



# **GCE MARKING SCHEME**

## **BUSINESS STUDIES AS/Advanced**

**JANUARY 2013**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the January 2013 examination in GCE BUSINESS STUDIES. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

<b>Unit</b>	<b>Page</b>
BS1	1
BS2	9
BS3	19

## **BUSINESS STUDIES - BS1**

### **MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

It should be remembered that the candidates are writing under examination conditions and credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer it is satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

#### **Levels of Response**

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesis or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

#### **Quality of written communication**

The QWC is assessed in question 5.

## BS1

Question	Answer	Mark allocation	Assessment objective
1 (a)	<p><b>Give two examples of merit goods.</b> Up to 2 marks available 1 mark for each correct answer <b>Answer:</b> Health, Education, Libraries, Museums, Roads or other appropriate answer.</p>	<b>2</b>	AO1 2
1 (b)	<p><b>Explain why street lighting is a public good.</b> Up to 4 marks available 1 mark for each identifying feature and an additional mark for the development.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Non-rivalry (or other form of words) (1) – the consumption of the good by one individual does not reduce the amount available for others e.g. social services (1)</li> <li>• Non-excludability (or other form of words) (1) - it is impossible to exclude others from benefiting from their use i.e. people who use the street will benefit from the street lighting provided (1).</li> </ul>	<b>4</b>	AO1 2 AO2 2
2 (a)	<p><b>Explain, using two examples of market segmentation, how Ford and its customers can benefit from this marketing approach.</b> 6 marks available. Up to a maximum of 3 marks per example –one mark for the identification of the category and up to 2 for development with reference to Ford.</p> <p><b>Indicative content:</b> Any two from: age, gender, occupation, social class, income, family characteristics, geographic region, personality and lifestyle, and purchases, religion, ethnic grouping and political voting preferences. Demographic, geographic etc.</p> <p>Benefits to Ford:</p> <ul style="list-style-type: none"> <li>• Can match the needs of different groups e.g. small town car, large family people carrier</li> <li>• Can adjust the product to consumer preferences, such as, greener versions e.g. electric models, low emissions, economic versions</li> <li>• Can target their advertising to specific groups, thereby maximising its effect</li> <li>• Any other valid benefit</li> </ul> <p>Benefits to Customers:</p> <ul style="list-style-type: none"> <li>• Receive a product that is closer to their expectations</li> <li>• Can help them stick to their green principles</li> <li>• Can fit better with their budgets and lifestyle</li> <li>• Can be superior to the competition</li> <li>• Can make them feel that they are getting value for money</li> <li>• Can have improved safety features</li> <li>• Because marketing is targeted – the consumer is aware of new features</li> <li>• Any other valid benefit</li> </ul>	<b>6</b>	AO1 2 AO2 4

Question	Answer	Mark allocation	Assessment objective
2 (b)	<p><b>How does this situation illustrate the concept of opportunity cost?</b></p> <p>Up to 4 marks available.</p> <p>1 mark for identifying the 'opportunity' and 1 mark for identifying the 'cost/benefit' aspect.</p> <p>Up to 2 additional marks for development</p> <p>Development marks can be gained by explaining that the 'cost' is the benefit forgone.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• University – better job with degree, confidence and self-esteem gained</li> <li>• Job – salary immediately, practical experience, no debts</li> </ul>	4	AO1 2 AO2 2
3 (a)	<p><b>Adapt the diagram below to show the effect of falling incomes on the market for premium brand baked beans and explain the changes that have taken place.</b></p> <p>Up to 4 marks available.</p> <p>2 marks for the diagram &amp; 2 for the explanation</p> <p>1 mark for a correct new demand curve</p> <p>1 mark for P2+Q2 (both labels need to be correct)</p> <div data-bbox="343 1052 957 1556" data-label="Figure"> </div> <p><b>Indicative content:</b></p> <p>Any 2 from the points below:</p> <ul style="list-style-type: none"> <li>• As incomes fall the consumer has <b>less disposable income</b> (1) and makes an effort to economise.</li> <li>• Demand for premium brand beans falls</li> <li>• <b>Cheaper brand</b> (1) of item e.g. own brand/lesser known brand purchased instead.</li> <li>• Demand curve moves to the left and shift is downwards so equilibrium price will fall</li> <li>• Any other valid explanation.</li> </ul>	4	AO2 2 AO3 2

Question	Answer	Mark allocation	Assessment objective
3 (b)	<p><b>Explain what factors, other than the drop in income, which might affect the price of premium-brand baked beans.</b></p> <p>Up to 6 marks available</p> <p><b>Level 1</b> – The candidate briefly lists or outlines one or two factors with no or weak explanation. List type answers.  <b>Level 2</b> – The candidate explains at least two factors.  <b>Level 3</b> – The candidate fully explains two (well explained) or three factors. The explanation is clear and developed to show how the factors affect the price</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• A fall/increase in the cost of production – a business needs to cover its costs so may be forced to increase the price and vice versa</li> <li>• Special offers/marketing</li> <li>• Competition – if demand increases or falls for alternative products, e.g. soya beans. Reference to short term and long term. Substitutes.</li> <li>• Legislation – recycling/min wage/VAT</li> <li>• Objectives of the bean producers or manufacturers they might want to increase their profit margin or market share.</li> <li>• Their marketing strategy/marketing mix – price needs to complement the other Ps.</li> <li>• The weather – bad weather could reduce the amount of raw material available</li> <li>• Changing consumer tastes – consumers may no longer demand the product</li> <li>• New markets</li> <li>• Higher income</li> <li>• Reputation</li> <li>• Any other valid factor</li> </ul>	<p><b>6</b></p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
4(a)	<p><b>Explain why Magmatic Ltd now wishes to adopt a more market orientated approach.</b></p> <p>Up to 6 marks available</p> <p><b>Level 1</b> – Answers show a basic understanding and knowledge of market-orientated approach to business. The candidate may include examples but limited application to Magmatic Ltd.</p> <p><b>Level 2</b> – The candidate is able to explain market-orientated approach in relation to Magmatic Ltd and how it will benefit. Relevant example/s are included with some development.</p> <p><b>Level 3</b> – The candidate shows a clear understanding of a market-orientated approach to Magmatic Ltd and the benefits of using this approach. Answers are developed and illustrated with relevant examples.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Customers get greater satisfaction</li> <li>• Customer focus means Magmatic will continue to improve and upgrade products/respond to changes</li> <li>• Satisfaction leads to repeat purchases and brand loyalty</li> <li>• Loyal customers buy more frequently and in greater volume</li> <li>• Loyal customers are less susceptible to competition and are more willing to pay higher prices</li> <li>• Long term profitability means that Magmatic will remain viable and successful</li> <li>• Familiarity with the market allows Magmatic to build emotional impact into their advertisements i.e. to market more effectively</li> <li>• Objectives of Magmatic – increase growth</li> <li>• Any other valid suggestion</li> </ul>	<p><b>6</b></p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
4(b)	<p><b>Discuss whether Magmatic Ltd should become a public limited company or remain as a private limited company.</b></p> <p>Up to 8 marks available</p> <p><b>Level 1</b> – Answers show a basic understanding and knowledge of the benefits or drawbacks to Magmatic of becoming a plc. One or two simple benefits and/or drawbacks are suggested.</p> <p><b>Level 2</b> – The candidates can clearly identify and explain the benefits and/or drawbacks to Magmatic of becoming a plc.</p> <p><b>Level 3</b> – The candidate gives a balanced evaluation of the benefits and drawbacks to Magmatic of becoming a plc.</p> <p><b>Indicative content:</b></p> <p>Becoming a PLC</p> <ul style="list-style-type: none"> <li>• Large amounts of money can be raised for Magmatic from the sale of shares to the public</li> <li>• Magmatic may gain economies of scale</li> <li>• Easier to raise loan finance</li> <li>• Helps growth – might give Magmatic a bigger market share</li> <li>• May motivate Magmatic employees/managers</li> <li>• Brand recognition</li> <li>• More capital for investing in new products</li> <li>• Any other valid suggestion</li> </ul> <p>Remaining as LTD</p> <ul style="list-style-type: none"> <li>• Setting up costs for Magmatic would be expensive</li> <li>• There would be an even greater divorce of ownership for Magmatic between ownership and control</li> <li>• Magmatic may lose control and be involved in a takeover</li> <li>• Magmatic accounts can be inspected by the public – used by competitors</li> <li>• A loss of personal touch between Magmatic and customers</li> <li>• The business may become inflexible because of its size</li> <li>• Any other valid suggestion</li> </ul> <p>Do not credit limited liability since they already have this and note that the emphasis of the question is the change in ownership not growth.</p>	<p><b>8</b></p> <p>1-3</p> <p>4-6</p> <p>7-8</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO4 4</p>

Question	Answer	Mark allocation	Assessment objective
5	<p><b>Discuss the view that changing working patterns benefit both employers and employees.</b></p> <p>Up to 10 marks available</p> <p><b>Level 1</b> – Relevant benefits to either employers or employees are identified. No or little evaluation.</p> <p>The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology suggesting weakness in these areas.</p> <p><b>Level 2</b> – Candidate explains benefits for both employers and employees and may attempt some evaluation.</p> <p>The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology.</p> <p><b>Level 3</b> – Candidate fully evaluates the view that the expansion of flexible working practices brings benefits to employers and employees.</p> <p>The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology</p>	<p><b>10</b></p> <p>1-3</p> <p>4-6</p> <p>7-10</p>	<p>AO1 1</p> <p>AO2 1</p> <p>AO3 3</p> <p>AO4 5</p>

Question	Answer	Mark allocation	Assessment objective
	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Flexi-time</li> <li>• Shift work</li> <li>• Home working</li> <li>• Part-time working</li> <li>• Job sharing</li> <li>• Temporary working</li> </ul> <p>Answers should refer to:</p> <p>Benefits to employers:</p> <ul style="list-style-type: none"> <li>• Multi-skilled workers enable cover for holidays/sickness</li> <li>• Better morale &amp; motivation if empowered to choose working pattern</li> <li>• Respond quickly to market conditions</li> <li>• Reduce costs – part time working e.g. accountant</li> <li>• Employers can have cover for busy periods of the day</li> <li>• Can cover busy times of the year</li> <li>• Less office space needed if using home workers</li> <li>• Less absenteeism for such things as dentist visits etc</li> <li>• Less late arrival because of rush hour traffic</li> <li>• Simplifies accommodating changing circumstances e.g. maternity cover</li> <li>• Wider pool of skills/experience</li> <li>• Any other valid suggestion</li> </ul> <p>Benefits to employees:</p> <ul style="list-style-type: none"> <li>• Feel good factor because in control of working day</li> <li>• Temporary work allows short term effort for special things like holidays or Christmas</li> <li>• Becoming multi-skilled enhances job prospects</li> <li>• Home working reduces transport costs/stress</li> <li>• Increases self-esteem of the individual</li> <li>• Any other valid suggestion</li> </ul> <p>Disadvantages to employers:</p> <ul style="list-style-type: none"> <li>• Can involve them with employing more staff</li> <li>• Difficult to communicate /organise things like training</li> <li>• Home working can cost more in the provision of equipment</li> <li>• Staff turnover can be high if using temporary staff</li> <li>• Some workers may take advantage and choose to work in quiet times</li> <li>• Less loyalty from peripheral employees</li> <li>• Reduction in quality of work/less qualified employees</li> </ul> <p>Disadvantages to employees:</p> <ul style="list-style-type: none"> <li>• Can feel isolated from other workers</li> <li>• Greater insecurity</li> <li>• Wages can decrease</li> <li>• Have to be more adaptable and retrain</li> <li>• Messages can be misconstrued without the non-verbal signals</li> <li>• Extra time needed for hand-overs</li> <li>• Don't feel ownership of the task</li> <li>• Some miss the structure of a timetable</li> </ul>		

## **BUSINESS STUDIES - BS2**

### **MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

It should be remembered that the candidates are writing under examination conditions and credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

#### **Levels of Response**

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesise or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

#### **Quality of written communication**

The QWC is assessed in question 3(d).

## BS2

Question	Answer	Mark allocation	Assessment objective
1 (a)	<p><b>Explain two benefits to Boots of marketing its products internationally.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two benefits of marketing products internationally.</p> <p><b>Level 2</b> Candidate attempts to explain possible benefits to Boots of marketing products internationally.</p> <p><b>Level 3</b> Candidate fully explains two benefits to Boots of marketing products internationally.</p> <p>Possible responses may include:</p> <p><u>Advantages:</u></p> <ul style="list-style-type: none"> <li>• A much <u>larger potential market</u> and a chance to increase revenue and market share – rather than just a domestic market.</li> <li>• An opportunity to earn <u>greater profits</u> and thereby grow the business.</li> <li>• <u>Spreads the risk</u> – being in a number of different markets can safeguard against economic downturns.</li> <li>• <u>May enhance the business’ reputation</u> – investors may be attracted towards the business.</li> <li>• <u>Economies of scale</u>.</li> <li>• <u>Enhanced recognition of brand</u> – greater awareness</li> </ul>	<p><b>6</b></p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>
1 (b)	<p><b>Assess the possible advantages, to retailers such as Boots, of having a well motivated workforce.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two possible advantages of having a well motivated workforce.</p> <p><b>Level 2</b> Candidate attempts to assess possible advantages to Boots of having a well motivated workforce.</p> <p><b>Level 3</b> Candidate fully assesses possible advantages of Boots of having a well motivated workforce.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• A more productive and efficient workforce.</li> <li>• Less conflict between management and workforce.</li> <li>• Less absenteeism.</li> <li>• Reduced staff turnover</li> <li>• Greater willingness to accept change/ More adaptable.</li> <li>• Greater level of creativity and innovation</li> <li>• Better image</li> <li>• Improved quality of services to customers</li> </ul>	<p><b>6</b></p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 3</p> <p>AO2 3</p>

Question	Answer	Mark allocation	Assessment objective
1 (c)	<p><b>How can Maslow's theory of motivation be used to explain the high levels of motivation in Boots' workforce?</b></p> <p><b>Level 1</b> Candidate briefly outlines Maslow's theory in relation to the Hierarchy of Needs.</p> <p><b>Level 2</b> Candidate outlines Maslow's theory and attempts to demonstrate how it might be used to explain the high levels of motivation in Boots' workforce.</p> <p><b>Level 3</b> Candidate outlines Maslow's theory and clearly demonstrates how it might be used to explain the high levels of motivation in Boots' workforce.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• <u>Physiological Needs</u> – By offering competitive salaries etc. the company is able to satisfy basic needs of their employees in relation to food, drink, rest and activity. Staff discounts.</li> <li>• <u>Safety Needs</u> – By providing a healthy work environment to. Helps employees to choose the best option for a healthy work-life balance by offering good holiday entitlement.</li> <li>• <u>Social Needs</u> – Affiliating or being part of a group: teamwork, open communication. A sense of belonging is generated.</li> <li>• <u>Esteem Needs</u> – By recognizing that all employees should feel that they contribute to the achievements of the business and placing great emphasis on providing positive feedback rewarding staff for their achievements. Promotion from within. Ensuring they feel competent – provision of good training.</li> <li>• <u>Self-Actualisation</u> - Boot's provides employees with the opportunity to take on challenging and stimulating responsibilities in an attempt to reach their full potential. For example, the business provides the opportunity for individuals to take ownership of projects as in the case of Kasim. This enables them to develop and improve.</li> </ul> <p><i>Marks may be awarded for a well-constructed diagram of the Hierarchy of Needs when attaining Level 1. Diagram only 2 marks.</i></p>	<p><b>8</b></p> <p>1-3</p> <p>4-6</p> <p>7-8</p>	<p>AO1 1 AO2 1 AO3 2 AO4 4</p>

Question	Answer	Mark allocation	Assessment objective
2 (a) (i)	<p><b>What is meant by <i>industrial marketing</i>?</b></p> <ul style="list-style-type: none"> <li>• Offering the right product at the right price at the right place and at the time to sell profitably to business customers. <u>B to B.</u></li> <li>• Selling goods and services that are <u>not directly aimed at consumers.</u></li> <li>• May sell finished goods, raw materials, components or services to other businesses.</li> </ul>	<b>2</b>	AO1 2
2 (a) (ii)	<p><b>Analyse the possible methods that the members of the Sales Team might adopt when selling their products to their industrial customers.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two methods that the members of the Sales Team might adopt when selling their products to their industrial customers.</p> <p><b>Level 2</b> Candidate attempts to analyse methods that the members of the Sales Team might adopt when selling their products to their industrial customers.</p> <p><b>Level 3</b> Candidate fully analyses methods that the members of the Sales Team might adopt when selling their products to their industrial customers.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Will require a <u>finely targeted approach</u> – homing in on the few people in any organisation whose responsibility it is to purchase goods and services from outside.</li> <li>• Industrial marketing is more focussed and <u>does not aim at mass markets.</u></li> <li>• <u>Trade fairs and exhibitions</u> may be used to establish contacts and display goods.</li> <li>• May involve highly <u>specialised sales personnel</u> – one to one relationship with purchasing manager/buyer likely to be more important. Price negotiation.</li> <li>• <u>Trade magazines and journals</u> may be used to advertise the goods or services.</li> </ul>	<b>6</b>  1-2  3-4  5-6	AO2 3 AO3 3

Question	Answer	Mark allocation	Assessment objective
2 (b)	<p><b>Calculate the profit that the company would have made if it was producing at maximum capacity over the year rather than at actual output. (Assume that variable costs per pallet remain the same at £6 per unit and all pallets are sold at a price of £14 each)</b></p> <p>Revenue: <math>400,000 \times £14 = £5,600,000</math> (x1)</p> <p>Variable Cost = <math>400,000 \times £6 = £2,400,000</math> (x1)</p> <p>Fixed Costs = <math>£360,000</math> +</p> <p>Total Cost = <math>£2,760,000</math> (x1)</p> <p>Profit = TC-TR = <math>£5,600,000 - £2,760,000</math> (x1) = <u><math>£2,840,000</math></u> (x1)</p> <p>Or:</p> <p>Selling price – Variable Cost per unit = Contribution  <math>£14 - £6 = £8</math> (2)</p> <p>Contribution x Quantity Sold = Total Contribution  <math>£8 \times 400,000 = £3,200,000</math> (1)</p> <p>Total Contribution – Fixed Costs = Profit  <math>£3,200,000 - £360,000(1) = \underline{£2,840,000}</math> (1)</p> <p>OFR applies.</p>	5	AO1 4 AO2 1
2 (c) (i)	<p><b>Calculate the actual capacity utilization for Jonson’s Pallets Ltd. (Show your workings)</b></p> <p><math>\frac{\text{Actual output}}{\text{Maximum output}} \times 100 = \frac{240,000}{400,000} \times 100 = 60\%</math> (2)</p> <p>Accept: 0.6 (1) 60 (1)</p> <p>OFR applies</p>	2	AO1 1 AO2 1
2 (c) (ii)	<p><b>Explain the advantages and disadvantages of operating at 100% capacity for Jonson’s Pallets Ltd.</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two advantages/disadvantages</p> <p><b>Level 2</b> Candidate attempts to explain at least one or two advantages and disadvantages.</p> <p><b>Level 3</b> Candidate fully evaluates the issues related to operating at full capacity.</p> <p>Possible responses may include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> <li>• Average costs minimised – fixed cost spread – helps raise profits.</li> <li>• Workers may feel more secure in their jobs – motivation raised.</li> <li>• Improves company image – busy business may encourage customers to place orders.</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>• Strain on resources if over worked.</li> <li>• Too much work for workers may lead to stress, tiredness, demotivation – absences and accidents may result, quality may be compromised.</li> <li>• Machinery may be overworked and breakdown if insufficient time put aside for maintenance.</li> <li>• Insufficient staff training if working all the time</li> <li>• Orders may be lost if no capacity available to accommodate new customers.</li> </ul>	<p><b>8</b></p> <p>1-3</p> <p>4-6</p> <p>7-8</p>	AO1 2 AO2 1 AO3 3 AO4 2

Question	Answer	Mark allocation	Assessment objective
(a)	<p><b>Explain the following stock control terms:</b></p> <p>(i) Lead time – the amount of time that elapses (1) between placing an order and the delivery of that order (1).  (ii) Re-order quantity – the quantity ordered (1) in order to return the stockholding to maximum level (1).  (iii) Buffer Stock – the amount of stock held between the minimum stock holding and zero stock (1). Used in case of late deliveries or extra orders (1).</p>	<b>6</b>	AO1 4 AO3 2
3 (b)	<p><b>Examine the stock control diagram for Candy Cakes Ltd’s sugar and give the value of the following:</b></p> <p>(i) Lead time – 2 (weeks)  (ii) Re-order quantity – 1200 (kilos)  (iii) Buffer stock – 400 (kilos)</p>	<b>3</b>	AO2 3
3 (c)	<p><b>Evaluate the usefulness of constructing a budget to Candy Cakes Ltd.</b></p> <p><b>Level 1</b> Candidate identifies one or two benefits of constructing budgets. May include definition.</p> <p><b>Level 2</b> Candidate attempts to explain at least two benefits of constructing budgets and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully evaluates the constructing of a budget to Candy Cakes Ltd.</p> <p>Definition – Quantitative economic plan prepared and agreed in advance.</p> <p>Possible responses may include:</p> <p>Benefits:</p> <ul style="list-style-type: none"> <li>• A means of <u>controlling</u> income and expenditure.</li> <li>• <u>Regulate</u> the spending of money and highlight losses, waste and inefficiency.</li> <li>• They act as a <u>review</u> and allow time for corrective action to take place.</li> <li>• They <u>allow delegation</u> without loss of control – subordinates can be set their own targets.</li> <li>• They help in the <u>co-ordination</u> of a business and improve communication between different sections of the business.</li> <li>• Budgets provide <u>clear targets</u> to be met and should help employees to focus on costs. Motivates employees.</li> <li>• <u>Planning</u>. Forces a business to think ahead.</li> <li>• <u>Accountability</u>. Helps senior managers to monitor performance.</li> </ul> <p>Drawbacks:</p> <ul style="list-style-type: none"> <li>• They can be <u>time consuming</u> for managers in small businesses; especially for those who are not particularly numerate.</li> <li>• Some personnel can <u>resent</u> having to meet budget targets that they have had no part in constructing. Poor motivation and missed targets can result.</li> <li>• If the actual figures are very different from the budgeted ones the budget can lose its <u>significance</u>.</li> <li>• <u>Inflexibility</u>. May lose out on opportunities.</li> <li>• <u>Not actual figures</u>. Difficult to estimate figures especially sales figures for new products.</li> </ul>	<b>8</b>	AO1 2 AO2 2 AO3 1 AO4 3

Question	Answer	Mark allocation	Assessment objective
3 (d)	<p><b>Discuss the view that the introduction of the new Total Quality Management (TQM) programme will solve some, but not all, of the company's problems.</b></p> <p><b>Level 1</b> Candidate demonstrates a basic understanding of the concept of TQM. Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.</p> <p><b>Level 2</b> Candidate attempts to analyse different aspects of TQM and may attempt to evaluate their importance in helping Candy Cakes Ltd. remain competitive. Information is well organized and ideas are expressed in a logical manner. There is good use of specialist terminology/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive.</p> <p><b>Level 3</b> Candidate fully evaluates the view that the introduction of a Total Quality Management approach would solve some, but not all, of the company's problems. Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terminology/vocabulary with few, if any, errors in spelling, punctuation and grammar.</p> <p>Possible responses might include:</p> <ul style="list-style-type: none"> <li>• TQM a managerial approach which focuses on quality and aims to improve the effectiveness, flexibility and competitiveness of a business. If implemented correctly the chances of success should be enhanced:</li> <li>• Benefits of doing something <u>right first time</u> – TQM is designed to prevent errors, such as the creation of poor quality products – withdrawal of 5000 sponges! <u>Zero defects</u>.</li> <li>• <u>Quality chains</u>. Treating those within and outside the business as your customer. In this case a <u>better relationship</u> with the West Indian suppliers is vital – or new supplier/suppliers should be found.</li> <li>• <u>Control</u> – production process must be totally consistent in order that the cakes are produced to the exact same quality every time. Quality audits should take place.</li> <li>• <u>Team work</u> – Charlie has let his team mates down by being late with his departmental budget. Interdependence and co-operation are vital between the various functional departments..</li> <li>• <u>Collecting consumers' views</u> – this information can help identify the strengths and weaknesses of candy Cakes Ltd.</li> <li>• <u>Kaizen</u>. Continuous improvement approach will strengthen the company overtime.</li> <li>• <u>Quality circles</u>.</li> </ul>	<p><b>10</b></p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO1 3 AO2 1 AO3 1 AO4 5</p>

Question	Answer	Mark allocation	Assessment objective
	<p><i>It is clear that all of the above are likely to address some of Candy Cakes problems. However:</i></p> <ul style="list-style-type: none"> <li>• TQM will only work if there is commitment from the entire business.</li> <li>• TQM must start from the top. Charlie, as a senior manager must commit himself: if not, his subordinates are unlikely to do so.</li> <li>• Candy Cakes can do little to prevent competitors improving their products and stealing market share. The market in which they are operating is increasingly competitive.</li> <li>• New competitors may enter the market with exciting, innovative cakes.</li> <li>• Tastes and fashion can change and, as consumers become more health conscious, it could mean that the total market for cakes may shrink.</li> <li>• As Candy Cakes charge premium prices they are more susceptible to economic downturn as consumers look for less expensive substitutes.</li> <li>• As a proportion of their ingredients come from overseas fluctuations in exchange rates could damage their profitability.</li> <li>• HR problems to be discussed - absenteeism, breakdown of pay negotiations.</li> </ul> <p><i>These external factors may have a significant impact on Candy Cakes success, whether it adopts TQM or not. To some extent it also depends on how efficiently the business is run already and the commitment of the staff in undergoing the change that TQM will impose upon the business. Success cannot be guaranteed by the introduction of TQM.</i></p>		

## **BUSINESS STUDIES - BS3**

### **MARK SCHEME**

#### **GENERAL MARKING GUIDANCE**

It should be remembered that the candidates are writing under examination conditions and credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer it is satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

#### **Levels of Response**

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesis or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

#### **Quality of written communication**

The QWC is assessed in question 4 and 5.

**BS3**

Question	Answer	Mark allocation	Assessment objective
1	<p><b>Explain how Reckitt Benckiser plc’s new ten-year strategy is likely to affect the various stakeholders of the business</b></p> <p><b>Level 1</b> The candidate identifies some effects of the strategy on some of the stakeholders</p> <p><b>Level 2</b> The candidate identifies/explains several effects of the strategy on several of the stakeholders.</p> <p><b>Level 3</b> The candidate fully explains the effects of the strategy on most/all of the stakeholders.</p> <p>Responses might include the following:</p> <p>An outline of the strategy which includes: increasing profit margins; concentrating on the powerbrands; concentrating on power markets mostly in emerging markets; increasing the proportion of sales to emerging markets; increasing the proportion of health and hygiene products in the company’s portfolio. Re-organising the divisions of the company by merging North America and Europe and splitting the emerging markets into two new divisions.</p> <p>The various stakeholder groups that might be affected include:</p> <p>Workers, some will lose their jobs as part of the reorganisation but some workers in the new divisions may benefit. If the company is successful their jobs may be more secure. Changes may affect motivation. Trade unions.</p> <p>Shareholders should benefit if the business becomes more profitable, but the strategy may be risky and if unsuccessful they might be adversely affected.</p> <p>Some managers may lose their jobs and others may have to take on new responsibilities.</p> <p>Local communities may be affected if jobs are lost. There may be environmental issues if the company increases its sales of detergents etc.</p> <p>Suppliers may benefit if sales increase globally as there will be greater demand for their products. Some suppliers may not benefit.</p> <p>Customers may benefit from the company’s products, but if the company is making better profit margins it may be that customers will have to pay higher prices for the products. Customers in emerging markets will have access to these types of product for the first time, this may improve their health and hygiene and improve the quality of their lives.</p> <p>Governments may increase their tax revenues if the company is more successful.</p> <p>Competitors – maybe adversely affected or benefit if RB is less successful.</p> <p>Creditors/banks/investors may benefit from RB success.</p>	<p><b>10</b></p> <p>1-3</p> <p>4-6</p> <p>7-10</p>	<p>AO1 4 AO2 4 AO3 2</p>

Question	Answer	Mark allocation	Assessment objective
2	<p><b>Assess the importance of its ‘powerbrands’ to Reckitt Benckiser plc’s success</b></p> <p><b>Level 1</b> The candidate demonstrates some knowledge of branding/attempts to apply it to RB.</p> <p><b>Level 2</b> The candidate demonstrates better knowledge of branding/applies it reasonably well to RB.</p> <p><b>Level 3</b> The candidate demonstrates excellent understanding of branding and applies it intelligently to RB.</p> <p>Answers might refer to the following:</p> <p>Brands are trusted by customers. They encourage customer loyalty. It is often said that it is easier to retain an existing customer than to attract a new one. This is particularly true of brands.</p> <p>Once a customer is satisfied with a brand they will purchase it again and again. This guarantees sales.</p> <p>Reckitt Benckiser has built up an impressive portfolio of brands over a long period of time. These brands are market leaders in the US and Europe and are increasingly penetrating markets in emerging economies such as Russia and Latin America.</p> <p>Many of the brands are cash cows. This should generate cash for the company to consolidate its position as market leader through promotions as well as investing in new brands, either through acquisitions or through its own R &amp; D. Other brands may be problem children which will need to be promoted in order to gain market share.</p> <p>Their brands are in the markets for home, health and hygiene. These are products that consumers buy on a regular basis, whether it is Finish for their dishwashers or Nurofen for their headaches.</p> <p>Without these well-known brands RB would not have had the success that it has enjoyed. RB outperformed its rivals for most of the last ten years and, providing that it promotes its so-called powerbrands successfully in traditional and emerging markets it will surely prosper in the future.</p> <p>Brands have allowed RB to sell at premium prices – which can pay for R &amp; D expenditure.</p> <p>Brands seen as quality products.</p> <p>Competitive advantage over competitors.</p> <p>Retailers more likely to stock their products.</p> <p>Having a range of powerbrands in different markets spreads RB risk.</p> <p>Barriers to entry.</p> <p>Recession – people changing to non- brand products.</p> <p>Other factors affecting success will be considered.</p>	<p><b>12</b></p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 4</p> <p>AO2 4</p> <p>AO3 4</p>

Question	Answer	Mark allocation	Assessment objective
3	<p><b>Analyse and evaluate the financial performance of Reckitt Benckiser plc</b></p> <p><b>Level 1</b> The candidate attempts some analysis/evaluation of the financial performance of RB</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the financial performance of RB</p> <p><b>Level 3</b> The candidate makes a detailed and well-balanced evaluation of the financial performance of RB</p> <p>The GPM appears to be very good indeed with a marginal increase in 2010. The NPM also seems very high and has also risen a little. These two margins indicate that this is a very profitable business.</p> <p>The figures for ROCE are also good, although they are falling, which is less pleasing for the business. The two different methods of calculation present quite a different picture, this is partly due to the high level of current liabilities and in particular the level of short-term borrowings in 2010.</p> <p>The liquidity ratios, both current and acid test, seem to point to problems. The current ratio is well below the ideal of 1.5 to 2, and the acid test is well below the ideal level of 1. Also the situation seems to have deteriorated between 2009 and 2010. This may be due to the nature of the business which generates cash fairly quickly, even so, coupled with the high level of short-term debt this may indicate cash-flow problems.</p> <p>The gearing ratio, whichever way it is calculated has increased slightly but still appears to be fine. Long-term liabilities have increased significantly but so have shareholders' funds and it would appear that the company would be able to borrow more money if it needed it for further expansion.</p> <p>Overall, given the high level of profitability and despite possible short-term liquidity problems, the business looks to be in good financial health</p> <p>Allow OFR</p>	<p><b>12</b></p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2 AO3 4 AO4 6</p>

Question	Answer	Mark allocation	Assessment objective
4	<p><b>How might Reckitt Benckiser plc's plans for the future be affected by macro-economic factors such as inflation, interest and exchange rate changes and the business cycle</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse/evaluate the ways in which RB's plans might be affected by macro-economic factors</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the ways in which RB's plans might be affected by macro-economic factors</p> <p><b>Level 3</b> The candidate makes a good attempt to analyse and evaluate the ways in which RB's plans might be affected by macro-economic factors</p> <p>Responses might include the following:</p> <p>Macro-economic factors can have a serious impact on RB.</p> <p>If inflation increases it can mean that, on the one hand, raw material prices increase which will either force RB to increase its prices to its customers or absorb the cost increases and make less profit. On the other hand it can also affect its customers who will have less disposable income and will be less willing to purchase premium brands.</p> <p>If inflation falls the opposite will be the case and the business will benefit.</p> <p>The company has quite large borrowings and so an increase in interest rates will increase their costs and profitability. A fall in interest rates would have the opposite effect. Interest rates also affect customers and disposable incomes.</p> <p>Because the company operates in so many overseas markets exchange rate fluctuations may have a serious impact on its profitability. Depending on how the exchange rates move they may find that costs and profits rise and fall. The uncertainty can make it difficult to plan, although they might use hedging to offset this to some extent.</p> <p>Changes in the economic cycle, booms and slumps, may not affect RB too badly. Firstly, they are established across many markets, so that if one is doing badly another may be prospering. However, global movements in the economy may affect all of their markets. Fiscal policy and taxation</p> <p>However, because their products are almost necessities which do not take up a large proportion of a household's income, they may be less affected by the economic cycle than many other types of business such as car manufacturers.</p>	<p><b>12</b></p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2 AO2 2 AO3 4 AO4 4</p>

Question	Answer	Mark allocation	Assessment objective
5	<p><b>To what extent does the experience of Reckitt Benckiser plc indicate that only businesses that operate on a global scale will ultimately be successful?</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse/evaluate the proposition</p> <p><b>Level 2</b> The candidate makes a reasonable attempt to analyse/evaluate the proposition</p> <p><b>Level 3</b> The candidate makes a well-balanced analysis and evaluation of the proposition</p> <p>Responses might include the following:</p> <p>For many businesses operating on a global scale is the key to success. There are number of reasons for this:</p> <p>Risks are spread across different markets – if one is in decline another may be growing. Reckitt Benckiser has found that its US and European market is relatively saturated and they see greater prospects for growth in emerging markets.</p> <p>The business can take advantage of economies of scale – bulk purchasing, managerial economies, advertising economies, financial economies etc. This will enable it to produce goods cheaper than its rivals and as a result increase profitability.</p> <p>It may find that products that are successful in new markets and people recruited in different countries can contribute to the overall success of the business.</p> <p>On the other hand:</p> <p>There are a number of risks involved in operating in global markets. Products that are successful in one may not be successful in another. There may be problems of culture and language.</p> <p>There may be ethical issues involved if the company is seen to exploit people in developing economies. This can affect the reputation of the company.</p> <p>Also many businesses are quite successful operating in their home markets. This includes most SMEs who do not have the resources to operate globally. Although the internet has opened up global markets to many small businesses.</p> <p>For some businesses, operating on a global scale is the key to success but many others will be successful operating on a much smaller scale.</p> <p>Diseconomies of scale.</p>	<p>14</p> <p>1-4</p> <p>5-9</p> <p>10-14</p>	<p>AO2 2 AO3 4 AO4 8</p>

	<b>2010</b>	<b>2009</b>
<i>Gross Profit Margin</i>	$\frac{5121}{8453} \times 100$ =60.58%	$\frac{4664}{7753} \times 100$ =60.16%
<i>Net Profit Margin</i>	$\frac{2130}{8453} \times 100$ =25.2%	$\frac{1891}{7753} \times 100$ =24.39%
<i>ROCE (fixed + current assets)</i>	$\frac{2130}{(10700+2642)} \times 100$ =15.96%	$\frac{1891}{(6891+1770)} \times 100$ =21.83%
<i>ROCE (shareholders' funds + long term liabilities)</i>	$\frac{2130}{(5129+2496)} \times 100$ =27.93%	$\frac{1891}{(4014+1756)} \times 100$ =32.77%
<i>Current ratio</i>	$\frac{2642}{5717}$ =0.46:1	$\frac{1770}{2891}$ =0.61:1
<i>Acid test ratio</i>	$\frac{2642-646}{5717}$ =0.35:1	$\frac{1770-486}{2891}$ =0.44:1
<i>Gearing (long term liabilities/shareholders' funds)</i>	$\frac{2496}{5129} \times 100$ =48.66%	$\frac{1756}{4014} \times 100$ =43.75 %
<i>Gearing (long-term liabilities/shareholders' funds + long-term liabilities)</i>	$\frac{2496}{(2496+5129)} \times 100$ =32.73%	$\frac{1756}{(1756+4014)}$ =30.43 %



WJEC  
245 Western Avenue  
Cardiff CF5 2YX  
Tel No 029 2026 5000  
Fax 029 2057 5994  
E-mail: [exams@wjec.co.uk](mailto:exams@wjec.co.uk)  
website: [www.wjec.co.uk](http://www.wjec.co.uk)