



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme

June 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 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.	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) Examine how barriers to communication might be reduced within Topstar.

(8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Good understanding shown of barriers to communication or how to reduce them	2 marks Point or points made applied in detail to the case	4-3 marks Relevant theory used to examine how barriers to communication can be overcome
Level 1	1 mark Some understanding shown of communication	1 mark Point or points made applied in a limited way	2-1 marks Limited use of theory to analyse how barrier(s) can be overcome

Possible answers include:

Large firm – 4000 employees.

Barriers likely to include: language, layers, attitudes, overload, excessive use of IT etc.

Informal channels seem to be more effective than formal methods.

Possible solutions:

- More regular briefings – perhaps less emphasis on information-giving and more on two-way communication?
- Quality circles – or any smaller groups or meetings.
- Delayer.
- 2-way communication with feedback encouraged.
- Will e-mails be read by senior directors?

(b) Discuss the likely impact on this business of a single union agreement.

(12 marks)

	Content 3 marks	Application 3 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	3-2 marks Good understanding shown of single union deals	3-2 marks Point or points well applied to case	3-2 marks Relevant theory used to analyse the impact of a single union deal on a business	3-2 marks Judgement shown in considering the impact of single union deal on this business
Level 1	1 mark Some understanding of unions shown	1 mark Point or points applied to case in a limited way	1 mark Limited use of theory to analyse impact of single union deal	1 marks Some judgement shown in text and/or conclusion

Possible answers include:

Single union deals only recognise one trade union for collective bargaining purposes.

Benefits to Topstar could include:

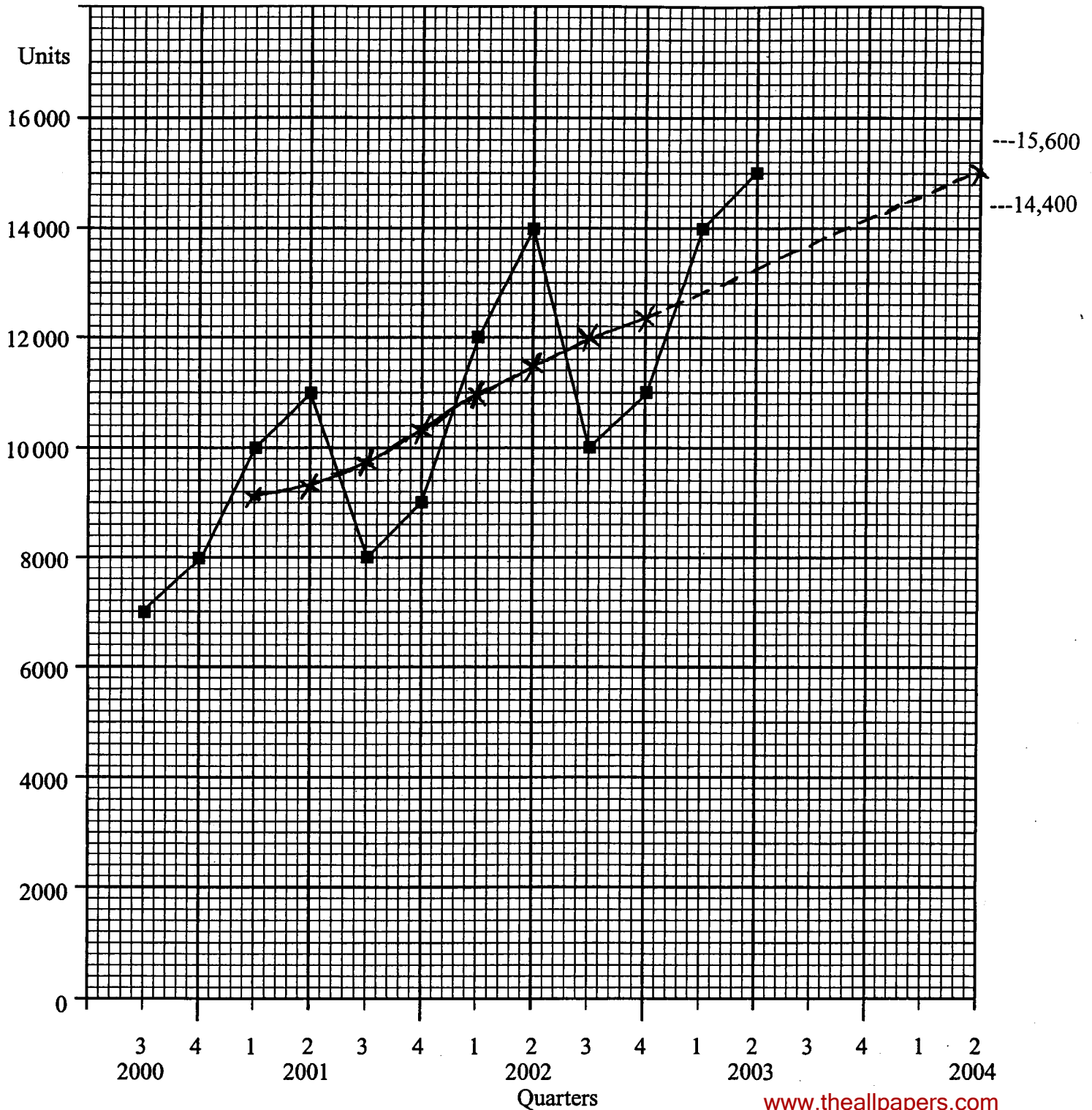
- No inter-union disputes or leapfrogging pay claims.
- Easier collective bargaining.
- Consistent and improved union communication with members.
- Could be agreed in exchange for no-strike and participation deal.
- Customers, e.g. Allport, might be reassured by improved industrial relations (no strike deal).

It might depend on:

- Union might use its additional power to demand higher pay.
- Whether members of other unions are prepared to agree to join the single union.
- The exact terms of the agreement.
- Whether deal is agreed or imposed.

(a) Use Appendix B and the Insert plot the trend data on the Insert. Use your graph to extrapolate the sales trend to 2004 Quarter 2. (6 marks)

EXCELSIOR SALES



Award marks as follows:

Graph:

4 marks for accurate plotting of trend;

3-2 marks for attempted plotting of trend;

1 mark for adding some co-ordinates;

2 marks for appropriate extrapolation of trend to 2004 Quarter 2 (accept 14 400 – 15 600).

1 mark for attempt at extrapolation from actual data or extrapolation from inaccurate trend.

Max 6.

(b) Evaluate the importance of sales forecasting to the effectiveness of Topstar’s marketing planning.

(14 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	3-2 marks Good understanding of usefulness of sales forecasts and/or meaning of marketing plan	3-2 marks Point or points made about sales forecasts clearly applied to case	4-3 marks Good analysis of question set using relevant theory	4-3 marks Good judgements made about the usefulness of sales forecasting to marketing planning
Level 1	1 mark Some understanding of sales forecasts or marketing plan	1 mark Point or points made are applied in a limited way to case	2-1 marks Limited analysis of question set using relevant theory	2-1 marks Some judgement shown

Possible answers include:

- Marketing planning concerns a firm’s marketing objectives and strategy.
- Planning of marketing resources is aided by an analysis of sales forecasts.
- Marketing plans require sales forecasts to aid with setting of objectives, strategy and budgets.
- Sales forecasts might be particularly important to a business such as Topstar which is affected by cyclical factors and economic conditions and, which is considering accepting a large new order – will help to establish extent of likely future excess capacity.

May depend on:

- How accurate or reliable the forecasts are.
- How variable external factors might be – these could affect the demand for such products substantially.
- How realistic the objectives are based on the forecasts.
- Other factors that influence the market plan such as availability of financial resources, effective co-ordination with other business functions – therefore, sales forecasts are not the only factor determining effective market planning.

3

Total for this question: 20 marks

(a) Calculate the additional annual profit that Topstar would gain from the Allport order. (6 marks)

Annual profit statement for the new contract:

Annual sales revenue	£2.4m
Material cost	(£1.2m)
Direct labour cost	(£0.6m)
Machinery cost	(£0.12m)
Annual addition to profit	£480 000 per year

6 marks for correct profit calculation;

5 marks for one arithmetical error;

4 marks for good attempt to calculate additional profit but including fixed costs to the calculation or excludes machinery cost;

3 marks fixed cost inclusion or ignoring machinery costs and one arithmetical error;

2 marks for some attempt to calculate profit;

1 mark for identifying either revenue or costs involved – use marks as shown above.

Ready Reckoner:

£480,000	6 marks	All correct
£240,000	5 marks	Deducted all of machine cost with no justification
£1,440,000	5 marks	Correct method but over 3 years
(£240,000)	4 marks	Subtracted overhead costs
£600,000	4 marks	Ignored machinery costs
(£480,000)	3 marks	Subtracted overheads and total machine cost
(£720,000)	3 marks	Subtracted overheads – 3 year figure
(£120,000)	2 marks	Subtracted overheads and ignored machinery cost

(b) Use your result from 3(a) and other relevant data to make and justify a recommendation to the Board on whether this contract should be accepted. *(14 marks)*

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	3-2 marks Good understanding shown of factors influencing decision	3-2 marks Result and other information applied in detail to the case	4-3 marks Good use of theory to analyse profit data and other information	4-3 marks Judgement shown in text or conclusions
Level 1	1 mark Relevant additional point(s) made	1 mark Some application of point(s) to case	2-1 mark Limited use of theory to analyse profit or other information	2-1 mark Limited judgement shown

Possible answers include:

- Positive annual additional profit suggests that the order should be accepted (OFR).
- Overhead costs should not be included when considering additional orders – but if they are, the unit overhead cost will fall with increased output.
- Contract could lead to further orders.
- Discount store sales could cannibalise existing Excelsior sales.
- Other retailers might find out about special price and insist on similar deals.
- Will spare capacity exist in 2004/2005 – refer to sales forecasts (OFR) – better to sell at existing higher price if there is a capacity shortage. If capacity is tight, might it still be better to accept this “certain” long term order?
- Will lower prices hit image of the product/company?
- Reduce risk of job losses.

May depend on:

- Whether machines are to be sold as “own label” or Topstar products.
- Whether other retailers find out the terms of the deal.
- Consumer reactions. Future sales for Excelsior products sold at normal prices.

4

Total for this question: 20 marks

To what extent will increasing the current level of Research and Development expenditure (Appendix C) ensure Topstar’s future success? (20 marks)

	Content 5 marks	Application 5 marks	Analysis 5 marks	Evaluation 5 marks
Level 3	5 marks Good understanding of R and D and other factors	5 marks Detailed application of a range of points to the case	5 marks Detailed use of theory to analyse the question set	5 marks Good judgement shown in text and conclusions
Level 2	4-3 marks Good understanding of R and D and/or other factors influencing success	4-3 marks Good application of points to this case	4-3 marks Analysis of question set using relevant theory.	4-3 marks Good judgement shown in text or conclusions
Level 1	2-1 marks Some understanding shown	2-1 marks Some application of point or points to case	2-1 marks Limited attempt made to analyse points made	2-1 mark Limited judgement shown in text or conclusion

Possible answers include:

- R and D is scientific research and technical development of new products or processes.
- There appears to be some link in Appendix C between R and D spending and market share.
- New successful product innovations can lead to a competitive advantage – Topstar’s new invention lacks adequate finance.
- New processes can speed up production and/or improve quality – company not currently well known for technical advances.
- This industry is a technically based one so new innovations could be important for Topstar.
- To achieve long term growth in sales and market share further innovations might be essential.

May depend on:

- PED of this product – perhaps a low price strategy is best after all.
- R and D spending does not guarantee successful innovative products or processes – the new invention might not lead to an innovative product.
- Competitors may increase R and D spending, if Topstar increase theirs.
- May infringe existing patents, if not sufficiently different.
- Other marketing mix aspects are important too – product not the only factor – needs to be an integrated mix.
- Many other factors could determine success – e.g. the industrial relations could worsen.

Assessment Objectives

Questions	1	2	3	4	Total
1 a	2	2	4		8
1 b	3	3	3	3	12
2 a		3	3		6
2 b	3	3	4	4	14
3 a		2	4		6
3 b	3	3	4	4	14
4	5	5	5	5	20
Total	16	21	27	16	80