



General Certificate of Education

Business Studies 5131

**BUS3 External Influences and
Objectives and Strategy**

Mark Scheme

2008 examination - January 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 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 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**

Total 3 marks

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

Explain how the economic forecasts for UK real GDP growth between 2008 and 2011 (Section G, Table 5) might affect *G&N Ltd*'s future growth. (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two effect(s) and shows some understanding of GDP or identifies one effect and shows good understanding of GDP	
Level 2	2 marks Identifies two effect(s) or identifies one effect and shows some understanding of GDP or shows good understanding of GDP	3 marks Good application of the effect(s) to <i>G&N</i>
Level 1	1 mark Identifies one effect or shows some understanding of GDP	2–1 marks Some application of the effect(s) to <i>G&N</i>

Definition: Gross Domestic product (GDP) is the total value of the country's output over the course of the year.

Possible answers might include the following:

- GDP – the forecasts indicate favourable trading conditions, with GDP growth rising steadily from 2.5% to 3%. This will lead to an increase in spending for most products, but the overall effect will depend on the income elasticity of demand for *G&N*'s products. (Credit will be given for reasonable assumptions relating to income elasticity for specific products), but the case study indicates high income elasticity of demand (income elastic demand)
- as GDP rises demand will increase and there will be greater inflationary pressure. Consequently, some of the gains in sales revenue may be offset by increases in costs paid to suppliers and workers. This may make *G&N* uncompetitive against those businesses that manufacture in other countries
- the increase in orders should lead to an increase in output. This may improve morale as it will increase job security. It is also likely to create more of the individualised work that the employees enjoy most.

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

Outline how the degree of competition in the market affected the prices charged to the theatre companies by *G&N Ltd*. (6 marks)

	Content 3 marks	Application 3 marks
Level 3	3 marks Identifies two arguments and shows some understanding of degree of competition or identifies one argument and shows good understanding of degree of competition	
Level 2	2 marks Identifies two arguments or identifies one argument and shows some understanding of degree of competition	3 marks Good application of argument(s) to <i>G&N</i>
Level 1	1 mark Identifies one argument or shows some understanding of degree of competition	2–1 marks Some application of the argument(s) to <i>G&N</i>

Definition: Degree of competition measures the extent to which a firm is constrained by the level of competition within its market(s).

Possible arguments might include the following:

- Sara and George offered competitive prices for props and scenery, suggesting a competitive market
- *G&N* charging higher prices in the South, taking advantage of its monopoly power in that region
- *G&N* charged a much lower price in the North, where competition existed
- it is noted in Section G of the case study that “success was assisted by a lack of competition”, suggesting that *G&N* were taking advantage of the lack of competition.

However:

- higher prices were needed to cover the higher costs in the South, particularly as *G&N* were based in the North
- customers in the South may have been prepared to pay the higher price because they valued the service provided by *G&N*. If they were secure financially they might be less concerned about price and more interested in receiving a high quality service
- *G&N* had patents on certain products. Government accepts that patent holders may charge higher prices in order to repay their high development costs and to reward their innovation. This might have been the reason for some high prices.

3**Total for this question: 15 marks**

To what extent do you think that UK and EU law helped or hindered the performance of *G&N Ltd*? (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Identifies two influences and shows some understanding of UK and EU law or identifies one influence and shows good understanding of UK and EU law			5 marks Good judgement in assessing the overall influence on the performance of <i>G&N</i>
Level 2	2 marks Identifies two influences or identifies one influence and shows some understanding of UK and EU law or shows good understanding of UK and EU law	3 marks Good application of the influence of UK and EU law on <i>G&N</i>	4–3 marks Good analysis of the influence of UK and EU law	4–3 marks Some judgement in assessing the influence on the performance of <i>G&N</i>
Level 1	1 mark Identifies one influence or shows some understanding of UK and EU law	2–1 marks Some application of the influence of UK and EU law on <i>G&N</i>	2–1 marks Some analysis of the influence of UK and EU law	2–1 marks Limited judgement shown in assessing the influence on the performance of <i>G&N</i>

Possible UK and EU laws helping the performance of *G&N* include:

- the patent laws helped *G&N* to exploit Sara's designs in order to make more profit
- under UK and EU law *G&N* may have been entitled to financial benefits for locating in an area of high unemployment.

Possible UK and EU laws hindering the performance of *G&N* include:

- company law relating to Ltd status
- competition laws may have prevented *G&N* taking advantage of its monopoly of props and scenery supply in the south of England
- consumer protection legislation acted as a constraint on *G&N* in a number of ways: it was accused of supplying
 - faulty or broken products
 - goods that were not supplied in the quantity agreed
 - goods that did not match the description provided by *G&N*
- health and safety legislation would have led to possible legal action against *G&N* because of the accident at the Hessle factory
- employment legislation would have affected *G&N*'s restructuring by providing protection for employees against unfair dismissal.

Evaluation

Overall, *G&N*'s success would have been hindered by the consumer protection laws that it was accused of breaching. However, the competition laws and health and safety legislation would have also had a potentially negative impact. Given the size of the business the help given by the patent laws, and the financial subsidies offered because of its location, would have been of limited benefit. Consequently, the legislation would have been more likely to act as a constraint than a help. The final judgement will vary according to the arguments used by the candidate.

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Total for this question: 8 marks

Examine **two** instances in which the aims of *G&N Ltd*'s customers might have come into conflict with the aims of other stakeholders. (8 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks
Level 2	2 marks Identifies two instances or identifies one instance and shows some understanding of terms or shows good understanding of terms	2 marks Good application of situation(s) to <i>G&N</i>	4–3 marks Good analysis of situation(s)
Level 1	1 mark Identifies one instance or shows some understanding of stakeholders or their aims	1 mark Some application of situation(s) to <i>G&N</i>	2–1 marks Some analysis of situation(s)

Definition: Aims are the long-term intentions of the business, expressed in general terms.

Definition: Stakeholders are those with a direct interest in the activities or performance of a business.

Possible answers of conflict between customers and stakeholders include:

- the customers' desire for high-quality services would have put pressure on the workforce and the suppliers
- the Faulkner family's desire for high prices would have brought them into conflict with the customers who preferred lower prices. This preference for lower prices would have also potentially forced the business to relocate its manufacturing to another country
- the need for just-in-time delivery to meet customers' needs would have put pressure on stakeholders such as the managers, workers and suppliers
- the seasonal demand by customers affected the regularity of pay for workers, especially those that were paid through a piece rates system
- the owners' aims for social responsibility might have brought them into conflict with customers wanting cheaper products
- there was conflict between customers and the owners when customers were supplied with sub-standard and inappropriately described goods and services.

5**Total for this question: 15 marks**

Study the data in **Tables 2, 3** and **5**. Evaluate whether or not this information supports the proposed objective to extend the props and scenery operations into Europe. (15 marks)

	Content 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 5 marks
Level 3	3 marks Good understanding of the issues involved			5 marks Good judgement in assessing the overall impact of the move
Level 2	2 marks Some understanding of the issues involved	3 marks Good application of the effect(s) on G&N	4–3 marks Good analysis of the possible effect(s)	4–3 marks Some judgement in assessing the impact of the move
Level 1	1 mark Limited understanding of the issues involved	2–1 marks Some application of the effect(s) on G&N	2–1 marks Some analysis of the possible effect(s)	2–1 marks Limited judgement shown in assessing the impact of the move

Possible arguments for European expansion:

- growth rates for theatre visits in Italy and Spain are faster than the UK
- G&N will be playing to its strength in providing props and scenery
- the high levels of profit and excellent cash flow provide an ideal base for an expansion strategy
- the fall in the value of the £/€ exchange rate will help to make G&N competitive in Europe
- the overall lack of competition in Europe should help G&N to succeed.

Possible arguments against European expansion include:

- lack of relevant experience and understanding of the European market
- existing high costs and the greater expense of distribution in Europe
- lower levels of demand in Europe than in the United Kingdom
- the competition within the European countries will have a much greater understanding of their local market and lower distribution costs.

Evaluation

Depending on the emphasis of the candidate's ideas it is possible to argue that this expansion is either too risky a strategy for G&N or the most sensible future strategy. Credit will be given in accordance with the quality of the arguments presented for a particular view by the candidate.

Credit will also be given to candidates evaluating the relative merits of different European destinations, using the data in **Table 3**. This suggests that Germany will be the cheapest in terms of delivery costs, with Spain being the most expensive. The Table also indicates that Italy and France are the largest markets. Furthermore, Italy is clearly the fastest-growing European market, followed by Spain. Spain also has the advantage of there being only one competitor: Italy is the most competitive market.