



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme January 2004

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, 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.

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: 20 marks**

(a) Explain how Jenny might improve the reliability of her marketing decisions by using the marketing model. *(6 marks)*

	Content 3 marks	Application 3 marks
Level 2	3-2 marks Understanding shown of the marketing model	3-2 marks Answer applied to the context of the business
Level 1	1 mark Limited understanding of the marketing model, or relevant factor(s) affecting reliability	1 mark Limited application to the business context
Level 0	0 marks No relevant content present	0 marks No application in context

Definition: A process for making marketing decisions in a more scientific manner, by setting objectives, gathering data, forming hypotheses, testing them, then implementing, controlling and reviewing.

Possible lines of application include:

- She is already inclined to gather factual data, so all the model can do is to help her relate to the objectives (so reliability *might* improve, or might not)
- Innovative new products have a very low success rate, so a logical process such as the model may help in a small way to reduce the risks of failure
- The model might encourage her to test her ideas at every stage, and to review how things work in practice

(b) Discuss what you consider to be the best way for Jenny to settle upon a suitable marketing budget for the *Revival* launch. Use calculations to show how your chosen method would work in practice. (14 marks)

	Content 2 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 2	2 marks One or more points explained or clear understanding shown of marketing budgets	3 marks Point or points made are applied in detail to the case	4-3 marks Analysis of the question set, using relevant theory and calculations	5-3 marks Judgement shown in considering a suitable method for budget setting
Level 1	1 mark One relevant content point made, but not developed, or some understanding of budgets	2-1 marks Point or points made applied to the case	2-1 marks One or two points applied in a limited way to analyse the question (perhaps including calculations)	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 question set	0 marks No evaluation or judgement shown

Possible lines of application include:

- Setting a budget in line with competitors' spending, eg if rivals spend approximately 7% of sales revenue on advertising, perhaps DCC plc should allocate 7% of the potential £40m of sales, ie £2.8m
- Setting a budget in line with her objectives, eg making an assessment of what is needed to generate £40m of sales on a product launch; this would need back data that is not available within the case (then a correlation might be found, enabling a budget to be determined)
- Setting a budget in line with the firm's own spending levels – perhaps 8% of the anticipated £40m, ie £3.2m

2

Total for this question: 20 marks

(a) Examine why the Finance Director might have doubts about the ARR and payback calculations carried out by *Consultancy Management plc*. (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Possible cause(s) of doubts identified, showing understanding of investment appraisal	2 marks Answer applied to the business context with some consistency	4-3 marks Analysis of cause(s) of doubt about ARR and/or payback, perhaps using relevant theory
Level 1	1 mark Some understanding shown	1 mark 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 application in context	0 marks No analysis of question set

Possible answers include:

- Sales for brand new products are notoriously hard to predict, which is why only 1 in 6 succeeds
- *Management Consultants plc* may lack experience of the marketplace, and certainly cannot be expected to know as much as longstanding staff
- *Management Consultants plc* may be overly inclined to tell Mr Fritcher what he wants to hear – as he is hiring them

(b) To what extent is the Finance Director right to worry about the launch of *Revival*?

(12 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks One or more points explained or clear understanding shown of the firm's financial problems	2 marks Point or points made are applied in detail to the case	4-3 marks Analysis of the question set, using relevant theory	4-3 marks Judgement shown in considering the extent of the potential risks from launching <i>Revival</i>
Level 1	1 mark One relevant content point made, but not developed	1 mark Point or points made applied to the case	2-1 marks 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:

- The sharp decline in the acid test in 2003 is a concern, especially as the investment into a new product is likely to hit liquidity sharply in the short term (that may be OK if the launch goes well, otherwise it could be a huge problem)
- To move onto Coca-Cola's territory – the soft drinks market – does indeed seem very risky; if *Revival* does well, surely Coke will hit back
- On the other hand, the fall in asset turnover cries out for the assets to be utilised more fully – so the launch would help ...
- ... and although ROC has slipped between 2002 and 2003 from 12% (6.6% x 1.8) to 8% (6.3% x 1.3), at least the firm is still generating some profits that can help finance the move into soft drinks

3

Total for this question: 20 marks

(a) (i) Calculate DCC plc's labour productivity level prior to the launch of *Revival*, and use the data to calculate the labour cost per litre. (5 marks)

	Content 1 mark	Application 4 marks
Level 2		4-3 marks Method used effectively to calculate productivity and labour cost per unit
Level 1	1 mark Knows productivity formula	2-1 marks Method used effectively to one or other concept, or weakly to both
Level 0	0 marks No relevant content present	0 marks No application in context

Productivity = output per worker

Productivity = $6m/500 = 12\ 000$ litres per week per worker (3 marks) £12,000 (2 marks)

Labour cost per litre = $£300/12\ 000 = 2.5p$ per litre (Accept £0.025 or 0.025)

(ii) Outline how improved labour turnover might help DCC plc's financial position. (5 marks)

	Content 2 marks	Application 3 marks
Level 2	2 marks Good understanding of labour turnover	3 marks Answer applied effectively to DCC plc's financial position
Level 1	1 mark Some understanding of labour turnover	2-1 marks Answer applied weakly to DCC plc's financial position
Level 0	0 marks No relevant content present	0 marks No application in context

Possible lines of answer include:

- reduces costs of recruitment and training
- might help keep up the level of productivity and therefore labour costs per unit
- DCC plc's operating margins are slipping, therefore anything that reduces overheads will be helpful

(b) Consider why DCC plc may have been suffering from poor internal communications.

(10 marks)

	Content 1 mark	Application 3 marks	Analysis 3 marks	Evaluation 3 marks
Level 2		3 marks Point or points made are applied in detail to the case	3 marks Analysis of the question set, using relevant theory	3 marks Judgement shown in considering why they may have been suffering poor communications
Level 1	1 mark One relevant content point made, but not developed	2-1 marks Point or points made applied to the case	2-1 marks 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:

- David Fritcher's top-down management style, including his reliance on management consultants
- The business may be spread over too many sites, which can form a physical and cultural communications barrier
- The line managers may not have been trained to accept full responsibility for people management, in the absence of an HR department

4

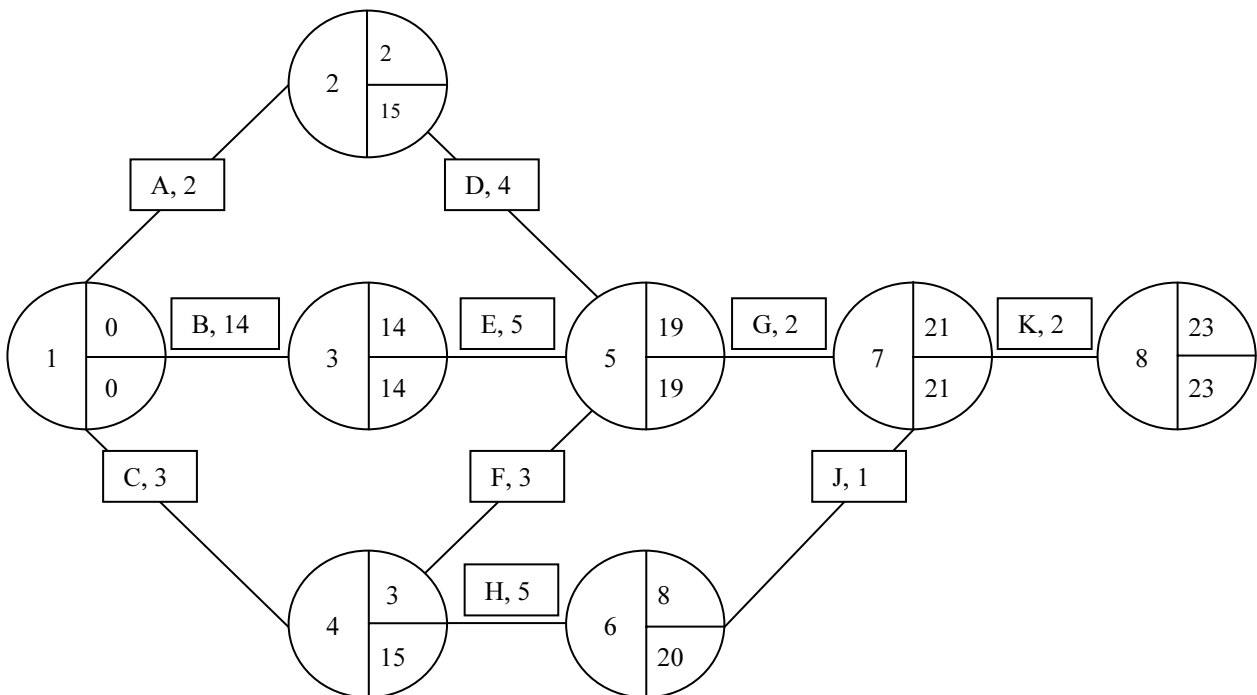
Total for this question: 20 marks

(a) Add the Earliest Start Time and Latest Finish Times for each activity to the network diagram shown in **Appendix A** on the **Insert**. Then state in your answer booklet the critical path and the total length of time it will take until the project is completed. (10 marks)

Activities	EST	LFT	Critical Path = B, E, G, K
A	0	15	Total Duration: 23 weeks
B	0	14	
C	0	15	
D	2	19	
E	14	19	
F	3	19	
G	19	21	
H	3	20	
J	8	21	
K	21	23	

1 mark for the critical path and 1 mark stating the duration

	Marks	Descriptor
Level 3	8-6 marks Good understanding of drawing a network	Accurate overall (esp node 4); judge precise mark on accuracy at nodes 2, 4 & 6
	5-3 marks Some understanding of drawing a network	Accurate ESTs or LFTs, or accurate except at key nodes
Level 2	2-1 marks Weak understanding of drawing a network	Some correct ESTs and/or LFTs



(b) Discuss how Shkendi might have made her decision to focus production at the Exeter site.
(10 marks)

	Content 1 mark	Application 3 marks	Analysis 3 marks	Evaluation 3 marks
Level 2		3 marks Point or points made are applied in detail to the case	3 marks Analysis of the question set, using relevant theory	3 marks Judgement shown in discussing how the decision might have been made
Level 1	1 mark One relevant content point made but not developed	2-1 marks Point or points made are applied to the case	2-1 marks 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 question set	0 marks No evaluation or judgement shown

Possible lines of answer include:

- Through a quantitative appraisal method such as investment appraisal or break-even analysis; either would need careful estimations of costs and revenues and/or cash in and outflows
- She might have examined the skills of the local workforce (current and potential) and looked at their productivity
- She would have considered costs such as transport and local labour costs before deciding on Exeter
- She might have discussed the merits with existing managers, to help decide which site was the best