



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

# Mark scheme

# June 2003

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## 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, e.g. 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.	<b>4 marks</b>
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.	<b>3 marks</b>
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.	<b>2 marks</b>
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.	<b>1 mark</b>
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.	<b>0 marks</b>

**Total 4 marks**

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

You are an analyst for BusinessEye. Using the information below, write a report to your manager outlining the case for and against Valiant’s claim to be a “stakeholder-friendly” organisation and recommending a score for the company, between 0 and 10, to include in BusinessEye’s league table. Justify your score.

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

*(40 marks)*

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

**Max 8 marks**

LEVEL 3	Includes a range of relevant material, fully explained and presented appropriately	<b>8 - 6 marks</b>
LEVEL 2	Includes explanation of relevant material, which is presented appropriately	<b>5 - 3 marks</b>
LEVEL 1	Includes some relevant material which is presented appropriately (up to 2 marks for report format)	<b>2 - 1 marks</b>
LEVEL 0	Includes no relevant material	<b>0 marks</b>

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

**Max 8 marks**

LEVEL 3	Relevant data applied in detail to context showing critical perspective	<b>8 - 6 marks</b>
LEVEL 2	Relevant data applied in detail to context	<b>5 - 3 marks</b>
LEVEL 1	Relevant data applied to context	<b>2 - 1 marks</b>
LEVEL 0	No application of data to the question	<b>0 marks</b>

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

**Max 8 marks**

LEVEL 3	Substantial analysis of the data demonstrating insight and depth and identifying key issues	<b>8 - 6 marks</b>
LEVEL 2	Analysis of the data demonstrating insight and depth	<b>5 - 3 marks</b>
LEVEL 1	Limited analysis of the data presented, showing some understanding but neither insight nor depth	<b>2 - 1 marks</b>
LEVEL 0	No analysis provided	<b>0 marks</b>

**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>

**Possible answers for:**

- Profits from new customers are increasing at a rapid rate which may mean they are offering a better service.
- Donating more to charities suggesting a social concern (although overall not a significant percentage of profits and less than donations to political parties which may suggest something about priorities).
- Better payment terms for suppliers which may be better for the suppliers' cashflow/liquidity.
- An increase in share price for investors - increasing rewards to owners (although might want to compare with share prices of other firms); dividend yield is lower but given the increase in share price the actual dividends are higher.
- Until recently the firm has been investing more in health and safety and this generally seems to have reduced the number of non-fatal accidents.
- Record on environmental issues e.g. pollution emissions, waste produced and oil spills seems to be getting better (although the hazardous waste has increased); may be linked to significantly greater investment in pollution controls.
- Pay more than average wages in all regions given.

**Against:**

- Representation of women in management has improved very slightly but is extremely low suggesting possibility of discrimination.
- Percentage of plants with works councils has reduced which may mean there is less protection of employee rights. This may have had an impact on redundancies and the fall in health and safety investment.
- Even though fewer fines have been paid the amount paid out in fines has increased – possibly suggesting the incidents are worse; the absolute figures would be useful here to get some idea of scale.
- Hazardous waste has been increasing when the level for the industry is falling.
- Company does pay more than average wage in regions where it operates but no information on what these wages actually are (likely to be low).
- The percentage changes may be better in some cases e.g. pollution emissions, but what were the starting figures?

**Overall**

- The firm seems to be improving in several areas e.g. payment to suppliers, total waste and emissions. Its rewards to its owners have increased and it pays more than the average in the regions in which it operates.
- However there may be an issue regarding employees e.g. there are an increasing number of accidents, they have cut back the workforce and women seem poorly represented.
- Some of the figures show a relatively short period - may want a longer trend before you can decide with any confidence
- Depends partly on whether you think some groups or issues are more important than others - how do we weight importance of employees v the environment?
- Oil industry has inherent problems with environmental issues - may be getting better but is it "good"? Sales have increased so presumably more pollution being created by its products.

The score recommended by candidates should reflect the weight of their analysis.

2

**Total for this question: 40 marks**

Ulto plc is a well-known manufacturer of sports cars. The company has just discovered a safety problem with a new model that has been on sale in the UK for several weeks. The problem is due to a design fault. Discuss the possible consequences of this discovery for the firm. *(40 marks)*

**Possible answers may include:**

- May lead to decline in sales.
- May affect brand image and therefore sales of other models.
- May affect share price.
- May be legal action.
- Long term could affect jobs, etc if not sorted out appropriately.

**Depends on:**

- How serious the problem is and how much it costs to fix.
- The extent of media attention (“well known manufacturer”).
- How important this model is compared to other models e.g. relative profits.
- How well management deal with the problem.
- Who is to blame e.g. is it the car company or the suppliers?
- Existence of contingency plan

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

Between 1999 and 2002 the FTSE 100 (an index of UK share prices) fell by over 40 %. Consider the possible consequences for UK retailers of a major fall in the general level of share prices. (40 marks)

**Possible answers may include:**

- For the companies affected may mean they are more vulnerable to take-over as their shares are cheaper to buy e.g. may be more interest from overseas buyers (Wal-Mart Asda scenario)
- May mean the directors have to resign or are forced out; alternatively directors may look to boost dividends to keep investors happy.
- May delay the plans of any organisation considering floating or issuing shares to raise finance e.g. may delay opening of some new stores
- May mean investors demand changes in strategy from the companies affected e.g. repositioning in the market
- May mean investors feel less wealthy and therefore this affects their investment/consumption plans; may affect demand depending on extent to which UK retailers are dependent on the UK market (i.e. do they have operations overseas?)

**Depends on:**

- Some firms may not really be affected e.g. sole traders. Many independent retailers may be private companies and so FTSE movements may not be so significant or relevant although they may reflect general willingness to invest. May have a greater effect on the big retailers (e.g. Sainsbury, Marks and Spencer)
- On cause e.g. is it concern over some major economic change? If, for example, the fall was associated with a recession this could be accompanied by a reduction in demand for retailers.
- On what the level was before e.g. may be a sense of returning to appropriate levels.
- How long the fall is expected to last.
- How investors react e.g. do they panic?



4

**Total for this question: 40 marks**

Wendels plc owns a chain of five large retail furniture stores in the North West of the UK. Its market share has been falling in the last few months. The company is now considering selling its products over the internet in addition to selling in its stores. To what extent is this strategy advisable? (40 marks)

**Possible answers may include:**

- Could obviously access a wider audience - more potential sales and profits; may help to reverse the fall in market share.
- Less overheads i.e. running website is likely to be cheaper than the overheads of a retail outlet.
- May be able to build up data on potential customers and use e-marketing.
- May be costs of developing a wider distribution network.
- Initial costs of developing site e.g. design work

**Depends on:**

- Extent of usage of internet amongst potential buyers.
- Whether buyers need to “see” this type of product or will they be willing to buy online without actually touching the products
- Will the site complement visits to the store or replace? Will it add buyers or simply replace method of buying?
- How well the site is designed and maintained.
- Whether others have this already and if not why not? And how long before they follow?
- If it does grow rapidly can the firm cope with this? E.g. management issues.
- Extent and reason for falling market share.
- Expected trend for future sales and what has actually happened to sales recently e.g. fall in market share may actually mean more sales if the market is growing.
- Price elasticity of demand

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

Sansy plc is a leading producer of luxury ice cream, selling to shops all over the UK. The cost of its main ingredient, milk, has fallen significantly in recent weeks. Discuss whether the firm should pass on this fall in costs to its customers in the form of lower prices. (40marks)

**Possible answers may include:****Yes :**

- This may win more business from customers; may win more market share.
- May be regarded favourably by customers who may be more co-operative e.g. if in future need to increase prices.
- Only fair – if they have benefited from a fall in costs to share this to some extent.

**No:**

- Lowers the firm's profit margins.
- Would the customers be equally happy to accept a price increase if milk went up in price?
- Will its customers pass this on or just benefit from higher profit margins themselves?
- Will it damage brand image if final price is also reduced?

**Depends on:**

- Extent to which price of milk has fallen and these costs as a proportion of total costs.
- Extent to which they are considering lowering the price.
- Could decide lower price for some customers not others (but implications of this).
- Existing financial position.
- How long the price fall is expected to last
- Bargaining power of customers.
- How competitors respond to any price cuts in their milk supplies.

## Essay Marking Grid

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

	<b>CONTENT</b> <b>8 marks</b>	<b>APPLICATION</b> <b>8 marks</b>	<b>ANALYSIS</b> <b>8 marks</b>	<b>EVALUATION</b> <b>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 of the question 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 of the question 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 interrelationships.
- 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.