



## General Certificate of Education

# Business Studies 6131

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

## Mark Scheme

### *2006 examination – June series*

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

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

## **GENERAL MARKING GUIDANCE**

*You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 18 years old, writing under examination conditions. The level of demand of this unit is that expected of candidates at the end of a full A Level course.*

### **Positive Marking**

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

### **Mark Range**

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

### **The use of Levels of Response**

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

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

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

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

The skills we seek from candidates are as follows:

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

### Quality of Language

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

LEVEL 4	Complex ideas are expressed clearly and fluently. Sentences and paragraphs follow on from one another smoothly and logically. Arguments are consistently relevant and well structured. There are few, if any, errors of grammar, punctuation and spelling.	<b>4 marks</b>
LEVEL 3	Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling.	<b>3 marks</b>
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.	<b>2 marks</b>
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.	<b>1 mark</b>

**Total 4 marks**

**1**

**Total for this question: 20 marks**

(a) Analyse how the dispute over the introduction of new temporary and flexible employment contracts might be resolved. *(8 marks)*

	<b>Knowledge 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Good awareness shown of dispute resolution/or 2 ways suggested	<b>2 marks</b> Good application to the case	<b>4–3 marks</b> Good use of theory to explain how disputes may be resolved
<b>Level 1</b>	<b>1 mark</b> Some idea of how dispute might be resolved	<b>1 mark</b> Some application to the case	<b>2–1 marks</b> Some use of theory to explain how disputes may be resolved

**Possible answers might include the following:**

- recognition of union for bargaining purposes – may make coming to a final agreement acceptable to majority of workers more likely
- negotiation, compromise, conciliation, arbitration, ACAS
- a compromise might be needed as workers (and any unions that might become involved) do not want the firm to close as a result of strike action and the company does not want undue disruption either with strikes or rapid labour turnover.

(b) Discuss the suitability for PFL of the staff payment system proposed by Gill for the new sites. (12 marks)

	<b>Knowledge 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Good understanding of pay issues or two relevant points made	<b>2 marks</b> Good application to the case of proposed pay systems	<b>4–3 marks</b> Good analysis of pay system(s) using relevant theory	<b>4–3 marks</b> Good judgement shown of the likely effectiveness of proposed pay system
<b>Level 1</b>	<b>1 mark</b> Some understanding of pay issues eg one relevant point made	<b>1 mark</b> Some application to the case of proposed pay systems	<b>2–1 marks</b> Some analysis of pay system(s) using relevant theory	<b>2–1 marks</b> Some judgement shown of the likely effectiveness of proposed pay system

**Relevant answers might include the following:**

- outlining minimum wage/commission payments
- analysis of this pay deal, comparison with suggested scheme from HRM
- which is more in keeping with the proposed HR strategy/objective?
- which is more suitable for making the new shops a success?
- pressure on PFL to reduce costs to earn high profits **but** need to offer quality customer service with well motivated staff
- reduces fixed cost element of labour cost.

2

**Total for this question: 20 marks**

(a) To what extent can Gill be confident that her sales forecast for quarter 1 in 2008 (**Appendix A**) is accurate? (8 marks)

	<b>Knowledge 1 mark</b>	<b>Application 3 marks</b>	<b>Analysis 2 marks</b>	<b>Evaluation 2 marks</b>
<b>Level 2</b>		<b>3 marks</b> Good application to this case including reference to data	<b>2 marks</b> Good use of theory to explain point(s) made	<b>2 marks</b> Good judgement on likely accuracy
<b>Level 1</b>	<b>1 mark</b> One relevant point made or some knowledge of this method of sales forecasting	<b>2–1 marks</b> Some application to this case	<b>1 mark</b> Some use of theory	<b>1 mark</b> Some judgement on likely accuracy

**Possible answers might include the following:**

- graph shows extrapolated trend of 55m litres which is only about 6% higher than 2006 Q4. So, based on this, she is right
- but – are past sales a good guide? Has the extrapolation been undertaken accurately?
- should the sales forecast be seasonally adjusted to give a more accurate **actual** forecast for this quarter?
- are sales in Q4 higher than other quarters?
- external factors that could influence sales?

- (b) Discuss the relative importance of the factors that could influence the success of *Premier Fuels Ltd's* 'high class convenience store' niche marketing strategy. (12 marks)

	<b>Knowledge 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Two relevant factors identified	<b>2 marks</b> Good application to the case	<b>4–3 marks</b> Good use of relevant theory to explain answer	<b>4–3 marks</b> Good judgement of the most important factors in this case
<b>Level 1</b>	<b>1 mark</b> One relevant factor identified or definition of marketing strategy	<b>1 mark</b> Some application to the case	<b>2–1 marks</b> Some use of relevant theory to explain answer	<b>2–1 marks</b> Some judgement of the factors in this case

**Possible answers might include the following:**

- define marketing strategy
- give outline details of this marketing strategy – it is likely to be different from that used in other areas of this business – do management have adequate skills and experience to apply this strategy? Reaction of the major supermarket chains?
- very poorly defined objectives – does this suggest a lack of focus?
- how accurate is the market research?
- is the lack of a high promotional budget likely to be a major problem?
- income levels of consumers in the areas chosen – state of the economy, etc.
- petrol prices at these sites – will they encourage visitors to buy petrol and stop at these shops?
- some assessment of the most important factor(s) in this case.

**3****Total for this question: 20 marks**

- (a) Refer to the network diagram in **Appendix B**.
- (i) State the earliest start time and latest finish time at node 2. (2 marks)
- (ii) Calculate the total float time on activities D and F. (4 marks)
- (iii) Assume that there is a delay of two weeks in completing activity F. Analyse **one** action that the Operations Manager could do to avoid exceeding the current length of the critical path. (4 marks)

(i) Node 2 EST = 7; LFT = 10 **2 marks**

(ii)  $LST - EFT - \text{duration} = \text{Total float}$  (**1 mark** if no correct answers)  
 D = 3 two marks  
 F = 1 two marks

(iii) Critical path will change if no action taken.  
 Need to reduce times of activities on the new critical path after node 5, ie G, H, I or J.  
 If suitable resources are available on activities with floats, they could be switched to critical activities.

	<b>Knowledge 1 mark</b>	<b>Application 1 mark</b>	<b>Analysis 2 marks</b>
<b>Level 1</b>	<b>1 mark</b> One relevant point made, eg that critical path changes.	<b>1 mark</b> Applied to case eg subsequent activities identified.	<b>2–1 marks</b> Explained using knowledge of CPA

- (b) Discuss the most important factors that the management consultants might have considered before choosing the locations for the three new sites. *(10 marks)*

	<b>Knowledge 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 3 marks</b>	<b>Evaluation 3 marks</b>
<b>Level 2</b>	<b>2 marks</b> Good knowledge of relevant factors	<b>2 marks</b> Good application of points made to the case	<b>3 marks</b> Good use of theory to explain the importance of factors chosen	<b>3 marks</b> Good judgement shown on the importance of factors
<b>Level 1</b>	<b>1 mark</b> Some knowledge of relevant factors	<b>1 mark</b> Some application to the case	<b>2–1 marks</b> Some use of theory to explain the factors used	<b>2–1 marks</b> Some judgement shown

**Relevant answers might include the following:**

- break even and investment appraisal most likely to have been considered, as profit is a major objective of this business
- need reasonably accurate financial estimates and sales forecasts to allow the use of investment appraisal (net cash flows) and break-even analysis
- break-even point could be an important factor – need to ensure that there is a considerable safety margin to allow for the profit target to be met
- same applies to NPV – this would seem to be a key indicator of whether each site will meet this profit target
- payback could be important too – case study indicates this
- initial capital cost – is finance available?
- traffic flows; competitors petrol stations/convenience shops
- qualitative factors could be very important too, eg area proposed is not in south east – will management accept this? Will the sites be suitable for future expansion if the new strategy is very successful? Labour supply unlikely to be a major factor.

4

**Total for this question: 20 marks**

(a) Analyse, using **two** appropriate ratios, the current strength of *Premier Fuels Ltd's* balance sheet. (8 marks)

	<b>Knowledge 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Two appropriate ratios	<b>2 marks</b> Both correctly calculated	<b>4–3 marks</b> Good use of theory to explain these results
<b>Level 1</b>	<b>1 mark</b> One appropriate ratio	<b>1 mark</b> One correctly calculated	<b>2–1 marks</b> Some use of theory to explain results

**Relevant answers might include the following:**

- acid test = 0.45:1 (liquid assets/current liabilities). Accept current ratio of 0.75 (CA/CL)
- gearing ratio = 52.4% (LTL/Capital employed)
- acid test not high – but this might not be a problem for this business as it receives large cash inflows each day. Overdraft seems high and may be a sign of weakness of the financial management of the business
- gearing over 50% - and this is after the sale and leaseback which might have resulted in paying back some of these loans. High gearing could be a problem if interest rates increase.

- (b) Assess the usefulness and limitations of the ratio analysis of *Premier Fuels Ltd's* accounts in convincing the bank to lend £3 million for the new project. (12 marks)

	<b>Knowledge 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> Two relevant points made	<b>2 marks</b> Good application to case	<b>4–3 marks</b> Good use of theory to explain uses <b>and</b> limitations	<b>4–3 marks</b> Good judgement shown in assessing this form of analysis
<b>Level 1</b>	<b>1 mark</b> One relevant point	<b>1 mark</b> Some application to case	<b>2–1 marks</b> Some use of theory to explain both sides or good theory to explain one side	<b>2–1 marks</b> Some judgement shown

**Relevant answers might include the following:**

- useful – bank will need to assess the likelihood of being able to pay back interest and capital. Will be unwilling to lend to a business that has high gearing or appears not to be very liquid.
- gearing could be a crucial indicator of risk. Further loans will increase this (55%) – might not be too high if the project turns out to be really profitable
- acid test indicates the firm's short term ability to meet short term liabilities – might dissuade the bank to lend more if considered low
- **but** accounts seem to have been window dressed (eg sale and lease back scheme) and Finance Director seems to have an over inflated sense of balance sheet strength – does this inspire confidence?
- important to compare with past years and similar businesses otherwise an accurate picture of the company's position is not made clear
- Also, acid test quite low – or is it, for this type of cash generating business?
- Non quantitative factors not indicated by ratio analysis of accounts, eg skills of management.