



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

**General Certificate of Education**

**Business Studies 5131**

**BUS1      Marketing and Accounting and  
Finance**

**Mark Scheme**

*2007 examination - January series*

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this Mark Scheme are available to download from the AQA Website: [www.aqa.org.uk](http://www.aqa.org.uk)

Copyright © 2007 AQA and its licensors. All rights reserved.

#### COPYRIGHT

AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

## **General Marking Guidance**

*You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary Level candidates, mainly 17 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates half-way through 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 may be 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 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 2 marks**

**1****Total for this question: 25 marks****(a)** What is meant by the term 'debentures' (line 7)?*(2 marks)*

	<b>Content 2 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate demonstrates good understanding of term recognising it is a loan and identifying at least one special feature
<b>Level 1</b>	<b>1 mark</b> Candidate demonstrates some understanding of term recognising that it is a loan

**Debentures** are a special type of long-term loan with fixed interest rates, normally with some collateral and an agreed repayment date.

Level 1 – Loan and/or external source of finance.

Level 2 Qualifiers :

- fixed interest rate
- agreed repayment date
- long term
- secured

(b) (i) *Hoggard Organics* forecasts that the average amount spent by each of its UK customers will be £10. Use this information to draw the sales revenue line onto the break-even chart on the **Insert**. (3 marks)

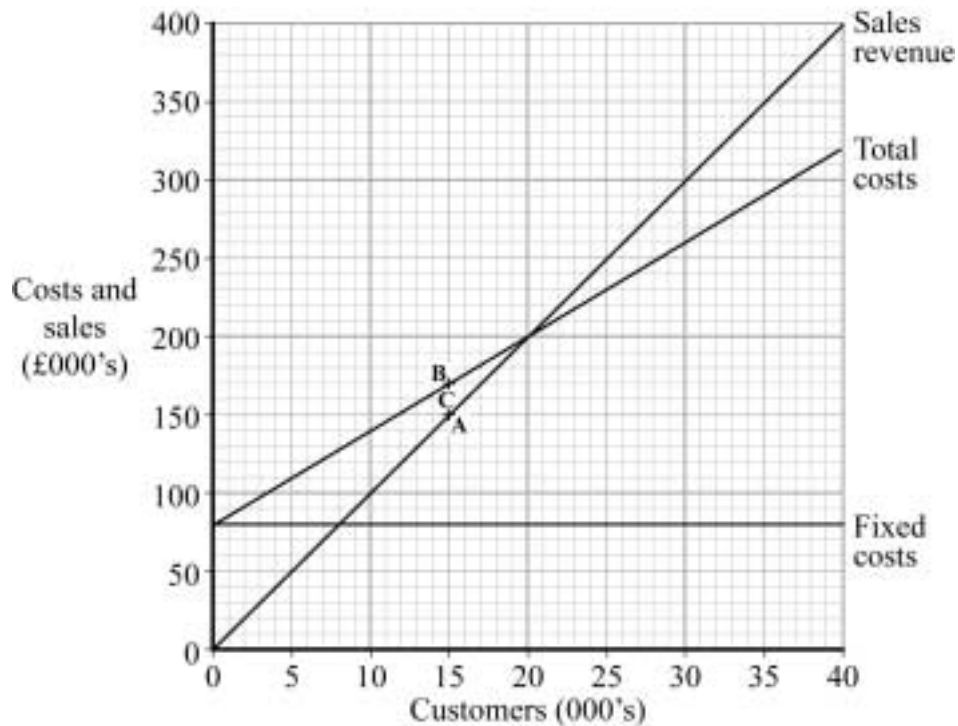
	<b>Content 2 marks</b>	<b>Application 2 marks</b>
<b>Level 2</b>		<b>2 marks</b> Candidate plots sales revenue line successfully
<b>Level 1</b>	<b>1 mark</b> Candidate demonstrates understanding of calculating or plotting sales revenue	<b>1 mark</b> Candidate makes attempt at plotting sales revenue line

Award content mark for sales revenue formula, calculations such as total revenue at various levels of output for other evidence of understanding.

(b) (ii) Assume that a typical *Hoggard Organics* shop actually receives 15 000 customers during its first year of trading. Mark and label A, B or C, the following on to the break-even chart on the **Insert**:

A the sales revenue earned from attracting 15 000 customers  
 B the total costs of supplying 15 000 customers  
 C the amount of profit or loss earned from 15 000 customers. (3 marks)

	<b>Content 1 mark</b>	<b>Application 2 marks</b>
<b>Level 2</b>		<b>2 marks</b> Candidate marks total costs, total sales revenue and loss correctly
<b>Level 1</b>	<b>1 mark</b> Candidate demonstrates understanding of workings of break-even chart	<b>1 mark</b> Candidate makes an inaccurate attempt at marking total sales revenue, total costs and loss

**Break-Even Chart for a Typical UK Store – Questions 1 (b)(i) and (ii)**

1 mark for stating the origin.

1 mark for revenue formula or other evidence of understanding.

2 marks if line is within two small squares (measured vertically) of break-even point.

3 marks if starts at origin and within two small squares of break-even.

(b) (iii) State on the **Insert**, whether the shop will make a profit or loss if it attracts 15 000 customers annually.

(1 mark)

Award one mark if candidate states that the shop will make a **loss** of £20 000.

NB: OFR may apply here.

(c) Analyse **two** possible benefits to *Hoggard Organics* of conducting market research before expanding into the UK. (7 marks)

	<b>Content 2 marks 2 marks</b>	<b>Application 2 marks 2 marks</b>	<b>Analysis 3 marks 3 marks</b>
<b>Level 2</b>	Candidate states <b>two</b> relevant benefits <b>or</b> shows good understanding of market research <b>or</b> some combination	Candidate applies answer effectively to the circumstances of <i>Hoggard Organics</i>	Good analysis of the possible benefit(s) of market research
<b>Level 1</b>	<b>1 mark</b> Candidate states <b>one</b> relevant benefit <b>or</b> shows some understanding of market research	<b>1 mark</b> Candidate attempts to apply answer to the circumstances of <i>Hoggard Organics</i>	<b>2–1 marks</b> Limited analysis of the possible benefit(s) of market research

**Relevant answers might include the following:**

- market research is the collection and analysis of data which allows a business to improve its marketing decisions
- the UK market is different from the US and market research will help the company to understand it
- market research will reduce risk by lowering the likelihood of the expansion into the UK failing
- *Hoggard Organics* might discover information that will help it to set prices and to promote the product more effectively
- market research might help design the marketing strategy – eg identifying the market segment and informing promotion and advertising decisions
- market research might make it easier for *Hoggard Organics* to borrow money to finance the expansion.



(d) All *Hoggard Organics*' shop managers in the UK will be expected to draw up cash flow forecasts and budgets for their individual shops. To what extent might the use of these techniques increase the company's chances of success? (9 marks)

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 3 marks</b>	<b>Evaluation 2 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate offers two or more relevant points <b>or</b> shows good understanding of cash flow forecasts <b>or</b> budgets <b>or</b> some combination	<b>2 marks</b> Candidate applies answer effectively to the circumstances of <i>Hoggard Organics</i>	<b>3 marks</b> Good analysis of argument	<b>2 marks</b> Sound judgement shown in answers <b>or</b> conclusions
<b>Level 1</b>	<b>1 mark</b> Candidate offers single relevant point <b>or</b> shows understanding of cash flow forecasts <b>or</b> budgets	<b>1 mark</b> Candidate attempts to apply answer to the circumstances of <i>Hoggard Organics</i>	<b>2–1 marks</b> Limited analysis of argument	<b>1 mark</b> Some judgement shown in response

**Arguments for might include the following:**

- this is a new venture and financial planning is almost certain to be essential if the company is to raise loans
- the process might help to motivate *Hoggard Organics*' managers and to improve the performance of its new UK stores
- the budgets might indicate that some shops are likely to be less successful than others
- drawing up cash flow forecasts might help to avoid some potential cash problems.

**Arguments against might include the following:**

- drawing up budgets and cash flow forecasts will be difficult as the company has not traded in the UK before and Stephen recognises that it is different to America and Canada
- will the shop managers have experience of the organic market or of financial planning? If not, the process may be of little value to the company
- the managers' time and attention might be devoted to cash flow forecasts and budgets and not other important issues.

**Issues for evaluation might include the following:**

- it may depend on the amount of time and training put into the financial planning process
- nothing can ensure success, but financial planning might reduce risk
- does Stephen support this move fully? If not, it is less likely to be successful.

2

**Total for this question: 25 marks**

(a)	What is meant by the term 'unique selling point (USP)' (lines 11–12)?	<i>(2 marks)</i>
-----	---	------------------

	<b>Content 2 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate demonstrates good understanding of term
<b>Level 1</b>	<b>1 mark</b> Candidate demonstrates some understanding of term

A **unique selling point (USP)** is a feature or function of a product that differentiates it from those produced by rival businesses.

(b)	Outline <b>two</b> factors that allowed Sony to use successfully a strategy of price skimming for the Playstation Portable (PSP).	<i>(6 marks)</i>
-----	---	------------------

	<b>Content 2 marks</b>	<b>Application 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate shows good understanding of price skimming <b>or</b> identifies two relevant factors <b>or</b> a combination	<b>4–3 marks</b> Candidate applies knowledge effectively to Sony and PSP
<b>Level 1</b>	<b>1 mark</b> Candidate shows some understanding of price skimming <b>or</b> identifies one relevant factor	<b>2–1 marks</b> Candidate makes attempt to apply knowledge to Sony and PSP

**Relevant answers might include the following:**

- price skimming is a strategy under which a firm sets a high price for a new product to attract a relatively small number of consumers
- the Playstation Portable has several USPs – its size, its looks and the fact that it can perform a range of functions
- Sony has used marketing to strengthen the PSP's appeal thereby adding value and allowing price skimming to be used in the short-term
- the market segment who will buy PSPs "will not wait" according to Sony's Marketing Director
- a lack of direct competition has helped to reduce the PSP's price elasticity of demand
- the product has a technological advantage boosting its value to consumers
- the delays in supplies to Europe have helped to stimulate the product's 'must have' status allowing Sony to charge higher prices.

(c) Analyse why the Playstation Portable (PSP) is unlikely to earn profits for Sony during the early stages of its product life cycle. (8 marks)

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate shows good understanding of profits <b>or</b> product life cycle <b>or</b> identifies two relevant reasons <b>or</b> some combination	<b>2 marks</b> Candidate applies answer effectively to the circumstances of Sony and PSP	<b>4–3 marks</b> Good analysis of the possible reason(s) for lack of profits
<b>Level 1</b>	<b>1 mark</b> Candidate shows some understanding of profits <b>or</b> product life cycle <b>or</b> identifies <b>one</b> relevant reason	<b>1 mark</b> Candidate attempts to apply answer to the circumstances of Sony and PSP	<b>2–1 marks</b> Limited analysis of the possible reason(s) for lack of profits

**Relevant answers might include the following:**

- profit is the surplus of revenue over total costs during a trading period
- the product life cycle is the stages through which a product passes during its time on the market
- the PSP has had three international launches in nine months involving Sony in heavy promotional expenditure
- the R and D costs for the PSP must have been substantial given its new features and technology
- supply problems delayed the European launch meaning Sony's earnings were also delayed
- the PSP's games which will earn Sony high profits are not yet widely available.

- (d) Discuss the possible advantages and disadvantages to Sony of targeting the Playstation Portable (PSP) at '... a clearly defined segment of the market' (lines 19–20).

(9 marks)

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 2 marks</b>	<b>Evaluation 3 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate offers two or more relevant points <b>or</b> shows clear understanding of market segment or some combination	<b>2 marks</b> Candidate applies answer effectively to the circumstances of Sony and PSP	<b>2 marks</b> Good analysis of argument	<b>3 marks</b> Sound judgement shown in answers <b>or</b> conclusions
<b>Level 1</b>	<b>1 mark</b> Candidate offers single relevant point <b>or</b> shows some understanding of market segment	<b>1 mark</b> Candidate attempts to apply answer to the circumstances of Sony and PSP	<b>1 mark</b> Limited analysis of argument	<b>2–1 marks</b> Some judgement shown in response

**Possible arguments in favour of targeting a specific segment might include the following:**

- Sony's marketing is easier and better focused
- the company is likely to have a clearer understanding of the needs of its customers
- the games to be played on PSP can be designed to be more easily targeted at this group
- given that Sony sells globally, the company may not be able to supply sufficient PSPs to satisfy demand in a wider market segment.

**Possible arguments against targeting a specific market segment might include the following:**

- sales are lower, making it more difficult for the company to recoup its research and development spending
- the company is facing tough competition in this market segment
- Sony's cash flow will be weakened by selling products more slowly than otherwise might be the case.

**Sample lines of evaluation might include the following:**

- Sony's PSP has struggled to meet demand for the products as it is, so selling to a market segment makes sense
- does the company have much choice? Women appear uninterested.