



General Certificate of Education

Business Studies 5131

**BUS1 Marketing and Accounting and
Finance**

Mark Scheme

2007 examination - June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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General Marking Guidance

You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary Level candidates, mainly 17 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates half-way through a full A Level course.

Positive Marking

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.

Mark Range

*You should use the whole mark range available in the marking scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.*

The use of Levels of Response

Levels of response marking has holistic aspects, yet must conform to the rule of positive marking. A candidate who has built a strong argument must have that achievement recognised fully, even if a subsequent paragraph of ambiguity reduces the power of the whole. For this to occur consistently requires careful annotation of the level of response achieved within each skill category, at each significant stage within an answer.

Fundamental to a Levels of Response approach is that there may be more than one right answer to a written question. Examiners must use their professional judgement to credit any reasonable answer, whether or not it is listed on the mark scheme.

Levels of response marking requires examiners to follow the logic of a candidate's answer. A concept that would receive credit for knowledge in one context could become a means of analysis in another. It is also possible that a candidate's line of argument could validate knowledge that would not have been recognised if the candidate had simply tabled it. For example, acid test is not listed within the specification as a test of financial efficiency, yet a candidate could build an argument that made it relevant. Then knowledge could be rewarded as well as analysis.

Despite the value of skills such as analysis and evaluation, all answers must be based upon relevant knowledge and understanding. Therefore, it is not possible to credit application, analysis or evaluation unless recognisable knowledge has been rewarded.

The skills we seek from candidates are as follows:

- 1 Knowledge and understanding: accurate definitions or explanations of relevant terms should always be credited within this category; candidates can also gain credit for knowing and explaining a point relevant to the question, eg an advantage of factoring.
- 2 Application is the skill of bringing knowledge to bear to the business context faced by the candidate. Candidates should not be rewarded for simply dropping the company name or product category into their answer; the response must show recognition of some specific business aspect of the firm, its management or its situation.
- 3 Analysis: building up an argument using relevant business theory in a way that answers the question specifically and shows understanding of cause and effect.
- 4 Evaluation is judgement. This can be shown within an answer, through the weighting of an argument or in the perceptiveness shown by the candidate (perhaps about the degree of crisis/strength of the XYZ Company). It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Evaluation is **not** shown simply by the use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment". It is shown through the weighting of the candidate's response plus the logic and justification of his/her conclusions.

Quality of Language

The GCSE and GCE A/AS Code of Practice requires the assessment of candidates' quality of written communication wherever they are required to write in continuous prose. In this unit, this assessment will take place for each candidate's script as a whole by means of the following marking criteria.

- | | | |
|---------|---|----------------|
| LEVEL 2 | Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas. | 2 marks |
| LEVEL 1 | Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas. | 1 mark |

Total 2 marks

1**Total for this question: 25 marks**

| | |
|--|------------------|
| (a) What is meant by the term 'market growth' (lines 5–6)? | <i>(2 marks)</i> |
|--|------------------|

| | |
|----------------|---|
| | Content 2 marks |
| Level 2 | 2 marks Candidate demonstrates good understanding of term |
| Level 1 | 1 mark Candidate demonstrates some understanding of term |

Market growth is the percentage change in sales (volume or value) over a period of time.

| | |
|---|------------------|
| (b) (i) Calculate the anticipated value of sales in the UK salted savoury snack market in 2006. | <i>(3 marks)</i> |
|---|------------------|

| | | |
|----------------|---|--|
| | Content 1 mark | Application 2 marks |
| Level 2 | | 2 marks Candidate calculates value of sales in the UK salted savoury snack market successfully |
| Level 1 | 1 mark Candidate demonstrates understanding of how to calculate, eg offers relevant formula | 1 mark Candidate makes attempt at calculating value of sales in the UK salted savoury snack market |

The UK salted savoury snack market was worth £2200 million in 2005 and is expected to grow by 3% annually.

Hence the expected value in 2006 = £2200 million x 1.03 = £2 266 million.

- (ii) Outline **one** possible marketing objective that Walkers Snack Foods Ltd might pursue when launching its new crisps. *(4 marks)*

| | Content 2 marks | Application 2 marks |
|----------------|--|---|
| Level 2 | 2 marks Candidate demonstrates good understanding of marketing objectives or some understanding plus relevant marketing objective | 2 marks Candidate relates marketing objective effectively to the scenario |
| Level 1 | 1 mark Candidate demonstrates some understanding of objectives | 1 mark Candidate makes an attempt to relate marketing objective to the scenario |

Relevant answers might include the following:

- the company may wish to retain its status as market leader and maintain its 40% market share
- brand loyalty may be an important element of this change if other companies are making similar changes
- Walkers Snack Foods Ltd may want to increase its market share further by attracting 'health conscious' consumers
- the company may seek to increase its sales revenue, especially if it increases prices at a later date.

(c) Examine **two** problems that Walkers Snack Foods Ltd might have faced when conducting market research for its new crisps. (7 marks)

| | Content 2 marks | Application 2 marks | Analysis 3 marks |
|----------------|--|---|--|
| Level 2 | 2 marks Candidate states two relevant problems or shows good understanding of market research or some combination | 2 marks Candidate applies answer effectively to the circumstances of Walkers crisps | 3 marks Good analysis of the possible problems of market research |
| Level 1 | 1 mark Candidate states one relevant problem or shows some understanding of market research | 1 mark Candidate attempts to apply answer to the circumstances of Walkers crisps | 2–1 marks Limited analysis of the possible problems of market research |

Relevant answers might include the following:

- this is a very large market and would have been expensive to research because of its scale, even if only a small proportion of consumers were consulted
- Walkers sells its crisps to diverse consumers making it more difficult to establish market trends
- the company may have faced problems when selecting samples
- Walkers market research involved collecting qualitative data which is expensive and time consuming
- the market is growing at 3% a year bringing in new consumers, possibly with different tastes – the company has to research continually to keep up with developments in the market
- the government is influencing the market through its advice on diet, possibly promoting further changes.

(d) To what extent is the product the most important element in the marketing mix for the new Walkers crisps? (9 marks)

| | Content 2 marks | Application 2 marks | Analysis 3 marks | Evaluation 2 marks |
|----------------|---|---|--|--|
| Level 2 | 2 marks Candidate offers two or more relevant points or shows good understanding of the marketing mix or elements of both | 2 marks Candidate applies answer effectively to the circumstances of Walkers crisps | 3 marks Good analysis of argument | 2 marks Judgement shown and supported well at any stage in the candidate's answer or conclusions. This may be concise but a clear reason should be given for judgement |
| Level 1 | 1 mark Candidate offers single relevant point or shows some understanding of marketing mix | 1 mark Candidate attempts to apply answer to the circumstances of Walkers crisps | 2–1 marks Limited analysis of argument | 1 mark Limited judgement shown in any part of candidate's response. Limited judgement may not focus on the precise question or not be supported well |

Relevant answers might include the following:

For the product:

- consumers are demanding changes in fat and salt indicating that the company must put this at the heart of its marketing mix
- if consumers do not like the taste of the new crisps they will not succeed irrespective of how much is spent on marketing
- the product offers Walkers the chance of having a USP which it can use in other parts of the marketing mix.

For other elements of the marketing mix:

- distribution is important as if the product is not stocked in (400 000) outlets, consumers will not buy it
- crisps may often be an impulse purchase, therefore packaging may be a vital part of promotion within the marketing mix
- price has been maintained suggesting the company thinks that demand is price elastic and therefore an important element of the marketing mix.

Possible themes for evaluation:

- it is not one element of the marketing mix that is important – it is whether Walkers crisps has a co-ordinated marketing mix
- the product is normally regarded as the key element of the marketing mix – why should it be different in this case?

2

Total for this question: 25 marks

(a) What is meant by the term 'contribution' (line 6)? *(2 marks)*

| | |
|----------------|---|
| | Content 2 marks |
| Level 2 | 2 marks Candidate demonstrates good understanding of term |
| Level 1 | 1 mark Candidate demonstrates some understanding of term |

Contribution is the selling price of a product less its variable costs.

(b) (i) Calculate the actual profits for the Oxfordshire store for May 2006. *(1 mark)*

Profits for May 2006: £967 000 - £961 000 = £6 000 Accept £6

Award **one** mark for a correct answer.

(ii) Calculate the total profits variance for the Oxfordshire store for the two-month period, April–May 2006. You should show your workings and state whether the variance is adverse or favourable. *(5 marks)*

| | Content 1 mark | Application 4 marks |
|----------------|--|--|
| Level 3 | | 4 marks Candidate calculates variance correctly and identifies it as adverse |
| Level 2 | | 3 marks Candidate calculates variance correctly |
| Level 1 | 1 mark Candidate demonstrates understanding of how to calculate a variance, perhaps by use of a formula/definition | 2–1 marks Candidate makes an attempt at calculating the variance |

Budgeted profits (loss) = £21 000 + £4 000
= £25 000

Actual profits (loss) = (£79 000) + £6 000
= (£73 000)

Variance = £25 000 – (73 000)
= £98 000 **Adverse**

(c) Analyse **two** benefits that Gardiner Stores plc might receive from setting budgets for its Oxfordshire store. (8 marks)

| | Content 2 marks | Application 3 marks | Analysis 3 marks |
|----------------|--|--|---|
| Level 2 | 2 marks Candidate identifies two relevant benefits or shows good understanding of budgets or elements of both | 3 marks Candidate applies answer effectively to the circumstances of Gardiner Stores plc | 3 marks Good analysis of the possible issues |
| Level 1 | 1 mark Candidate identifies one relevant benefit of budgets or shows some understanding of budgets | 2–1 marks Candidate attempts to apply answer to the circumstances of Gardiner Stores plc | 2–1 marks Limited analysis of the possible issues |

Relevant answers might include the following:

- it will help the company to control costs – although it is profitable, the profits are small
- it allows Gardiner Stores' managers to see how the new stores that they open are performing against expectations and against the other of the company's supermarkets
- the budgets may be expected to have a motivational impact on the company's staff – important where high quality service is important
- the company is growing steadily and it would be easy for costs to get out of control – budgeting helps to prevent this
- the budgets can be drawn together to help judge the company's ability to expand further
- the budget provides targets for the supermarkets' managers and may help to improve their performance.

- (d) Discuss whether Gardiner Stores plc should use internal or external sources of finance to raise the capital needed to build the two supermarkets in Surrey. (9 marks)

| | Content 2 marks | Application 2 marks | Analysis 2 marks | Evaluation 3 marks |
|----------------|---|--|---|--|
| Level 2 | 2 marks Candidate offers two or more relevant points or shows good understanding of internal and external sources or some combination | 2 marks Candidate applies answer effectively to circumstances of Gardiner Stores plc | 2 marks Good analysis of argument | 3 marks Judgement shown and supported well at any stage in the candidate's answers or conclusions. This may be concise but a clear reason should be given for judgement |
| Level 1 | 1 mark Candidate offers one relevant point or shows understanding of internal or external sources of finance | 1 mark Candidate attempts to apply answer to circumstances of Gardiner Stores plc | 1 mark Limited analysis of argument | 2–1 marks Limited judgement shown in any part of candidate's response. Limited judgement may not focus on the precise question or not be supported well |

Relevant answers might include the following.

Internal sources:

- selling assets. It owns land in Birmingham which it could possibly sell; this could be a cheap source of finance
- using profits – the company has made modest profits over recent years and this could provide at least some of the finance required, depending on shareholders' expectations of dividends. This is helped by the new store making profits in its second month.

External sources:

- selling shares – the company is a plc, has been profitable and has seen its share price rise possibly attracting investors. It is already a plc so control issues are unlikely to be important
- taking out a bank loan. The land and buildings could be used as collateral and the company's recent financial performance will help convince the bank. Trend of rising profitability will help to present a good case, including the Oxfordshire store
- cash is not a strength of Gardiner Stores, so this makes the case for using some external sources stronger.

Themes for evaluation might include:

- £11 million is a large sum – a mix of internal and external sources is likely to be necessary
- is the internal-external issue important? Surely the company should just use the cheapest possible sources.