

# GCE 2005

## *January Series*



# Mark Scheme

## Business Studies

BUS4

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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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*Dr Michael Cresswell Director General*

### **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 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 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) Explain the factors that might influence the size of Tregory Growers Ltd's budget for marketing expenditure for the next financial year. *(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> Two or more factors explained clearly	<b>2 marks</b> Candidate applies answer effectively to Tregory Growers' circumstances	<b>4-3 marks</b> Effective use of relevant theory to analyse the question
<b>Level 1</b>	<b>1 mark</b> One relevant factor with some explanation or definition of marketing budget	<b>1 mark</b> Candidate makes some attempt to apply answer to Tregory Growers' circumstances	<b>2-1 marks</b> Limited use of theory to analyse the question

**Possible answers might include the following:**

- The evidence presented in Appendix A showing relationship between advertising expenditure and sales. Tregory Growers' advertising expenditure is a significant component of the company's marketing budget
- Yewande's view of marketing expenditure, which suggests that she will restrict the budget
- The changing marketing objectives towards selling to larger retailers and especially supermarkets. This may reduce the need for marketing expenditure
- The company's financial position may limit expenditure on marketing as its liquidity position is relatively weak
- Competitors' actions may be highly relevant in a growing market

- (b) Discuss whether Yewande is right to encourage the use of a scientific approach to marketing decisions in these circumstances. (12 marks)

	<b>Content 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> Candidate displays good understanding of scientific approach to marketing decisions	<b>2 marks</b> Candidate applies knowledge effectively to Tregory Growers' circumstances	<b>4-3 marks</b> Relevant theory used to examine argument on use of scientific approach	<b>4-3 marks</b> Judgement shown in considering the value of a scientific approach to decision-making
<b>Level 1</b>	<b>1 mark</b> Candidate demonstrates limited understanding of scientific approach to marketing decisions	<b>1 mark</b> Candidate makes limited attempt to apply knowledge to Tregory Growers' circumstances	<b>2-1 marks</b> Limited use of theory to analyse argument	<b>2-1 marks</b> Some judgement shown in text or assessment

**Relevant answers might include the following:**

- The company had relied on hunches and guesses in the past and had not been particularly successful
- The market for cut flowers is growing rapidly and changing. Research is essential to monitor this and to ensure that the product range is appropriate
- Yewande's research has shown that the type of customer is changing. More women are buying flowers, possibly in supermarkets
- The correlation between marketing expenditure and sales is not strong beyond a certain level of expenditure. In a growing market this suggests that marketing actions may need revising

**But:**

- The rate of change in the market is rapid, offering benefits to flower producers who can make and implement marketing decisions quickly
- Consumers' tastes in cut flowers can be influenced by the products brought onto the market. This may be evidenced by the growing popularity of foreign flowers. In this context hunches can succeed

2

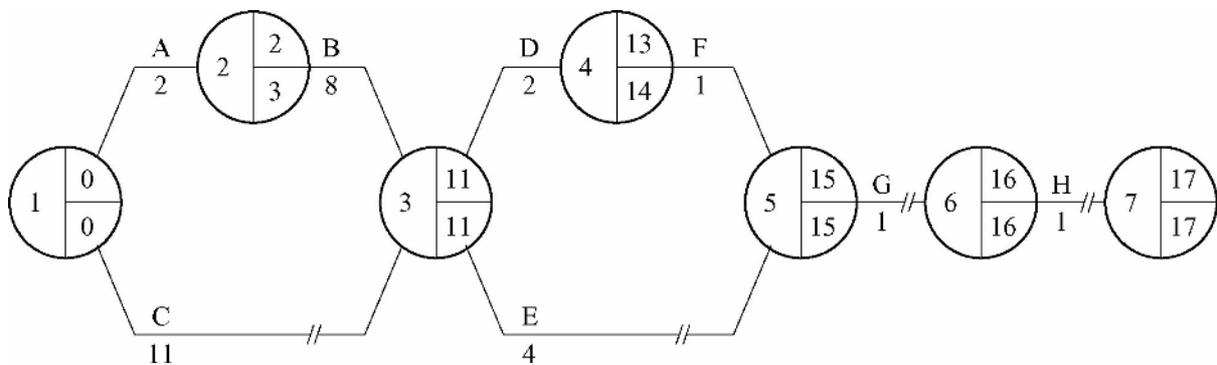
**Total for this question: 20 marks**

(a) Using the information in **Appendix B** construct a network for the setting up of the deal packaging facilities. You should show:

- earliest start times;
- latest finish times;
- the critical path.

*(10 marks)*

**Network Diagram**



**Drawing the network:**

Accurately drawn and labelled	<b>5 marks</b>
Accurately drawn but not accurately labelled	<b>4 marks</b>
Drawn and labelled with some understanding	<b>3-2 marks</b>
Drawn with little understanding	<b>1 mark</b>

ESTs	Good understanding (6 or 7 correct)	<b>2 marks</b>
	Some understanding (3-5 correct)	<b>1 mark</b>

LFTs	Good understanding (6 or 7 correct)	<b>2 marks</b>
	Some understanding (3-5 correct)	<b>1 mark</b>

Critical path	Correct path C-E-G-H	<b>1 mark</b>
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(b) To what extent might critical path analysis help Tregory Growers Ltd's Board of Directors decide whether the packaging facilities will be ready on time? *(10 marks)*

	<b>Content 2 marks</b>	<b>Application 2 marks</b>	<b>Analysis 4 marks</b>	<b>Evaluation 2 marks</b>
<b>Level 2</b>	<b>2 marks</b> Candidate displays good understanding of theoretical benefits of CPA	<b>2 marks</b> Candidate applies knowledge effectively to Tregory Growers' circumstances	<b>4-3 marks</b> Relevant theory used to examine argument for and against decision based on CPA	<b>2 marks</b> Judgement shown in considering the value of CPA in taking this decision
<b>Level 1</b>	<b>1 mark</b> Candidate demonstrates limited understanding of theoretical benefits of CPA	<b>1 mark</b> Candidate makes limited attempt to apply knowledge to Tregory Growers' circumstances	<b>2-1 marks</b> Limited use of theory to analyse argument	<b>1 mark</b> Some judgement shown in text or assessment

**Possible answers might include the following:**

- The network tells the managers that they can complete the project within the supermarket's deadline - three spare weeks giving some confidence to the management team  
NB: OFR from part (a)
- The use of CPA will encourage a more scientific approach considering all relevant factors and not just relying on instinct in what is a new situation for the company
- Constructing the CPA has allowed managers to focus on the critical activities (such as recruiting staff) and thereby ensure the entire project is not delayed

**But:**

- This is a new venture and the estimates of time were possibly inaccurate. Furthermore, the managers had limited experience of this technique
- The company is dependent on other organisations and individuals. For example, other companies will be supplying equipment and may be undertaking some of the construction and decorating work
- The successful management of this project depends upon the ability of the company to recruit forty suitable employees

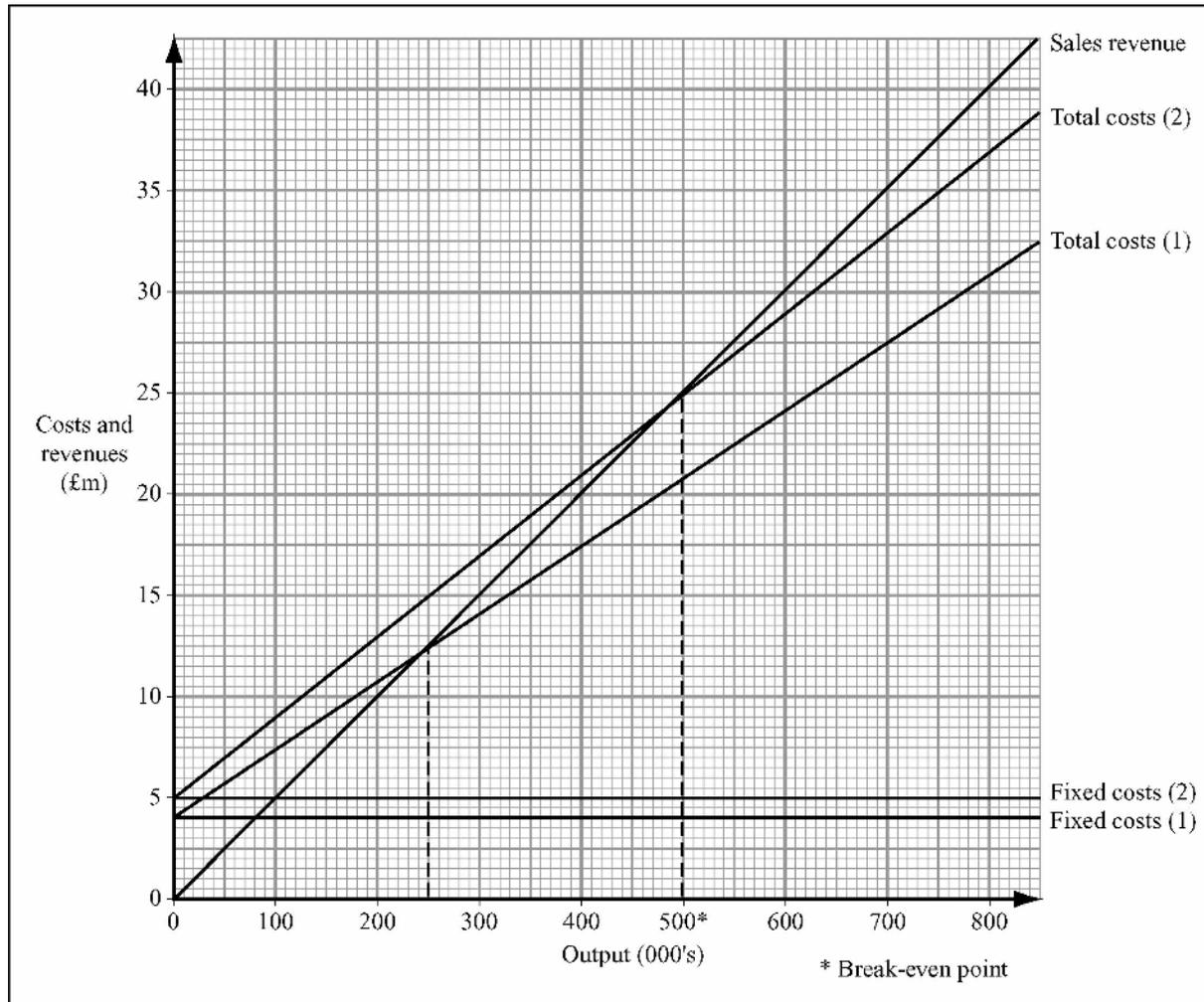
3

**Total for this question: 20 marks**

(a) Paul produced some revised cost figures for the Kenyan project.

(i) Draw new fixed and total cost lines on the insert, **Figure 1**, to show Paul’s revisions. (5 marks)

(ii) Mark the new break-even output on the graph. (1 mark)



(i) Draw new fixed cost line – **1 mark**  
 Starting new TC line at £5 million – **1 mark**  
 Drawing correct new total cost line – **2 marks**  
 Correct labelling of new lines – **1 mark**

(ii) **One mark** for showing new break-even output (500 000 units)

(b) On the evidence of the graph and all the other financial data available, was Yewande correct to persuade the other directors to accept the Kenyan project? Justify your answer.

(14 marks)

	<b>Content 3 marks</b>	<b>Application 2 marks</b>	<b>Analysis 5 marks</b>	<b>Evaluation 4 marks</b>
<b>Level 2</b>	<b>3-2 marks</b> Candidate displays good understanding of relevant financial data	<b>2 marks</b> Candidate applies knowledge effectively to Kenyan project	<b>5-3 marks</b> Relevant theory used to examine argument for and against Kenyan project	<b>4-3 marks</b> Judgement shown in taking decision on financial grounds
<b>Level 1</b>	<b>1 mark</b> Candidate displays limited understanding of relevant financial data	<b>1 mark</b> Candidate makes limited attempt to apply knowledge to Kenyan project	<b>2-1 marks</b> Limited use of theory to analyse case for and against Kenyan project	<b>2-1 marks</b> Some judgement shown in text or assessment

**Relevant answers might include the following:**

- The revised figures suggest that a profit of £2 million will be made, assuming forecasts are accurate. This, however, would increase the company's ROCE from 6.2% to 8.1%
- The company already has an acid test ratio of 0.55:1; this figure suggests that, if the Kenyan project goes ahead, and more cash is needed, the company might have difficulty meeting its commitments on time
- The company's net profit margin on the Kenyan project is 20% (assuming Yewande is right) and 5.7% on Paul's figures. The company's net profit margin without the Kenyan project is 10%
- The risk factor is not so great: even after the required investment, gearing is only 40%
- The one year contract with the supermarket offers Tregory Growers some financial security
- Much depends upon the accuracy of the estimates. Two quite different sets of cost data, suggests some degree of uncertainty. The extent of market research for the sales forecast is also vital

4

**Total for this question: 20 marks**

Consider whether Yewande’s approach to managing staff is in the best interests of Tregory Growers Ltd?  
(20 marks)

	<b>Content 3 marks</b>	<b>Application 4 marks</b>	<b>Analysis 7 marks</b>	<b>Evaluation 6 marks</b>
<b>Level 3</b>	<b>3 marks</b> Candidate displays good understanding of people issues and identifies relevant implications	<b>4-3 marks</b> Answer applied in detail to this case	<b>7-5 marks</b> Effective use of theory to construct arguments	<b>6-5 marks</b> Good judgement shown in assessing Yewande’s approach
<b>Level 2</b>	<b>2 marks</b> Candidate displays good understanding of people issues/limited understanding of implications	<b>2 marks</b> Some application to this case	<b>4-3 marks</b> Some use of theory, possibly considering one side of argument only	<b>4-3 marks</b> Judgement in relation to Yewande’s approach
<b>Level 1</b>	<b>1 mark</b> Candidate displays limited understanding of people issues and implications	<b>1 mark</b> Very limited attempt to apply knowledge to this case	<b>2-1 marks</b> Very limited use of theory to develop arguments	<b>2-1 marks</b> Limited judgement shown in text or assessment

**Relevant answers might include the following:**

- Yewande shows a relatively “hard” approach to HRM, which could upset staff at all levels in the organisation
- There is no evidence that she has consulted with unions or other employee representatives over proposed changes to contracts
- Her approach might result in high labour turnover – this could cause problems given state of local labour market
- This approach might lead to a loss of the long-serving, existing employees – a clash of cultures may occur. This could lead to a loss of skilled workers
- Using a piece-rate pay system may result in poor quality output, possibly causing problems with the supermarket
- This approach is likely to have a negative impact on the motivation of the packaging employees
- The margin on each sale is small – it is vital to keep costs to a minimum and flexible contracts/piece-rate may help in this respect
- Using temporary contracts will assist in matching labour supply to needs
- Packaging line employees are relatively low skilled – training is not needed and would be an additional expense
- Keeping wages to a minimum will assist the company’s working capital position
- If the company’s profits rise, it could be in the best interests of the company
- Developing a long-run relationship with employees may prove to be in the company’s best interests