



General Certificate of Education

Business Studies 5131

**BUS3 External Influences and
Objectives and Strategy**

Mark Scheme

2007 examination - June 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.

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General Marking Guidance

You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary 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 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**

Total 3 marks

1

Total for this question: 6 marks

Outline **two** possible disadvantages to Jeremy of the business converting from a sole trader to a private limited company (Ltd). (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two disadvantages and shows some understanding of legal structure or identifies one disadvantage and shows good understanding of legal structure	
Level 2	2 marks Identifies two disadvantages or identifies one disadvantage and shows some understanding of legal structure or shows good understanding of legal structure	3 marks Good application of the disadvantage(s) to Jeremy of the agreement to become a Ltd
Level 1	1 mark Identifies one disadvantage or shows some understanding of legal structure	2–1 marks Some application of the disadvantage(s) to Jeremy of the agreement to become a Ltd

Possible disadvantages to Jeremy of Smile Magazines becoming a private limited company rather than a sole trader:

- loss of ownership. Jeremy changed from owning 100% of the business to only having a 20% shareholding; this would require a large increase in profit in order to benefit Jeremy financially
- loss of control. Polar plc became the majority shareholder, giving them the right to outvote Jeremy and his friends. In fact, Polar plc did tend to side with their appointment (Leah) in cases where there were disagreements
- this loss of control enabled Polar plc to decide on the dividend policy, giving Jeremy no control of whether the profit was retained or given to the owners
- cost of conversion to Ltd.

Possible disadvantages of the terms of the agreement:

- the agreement gave significant financial rewards to Leah, reducing the potential profit available to Jeremy
- the agreement took away responsibility for the business from Jeremy as it effectively led to Leah running the company and Jeremy editing the magazines.

2

Total for this question: 8 marks

Analyse **two** examples of UK or EU laws which might have acted as constraints on the performance of *Smile Magazines Ltd*. (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Identifies two relevant examples of legal constraints	2 marks Good application of law(s)/instance(s) to <i>Smile Magazines Ltd</i>	4–3 marks Good analysis of law(s)/instance(s)
Level 1	1 mark Identifies one relevant example of legal constraint	1 marks Some application of the law(s)/instance(s) to <i>Smile Magazines Ltd</i>	2–1 marks Some analysis of law(s)/instance(s)

Possible constraints might include the following:

- copyright legislation affected *Smile Magazines Ltd*'s ability to make profits. In this case, the company allowed the writers to benefit from copyright rather than the company itself
- legislation on noise levels would have limited night-time deliveries to *Smile Magazines Ltd*
- recycling laws lead to increased costs in the UK relative to other countries
- minimum wage legislation meant that the UK minimum wage was higher than in many other countries
- age discrimination legislation would have affected the company's recruitment policy.

NB

Examples of legislation that assisted *Smile Magazines Ltd*, rather than acted as a constraint are not relevant. For example, competition laws would have helped *Smile Magazines Ltd* by preventing the two very large magazines from fully exploiting their market domination.

3

Total for this question: 15 marks

To what extent did *Smile Magazines Ltd* meet its social responsibilities? (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Good understanding of social responsibilities			5 marks Good judgement in assessing the overall extent that it met its social responsibilities
Level 2	2 marks Some understanding of social responsibilities	3 marks Good application of social responsibilities in context	4–3 marks Good analysis of social responsibilities	4–3 marks Some judgement shown
Level 1	1 mark Limited understanding of social responsibilities	2–1 marks Some application of social responsibilities in context	2–1 marks Some analysis of social responsibilities	2–1 marks Limited judgement shown

Met social responsibilities through:

- most staff were on full-time contracts and appeared to be content (low labour turnover)
- copyright was given to the writers so that they could benefit financially from their work
- employees were helped to develop their skills and employability through training, job enrichment, job enlargement programmes and the use of delegation helped to empower employees
- the shareholders were rewarded well in terms of taking large dividends
- *Smile Magazines Ltd* tried to ensure high quality for its customers, particularly in terms of the content of the magazines
- in **Section E**, Jeremy's proposed aims focused on the needs of the workforce and shareholders
- in **Section E**, Leah proposed greater adherence to the needs of the local community and ethical behaviour.

Did not meet social responsibilities because:

- the shareholders were taking a large share of the profit and this may have reduced the benefits available to other stakeholders
- the wide spans of control would have put pressure on managers within the organisation and may have also increased pressure on subordinates
- the threat to relocate the factory to Spain, because of the financial benefits of paying relatively low wages and providing poorer working conditions indicates that the company was not working in the interests of the employees
- Leah indicated that the company was breaking laws on age discrimination
- *Smile Magazines Ltd* showed little loyalty to suppliers and made some unreasonable demands, in the eyes of the suppliers
- in **Section E**, both Jeremy and Leah's proposed aims indicate that other stakeholders were more important than customers.

Evaluation

On balance, *Smile Magazines Ltd* appeared to be working in the interests of the employees and shareholders in the early stages of the business. However, over time it appeared that decisions were being made or planned in the future that would not have suited the needs of the employees, but which favoured other stakeholders, such as customers and the community. There was also conflict between the views and approaches of Leah and Jeremy.

4

Total for this question: 6 marks

Explain how the forecast changes in the £/€ exchange rates (**Table 7**) might affect *Smile Magazines Ltd*'s ability to succeed in Eire (the Irish Republic). (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two effects and shows some understanding of exchange rates or identifies one effect and shows good understanding of exchange rates	
Level 2	2 marks Identifies two effects or identifies one effect and shows some understanding of exchange rates or shows good understanding of exchange rates	3 marks Good application of the effect(s) on <i>Smile Magazines Ltd</i>
Level 1	1 mark Identifies one effect or shows some understanding of exchange rates	2–1 marks Some application of the effect(s) on <i>Smile Magazines Ltd</i>

Possible effects might include the following:

- UK exports to Eire will become more expensive as the exchange rate rises by about 10%. This will lead to:
EITHER a loss in sales volume as the price in Eire rises;
OR a decrease in profit margins (which have already been reduced recently) if *Smile Magazines Ltd* decides it needs to keep the price in Eire unchanged
- if the printing department relocates to Spain then products exported from Spain to the UK will be approximately 10% cheaper in pounds, meaning that firms printing in Spain will be more competitive in terms of price than their counterparts in the UK. This will make *Smile Magazines Ltd* more competitive in Eire, in comparison to UK-based competitors
- if the magazines are sent directly from Spain to Eire then changes in the £/€ exchange rate will have no impact as both countries trade in euros.

The impact is likely to be significant for *Smile Magazines Ltd* as the case study suggests that price is an important factor in deciding demand, ie demand is price elastic. However, this will depend on how important price is to the Irish consumers. Research indicates similar tastes but the market in Eire may be less (or more) competitive than the UK market.

5

Total for this question: 15 marks

After the final discussion, *Smile Magazines Ltd* decided to introduce a strategy of targeting a magazine at consumers in the 30–39 age range.

Evaluate whether the company should have chosen to target this age group rather than targeting consumers between the ages of 20–29. (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Identifies three reasons or identifies two reasons and shows some understanding of strategy or identifies one reason and shows good understanding of strategy			5 marks Good judgement in assessing the main reasons for the decision by <i>Smile Magazines Ltd</i>
Level 2	2 marks Identifies two reasons or shows good understanding of strategy or identifies one reason and shows some understanding of strategy	3 marks Good application of reason(s) in context of <i>Smile Magazines Ltd</i>	4–3 marks Good analysis of possible reason(s)	4–3 marks Some judgement shown
Level 1	1 mark Identifies one reason or shows some understanding of strategy	2–1 marks Some application of the reason(s) in the context of <i>Smile Magazines Ltd</i>	2–1 marks Some analysis of the possible reason(s)	2–1 marks Limited judgement shown

Possible reasons for 30–39 might include the following:

- the 30–39 year-olds represent a larger percentage of the population of the UK than the 20–29 age group (15.5% in comparison to 12.6%)
- Table 8** indicates that consumer spending for the 30–39 age group will grow much faster than that of 20–29 year-olds between 2007 and 2011
- this age group purchases more magazines per head
- this age group is prepared to pay a higher price than 20–29 year-olds.

Possible reasons for 20–29 might include the following:

- the company has a better understanding of this age group as predominantly the workforce lies within or near to this age range
- this is the target age group that *Smile Magazines Ltd* has been planning to provide for, and therefore it has almost certainly acquired more information on this age group
- according to the research undertaken by Jeremy (albeit rather dated) the current articles that appear most frequently in the teenage magazine are more closely linked to the articles that appeal to the 20–29 year-olds, in comparison to the 30–39 age group. Therefore, it will require a less dramatic change to cater for the 20–29 age group in terms of articles and magazine content
- this is the most brand loyal age group for magazines.

Evaluation

The benefits of reaching a larger market with more spending power and a propensity to pay higher prices should be set against the relative lack of expertise and understanding of the 30–39 age group.