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# **GCE MARKING SCHEME**

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**SUMMER 2016**

**BUSINESS STUDIES - BS1 (LEGACY)**  
**1081/01**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was 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 conference was to ensure that the marking scheme was 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' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking 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 5(b).

Qu	Answer	Mark allocation	Assessment objective
1.	<p><b>Explain, with the use of examples, what is meant by needs and wants.</b></p> <p>Up to 4 marks available.</p> <p><b>Needs</b> 1 mark for correct description/explanation.</p> <p>Award 1 mark for correct example.</p> <p><b>Wants</b> 1 mark for correct description/explanation.</p> <p>Award 1 mark for correct example.</p> <p><b>Indicative content:</b></p> <p>Needs – the basic requirement to sustain life e.g. food, water, shelter</p> <p>Wants – the extras that improve the quality of life and these are <u>unlimited</u> e.g. a car.</p>	4	AO1 4
2.(a)	<p><b>Adapt the diagram below to show how bad weather may affect the demand for and price of second-hand 4x4 vehicles.</b></p> <p>Shift of demand curve to the right and correctly labelled D1 -1 mark</p> <p>New higher equilibrium price shown on vertical axis where D1 cuts S and labelled P1 – 1 mark</p>	2	AO2 2
2.(b)	<p><b>Other than price and weather, explain three factors that are likely to affect the demand for second-hand 4x4 vehicles in the UK.</b></p> <p>Award 1 mark for each relevant factor identified.</p> <p>Award 1 mark for correct explanation of each relevant factor identified.</p> <p>Indicative Content:</p> <ul style="list-style-type: none"> <li>• Increased level of Income. Those who previously could not afford such vehicles can now purchase them. Their demand becomes effective.</li> <li>• The price of a complementary product may change. If fuel falls in price more may be purchased.</li> <li>• Tastes and fashion. If the driving of such vehicles becomes a status symbol or high profile personalities are seen driving them, then demand may increase.</li> <li>• Marketing campaigns. Effective advertising on behalf of the suppliers may have a positive impact on sales.</li> <li>• Government legislation. If the government try to discourage the use of vehicles with low fuel efficiency via the tax system then demand may fall.</li> <li>• Environment.</li> </ul>	6	AO1 3 AO3 3

Qu	Answer	Mark allocation	Assessment objective
3.	<p><b>Use the decision facing Les and Julia to explain the concept of opportunity cost.</b></p> <p>Opportunity cost measures costs in terms of the next best alternative/option foregone (x1) when making a choice between a number of alternatives. (x1)</p> <p>If Les decides to purchase the van then the benefits he foregoes by not extending the shop represent the opportunity cost – and vice versa. (x2)</p>	4	<p><b>AO1 2</b></p> <p><b>AO2 2</b></p>
4.(a)	<p><b>What is meant by the term <i>market orientated</i>?</b></p> <p>Award 1 mark for a brief description.</p> <p>Award 2 marks for a more detailed understanding –</p> <p><b>Indicative content:</b></p> <p>The extent to which a firm’s strategic thinking stems from looking outwards to consumer tastes – carrying out thorough market research.</p> <p>Management take into account the needs of their customers before making any decisions.</p> <p>Placing the customer at the centre of the organisation’s decision making.</p> <p>Understanding the market in which the business is operating – monitoring competitors’ activities.</p> <p>Being aware of, and responding to, competitive pressures.</p>	2	<b>AO1 2</b>

Qu	Answer	Mark allocation	Assessment objective
4.(b)	<p><b>Explain two methods of qualitative market research that may be used by Long Tall Sally.</b></p> <p>Award 1 mark for the identification of a qualitative market research method. (x2)</p> <p>Award 1 mark for development of each method identified applied to Long Tall Sally. (x2)</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Group discussions/focus groups – free ranging discussions, often led by psychologists. A list of prepared topics will be discussed but any other points raised by a group member will be dealt with. Group size usually six to eight.</li> <li>• In-depth interviews – informal, between a psychologist and a single customer. Avoids the risk that interviewee will be swayed by group opinion or a strong individual.</li> <li>• Customer feedback.</li> <li>• Open ended questionnaires – that ask for opinion.</li> </ul>	4	<p><b>AO1 2</b></p> <p><b>AO2 2</b></p>
4.(c)	<p><b>Why is Long Tall Sally's market described as a <i>niche market</i>?</b></p> <p>Award 1 mark for a correct explanation plus 1 mark for one for directly relating the explanation to Long Tall Sally.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• A market in which a business specifically aims or targets its product at a particular, usually small or specialised segment of the market.</li> <li>• Long Tall Sally aims its products at a target market of women 5'8" tall and above.</li> </ul>	2	<b>AO3 2</b>
4.(d)	<p><b>Consider the benefits and drawbacks to Long Tall Sally of operating in a niche market.</b></p> <p><b>Level 1</b> Candidate identifies one or two drawbacks and/or benefits</p> <p><b>Level 2</b> Candidate attempts to analyse possible benefits and/or drawbacks of operating in a niche market and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate undertakes a sound evaluation with some reference to Long Tall Sally.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• LTS can charge a higher prices/premium prices as there is less competition. Profit margins may therefore be higher.</li> <li>• By targeting the market of women over 173cms LTS can focus on the specific needs of these customers, thereby providing a better product and service. LTS can get closer to its customers.</li> </ul>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p><b>AO2 1</b></p> <p><b>AO3 1</b></p> <p><b>AO4 4</b></p>

Qu	Answer	Mark allocation	Assessment objective
	<ul style="list-style-type: none"> <li>Promotion costs may be lower as LTS focuses on this specific target group. Their website or outlets may be tall womens' first port of call.</li> <li>During difficult financial periods such as recessions LTS may retain its customers more easily as price competition may be less fierce.</li> <li>If LTS enjoy considerable success, larger organisations may take a greater interest in supplying this target market more effectively. They have 11 UK outlets and may attract attention as a profitable segment.</li> <li>LTS cannot enjoy the same economies of scale as some of their larger competitors.</li> <li>LTS cannot spread its risks as readily as competitors such as M&amp;S - if the larger retailers do try to meet the needs of this target market then they would not be able to match sustained price competition.</li> <li>LTS has been operating for 30 years and seems to serve this target market effectively.</li> </ul>		
4.(e)	<p><b>Consider the factors that Long Tall Sally's management should take into account when choosing the location of a new store.</b></p> <p><b>Level 1</b> Candidate identifies relevant location factors.</p> <p><b>Level 2</b> Candidate attempts to analyse relevant location factors that LTS would need to take into account.</p> <p><b>Level 3</b> Candidate fully considers relevant location factors that LTS would need to take into account.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>Proximity to one of its existing stores – they would have to guard against the loss of customers from its existing outlet.</li> <li>Population density – as they operate in a niche market they would have to ensure that a sufficient number of people within the target group live in the area chosen. Market research would need to be undertaken.</li> <li>Cost of the outlet. Whilst an outlet in a desirable city centre location might be desirable the business rates, rental costs etc need to be taken into consideration.</li> <li>Proximity to competition. Whilst LTS operate in a niche market it is not the only supplier of clothes for tall women. An established competitor may make some locations undesirable.</li> <li>Proximity to customers/footfall.</li> <li>Infrastructure – transport.</li> <li>Accessibility – parking.</li> </ul>	<p><b>8</b></p> <p><b>1-2</b></p> <p><b>3-5</b></p> <p><b>6-8</b></p>	<p><b>AO2 4</b></p> <p><b>AO3 2</b></p> <p><b>AO4 2</b></p>

Qu	Answer	Mark allocation	Assessment objective
5.(a)	<p><b>Alison Rees is considering becoming a franchisee with The Oggy Oggy Pasty Company. Suggest two appropriate sources of finance that she might use to start her business.</b></p> <p>Award 1 mark for each relevant source of finance suggested</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Her own savings</li> <li>• Redundancy money she may have received from previous employment</li> <li>• Funding acquired from friends and family</li> <li>• A bank loan/overdraft</li> <li>• Government grant</li> </ul>	2	AO2 2
5.(b)	<p><b>To what extent do you agree with the view that franchising is the best method for The Oggy Oggy Pasty Company to expand rather than opening more of its own outlets?</b></p> <p><b>Level 1</b> Candidate identifies relevant benefits and/or disadvantages. The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.</p> <p><b>Level 2</b> Candidate analyses benefits and/or disadvantages for franchisor or may attempt evaluation. The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.</p> <p><b>Level 3</b> Candidate fully evaluates the statement. The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.</p>	<p>10</p> <p>1-3</p> <p>4-6</p> <p>7-10</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p> <p>AO4 4</p>

Qu	Answer	Mark allocation	Assessment objective
5.(b)	<p><b>Indicative content:</b></p> <p><u>Benefits to the franchisor</u></p> <ul style="list-style-type: none"> <li>• Extra commitment from franchisees, who, if chosen carefully have lots of drive and enthusiasm.</li> <li>• Able to expand the market and sales quickly as large amounts of capital do not have to be raised in order to purchase and set up outlets.</li> <li>• Increased revenues, e.g. in the form of monthly royalties which have to be paid even if franchisee makes a loss.</li> <li>• Risks and uncertainty are shared.</li> <li>• Initial fee, e.g. of £9,995 in the case of TOOPC.</li> <li>• The brand's awareness can be developed more quickly as more outlets are opened and momentum can be gained.</li> <li>• Human resource costs are significantly reduced as recruitment and employment is the responsibility of the franchisees.</li> <li>• Economies of scale.</li> <li>• Faster growth method.</li> <li>• Contribution towards overall marketing costs.</li> </ul> <p><u>Disadvantages for franchisor</u></p> <ul style="list-style-type: none"> <li>• Franchisees may not operate in a satisfactory manner and the reputation of the business may be damaged. Bad PR may result.</li> <li>• Must ensure that the franchise agreements are carefully drawn up or disputes could occur. Legal costs may be high.</li> <li>• Could TOOPC effectively recruit, support and service an increasing number of franchisees? If not, dissatisfaction and poor practice could result. TOOPC will not have complete control of the day to day running of the business.</li> <li>• TOOPC will not own the outlets and if property values increase they will not have increasingly valuable capital assets.</li> <li>• Do not receive all profits.</li> </ul>		



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# **GCE MARKING SCHEME**

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**SUMMER 2016**

**BUSINESS STUDIES - BS2 (LEGACY)**  
**1082/01**

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### **Levels of Response**

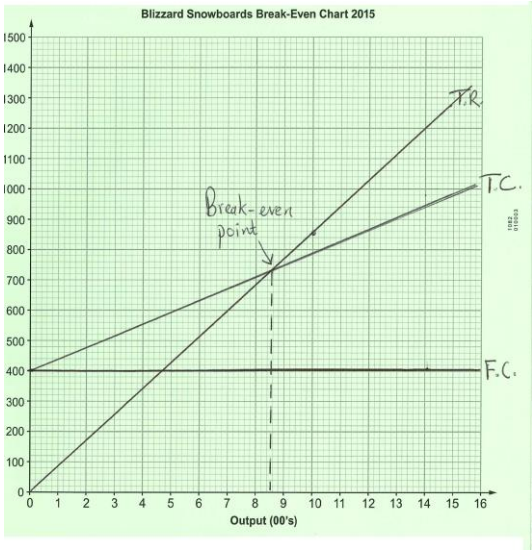
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### **Quality of written communication**

The QWC is assessed in question 3

**GCE Business Studies**  
**SUMMER 2016 MARK SCHEME**

Qu	Answer	Mark allocation	Assessment objectives
1.(a)	<p><b>Calculate the following for Blizzard Snowboards for 2015:</b></p> <ul style="list-style-type: none"> <li><b>Total Variable Cost</b></li> <li><b>Total Fixed Cost</b></li> <li><b>Profit</b></li> </ul> <p>TVC = £570 000 (1 mark)  TFC = £400 000 (1mark)  Profit = TR-TC (1mark) = £305 000 (1mark)</p> <p>OFR for total costs in calculating profit</p>	4	AO1 1 AO2 3
1.(b)	<p><b>On the graph paper provided, construct and label the break-even chart for the year 2015. Write the break-even output in the box provided.</b></p> <p>1 mark for each - TR, TC, FC and B/E output line to horizontal axis correctly drawn.  FC = £400000  TC = £970000  TR = £1275000  BE = 851 boards (Allow 840-860)  1 mark for writing correct B/E value in the box provided.  1 mark for correct labelling.</p> 	6	AO2 6

Qu	Answer	Mark allocation	Assessment objectives
1.(c)	<p><b>Consider the usefulness of break-even analysis to a business such as Blizzard Snowboards.</b></p> <p><b>Level 1</b> Candidate identifies one or two ways in which break-even analysis may be useful to a business such as Blizzard Snowboards.</p> <p><b>Level 2</b> Candidate attempts to explain the usefulness of break-even analysis to a business such as Blizzard Snowboards and may attempt some evaluation.</p> <p><b>Level 3</b> Candidate fully considers how useful break-even analysis may be to a business such as Blizzard Snowboards.</p> <p><b>Indicative content:</b></p> <p>Reasons why break-even analysis may be useful:</p> <ul style="list-style-type: none"> <li>• <u>Easy visual means</u> of analysing a firm's financial position at different levels of output</li> <li>• Profit and loss situation can be seen <u>at a glance</u> – good for non-financial specialists</li> <li>• Useful for making decisions in '<u>what if</u>' situations</li> <li>• Breakeven analysis, as part of a <u>business plan</u>, can be useful in gaining finance</li> <li>• Allows to identify the margin of safety</li> <li>• May help in the setting of targets such as sales/production</li> </ul> <p>Reasons why break-even analysis may be less useful:</p> <ul style="list-style-type: none"> <li>• Often regarded as <u>too simplistic</u> as some assumptions are unrealistic</li> <li>• It <u>assumes all output is sold</u> which is often not the case</li> <li>• <u>Assumes that conditions remain unchanged</u> – wages, prices, technology can all change suddenly</li> <li>• <u>Relies on the data being accurate</u> and often under or over estimations are made</li> <li>• <u>Assumes that total revenue and cost curves are always linear</u> – this may not be the case</li> <li>• <u>Allocating fixed costs</u> in a multi-product firm can be problematic – thus making BE output inaccurate</li> <li>• <u>Fixed costs are often stepped</u> – this makes BE analysis difficult</li> </ul> <p>Accept any other valid response.</p>	<p><b>6</b></p> <p><b>1-2</b></p> <p><b>3-4</b></p> <p><b>5-6</b></p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Qu	Answer	Mark allocation	Assessment objectives
1.(d)	<p><b>Explain the importance to Blizzard Snowboards of having a strong brand.</b></p> <p><b>Level 1</b> Candidate identifies one or two reasons why having a strong brand may be important to Blizzard Snowboards</p> <p><b>Level 2</b> Candidate attempts to explain why having a strong brand may be important to Blizzard Snowboards.</p> <p><b>Level 3</b> Candidate fully explains why having a strong brand may be important to Blizzard Snowboards.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Important when creating brand <u>loyalty</u> - this will encourage repeat purchasing and generate increased sales</li> <li>• Important when <u>making pricing decisions</u> as there will be a greater degree of flexibility – demand will not fall significantly when the price is raised</li> <li>• Important because customers tend to <u>trust</u> the product and may purchase other products that are associated with the brand/ quality of product</li> <li>• Important because a strong brand gives a <u>clear and easily recognisable identity</u> which will help to differentiate products from those of competitors</li> <li>• Retailers are more willing to stock Blizzard Boards</li> </ul> <p>Accept any other valid response.</p>	<p><b>6</b></p> <p><b>1-2</b></p> <p><b>3-4</b></p> <p><b>5-6</b></p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>
1 (e)	<p><b>Explain two ways in which Blizzard Snowboards might increase the strength of its brand.</b></p> <p><b>Level 1</b> Candidate identifies one or two ways in which Blizzard Snowboards might increase the strength of its brand.</p> <p><b>Level 2</b> Candidate explains two ways in which Blizzard Snowboards might increase the strength of its brand. Application to the case study needed.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Increased promotion – for example, BS may place adverts in magazines which have a high circulation or publications that appeal to potential customers with high levels of disposable income</li> <li>• Endorsement – to increase the appeal of their boards by encouraging top snowboarders or celebrities to use their product and increase awareness of the brand</li> <li>• Brand stretching – the brand name could be used for a new range of products related to snowboarding; such as developing a range of clothing for use by snowboarders</li> </ul>	<p><b>4</b></p> <p><b>1-2</b></p> <p><b>3-4</b></p>	<p>AO2 2</p> <p>AO3 2</p>

Qu	Answer	Mark allocation	Assessment objectives
	<ul style="list-style-type: none"> <li>• Develop new ranges – the brand could be strengthened by, for example, developing boards for children or professional snowboarders</li> <li>• Sponsorship – sponsoring major events would promote the brand name, perhaps on a global basis</li> <li>• Public Relations – BS might support an environmental cause related to Alpine areas or promote snowboarding for the disabled</li> <li>• Improve quality of products through investing in production</li> </ul> <p>Accept any other valid response.</p>		

1 (f)	<p><b>To what extent do you agree with Mike Halliday's decision not to raise wages in 2016?</b></p> <p><b>Level 1</b> Candidate briefly describes possible impacts that not raising wages might have upon Blizzard Snowboards' operations.</p> <p><b>Level 2</b> Candidate attempts to explain possible impacts that not raising wages might have upon Blizzard Snowboards' operations and may undertake some basic evaluation.</p> <p><b>Level 3</b> Candidate fully assesses possible impacts that not raising wages might have upon Blizzard Snowboards' operations.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• May lead to <u>lack of motivation</u> amongst the workforce – this could lead to lower productivity. This will depend upon how well the decision is communicated to the workforce and how loyal the workforce is</li> <li>• <u>Quality may suffer</u> too which would impact on reputation and long term sales figures</li> <li>• Workers may be <u>discouraged from joining the company</u> if wage rates are low compared to other employers in the area</li> <li>• Workers may <u>choose to leave</u> and work elsewhere if an opportunity arises. Could lead to the loss of skilled workers, who might be difficult to replace. Depends on the state of the job market and the economy. Many new manufacturers in this market</li> <li>• Increased absenteeism, lower productivity</li> <li>• Employee/employer relationships may suffer and result in trade unions getting involved and industrial disputes</li> <li>• Keeping costs as low as possible may make the business <u>more competitive and increase sales</u> significantly. This may lead to long term stability for the business and create job security for the workforce</li> <li>• Depends <u>how well the workforce is paid in relation to other businesses</u> where the workers may seek employment. If they are well paid then not raising wages will have a minimal impact</li> <li>• Mike knows the workforce is <u>very loyal</u> and he may well be able to take advantage of this</li> </ul> <p>Accept any other valid response.</p>	10	AO1 2
		1-3	AO2 2
		4-7	AO3 2
		8-10	AO4 4

Qu	Answer	Mark allocation	Assessment objectives
2.(a)	<p><b>Suggest three appropriate methods of industrial marketing that could be used by Redman's Limited when selling its products.</b></p> <p>1 mark for each appropriate method suggested.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• <u>Attending trade fairs and exhibitions</u> in order to establish contacts and display goods</li> <li>• <u>Employing highly specialised sales personnel</u> who would deal on a one-to-one basis with industrial customers</li> <li>• <u>Buying space in trade magazines and journals</u> in order to advertise the goods or services to targeted customers</li> <li>• <u>Adopting a finely targeted approach</u> – homing in on the few people in any organisation whose responsibility it is to purchase goods and services from suppliers such as Redman's</li> </ul> <p>Accept any other valid response.</p>	3	AO1 3
2.(b)	<p><b>Identify three key components of a workforce plan.</b></p> <p>1 mark for each key component identified.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• To plan how many workers it will need in the future</li> <li>• To estimate the cost of employing the workforce</li> <li>• To estimate the balance between part time or full time workers</li> <li>• To identify the skills necessary for the vacancies they may wish to fill</li> <li>• To predict when these workers will be needed in order to put recruitment plans in place</li> <li>• To identify where workers will be needed if more than one location exists</li> <li>• To identify who may need training to improve skills</li> <li>• To identify who can be redeployed to fill gaps where certain skills are necessary</li> <li>• To support a rationalisation strategy – natural wastage, voluntary redundancy, compulsory redundancy, early retirement – the cost of these</li> </ul> <p>Accept any other valid response.</p>	3	AO1 3

Qu	Answer	Mark allocation	Assessment objectives
2 (c)	<p><b>What is meant by <i>capacity utilisation</i> and how might Redman's Limited measure it?</b></p> <p>1 mark for each valid point.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>The use that a business makes of its resources(x1), such as property, machinery and labour. (x1)</li> <li>Measured by comparing actual output (x1) with potential output at full (maximum) capacity. (x1)</li> <li>Can be measured as a percentage of maximum capacity: <math>CU = \text{current output}/\text{maximum output} \times 100</math> (x2)</li> </ul>	4	AO1 4
2(d)	<p><b>To what extent would operating at full capacity be of benefit to Redman's Industrial Clothing Limited?</b></p> <p><b>Level 1</b> Candidate briefly outlines one or two benefits to Redman's of operating at full capacity.</p> <p><b>Level 2</b> Candidate attempts to explain possible benefits to Redman's of operating at full capacity. May attempt some evaluation.</p> <p><b>Level 3</b> Candidate evaluates the issues related to Redman's of operating at full capacity.</p> <p><b>Indicative content:</b></p> <p>Possible benefits:</p> <ul style="list-style-type: none"> <li>Redman's average costs minimised – fixed cost spread – helps raise potential profits</li> <li>Employees may feel more secure in their jobs – motivation raised</li> <li>Improves Redman's company image – busy business may encourage customers to place orders</li> </ul> <p>However</p> <ul style="list-style-type: none"> <li>Redman's may experience a strain on resources if over worked, may lead to poorer quality</li> <li>Too much overtime for workers may lead to stress, tiredness – absences and accidents may result</li> <li>Machinery may be overworked and breakdown if insufficient time put aside for maintenance at Redman's</li> <li>Insufficient staff training if employees working all the time</li> <li>Orders may be lost if no capacity available to accommodate new customers</li> </ul> <p>Accept any other valid response.</p>	<p>8</p> <p>1-2</p> <p>3-5</p> <p>6-8</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p> <p>AO4 2</p>

Qu	Answer	Mark allocation	Assessment objectives
2 (e)	<p><b>What difficulties is Redman's Limited likely to face when trying to increase its sales in Europe and across the rest of the world.</b></p> <p><b>Level 1</b> Candidate briefly describes one or two difficulties that Redman's may face when trying to increase its sales in Europe and the rest of the world.</p> <p><b>Level 2</b> Candidate attempts to explain one or two difficulties that Redman's may face when trying to increase its sales in Europe and the rest of the world.</p> <p><b>Level 3</b> Candidate fully explains difficulties that Redman's may face when trying to increase its sales in Europe and the rest of the world.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Competition from domestic suppliers of industrial safety clothing may be very strong customers may be brand loyal to their current supplier. Additional costs of operating in an overseas market may make it difficult for Redman's to be competitive</li> <li>• Fluctuations in exchange rates may present problems</li> <li>• Language difficulties – Whilst English is widely spoken it is not the first language in most countries and this may result in communication problems with potential customers. Agents may need to be employed and this raises costs further</li> <li>• Cultural differences – for example, names and colours have different meanings in different countries: what is acceptable in one country may not be in another</li> <li>• Different business practices may present difficulties. Some countries may anticipate longer periods of time to make payments and accounting practices may vary. Bribes may be an acceptable element of business practice in some countries, whilst in others it is frowned upon</li> <li>• Logistical challenges – transportation, supply lines, etc.</li> <li>• Variations in legislation – Issues may arise in relation to product safety, labelling and advertising. This will require detailed research into any market that they may consider entering which may prove costly</li> <li>• Economic systems may be very different and taxation requirements may vary – Redman's needs to be aware of these</li> <li>• Political instability in some parts of the world may make entering the market very risky and could potentially lead to the loss of any investment made</li> </ul> <p>Accept any other valid response.</p>	<p><b>6</b></p> <p><b>1-2</b></p> <p><b>3-4</b></p> <p><b>5-6</b></p>	<p>AO1 4</p> <p>AO3 2</p>

Qu	Answer	Mark allocation	Assessment objectives
3.	<p><b>Introducing robotic technology, whatever the size of your business, makes sound business sense. Discuss.</b></p> <p><b>Level 1</b> Candidate briefly outlines reasons why introducing robotic technology makes sound business sense.</p> <p>The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.</p> <p><b>Level 2</b> Candidate explains at least two reasons why, whatever the size of your business, introducing robotic technology makes sound business sense. 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. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.</p> <p><b>Level 3</b> Candidate fully evaluates the proposition.</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. There are few, if any, errors of grammar, punctuation and spelling.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Robotic technology is becoming smarter and faster and it makes sense to utilise it, especially if your competitors are doing so needs to be done to remain competitive</li> <li>• Robotic technology can carry out repetitive tasks with great accuracy time after time and are likely to improve product quality</li> <li>• In the long run, labour costs may be reduced</li> <li>• Repetitive tasks undertaken by humans can lead to boredom, lack of motivation and human error – robotic machinery will eradicate these problems</li> <li>• They do dirty, unpleasant and dangerous jobs without complaining – reduce human resource problems and the costs involved in improving motivation or compensation</li> <li>• They do not get tired, sick and take days off – productivity likely to be improved</li> <li>• More small to medium sized businesses may use new robotic technology – therefore those who do not may find competition greater and lose market share</li> </ul>	<p><b>10</b></p> <p><b>1-3</b></p> <p><b>4-7</b></p> <p><b>8-10</b></p>	<p>AO2 4</p> <p>AO3 2</p> <p>AO4 4</p>

	<p><i>However</i></p> <ul style="list-style-type: none"> <li>• Initial purchase cost can still be very high for some businesses and breakdowns can also be very expensive to resolve. This can increase risk – especially for small businesses</li> <li>• Maintenance can be costly as downtime is required</li> <li>• Robots have proved to be too inflexible in final assembly where customer options have to be catered for – this problem is however being addressed as robotic machinery becomes more sophisticated</li> <li>• Reprogramming of robots can be very expensive indeed – whilst large manufacturers with huge revenue streams may be able to afford this SME's may not be able to undertake such regular reprogramming</li> <li>• Many robots cannot problem solve – this may not be the case for too much longer</li> <li>• The fact that 59% of US manufacturers already use some form of robotic machinery suggests that UK manufacturers may need to invest in order to be globally competitive</li> <li>• Some manufacturers, where handmade skills are part of their USP will remain unaffected – in fact, undertaking such investment would damage their success. Depends on the nature of the market in which the manufacture operates as to whether such investment would make sound business sense</li> <li>• Would customers react positively to products being manufactured by machines?</li> </ul> <p>Accept any other valid response.</p>		
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# **GCE MARKING SCHEME**

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**SUMMER 2016**

**BUSINESS STUDIES - BS3  
1083/01**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was 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 conference was to ensure that the marking scheme was 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' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking 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 4 and 5.

# GCE Business Studies

## SUMMER 2016 MARK SCHEME

Question	Answer	Mark allocation	Assessment objective
1.	<p><b>Explain the advantages and disadvantages to Associated British Foods plc of operating as a diversified group of businesses (line 5).</b></p> <p><b>Level 1</b> The candidate shows some understanding of the advantages and/or disadvantages of operating as a diversified group of businesses.</p> <p><b>Level 2</b> The candidate shows good understanding of the advantages and/ or disadvantages of operating as a diversified group of businesses.</p> <p><b>Level 3</b> The candidate shows excellent understanding of the advantages and disadvantages of operating as a diversified group of businesses.</p> <p>Answers might include the following:</p> <p><b>Advantages</b></p> <p>Each business is part of the larger organisation. The company operates a principle of 'value together'. Individual businesses collaborate with each other. There is central support.</p> <p>There are economies of scale including managerial, financial, technical and purchasing.</p> <p>Businesses benefit from sharing knowledge, skills and best practice.</p> <p>Joint investments, which would otherwise be unprofitable, are possible.</p> <p>Introductions in new countries and markets can be made, there can be help with hiring and developing people. Back-office services can be provided and office space shared.</p> <p>There is a spreading of risks, if one business is not doing so well the others can support it.</p> <p><b>Disadvantages</b></p> <p>If one business is doing badly it may have a negative effect on the other businesses. This is particularly the case with sugar where sales and profits have fallen.</p> <p>Some of the other businesses may be held back through lack of investment, since investment will be shared throughout the business.</p> <p>If something damages the reputation of one part of the business it might affect the reputation of the rest of the business.</p> <p>Such a large organisation may suffer from diseconomies of scale and lack of control.</p> <p>There is a potential for a clash of cultures.</p> <p>Any other valid response.</p>	<p><b>10</b></p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO1 4 AO2 4 AO3 2</p>

Question	Answer	Mark allocation	Assessment objective																														
2.	<p><b>Analyse and evaluate the financial performance of Associated British Foods plc.</b></p> <p><b>Level 1</b> The candidate attempts some analysis/evaluation of the financial performance of Associated British Foods plc.</p> <p><b>Level 2</b> The candidate makes a good attempt to analyse/evaluate the financial performance of Associated British Foods plc.</p> <p><b>Level 3</b> The candidate makes a detailed and well-balanced analysis and evaluation of the financial performance of Associated British Foods plc.</p>	<p><b>14</b></p> <p>1-4</p> <p>5-9</p> <p>10-14</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 4</p> <p>AO4 6</p>																														
<table><tr><th></th><th>2014</th><th>2013</th></tr><tr><td>Gross Profit Margin</td><td>---</td><td>---</td></tr><tr><td>Net Profit Margin</td><td><math>1080/12943 \times 100 = 8.34\%</math></td><td><math>1088/13315 \times 100 = 8.17\%</math></td></tr><tr><td>ROCE 1: fixed + current assets (<i>this ratio is acceptable but <b>not</b> recommended</i>)</td><td><math>1080/(6846 + 3626) \times 100 = 10.31\%</math></td><td><math>1088/(6950 + 3424) \times 100 = 10.49\%</math></td></tr><tr><td>ROCE 2: shareholders' funds + long term liabilities (<i>this is the recommended ratio</i>)</td><td><math>1080/(6753 + 1035) \times 100 = 13.87\%</math></td><td><math>1088/(6519 + 1329) \times 100 = 13.86\%</math></td></tr><tr><td>RONA (<i>this is acceptable as an alternative to ROCE but is <b>not</b> recommended</i>)</td><td><math>1080/6753 \times 100 = 15.99\%</math></td><td><math>1088/6519 \times 100 = 16.69\%</math></td></tr><tr><td>Current ratio</td><td><math>3626/2684 = 1.35:1</math></td><td><math>3424/2526 = 1.36:1</math></td></tr><tr><td>Acid test ratio</td><td><math>1886/2684 = 0.70:1</math></td><td><math>1731/2526 = 0.69:1</math></td></tr><tr><td>Gearing 1: long-term liabilities/ shareholders' funds + long-term liabilities (<i>this is the recommended ratio – N.B. the ideal is 50%</i>)</td><td><math>1035/(6753 + 1035) \times 100 = 13.29\%</math></td><td><math>1329/(6519 + 1329) \times 100 = 16.93\%</math></td></tr><tr><td>Gearing 2: long term liabilities/ shareholders' funds (<i>this ratio is acceptable but is <b>not</b> recommended – N.B. the ideal here is 100%</i>)</td><td><math>1035/6753 \times 100 = 15.33\%</math></td><td><math>1329/6519 \times 100 = 20.39\%</math></td></tr></table>					2014	2013	Gross Profit Margin	---	---	Net Profit Margin	$1080/12943 \times 100 = 8.34\%$	$1088/13315 \times 100 = 8.17\%$	ROCE 1: fixed + current assets ( <i>this ratio is acceptable but <b>not</b> recommended</i> )	$1080/(6846 + 3626) \times 100 = 10.31\%$	$1088/(6950 + 3424) \times 100 = 10.49\%$	ROCE 2: shareholders' funds + long term liabilities ( <i>this is the recommended ratio</i> )	$1080/(6753 + 1035) \times 100 = 13.87\%$	$1088/(6519 + 1329) \times 100 = 13.86\%$	RONA ( <i>this is acceptable as an alternative to ROCE but is <b>not</b> recommended</i> )	$1080/6753 \times 100 = 15.99\%$	$1088/6519 \times 100 = 16.69\%$	Current ratio	$3626/2684 = 1.35:1$	$3424/2526 = 1.36:1$	Acid test ratio	$1886/2684 = 0.70:1$	$1731/2526 = 0.69:1$	Gearing 1: long-term liabilities/ shareholders' funds + long-term liabilities ( <i>this is the recommended ratio – N.B. the ideal is 50%</i> )	$1035/(6753 + 1035) \times 100 = 13.29\%$	$1329/(6519 + 1329) \times 100 = 16.93\%$	Gearing 2: long term liabilities/ shareholders' funds ( <i>this ratio is acceptable but is <b>not</b> recommended – N.B. the ideal here is 100%</i> )	$1035/6753 \times 100 = 15.33\%$	$1329/6519 \times 100 = 20.39\%$
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	<p>The gross profit margin cannot be determined as no separate information has been given about the cost of sales.</p> <p>The net profit margin has improved slightly from 8.17% to 8.34% which is encouraging. It might be noted that the profit margins vary considerably between the different segments (see below).</p> <p>ROCE is virtually unchanged (2014 = 13.87%). Considering the conglomerate nature of the business and the fact that operating profits vary considerably across the segments this is probably quite a good return. It is much higher than current interest rates and represents a satisfactory return on investment.</p> <p>The current ratio is stable (2014 = 1.35:1). This is below what is usually considered to be ideal, but, given the size of the business it probably does not indicate short-term cash-flow problems. It just indicates that they are rather slow to pay their suppliers.</p>																																

Question	Answer	Mark allocation	Assessment objective																				
	<p>The Acid test ratio is also stable (2014 = 0.70:1) and is also below the ideal of 1:1. Once again this may not be an indicator of liquidity problems.</p> <p>The gearing ratio has fallen slightly and is anyway very low. The business is not greatly reliant on borrowings in order to finance its operations. This is a healthy situation but may mean that it is missing the opportunity to expand the business.</p> <p>Overall, the business is in a healthy financial state. The fall in operating profit for the sugar business is a cause for concern but other segments, particularly retail, are performing well. Candidates are not expected to analyse the figures regarding the different segments but if they do they should be credited.(NB full marks can be attained without analysis of the individual segments) The results are as follows:</p> <table><tr><th rowspan="2">Operating segments</th><th colspan="2">Net Profit Margin</th></tr><tr><th>2014</th><th>2013</th></tr><tr><td>Grocery</td><td>269/3337x100=8.06%</td><td>224/3568x100=6.28%</td></tr><tr><td>Sugar</td><td>189/2083x100=9.07%</td><td>434/2677x100=16.21%</td></tr><tr><td>Agriculture</td><td>50/1312x100=3.81%</td><td>47/1410x100=3.33%</td></tr><tr><td>Ingredients</td><td>41/1261x100=3.25%</td><td>5/1360x100=0.37%</td></tr><tr><td>Retail</td><td>662/4950x100=13.37%</td><td>513/4273x100=12.01%</td></tr></table> <p>Apart from sugar the margins for all the segments have increased.</p> <p>Ingredients are the least profitable (although the margin has improved considerably from 0.37% to 3.25%).</p> <p>Retail is by far the most profitable rising from 12.01% to 13.37%.</p> <p>The net profit margin on sugar has fallen considerably but is still reasonably healthy at 9.07%.</p>	Operating segments	Net Profit Margin		2014	2013	Grocery	269/3337x100=8.06%	224/3568x100=6.28%	Sugar	189/2083x100=9.07%	434/2677x100=16.21%	Agriculture	50/1312x100=3.81%	47/1410x100=3.33%	Ingredients	41/1261x100=3.25%	5/1360x100=0.37%	Retail	662/4950x100=13.37%	513/4273x100=12.01%		
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Question	Answer	Mark allocation	Assessment objective
3.	<p><b>With the aid of Porter's five forces framework analyse and evaluate the current position of Primark.</b></p> <p><b>Level 1</b> The candidate attempts to analyse/evaluate the current position of Primark with some use of Porter's five forces.</p> <p><b>Level 2</b> The candidate provides a good analysis/evaluation of the current position of Primark using Porter's five forces.</p> <p><b>Level 3</b> The candidate provides an excellent analysis/evaluation of the current position of Primark with good use of Porter's five forces.</p> <p>Answers might include the following:</p> <p>Diagram showing Porter's five forces.</p> <p>Porter's five forces are as follows: the bargaining power of suppliers and buyers, the threats of new entrants and substitute products and the intensity of rivalry within the industry.</p> <p>The bargaining power of suppliers: Primark is a large business and it has a great deal of power over its suppliers. The threat of moving its business elsewhere is likely to be taken very seriously by all of its suppliers. For Primark this is a strong position to be in.</p> <p>The bargaining power of buyers: there is quite a lot of competition in the clothing retail market and this give buyers considerable power. However, Primark differentiates itself by offering its customers a wide range of products at very competitive prices (Primark's USP). By doing this it is able to maintain customer loyalty.</p> <p>The threat of new entrants: in theory it should not be too difficult to set up a business to rival Primark, however, due to Primark's size it is able to take advantage of economies of scale, which a new entrant would not have. For this reason Primark may not be too worried about new entrants. On the other hand, supermarkets, which used not to sell clothes, are now offering a competitive range of clothing that could, potentially, eat into Primark's market. Also more and more people are shopping online, which again may impact on Primark's sales.</p> <p>The threat of substitute products: in a broad sense there are no substitutes for clothing. However, there are plenty of substitutes for the particular garments that Primark retails. Nevertheless, Primark's USP helps it to maintain and increase its market share.</p> <p>There is quite intense rivalry within the clothing market and Primark will need to continue to innovate and provide a range of attractive and inexpensive clothes and accessories if it is to continue to be successful.</p> <p>Overall, Porter's five forces indicate that Primark is in a strong position but that it cannot afford to be complacent as competitive rivalry increases and new entrants attempt to eat into its market share.</p> <p>Give benefit of doubt for using examples from ABF.</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
4.	<p><b>Evaluate the impact on Primark's stakeholders of having its products made in developing countries.</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse the impact on Primark's stakeholders of having their products made in developing countries.</p> <p><b>Level 2</b> The candidate makes a good attempt to analyse/evaluate the impact on Primark's stakeholders of having their products made in developing countries.</p> <p><b>Level 3</b> The candidate presents a well-balanced analysis and evaluation of the impact on Primark's stakeholders of having their products made in developing countries.</p> <p>Responses might include the following:</p> <p><b>Positive impacts:</b></p> <p>Consumers in Britain are able to purchase fashionable, well-made goods at very economical prices.</p> <p>Employees: Primark creates thousands of jobs for people in developing countries.</p> <p>In general, multinational companies pay higher wages than local businesses. The incomes that the workers receive are spent in the local economy creating more jobs and wealth.</p> <p>Multinational companies train the local workers in new skills which will benefit them in the long-run.</p> <p>Managers will benefit from having well-paid jobs.</p> <p>Suppliers to the factories in the developing countries will benefit.</p> <p>Governments benefit from the taxes paid by the business.</p> <p>Local communities can benefit from having jobs.</p> <p>Shareholders will benefit from increased profits due to the low costs of production.</p> <p><b>Negative impacts:</b></p> <p>Customers may suffer if small businesses go out of business because they cannot compete with Primark: customers have less choice and high streets become homogenised.</p> <p>Many jobs have been lost in Britain and other advanced economies.</p> <p>Workers in countries like India are paid far less than workers in developed countries.</p> <p>Local communities in developing countries may suffer because health and safety tends to be less of an issue in developing countries and the workforce are sometimes victims of events such as the one that occurred in the Rana Plaza disaster in Bangladesh in April 2013. Pressure groups may be concerned about poor conditions in some countries.</p> <p>It affects the UK Government due to the impact on the balance of payments.</p> <p>Any other valid response.</p> <p>Give benefit of doubt for using examples from ABF.</p>	<p><b>12</b></p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 4</p> <p>AO4 4</p>

Question	Answer	Mark allocation	Assessment objective
5.	<p><b>Assess Primark's decision to increase the number of its overseas stores</b></p> <p><b>Level 1</b> The candidate makes some attempt to analyse/evaluate Primark's decision to increase the number of its overseas stores.</p> <p><b>Level 2</b> The candidate makes a good attempt to analyse/evaluate Primark's decision to increase the number of its overseas stores.</p> <p><b>Level 3</b> The candidate presents a well-balanced analysis and evaluation of Primark's decision to increase the number of its overseas stores.</p> <p>Responses might include the following:</p> <p><b>Advantages:</b></p> <p>Primark will have access to a far larger market, for example the United States market is very large and presents Primark with the opportunity to increase sales and profit.</p> <p>As Primark grows it will be able to reap the benefit of increased economies of scale, which will benefit all of its business.</p> <p>Primark may develop products for overseas markets that it can then sell in its other stores.</p> <p>Primark may recruit workers and managers overseas who can benefit the whole business.</p> <p>If it is successful it allows Primark to spread its risk as the one or more overseas market may be booming when Primark's other markets are in decline.</p> <p><b>Potential pitfalls:</b></p> <p>Many other British companies have tried to penetrate the overseas markets and have failed, e.g. Tesco in the US.</p> <p>There is fierce competition already established in many overseas countries and there is no guarantee that local consumers will desert local businesses in favour of Primark. May need to consider advertising which will be expensive.</p> <p>Consumer taste in other countries may be quite different to that in the UK so it will be necessary to develop a whole new range of garments to suit particular markets. This can be expensive and the small volume will mean fewer potential economies of scale.</p> <p>It will be expensive to open the new stores and organise promotions.</p> <p>There may be supply chain problems.</p> <p>There may be legal obstacles to overcome.</p>	<p><b>12</b></p> <p>1-4</p> <p>5-8</p> <p>9-12</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 4</p> <p>AO4 4</p>

Question	Answer	Mark allocation	Assessment objective
	<p>There may be cultural differences.</p> <p>There may be language issues when operating in some countries.</p> <p>Possible diseconomies of scale.</p> <p>There may be problems associated with exchange rates.</p> <p><b>Conclusion</b></p> <p>Despite the problems, if Primark has done its market research properly there is huge potential for increased sales and profits in increasing the number of its overseas stores. Just because others have failed it does not mean that they have to. Nothing ventured, nothing gained.</p> <p>Any other valid point.</p>		



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# **GCE MARKING SCHEME**

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**SUMMER 2016**

**BUSINESS STUDIES – BS4  
1084/01**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was 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 conference was to ensure that the marking scheme was 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' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

### **Positive Marking**

It should be remembered that 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 if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

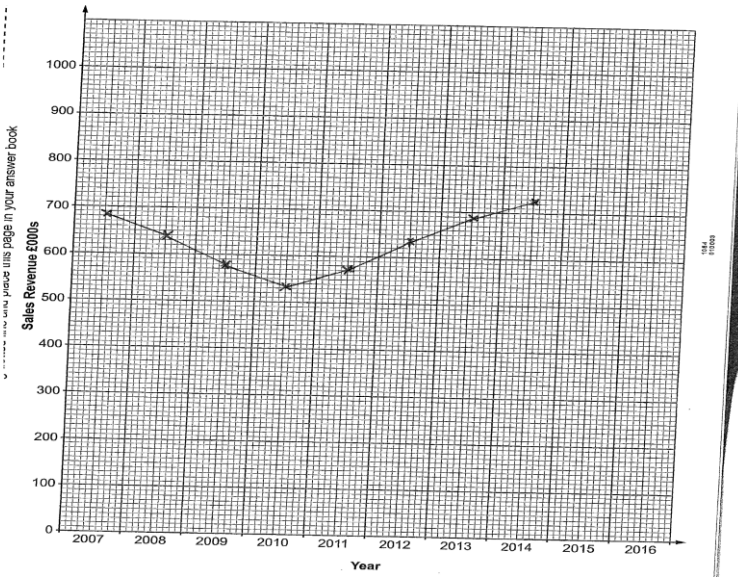
### **Levels of Response**

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 addition, candidates will be assessed on their Quality of Written Communication in the essay question in Section B.

**GCE Business Studies**  
**SUMMER 2016 MARK SCHEME**

Question	Answer	Mark allocation	Assessment objective
1	<p><b>Explain the impact on Unilever plc of introducing an asset-led marketing campaign based on Marmite.</b></p> <p><b>Level 1</b> The candidate demonstrates limited understanding of asset-led marketing and makes some attempt to apply it to Unilever plc</p> <p><b>Level 2</b> The candidate demonstrates good understanding of asset-led marketing and makes a reasonable attempt to analyse the impact on Unilever plc.</p> <p><b>Level 3</b> The candidate demonstrates excellent understanding of asset-led marketing and makes a sensible analysis of its impact on Unilever plc.</p> <p>Answers might include the following:</p> <p>A definition of asset-led marketing, i.e., marketing that is based on the strengths of the business.</p> <p>An asset-led marketing campaign is likely to involve the production of new products based on the previous success of Marmite. This might include Marmite flavoured drinks or foods with a Marmite flavouring or it could also include different types of product such as crockery with Marmite logos, e.g., a Marmite mug or teapot.</p> <p>Initially Unilever plc will have to invest a lot of money in developing new products and marketing them. Until the product(s) is successfully launched Unilever will not receive any income from the product.</p> <p>Once the product is launched there is no guarantee that it will be successful – it may well flop since Marmite is an acquired taste and sales have recently been falling. If the product(s) is not successful it may have an impact on Unilever plc's other brands and damage the company's reputation.</p> <p>On the other hand, in the long run, the new product(s) may well be a great success and Unilever plc's sales and profits will benefit accordingly.</p> <p>Any other valid point.</p>	<p><b>6</b></p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 1 AO2 2 AO3 3</p>

Question	Answer	Mark allocation	Assessment objective																
2 (a)	<p><b>On the graph plot the three year moving average of the company's sales revenue.</b></p> <p>In order to plot the graph candidates should do the calculations.</p> <p>E.g., for 2007: <math>(645 + 681 + 729)/3 = £685k</math>, to give:</p> <table><tr><td>2007</td><td>2008</td><td>2009</td><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>£685k</td><td>£640k</td><td>£580k</td><td>£533k</td><td>£571k</td><td>£636k</td><td>£688k</td><td>£752k</td></tr></table> <p>These results should be plotted as follows:</p>  <p>4 marks for calculations (round up half marks)+ 1 marks for plotting the graph.</p> <p>(or, 5 marks for correctly plotting the graph).</p>	2007	2008	2009	2010	2011	2012	2013	2014	£685k	£640k	£580k	£533k	£571k	£636k	£688k	£752k	5	AO2 5
2007	2008	2009	2010	2011	2012	2013	2014												
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Question	Answer	Mark allocation	Assessment objective
<b>2 (b)</b>	<p><b>In what way might Montague Winters Ltd use the graph to predict future sales?</b></p> <p>1 mark for mentioning extrapolation/sales forecasting/trend 1 mark for mentioning line of best fit</p> <p>N.B. Allow any other valid point, i.e., that in this case the sales revenue for 2016 is projected to be in the region of £850k.</p>	<b>2</b>	AO1 2
<b>2 (c)</b>	<p><b>Explain how sales forecasting is likely to be useful to Montague Winters Ltd.</b></p> <p><b>Level 1</b> The candidate makes a limited attempt to explain the usefulness of sales forecasting to Montague Winters Ltd</p> <p><b>Level 2</b> The candidate makes a good attempt to analyse the usefulness of sales forecasting to Montague Winters Ltd</p> <p><b>Level 3</b> The candidate presents an excellent analysis of the usefulness of sales forecasting to Montague Winters Ltd</p> <p>Answers might include:</p> <p>If it is reasonably accurate it will be useful in helping Montague Winters Ltd be successful in its future planning and has sufficient productive capacity to maintain future demand.</p> <p>For example, to ensure that it has sufficient well-trained employees to meet the increased demand; that it has sufficient finance available to fund the increased output and that it has sufficient supplies of raw materials available to meet the demand.</p> <p>On the other hand the prediction may be an underestimate, e.g., because there has been increased interest in sport possibly because of the success of a British team or individual or because an advertising campaign has greater success than had been anticipated.</p> <p>Or the prediction may be an overestimate, for instance because there may be a downturn in the economy, or a competitor or new entrant may take away some of their market share.</p> <p>An inaccurate prediction is no doubt better than no prediction at all but it must always be treated with caution.</p> <p>Any other valid point.</p>	<p><b>5</b></p> <p>1</p> <p>2-3</p> <p>4-5</p>	AO1 1 AO2 1 AO3 3

Question	Answer	Mark allocation	Assessment objective
3	<p><b>Explain the advantages and disadvantages of using Cost Benefit Analysis when making decisions on projects such as the Newport relief road.</b></p> <p><b>Level 1</b> The candidate shows limited understanding of cost benefit analysis</p> <p><b>Level 2</b> The candidate shows good understanding of cost benefit analysis with reference to the case study (or another example)</p> <p><b>Level 3</b> The candidate shows excellent understanding of cost benefit analysis with good use of the case study (or another example)</p> <p>Answers might include:</p> <p>A definition of cost benefit analysis, e.g., it is a method of assessing the viability of a project based on analysis of all of the social costs and benefits involved. This includes both private and external costs and benefits. All costs and benefits need to be given a monetary value. In this case there are benefits to the local economy that will need to be quantified as well as the costs to some businesses and householders who are affected by the route of the new road.</p> <p>In the case of the Newport relief road CBA has advantages in terms of giving all costs and benefits a monetary value so that alternative schemes can be objectively compared. In this case three schemes were considered before one was finally chosen.</p> <p>Reference should be made to the problems associated with giving a monetary value to some costs/benefits. E.g., some environmental costs, such as those mentioned by Friends of the Earth, might be difficult to quantify.</p> <p>Also some costs/benefits may be overlooked.</p> <p>Any other valid point.</p>	<p><b>6</b></p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 5 AO2 1</p>

Question	Answer	Mark allocation	Assessment objective
4 (a)	<p><b>To what extent might this information be useful to:</b></p> <p><b>A farmer thinking of moving into the production of organic food?</b></p> <p><b>Level 1</b> The candidate demonstrates limited analysis/evaluation of how this information might be useful to a farmer thinking of moving into the production of organic food</p> <p><b>Level 2</b> The candidate demonstrates good analysis/evaluation of how this information might be useful to a farmer thinking of moving into the production of organic food</p> <p>The information in the table indicates whether farmers think that they are receiving sufficient income for their produce. This is likely to make some products attractive to farmers thinking of moving into production of organic food.</p> <p>On this basis milk is the most attractive proposition since 80% of farmers feel that current prices are either definitely or probably high enough to sustain production. This is closely followed by eggs (79%) and chickens (77%). On the other hand only 43% of grain producers and 31% of lamb producers think that prices are probably high enough, so these products are unlikely to attract many new farmers.</p> <p>However, these prices and opinions may only be valid for a short period of time and may change so that the decision a farmer makes may quickly become out-of-date. Also, whether or not a price is high enough will depend on the efficiency of the farmer. It may be that those farmers who think that prices are not high enough are not farming efficiently, possibly due to the quality of land that they are farming on.</p> <p>Even if a farmer wanted to switch to organic production he/she might face practical problems.</p> <p>A farmer deciding would need to do a lot more research before making a final decision as to what to produce.</p> <p>Any other valid suggestion.</p>	<p><b>4</b></p> <p>1-2</p> <p>3-4</p>	<p>AO3 2</p> <p>AO4 2</p>

Question	Answer	Mark allocation	Assessment objective
4 (b)	<p><b>A supermarket thinking of expanding its range of organic produce?</b></p> <p><b>Level 1</b> The candidate demonstrates limited analysis/evaluation of how this information might be useful to a supermarket thinking of expanding its range of organic produce</p> <p><b>Level 2</b> The candidate demonstrates good analysis/evaluation of how this information might be useful to a supermarket thinking of expanding its range of organic produce</p> <p>A supermarket will be concerned about three things: the likely demand for particular products, the price that they have to pay for a product and the security of supply.</p> <p>If farmers are satisfied with the price that they are receiving the supermarket will not be under pressure to increase the price that it pays for the product. This may encourage it to stock certain organic products but not others.</p> <p>Similarly, as regards security of supply. If, as in the case of lamb 50% of farmers are unhappy with the price that they are receiving, it may indicate that there are likely to be supply problems in the future unless supermarkets are prepared to increase the price that they are willing to pay for the product. If there are problems sourcing organic produce from the UK it may encourage them to look for supplies from overseas.</p> <p>Overall, from the point of view of a supermarket the information may be of some use as an indicator of a satisfactory situation regarding the supply of organic products as well as indicating potential supply problems. This information would need to be supplemented by more detailed, up-to-date research.</p> <p>Any other valid suggestion.</p>	<p><b>4</b></p> <p>1-2</p> <p>3-4</p>	<p>AO3 2 AO4 2</p>

Question	Answer	Mark allocation	Assessment objective
5	<p><b>Evaluate the usefulness of contingency planning to airline companies such as Virgin Atlantic, easyJet or British Airways.</b></p> <p><b>Level 1</b> The candidate makes a limited attempt to analyse/evaluate the advantage of contingency planning to an airline</p> <p><b>Level 2</b> The candidate makes a good attempt to analyse/evaluate the advantage of contingency planning to an airline</p> <p><b>Level 3</b> The candidate makes a detailed and well-balanced analysis and evaluation of the advantage of contingency planning to an airline</p> <p>Answers might include:</p> <p>An explanation of the nature of contingency planning, i.e., having a plan prepared in order to deal with events that might disrupt the operations of an organisation.</p> <p>An airline, has to organise hundreds of flights every day for thousands of passengers, flying to numerous destinations worldwide. Given this scenario there are any amount of things that can potentially go wrong and that the airline will need to prepare for.</p> <p>An airline can be affected by external events such as bad weather or ash clouds emanating from volcanoes. They can be affected by political effects such as wars and revolutions in the countries in which they operate or fly over (as happened in Ukraine in 2014). They can be affected by industrial action by their own staff or employees of the airports in which they operate. One or more of their aeroplanes may break down in some far off place. They might be impacted by the actions of other airline businesses who offer improved services or lower prices on the routes that they fly on. For example, another airline may be offering more comfortable beds on long-haul flights to business customers.</p> <p>In all of these cases contingency plans will be of the utmost value to the airline. Alternative transport or accommodation may be needed to be arranged at short notice for the passengers. Failure to do this is likely to frustrate customers and affect the reputation of the business.</p> <p>On the other hand it is impossible to plan for every eventuality and the cost of carrying out the plan may exceed the benefit. So, whilst contingency planning is essential, there may be some things that cannot reasonably be planned for, or some events, that are so unexpected that they will not have been included in any contingency plan.</p> <p>Any other valid point.</p>	<p><b>8</b></p> <p>1-2</p> <p>3-5</p> <p>6-8</p>	<p>AO1 1 AO2 1 AO3 2 AO4 4</p>

## SECTION B

The following levels should be applied to each question.

LEVEL	MARK BAND	DESCRIPTOR
Level 1	1-5	<p>Candidate makes few, if any, relevant points with no real application. There may be an attempt to draw conclusions, but understanding of connections between different areas of subject content is limited or not demonstrated.</p> <p>Information is poorly organised. There is limited use of specialist terminology/vocabulary and frequent errors in spelling, punctuation and grammar.</p>
Level 2	6-10	<p>Candidate makes some valid points using relevant business principles, concepts and theories. There may be some application with valid conclusions drawn. Some ability to make connections between different parts of the subject content is demonstrated.</p> <p>Information is well organised and ideas are expressed in a logical manner. There is good use of specialist terms/vocabulary with some errors in spelling, punctuation and grammar, but these are not intrusive</p>
Level 3	11-15	<p>Candidate shows good knowledge and understanding of relevant business principles, concepts and theories. There is good application and analysis with sound logical conclusions drawn. The ability to make connections between different parts of the subject content is demonstrated on several occasions.</p> <p>Information is very well organised and argument is expressed clearly and coherently. There is good use of specialist terms/vocabulary and spelling, punctuation and grammar are generally accurate.</p>
Level 4	16-20	<p>Candidate demonstrates excellent knowledge, understanding, analysis, and evaluation using business principles, concepts and theories. The ability to synthesise and make connections between different parts of the subject content is fully demonstrated throughout the answer.</p> <p>Information is very well organised and the form and style of communication is highly appropriate. There is very good use of specialist terms/vocabulary with few, if any, errors in spelling, punctuation and grammar.</p>

Question	Answer	Mark allocation	Assessment objective
6	<p><b>“Businesses that adopt an ethical approach to their operations are likely to achieve greater success than those that do not”. Discuss.</b></p> <p>Answers might include the following:</p> <p>An ethical approach is one that treats all stakeholders of a business fairly and without exploitation. For example: customers will be provided with good quality products at reasonable prices and will receive excellent support and after-sales service.</p> <p>Workers will be given good and safe working conditions; they will receive fair payment (above the National Living Wage) and will not be discriminated against on the basis of gender, race, sexual orientation, religion, etc.</p> <p>Suppliers will, as far as possible, be given regular contracts and will be paid within a reasonable period of time.</p> <p>Shareholders will receive reasonable returns on their investment.</p> <p>The company will not pollute the environment or produce excess waste materials.</p> <p>An ethical approach will benefit a business because it will help to retain loyal customers and to ensure that its workforce is engaged and dedicated. It will also enhance the reputation of the business which will both increase its sales and its value.</p> <p>On other hand there is a cost involved and other less ethical businesses might take advantage of the situation. For example, in a recession, customers may be more concerned with cheaper prices than the quality of the products that they buy.</p> <p>Pressure on the business to be competitive may make it resist pay increases to its staff and it may start to pay its suppliers later than had previously been the case.</p> <p>It could be argued that ethics are a luxury that can be afforded when times are good but that come under pressure when economic times get difficult.</p> <p>There are plenty of examples of unethical businesses that have been successful. Stagecoach was prosecuted on numerous occasions when public transport was deregulated and they deliberately undercut existing bus companies in order to put them out of business. This did not prevent Stagecoach from becoming very successful.</p> <p>However, some businesses have become successful precisely because of their ethical approach, for instance the Body Shop's USP is non-animal tested products.</p> <p>In conclusion it is true that many businesses with an ethical approach are successful but having an ethical approach is not a guarantee of success and there are even some distinctly unethical businesses that are successful.</p> <p>Any other valid response should be credited.</p>	20	AO1 2 AO2 2 AO3 6 AO4 10

Question	Answer	Mark allocation	Assessment objective
7	<p><b>“Most money spent on advertising is wasted whereas money spent on capital investment is always likely to be more beneficial to a business”. Discuss.</b></p> <p>Answers might include the following:</p> <p>Advertising is an important part of promotion, it can be informative or persuasive.</p> <p>If potential customers are unaware of a products existence or its particular advantages they are unlikely to buy it and consequently any investment that had been made in producing the product would have been wasted.</p> <p>It is true that a lot of money spent on advertising is wasted. For example, many people go and make a cup of tea when the television adverts are on. Nevertheless, such advertising is necessary, or else businesses would not be prepared to pay for it.</p> <p>Most businesses will expend a great deal of effort into trying to find out which advertising is effective and of finding ways to target potential customers so as to reduce the waste of money spent on advertising.</p> <p>On the other hand British businesses, in general, do not spend as much on investment as businesses in other similar economies. Lack of investment can result in failure to innovate and produce new products. It can also mean that costs of production are higher than necessary.</p> <p>The balance between advertising expenditure and investment will very much depend on the type of business. Some products, with very long life-cycles, have been highly successful without much investment but with a great deal of advertising, e.g., some confectionery products such as KitKat or Cadbury’s cream eggs. Other products, such as those produced by technology companies such as Apple or pharmaceutical companies such as GSK have spent vast sums of money investing in new products and relatively little on advertising.</p> <p>For a successful business it is essential to minimise wasted spending on both advertising and investment.</p> <p>Any other valid point/example should be credited.</p>	20	AO1 2 AO2 2 AO3 6 AO4 10

Question	Answer	Mark allocation	Assessment objective
8	<p><b>Assess the view that, for many businesses considering operating in the global marketplace, the challenges that they face may well be greater than the rewards.</b></p> <p>Answers might include the following:</p> <p><b>Advantages</b></p> <p>Operating on a global scale can have many advantages.</p> <p>Companies can take advantage of economies of scale. They can enjoy increased sales whereas their home markets may be stagnating. They are likely to increase their profits, if they provide the goods and services that consumers globally desire.</p> <p>They may find that they can benefit from paying lower taxes (although this can be controversial and adversely affect a business's image).</p> <p>They may find new sources of raw materials. They may find that it is cheaper to produce their products in other countries.</p> <p>They may be able to employ new people who are able to contribute to the success of the business.</p> <p>The rewards may be considerable for businesses that get it right. For example, many luxury goods manufacturers such as Rolls Royce cars or Burberry clothing have achieved remarkable success in China</p> <p><b>Disadvantages</b></p> <p>There are a number of potential problems facing businesses that wish to operate in the global market place:</p> <p>Tastes may vary in different cultures, for instance, Tesco has had to adapt the range of products it sells in China and also in China Cadbury's discovered that the Chinese do not very much like chocolate.</p> <p>Cultural differences mean that businesses have to be sensitive to local standards, e.g., the use of scantily clad models in adverts is not acceptable in many countries. In some countries work has to stop for prayers at certain times of the day.</p> <p>Language barriers exist and businesses need to be cautious that the words they use do not have different meanings in the language in which they are operating, e.g., the Vauxhall Nova in Spain meaning "no go".</p> <p>There may be political problems. Many regions of the world, even those once considered to be relatively stable, may become politically volatile. As a result sales may be badly affected.</p>	20	AO1 2 AO2 2 AO3 6 AO4 10

Question	Answer	Mark allocation	Assessment objective
	<p>Technical standards may vary and so product simply will not work unless they are made to fit local conditions.</p> <p>Legislation regarding such things as labelling, product safety and environmental impact are likely to be different and must be adhered to.</p> <p>They may suffer from diseconomies of scale.</p> <p>In conclusion businesses need to weigh up the likely challenges and rewards and concentrate on those markets where the risks are low and the returns high.</p> <p>Any other valid point/example should be credited.</p>		