



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme January 2003

GCE

Business Studies

Unit BUS4

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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 no marks should be given.

The use of Levels of Response

Levels of Response marking requires examiners to follow the logic of a candidate's answer. A concept which would receive credit only for knowledge in one context could become a means of analysis in another. For instance, in the question: "Discuss the BGD Company's marketing strategy", a candidate who writes: "approaches to a strategy include SWOT and the Boston Matrix" is showing knowledge. A brief, accurate explanation of the Matrix shows understanding, whereas a candidate who uses the Matrix to examine the BGD Company's case is showing the skill of analysis. **Please note that there are other ways to show analysis.**

What then of evaluation? This is the hardest skill to define because judgement can only be shown in context - and that context is not only the one set in the assessment unit, but also by the candidate's own answer. Evaluation is **not** shown by drilled phrases or approaches such as: "On the other hand ..." or "Business operates in an ever-changing ...". It is shown through the weighting of the candidate's arguments, 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

Unit 4: Marketing and Accounting and Finance, People and Operations Management

1

Total for this question: 8 marks

Examine the communication problems that might arise for PIQ plc from a decision to move clothing production to Hungary. *(8 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks
LEVEL 2	2 marks Two or more relevant problems identified, and/or showing understanding of communications	2 marks Answer applied to the business context with some consistency	4-3 marks Problems examined in some detail, using relevant theory
LEVEL 1	1 mark One relevant communication problem identified and/or some understanding of communications	1 mark Some application to the business context	2-1 mark The problems have been examined, showing some analysis
LEVEL 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of question set

Possible answers include:

- Language barrier (oral and written), with its possible effects upon efficiency, morale, teamwork, them and us, and therefore perhaps upon the customer.
- Any geographical dispersion of staff can hinder communication; in this case the problems would be especially acute.
- More intermediaries between UK head office and shopfloor workers.
- Work practices and management structures in Hungary may be more hierarchical, and therefore problems of vertical communications are exacerbated.
- In all cases, the effects of poor communication can damage sales, costs and therefore profits.

2

Total for this question: 20 marks

(a) Analyse PIQ's accounts to assess the weaknesses in its financial efficiency. (10 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 2 marks
LEVEL 2	2 marks Two or more relevant content points made (including formulae) or good understanding of one	2 marks Point or points made are applied in detail to the case	4-3 marks Analysis of question set, using relevant theory	2 marks Judgement shown in assessing the weaknesses
LEVEL 1	1 mark One relevant content point made (including formulae)	1 mark Point or points made are applied to the case	2-1 mark One or two points applied in a limited way to analyse the question	1 mark Some judgement shown in text or conclusions
LEVEL 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of question set	0 marks No evaluation or judgement shown

Possible lines of answers include:

- Assessing relevant ratios such as stock turnover, asset turnover or debtor days (return on capital is also acceptable).
- Comparing the results to the rival firm.
- Using other ratios to support a thesis of inefficiency, eg acid test.
- Analysis of the cost and/or cash flow implications of poor stock turnover or debtor collection.

(b) Explain how PIQ might use operations management tools to improve its production efficiency.

(10 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks
Level 2	3-2 marks One or more relevant ops management tools identified, showing understanding	3-2 marks Answer applied to the business context with some consistency	4-3 marks Analysis of value of ops management tools in boosting efficiency, using relevant theory
Level 1	1 mark One relevant ops management tool identified	1 marks Some application to the business context	2-1 marks Some analysis of the question and/or the case
Level 0	0 marks No relevant content present	0 marks No relevant application	0 marks No analysis of the data

Markers Note: Maximum 4 marks for pure calculations.

Possible answers include:

- CPA, using more careful planning of production and new product design to speed up task and reduce waste.
- Investment in IT may improve design, quality and human resource management.
- JIT may provide a significant improvement in stock turnover figures.
- Lean production will attempt to minimise waste and boost efficiency, both in time management and in the management of all other resources within the business.
- Relocation may also be advantageous.

Ratio ready reckoner:

	PIQ plc		Streeter plc	
Stock turnover	=	$\frac{\text{Cost of sales}}{\text{Stock}} = \frac{200}{30}$	= 5 times	$\frac{240}{30} = 8$ times (a year)
Asset turnover	=	$\frac{\text{Sales turnover}}{\text{Assets employed}} = \frac{365}{180}$	= 2.03 times	$\frac{365}{120} = 3.04$ times
Debtor days	=	$\frac{\text{Debtors}}{\text{Average daily sales}} = \frac{50}{1}$	= 50 days	$\frac{20}{1} = 20$ days
ROC	=	$\frac{\text{Operating profit}}{\text{Capital employed}} \times 100$	= 5%	20%

3

Total for this question: 10 marks

Conduct an investment appraisal into Strategy 2, **either** by using Net Present Value (see Appendix C), or by payback **plus** Average Rate of Return. Compare your results with those provided for Strategy 1 and briefly explain which strategy you would recommend based on the numerical evidence (up to 2 marks for this). (10 marks)

Cash flow table

Year	Investment 2	
	Net cash	Cumulative cash
Now	(£4 000 000)	(£4 000 000)
End of Year 1	£600 000	(£3 400 000)
End of Year 2	£1 200 000	(£2 200 000)
End of Year 3	£1 800 000	(£400 000)
End of Year 4	£2 400 000	£2 000 000

Cash flow table for investment 2: 4 marks (2 for net cash, 2 for cumulative cash)

ARR + Payback route: 4 marks for correct data used, ie even if the cash flow table is not provided
 2 marks for correct ARR
 2 marks for correct payback
 1 mark for correct decision
 1 mark for supporting explanation

Investment 2:

ARR = 12.5 % ($\frac{£500\,000}{£4\,000\,000} \times 100$) and payback = 3 years 2 months (or 3 and a sixth years)

Ready Reckoner:	ARR 12.5 %	Payback 3yrs 2m	8 marks
	ARR 12.5 %	Payback 4yrs 2m	7 marks
	ARR 12.5 %	6 marks
	Payback 3yrs 2m	6 marks
	ARR 37.5 %	Payback 3yrs 2-3m	7 marks
	ARR 50 %	Payback 3yrs 2-3m	7 marks

Plus up to 2 marks for written answer

NPV route: 4 marks for correct data used, ie even if the cash flow table is not provided
 1 mark for understanding how to apply discount factors
 2 marks for correct wordings
 1 mark for correct answer (OFR will apply here)
 1 mark for correct decision
 1 mark for supporting explanation

NPV =	Now	(£4 000 000)
	Year 1	£564 000
	Year 2	£1 068 000
	Year 3	£1 512 000
	Year 4	<u>£1 896 000</u>
	NPV = +	£1 040 000

Ready Reckoner:	NPV = £1 040 000	8 marks
	NPV = £5 040 000	7 marks (forgot to subtract outlay)
	NPV = £7 910 000	6 marks (discounted the cumulative cash figures)
	NPV = £3 910 000	5 marks (discounted cumulative cash and forgot to deduct the initial outlay)

Plus up to 2 marks for written answer

4

Total for this question: 22 marks

(a) To what extent do you consider the union organiser is acting effectively to achieve the objectives of a trade union? (12 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks One + point explained or clear understanding shown of trade unions/union objectives	2 marks Point or points made are applied in detail to the case	4-3 marks Analysis of question set, using relevant theory	4-3 marks Judgement shown in considering the extent of the union organiser's effectiveness
Level 1	1 mark One relevant content point made, but not developed	1 mark Point or points made applied to the case	2-1 mark One or two points applied in a limited way to analyse the question	2-1 marks Some judgement shown in text or conclusions
Level 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of the question set	0 marks No evaluation or judgement shown

Possible lines of answer include:

- Yes, highly effective at promoting the long-term interests of members, as competitiveness is essential for survival.
- Yes, showing a positive response to the crisis should help to achieve the strategy that protects members' jobs (and therefore the union's subs).
- No, because her actions seem too high-handed. Union organisers should consult their members, not try to persuade them of approaches they have already agreed with the management.
- No, because the union should question the management more closely on why the overhead levels are so high (relatively); is there managerial inefficiency that should be rooted out before anything else is done?

(b) If PIQ decides to adopt Strategy 2, to what extent should it rely on an increase in research and development spending to enable it to charge high prices for its skiwear? *(10 marks)*

	Content 2 marks	Application 3 marks	Analysis 2 marks	Evaluation 3 marks
Level 2	2 marks One or more relevant points explained or good understanding of R&D	3-2 marks Point or points made are applied in detail to the case	2 marks Analysis of question set, using relevant theory, eg relationship between R&D and price	3-2 marks Judgement shown in discussion, reflecting on 'to what extent'
Level 1	1 mark One or more relevant points made/understands R&D	1 mark Point or points made are applied to the case	1 mark One or two points applied in a limited way to analyse the question	1 mark Some judgement shown in text of conclusion
Level 0	0 marks No relevant content present	0 marks Answers is not applied in context	0 marks No analysis of the question set	0 marks No evaluation or judgement shown

Possible lines of answer include:

- R&D can develop new materials to improve performance, eg help you ski faster, this would add value and therefore allow price increases.
- R&D can develop new materials that allow different textures/colours/styles, giving higher fashion potential – again adding value.
- But many other things affect pricing potential, notably design, quality of manufacture, place (where your products are distributed) and brand image.
- So it is improbable that successful R&D on its own could enable PIQ to charge higher prices for its skiwear, it would need to be one part of a whole strategy.

5

Total for this question: 20 marks

- (a) Strategy 2 would require an advertising campaign to support higher prices for PIQ's skiwear. Consider the value of Appendix B in setting a suitable budget. (10 marks)

	Content 2 marks	Application 3 marks	Analysis 2 marks	Evaluation 3 marks
Level 2	2 marks One or more relevant content points explained or good understanding of correlation	3-2 marks Point or points made are applied in detail to the case	2 marks Analysis of question set, using relevant theory, eg doubts about cause and effect	3-2 marks Judgement shown in discussion, both text and conclusions
Level 1	1 mark One or more relevant content points made/understands correlation	1 mark Point or points made are applied to the case	1 mark One or two points applied in a limited way to analyse the question	1 mark Some judgement shown in text or conclusion
Level 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of question set	0 marks No evaluation or judgement shown

Possible lines of answers include:

- The most attractive advertising figure appears to be £250 000 as it generates the proportionately highest level of sales (nearly £7m); spending an extra 60 % (£400 000) leads to a sales rise of about 40 % (£9.5m).
- But a more realistic starting point is to consider PIQ's sales target. For example, if it wishes for sales of £5m, it appears necessary to spend £200 000 on advertising.

However:

- The figures seem to relate to all skiwear, yet strategy 2 focuses solely on upmarket skiwear; may that render the figures unreliable?
- Is it clear about the nature of cause and effect in this case? Does the level of advertising determine the level of sales? Or is it that firms with bigger sales can afford to spend more on advertising?

The **Appendix B** data looks interesting and perhaps useful, but they prove nothing.

(b) Discuss the problems Jo might face in developing a marketing plan for strategy 2.

(10 marks)

	Content 2 marks	Application 3 marks	Analysis 2 marks	Evaluation 3 marks
Level 2	2 marks One + relevant content point(s) explained or good understanding of marketing plan	3-2 marks Point or points made are applied in detail to the case	2 marks Analysis of question set, using relevant theory, eg relating the plan to marketing objectives	3-2 marks Judgement shown in discussion, both text and conclusions
Level 1	1 mark One or more relevant content points made/understands marketing plan	1 mark Point or points made are applied to the case	1 mark One or two points applied in a limited way to analyse the question	1 mark Some judgement shown in text or conclusions
Level 0	0 marks No relevant content present	0 marks No application in context	0 marks No analysis of question set	0 marks No evaluation or judgement shown

Possible lines of answers include:

- Does Jo have clear enough marketing objectives?
- Obtaining a sufficient marketing budget to successfully launch the new product range (especially as the ARR is only 12.5 %, and Karen – with the Finance purse-strings – is unenthusiastic).
- Effectively co-ordinating the different aspects of the marketing mix, to ensure that product, price, promotion and place all ooze quality/class.
- Problems of co-ordinating the plan with other functions, such as manufacturing - will it be able to produce the high quality new fabrics required to justify high prices?