



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

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# Mark scheme January 2004

## GCE

### Business Studies

### Unit BUS3

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## **GENERAL MARKING GUIDANCE**

*You should remember that your marking standards should reflect the levels of performance of Advanced Subsidiary 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 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.

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 3 Moderately complex ideas are expressed clearly and reasonably fluently, through well linked sentences and paragraphs. Arguments are generally relevant and well structured. There may be occasional errors of grammar, punctuation and spelling. **3 marks**
- LEVEL 2 Straightforward ideas are expressed clearly, if not always fluently. Sentences and paragraphs may not always be well connected. Arguments may sometimes stray from the point or be weakly presented. There may be some errors of grammar, punctuation and spelling, but not such as to suggest a weakness in these areas **2 marks**
- LEVEL 1 Simple ideas are expressed clearly but arguments may be of doubtful relevance or obscurely presented. Errors in grammar, punctuation and spelling may be noticeable and intrusive, suggesting a weakness in these areas. **1 mark**
- LEVEL 0 Ideas are expressed poorly and sentences and paragraphs are not connected. There are errors of grammar, punctuation and spelling, showing a weakness in these areas. **0 marks**

**Total 3 marks**

**1****Total for this question: 6 marks**

Outline how *King and Dillworth Ltd* might benefit if the directors start next month's Board meeting by discussing and reaching agreement on their company aims. (6 marks)

	<b>Content 3 marks</b>	<b>Application 3 marks</b>
<b>Level 2</b>	<b>3 marks</b> Clear understanding of aims (making an overt or implicit distinction from objectives)	<b>3 marks</b> Application to context, showing some insight, ie doing more than repeating the case/text
<b>Level 1</b>	<b>2-1 marks</b> Some understanding of company aims	<b>2-1 marks</b> Application to the context of King and Dillworth Ltd
<b>Level 0</b>	<b>0 marks</b> No explanation	<b>0 marks</b> No application

**Possible answers include:**

**Knowledge:**

- Clear definition of aims (general statements of where the firm hopes to get to in the medium to long-term future); no confusion with short term objectives/targets

**Application:**

- Appreciates that the decision on the Irkvale Homes plc contract depends on clear aims
- Can relate issues such as weakening quality standards to short- versus long-term objectives (stemming from aims)
- To give a common purpose given the tensions within the firm

2

**Total for this question: 8 marks**

The section of the Case Study headed “**Item 3**” contains evidence of potentially unfair competition by the larger building companies. Explain why such behaviour is regarded as unethical. *(8 marks)*

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>
<b>Level 2</b>	<b>2 marks</b> One or more relevant content points explained; or good understanding of fair vs unfair/”unethical” competition	<b>2 marks</b> Point(s) made are applied to key business features of the case/this particular business	<b>4-3 marks</b> Analysis of the question set, using relevant theory
<b>Level 1</b>	<b>1 mark</b> One or more relevant points made, or some understanding shown of competition or ethics	<b>1 mark</b> Answer shows some application to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> Answer is not applied to the context	<b>0 marks</b> No analysis of the question or theory

**Possible answers include:**

- Almost by definition, any action that is deliberately unfair is unethical (the key is intent); so if the big three are colluding against customers and smaller competitors, it is unethical
- Of course the big three are more likely to tell themselves that they are creating an “orderly market”, avoiding price wars and, therefore, preserving a wide number of suppliers
- Clearly unethical are practices such as predatory pricing, full-line forcing or collusion in bidding for contracts

3

**Total for this question: 15 marks**

To what extent might *King and Dillworth Ltd's* future be affected by a fall in interest rates **and** a 10% fall in the external value of the pound during this year and next? (15 marks)

	<b>Content 3 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 5 marks</b>
<b>Level 3</b>				<b>5 marks</b> Judgement show in weighing up the extent of the effect on King and Dillworth Ltd with clear conclusions
<b>Level 2</b>	<b>3 marks</b> Shows good understanding of exchange rates <b>and</b> interest rates	<b>3 marks</b> Relevant issues applied in detail to the case	<b>4-3 marks</b> Analysis of the question set, using relevant theory	<b>4-3 marks</b> Judgement show in weighing up the extent of the effect on King and Dillworth Ltd
<b>Level 1</b>	<b>2-1 marks</b> Shows some understanding of exchange rates and/or interest rates	<b>2-1 marks</b> Relevant issues applied to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question	<b>2-1marks</b> Some judgement shown in text or conclusions
<b>Level 0</b>	<b>0 marks</b> No relevant content present	<b>0 marks</b> Answer is not applied to the context	<b>0 marks</b> No analysis of the question or theory	<b>0 marks</b> No relevant evaluation present

**Possible answers include:**

- Lower interest rates should help by encouraging uptake of all their products (especially the more income elastic ones such as conservatories); this will improve capacity utilisation, lower the fixed costs per unit and, therefore, may restore the net margins to their 10% historical average
- Lower rates will also alleviate financial pressures on existing buyers (who may have bought on credit), and, therefore, lower the rate of bad debts (helping cash flow)
- But a lower £ is likely to increase the cost of the materials bought in from Luxembourg, which will weaken the improvement in profit margins

4

**Total for this question: 6 marks**

Some commentators hold the view that government action to protect consumers is unnecessary. Explain the evidence from the Case Study that supports this view. *(6 marks)*

	<b>Content 3 marks</b>	<b>Application 3 marks</b>
<b>Level 2</b>	<b>3 marks</b> Good understanding of government intervention vs laissez faire	<b>3 marks</b> Application to context, showing some insight, ie doing more than repeating the case/text
<b>Level 1</b>	<b>2-1 marks</b> Shows some understanding of the issues	<b>2-1 marks</b> Application to the context of King and Dillworth Ltd
<b>Level 0</b>	<b>0 marks</b> No explanation	<b>0 marks</b> No application

The key argument by those with laissez faire views is that self-love, ie firms' long-term self-interest, coincides with consumer interests. Focus must be on consumers.

**Possible answers include:**

- Production quality failures have caused cost increases due to rectifications
- and have hit sales/market share due to reduced word of mouth recommendation
- leading the company to consider new operations and people strategies

5

**Total for this question: 15 marks**

Discuss whether the directors of *King and Dillworth Ltd* should carry out a full SWOT analysis of the business before the next Board meeting. (There is no need to include a SWOT analysis in your answer). (15 marks)

	<b>Content 3 marks</b>	<b>Application 3 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 5 marks</b>
<b>Level 3</b>				<b>5 marks</b> Judgement shown in weighing whether a full SWOT should be carried out in this case, providing clear conclusions
<b>Level 2</b>	<b>3 marks</b> Good understanding shown of the theory of SWOT	<b>3 marks</b> Relevant issues applied in detail to the case	<b>4-3 marks</b> Analysis of question set, using relevant theory	<b>4-3 marks</b> Judgement shown in weighing up the value of a SWOT in this case
<b>Level 1</b>	<b>2-1 marks</b> Shows some understanding of the technique	<b>2-1 marks</b> Relevant issues applied to the case	<b>2-1 marks</b> One or two points applied in a limited way to analyse the question	<b>2-1 marks</b> Some judgement shown in text or conclusions
<b>Level 0</b>	<b>0 marks</b> No relevant point(s)	<b>0 marks</b> No application	<b>0 marks</b> No analysis of question or theory	<b>0 marks</b> No judgement shown

**Possible answers include:**

- Do they seem aware of their strengths and weaknesses already? They seem sufficiently hands-on to know about internal issues such as the clash of management styles between Paul and Nick (their managerial problems are that (a) aims are unclear and, (b) no-one seems to take command of resolving problems); will a SWOT add anything much to the mix?
- Of course, it may be that a session spent discussing their strengths and weaknesses in the abstract (rather than as related to a specific topic) may be just what they need
- Looking to the future, the case for a dispassionate view on opportunities and threats seems much stronger. From the text, the case for going in with Irkvale Homes is unclear; careful reflection on the threats they face would help in deciding whether they need to take this step
- The opportunity cost of all this should be considered, though: (a) what's the time (or financial) cost of carrying out the SWOT; and, (b) whether a SWOT analysis is the best thing to be discussing at the Board meeting; it is not obvious that a SWOT is a top priority