



General Certificate of Education

Business Studies 6131

BUS4 Marketing and Accounting and Finance

Mark Scheme

2005 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.

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.

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**

Total 4 marks

1

Total for this question: 20 marks

(a) Examine why Tina supported the idea of a market-led approach to the company’s marketing. (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Two or more reasons clearly identified or clear explanation of market-led marketing	2 marks Candidate applies answer effectively to Cruise Line’s circumstances	4-3 marks Effective use of relevant theory to analyse the question
Level 1	1 mark One relevant reason identified or some understanding of market-led marketing	1 mark Candidate makes some attempt to apply the answer to Cruise Line’s circumstances	2-1 marks Limited use of theory to analyse the question

Possible answers might include the following:

- Market-led marketing bases the firm’s marketing strategy on consumers’ requirements.
- The company was out of touch with its market, particularly the younger elements.
- Few people in the younger age groups had heard of the company, suggesting the need to research their views.
- Explorer project popular with younger age groups.
- The company’s ships are nearly obsolete and consumers’ views are important in shaping the replacements.
- The company has increasing market share as an objective – it will need to sell to new market segments to achieve this and should research these segments.
- The product led approach in the past had resulted in financial problems for the business.

(b) Assuming that the company decides to go ahead with the Explorer, discuss the case for developing a marketing plan for the project. (12 marks)

	Content 2 marks	Application 3 marks	Analysis 4 marks	Evaluation 3 marks
Level 2	2 marks Candidate displays good understanding of marketing plans or identifies two relevant arguments	3marks Candidate applies knowledge effectively to <i>Cruise Line plc's</i> circumstances	4-3 marks Relevant theory used to examine argument for and against use of marketing plans	3 marks Judgement shown in considering the value of marketing plans
Level 1	1 mark Candidate displays some understanding of marketing plan or identifies one relevant argument	2-1 marks Candidate makes limited attempt to apply knowledge to <i>Cruise Line plc's</i> circumstances	2-1 marks Limited use of theory to analyse argument	2-1 marks Some judgement shown in text or assessment

Relevant answers might include the following:

- A marketing plan details a business's marketing strategy showing how it will be carried out.
- *Cruise Line plc* has decided upon new objectives and planning how the marketing function can help achieve this is an important step.
- The marketing plan might help to co-ordinate all aspects of the Explorer project – this is a large and long-term activity.
- Developing the plan will help managers to understand the market – one which is changing and one that they are only starting to understand properly.

But

- This is a very long-term project and a changing market too. The plan might be obsolete by the time Explorer is launched.
- *Cruise Line's* is moving into a new market segment making sales forecasts difficult, especially over a period of several years.
- Other factors such as improving staff performance might be a better use of resources for *Cruise Line plc*, especially in the short-term.

2

Total for this question: 20 marks

(a) (i) Calculate the expected change in labour turnover between the existing workforce and the Explorer workforce (see **Appendix A**). *(4 marks)*

	Content 1 mark	Application 3 marks
Level 2		3 marks Candidate calculates change in labour turnover accurately.
Level 1	1 mark Candidate demonstrates some understanding of labour turnover	2-1 marks Candidate attempts to calculate labour turnover

Relevant answers might include the following:

- Labour turnover for existing workforce is $88/400 \times 100 = 22\%$
- Labour turnover for Explorer is $98/280 \times 100 = 35\%$
- There is a forecast 13% increase in labour turnover.

- (ii) Comment on whether *Cruise Line plc*'s managers should be worried about the forecast labour turnover for the Explorer project. (6 marks)

	Content 1 mark	Application 2 marks	Analysis 3 marks
Level 2		2 marks Candidate applies answer effectively to <i>Cruise Line plc</i> 's circumstances	3 marks Effective use of relevant theory to analyse question
Level 1	1 mark One or more relevant argument(s) identified	1 mark Candidate makes some attempt to apply answer to <i>Cruise Line plc</i> 's circumstances	2-1 marks Limited use of theory to analyse question

Relevant answers might include the following:

- The existing workforce is quite old and a number of staff are expected to retire in the forthcoming two or three years, so the rise in labour turnover is expected.
- The intention was to recruit new staff to operate Explorer, so the rise in turnover is inevitable and not necessarily unwelcome.
- The company is struggling financially and the extra costs imposed by an increased labour turnover could be tough to cope with.
- The data is a forecast and may prove inaccurate – either too high or too low.

(b) Discuss the case for and against the use of team working on the Explorer ships. (10 marks)

	Content 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks Candidate displays good understanding of teams or identifies two relevant arguments	2 marks Candidate applies knowledge effectively to <i>Cruise Line plc's</i> circumstances	3 marks Relevant theory used to examine argument for and against use of teams	3-2 marks Good judgement shown in text or conclusions
Level 1	1 mark Candidate demonstrates limited understanding of teams or identifies one relevant argument	1 mark Candidate makes limited attempt to apply knowledge to <i>Cruise Line plc's</i> circumstances	2-1 marks Limited use of theory to analyse argument	1 mark Some judgement shown in text or conclusion

Relevant answers might include the following:

- Team working can improve employee performance by fulfilling social and ego needs.
- Team working can also allow people to work to their strengths complementing one another – this could be important in providing a quality service aboard and off the Explorer ships.
- A natural development of other changes that are taking place within the business such as offering off-ship activities led by *Cruise Line plc's* staff.
- A time of major change, with many new employees, might be the obvious time to implement team working.

But

- This change may involve a change of culture and with many long-serving staff this could be difficult to implement.
- It could lead to dissatisfaction amongst existing staff – labour turnover is forecast to increase.
- The training budget might be considerable at a time when the company is financially weak.
- The implementation of teamworking at the same time as the introduction of Explorer might prove too stressful for many employees.
- Planning to recruit new staff with the right skills is more important in these circumstances.

3

Total for this question: 20 marks

- (a) *Cruise Line plc* planned to raise 75% of the capital required for the Explorer project through long-term loans. Select and calculate **two** ratios and assess whether this was a good decision. (8 marks)

	Content 2 marks	Application 2 marks	Analysis 2 marks	Evaluation 2 marks
Level 2	2 marks Candidate demonstrates good understanding of two relevant ratios	2 marks Two relevant ratios applied to the case to give accurate answers	2 marks Effective use of relevant theory to analyse wisdom of decision	2 marks Sound judgement shown in assessing the decision
Level 1	1 mark Candidate demonstrates understanding of a single ratio	1 mark One relevant ratio applied to the case to give an accurate answer	1 mark Limited use of theory to analyse wisdom of decision	1 mark Some judgement shown in text or assessment

Relevant answers might include the following:

- Current gearing is $50/150 \times 100 = 33.3\%$ - if proposal is carried through then $125/225 \times 100 = 55.5\%$.
- New gearing ratio would be high, especially given the high risk nature of the project.
- Acid test = $38/60 = 0.63:1$, but would worsen significantly if cash is drawn out to finance Explorer.
- Low figure, perhaps calling into question ability to meet current commitments, especially when backed up by the Finance Director's warning.
- ROCE was $10/150 \times 100 = 6.67\%$ in 2004-05. This is very low suggesting little ability to finance Explorer from profits.
- The company is a plc and could probably raise a higher proportion of the capital required through a share issue, despite low levels of profitability in recent years – the Explorer project might appeal to investors.
- Leasing option.

(b) Using all the financial information available to you, evaluate whether the Finance Director was right to oppose the Explorer project. (12 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks Candidate displays good understanding of relevant financial data	2 marks Candidate applies knowledge effectively to Explorer project	4-3 marks Relevant theory used to examine argument for and against Explorer project	4-3 marks Judgement shown in taking decision on financial grounds
Level 1	1 mark Candidate displays limited understanding of relevant financial data	1 mark Candidate makes limited attempt to apply knowledge to Explorer project	2-1 marks Limited use of theory to analyse case for and/or against Explorer project	2-1 marks Some judgement shown in text or assessment

Relevant answers might include the following:

For the project:

- Once the project is established it will generate annual profits of £12 million – an ARR of 12%.
- The current profit levels are unacceptable and some action is necessary.
- Price competition against Cunard is difficult given the latter's advantage in terms of economies of scale, the Explorer project avoids this so could be more profitable.
- Even borrowing 75% of the funds leaves gearing at 50% – and there is no obvious reason why more than 25% of the capital cannot be raised through a share issue.

On the other hand:

- Payback is lengthy at over six years.
- The company has cash problems and may experience difficulty in meeting interest charges.
- The length of the project makes accurate financial estimates less likely.
- The project will tie up large sums of money for two years before offering any return. The interim period could be financially tough.
- Leasing vessels might be a viable option.

4

Total for this question: 20 marks

- (a) Analyse the benefits that *Cruise Line plc* might receive if Critical Path Analysis is used to manage the Explorer project in the period until the ships are launched in April 2007.

(8 marks)

	Content 2 marks	Application 3 marks	Analysis 3 marks
Level 2	2 marks Candidate demonstrates good understanding of CPA or identifies two important factors	3 marks Candidate applies answer effectively to <i>Cruise Line plc's</i> circumstances	3 marks Effective use of relevant theory to analyse the question
Level 1	1 mark Candidate demonstrates some understanding of CPA or identifies one important factor	2-1 marks Candidate makes some attempt to apply answer to <i>Cruise Line plc's</i> circumstances	2-1 marks Limited use of theory to analyse the question

Relevant answers might include the following:

- Assisting managing *Cruise Line plc's* cash flow – an important issue given its poor liquidity position.
- Time management will be essential to bring the project through on time – CPA can assist in planning and monitoring the project.
- In the event of the timings differing from what was expected, CPA can highlight the new, key issues.
- CPA can help in recruiting staff at the most efficient time.

(b) Assess the case for *Cruise Line plc* copying other companies' ship designs rather than investing in researching and developing its own designs for the Explorer project. (12 marks)

	Content 2 marks	Application 3 marks	Analysis 3 marks	Evaluation 4-3 marks
Level 2	2 marks Candidate displays good understanding of research and development or identifies two relevant arguments	3 marks Candidate applies knowledge effectively to the Explorer project	3 marks Relevant theory used to examine argument for and against investing in R & D	4-3 marks Judgement shown in taking decision on about R & D
Level 1	1 mark Candidate displays limited understanding of research and development or identifies one relevant argument	2-1 marks Candidate makes limited attempt to apply knowledge to the Explorer project	2-1 marks Limited use of theory to analyse case for and against investing in R & D	2-1 marks Some judgement shown in text or assessment

Relevant answers might include the following:

- Financial situation of Cruise Lines makes it imperative to launch Explorer at the first opportunity.
- Cruise Lines is behind its rivals, why not produce “me too” products?
- Research and Development is costly and does not guarantee returns or a timescale – copying successful ideas is a low risk strategy.

But

- The best ideas may be protected by patent, meaning Explorer lacks key features of rivals' ships.
- Explorer is a different type of ship (small and designed to be a base for activities). Is copying design from a different type of ship the best option?
- Using current designs may not provide the best quality ship possible.