



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

General Certificate of Education

Business Studies 6131

**BUS4 Marketing and Accounting and
Finance, People and Operations
Management**

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 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 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 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) Analyse the likely causes of the poor communication within *Lowfare* after the expansion resulting from the purchase of the Polish airline. (8 marks)

	Knowledge 2 marks	Application 3 marks	Analysis 3 marks
Level 2	2 marks Awareness shown of communication and one barrier or two barriers suggested	3 marks Good application to case	3 marks Good use of theory to explain how barriers arise
Level 1	1 mark Awareness shown of communication or one barrier suggested	2–1 marks Some application to case	2–1 marks Some use of theory to explain how barriers arise

Possible answers might include the following:

- definition of communication
- diseconomy of scale
- too many levels of hierarchy after the expansion – delays and distorts communication
- increased dependence on IT – risk of information overload and lack of face to face contact
- language and distance from Polish airline operating base.

(b) Recommend to the Board of Directors a pay system for cabin staff that would most likely help to achieve the new Human Resource objective (lines 54–61). Justify your recommendation. (12 marks)

	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks Good awareness shown of pay system(s)	2 marks Good application to the case	4–3 marks Good use of theory to explain pay system(s)	4–3 marks Good judgement shown/supported recommendation
Level 1	1 mark Some awareness of pay system(s)/HR objective	1 mark Some application to the case	2–1 marks Some use of theory to explain pay system(s)	2–1 marks Some judgement shown

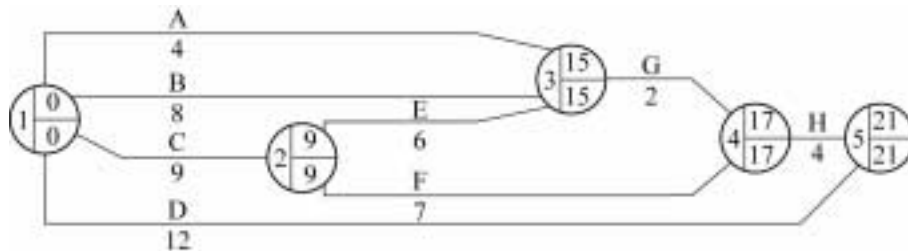
Possible answers might include the following:

- definition of HR objective/new HR objective stated
- profit share/salary/performance related pay/employee shareholdings etc
- advantages/disadvantages of at least one of these, eg impact on motivation, labour turnover (to improve loyalty), quality of customer service and costs
- which one will give low turnover and motivated staff offering high service in this case?

2

Total for this question: 20 marks

(a) Construct a critical path network diagram for the 'long-haul project', using the information in **Appendix B**. Insert all earliest start times and latest finish times. (10 marks)



Correct network	6 marks
One error	5 marks
Follows logic but more than one error	3–4 marks
Some understanding	1–2 marks
Letters in nodes not on activities	1 mark
See ESTs/LFTs above. (OFR must be applied)	
All correct	4 marks
One error	3 marks
Two errors	2 marks
Some understanding	1 mark

(b) Discuss the likely advantages and disadvantages to *Lowfare* of operating from small airports which are located a considerable distance away from big cities. (10 marks)

	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks At least two points suggested	2 marks Good application to case	3 marks Good use of theory to explain location factor	3 marks Good judgement shown
Level 1	1 mark One relevant point suggested	1 mark Some application to case	2–1 marks Some use of theory	2–1 marks Some judgement shown

Possible answers might include the following:

- low set up/capital costs
- potentially lower labour costs than near main cities
- could these factors lead to higher profits/lower break-even and better investment appraisal results?
- less competition from major airlines
- passenger opposition to distance from major cities – opposition to any attempt to increase fares?
- may not attract business market due to length of onward journey. Fewer connecting flights.

3

Total for this question: 20 marks

(a) To what extent do you think *Lowfare* was right to use a scientific approach to marketing decisions before starting long-haul routes? (10 marks)

	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks Good knowledge shown	2 marks Good application	3 marks Good use of theory to explain methods	3 marks Good judgement shown
Level 1	1 mark Some knowledge shown	1 mark Some application	2–1 marks Some use of theory to explain method(s)	2–1 marks Some judgement shown

Possible answers might include the following:

- definition of scientific approach/marketing model
- major investment – right to take time over research, problem analysis, test market etc
- a different market to that which company is used to – so important to undertake the marketing model
- BUT: needed to act quickly as profits are static yet competition is increasing
- by using test routes competitors can see what new strategy is and respond to it
- long-haul market so well established – is a test market really necessary as other long-haul airlines profitability could be assessed easily.

(b) Do you agree with the Marketing Director that the size of the marketing budget for the long-haul routes is the key to the success of this new venture? Justify your answer. (10 marks)

	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks Good knowledge shown of marketing budget and/or other factors	2 marks Good application	3 marks Good use of theory to examine impact of budget and/or other factors	3 marks Good judgement shown on importance of marketing budget
Level 1	1 mark Some knowledge of marketing budget and/or other factors	1 mark Some application	2–1 marks Some use of theory	2–1 marks Some judgement shown

Possible answers might include the following:

- definition of marketing/promotion budget
- very important – spending very low at present and need to present new service/image to new market. Spending less than rivals. Competitive market
- important – but not everything. Also need to be in right airports. Need good customer service. Price has to be right – may be less price elastic than short-haul though
- needs an integrated strategy for promotion spending to be effective.

4

Total for this question: 20 marks

(a) Calculate the net present value of the 'long-haul project', using the data in **Appendix A**.
(6 marks)

Knowledge 2 marks	Application 4 marks
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Year	NCF £m	DCF £m
0	(25)	(25)
1	5	4.55
2	10	8.30
3	15	11.25
4	15	10.2
	NPV	9.3

(b) Should *Lowfare* go ahead with the international 'long-haul project'? Use your result from 4(a), data from **Appendix A** and any other information to support your answer.
(14 marks)

	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 4 marks
Level 2	2 marks Two relevant points made	2 marks Good application to case	6–4 marks Good use of theory to explain reasons for and against proceeding	4–3 marks Good judgement shown and must include supported recommendation
Level 1	1 mark One relevant point made	1 mark Some application to case	3–1 marks Some use of theory	2–1 marks Some judgement shown

Possible answers might include the following:

- can be argued either way
- are they rushing into a major decision? Would it be better to make a success of the takeover first?
- investment appraisal looks positive BUT: payback seems long for four year project. What should some of the data be compared to – other potential projects? Is there a company 'cut-off' rate?
- growth of international passengers seems to fit in with company objectives of making airline a 'big force'
- may need to take some kind of action as short-haul market seems very competitive and profit margins are tight
- can they convince enough passengers of the change in customer service strategy?
- how reliable are the cash flow forecasts? Would world events dent these?
- may be a good idea to use this 'test market' approach before full commitment to long-haul
- CPA suggests timing just possible
- final decision may rest on source of finance. Gearing ratio quite high. What would this rise to if further loans were arranged? Reaction of shareholders to dividend cut?