know how to survive when the pressure is on – does this suggest we can trust them for future decisions?
- The company is not strong in the casual footwear sector and this offers some growth in the future – the company does need to diversify out of formal shoes, because this segment is shrinking and yet most of the company's sales are here
- The income elasticity for the new range is positive and greater than one. Given the predicted growth in real GDP this may suggest growing sales in the future (but how reliable is the company's estimate?)
- Expected average rate of return for first three years is better than cost of borrowing, although not incredibly high
- Expected sales above breakeven, so profitable
- Raising the finance should be relatively easy given the sums involved and low gearing level

**Case against:**

- Sales volume has increased for the firm even though the market as a whole is relatively static. However, sales value is decreasing, so this suggests the firm is discounting – may be difficult to position the new range at the top end of the market under the existing brand name (on the other hand, the new range may be the beginnings of an attempt to break out of “discount” market)
- The increase in the value of the pound might suggest the company will be less competitive abroad in the future and so hit export sales; will future returns be much lower than forecast in the long run? Also, strong currency may lead to more imports (as suggested by imports increasing share of the market). Higher real wages may increase costs and make UK products less competitive (but this is for the industry – what about this specific firm?)
- Past lack of growth in the market as a whole is a concern – what is the potential?
- Business is making a loss; obviously need to consider the future not the past, but may not be particularly encouraging
- Imports are growing and UK manufacturing share declining, suggesting the trend is against Franks succeeding
- Not much room for further growth given the capacity relative to expected sales
- Unemployment relatively low compared to UK and seven-month training period (on the other hand, only need 10 people and the labour turnover is so low that suggests people may want to work there)

**Recommendations:**

- The company probably needs to do *something* given its recent loss and its present sales mix; its target segments appear relative to growth segment
- Not a huge risk to take in terms of the relative scale of the project and, if it can establish itself here, may lead to more opportunities
- Depends on the risk managers are willing to take and rates available elsewhere (ie opportunity costs)
- Need to consider the reliability of data – this is a new range, so estimates may be unreliable, although it is a well established firm, so may have the experience
- May want to consider the use of existing brand name which might work against it because of higher price approach (whereas it seems to have been discounting), although may build on key values
- Overall the project looks feasible and will probably generate a return, but is it enough for the business? Should it be looking for a more fundamental change given apparent conditions and trends in the industry?

2

**Total for this question: 40 marks**

The Fantom brothers have built up a successful bakery in their home town over the past fifteen years. They have recently been approached by one of their customers, a major supermarket chain, that wants to buy their company. Discuss the factors that might determine whether or not they sell the business.

*(40 marks)***Possible answers might include:**

- The price relative to their valuation of the business
- The views of each other and their shares in the company, also views and voting power of any other shareholders
- Long term objectives and future ambitions for the business
- Concern about what would happen to employees and the local community; possible reaction of local community
- Likelihood of more (better) offers coming later
- Likely returns if they stay independent
- Likely reaction of supermarket if they say “no”, eg would they increase the bid or would they lose the contract with the supermarket? (If so, how important is it to the business?)
- Likely plans of the supermarket in terms of expansion, redundancies, etc

**Depends on:**

- Personal and financial issues
- Combination of factors
- Relative importance of factors eg. To what extent is price offered higher than asset value
- Terms and conditions
- Precise details, of ownership and the extent to which they agree



3

**Total for this question: 40 marks**

Marple plc produces luxury chocolates and sells these through retailers and its own outlets. After three years of poor profits and a falling share price, the company's Board of Directors has appointed a new Chief Executive to turn the business around. To what extent can a new Chief Executive influence the success of a business such as Marple plc?

*(40 marks)***Possible answers may include:****A new Chief Executive**

- can influence the culture of the organisation by influencing reward patterns, etc
- can have the vision of where to take the business, eg set out the mission and strategy
- can motivate other managers to motivate and run their departments effectively
- can hold individuals accountable so they know they have to perform
- bring experience and insight from other industries

**But**

- much is outside his/her control, eg the external environment; the share price, for example, can be influenced by a range of factors including rates of return elsewhere; in this case issues may involve health/weight issues over chocolate; willingness/ability to spend on luxury products; competition from other manufacturers
- in this case the role of the retailers may be a very important factor, eg willingness to display, price paid

**Depends on:**

- the Chief Executive – some good, some bad
- the power of the Chief Executive – sometimes may be limited by the Board or existing managers
- the control over the distribution, eg may have more ability to control own shops than other retailers. On the other hand, market coverage is limited through own shops
- why profits are falling

**4****Total for this question: 40 marks**

The buyer for a major UK fashion company has been offered a range of fabrics by a Far Eastern manufacturer at a price that is less than that currently charged by existing suppliers. The new supplier is known to pay low wages and to employ people from the age of 14 upwards. Should the fashion buyer switch suppliers or not? Justify your answer. *(40 marks)*

**Possible answers may include:**

- Lower costs may lead to higher profit margins or lower prices (and possibly more sales)
- Have to consider issues such as reliability of delivery, terms and conditions, quality of materials; ability to deliver enough (ie capacity); length of time for which it can deliver; long term price
- Ethical issues – should the firm be concerned by low wages and young workers?

**Depends on:**

- How much cheaper new supplier is
- On range new supplier can offer
- Loyalty to existing suppliers, eg should it give warning or opportunity to match the price
- Whether supplier is acting legally in own country
- Whether customers would care about the low wages and age of some employees, if they found out
- How the buyer is assessed – to what extent is it about getting the best price?

5

**Total for this question: 40 marks**

The directors of Pito plc, a growing chain of pizza restaurants, are coming under increasing pressure from their major shareholders to improve the firm's short-term profits. Discuss the possible consequences of this for the business. *(40 marks)*

**Suggested answers may include:**

- May cut down on costs, eg decorating, ingredients
- May try to boost revenue, eg special offers, promotions
- May cut back on training and any expansion plans to boost short term regards
- May be tempted to adopt "aggressive accounting"
- May halt further expansion plans – consolidate an existing restaurants
- May get rid of poor performing restaurants
- May replace management team, if they fail to perform
- May lead to actions which damage the long term success of the business
- If they cannot do this, this may affect the share price – takeover?

**May depend on:**

- How serious the pressure is; what do other shareholders want? How powerful are the major ones?
- Reaction of directors – do they agree? If not, will they stand up to the shareholders?
- Exactly when profits are demanded

### Essay Marking Grid

Use this marking grid, and the guidance underneath it, when assessing each essay.

	<b>CONTENT 8 marks</b>	<b>APPLICATION 8 marks</b>	<b>ANALYSIS 8 marks</b>	<b>EVALUATION 16 marks</b>
<b>LEVEL 3</b>	<b>8 - 6 marks</b> Full explanation of relevant factors	<b>8 - 6 marks</b> Full application to context	<b>8 - 6 marks</b> Full analysis using theory appropriately and accurately	<b>16 - 11 marks</b> Mature judgement shown in arguments and conclusions
<b>LEVEL 2</b>	<b>5 - 3 marks</b> Relevant factors explained	<b>5 - 3 marks</b> Application to context	<b>5 - 3 marks</b> Analysis with some use of relevant theory	<b>10 - 5 marks</b> Judgement shown in arguments and/or conclusions
<b>LEVEL 1</b>	<b>2 - 1 marks</b> Relevant factors identified	<b>2 - 1 marks</b> Limited application to context	<b>2 - 1 marks</b> Limited analysis of the question	<b>4 - 1 marks</b> Limited judgement shown in text or conclusions
<b>LEVEL 0</b>	<b>0 marks</b> No knowledge shown	<b>0 marks</b> No application or explanation	<b>0 marks</b> No analysis present	<b>0 marks</b> No judgement present

The following points give a detailed list of some of the qualities which could be rewarded:

#### **Analysis (breaking down)**

- Identification of cause, effect and inter-relationships
- The appropriate use of theory or business cases/practice to investigate the question set
- Breaking the material down to show underlying causes or problems
- Use of appropriate techniques to analyse data.

#### **Evaluation**

##### **(bringing together)**

- Building the points/themes within the answer into a connected whole
- Logical sequencing of argument
- Clarity through summarising an argument

##### **(judgement)**

- Judgement shown in weighing up the relative importance of different points or sides of an argument, in order to reach a conclusion
- Informed comment on the reliability of evidence
- Distinguishing between fact and opinion
- Judgement of the wider issues and implications
- Conclusions drawn from the evidence presented
- Well-judged use of English
- Selectivity - ensuring material is all relevant to the question