



General Certificate of Education

Business Studies 6131

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

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 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. | 4 marks |
| 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 4 marks

1

Total for this question: 20 marks

(a) Discuss the likely accuracy of the sales forecasting method used by Hifonics Ltd. (Appendix A). (10 marks)

	Content 2 marks	Application 3 marks	Analysis 3 marks	Evaluation 2 marks
Level 2	2 marks Good understanding of sales forecasting and/or accuracy shown	3 marks Good application to this business	3 marks Good use of theory to analyse answer	2 marks Good judgement shown
Level 1	1 mark Limited understanding of sales forecasting or factors affecting accuracy	2–1 marks Limited application to this business	2–1 marks Limited use of theory to analyse answer	1 mark Some judgement shown

Relevant answers might include the following:

- recognition of the moving average/extrapolation method of sales forecasting
- this allows some forecasting based entirely on previous data and allows forecasts of seasonal fluctuations which could be important for production levels for a product such as this.

But:

- only based on two years – during which the models were being introduced so not a fully representative set of past data
- no consideration given to economic factors, competitors actions (eg China) or further technological developments
- thus: results should be used with considerable caution.

(b) To what extent would a marketing plan have been useful to Hifonics Ltd when launching the Titan music centre? (10 marks)

	Content 2 marks	Application 3 marks	Analysis 3 marks	Evaluation 2 marks
Level 2	2 marks Good understanding of marketing plan	3 marks Good application to this business	3 marks Good use of theory to analyse benefit(s) or limitation(s)	2 marks Good judgement showing balance
Level 1	1 mark Some understanding of marketing plan	2–1 marks Limited application to this business	2–1 marks Limited use of theory to analyse benefit(s) or limitation(s)	1 mark Limited judgement shown

Relevant answers might include the following:

- definition of a marketing plan – a detailed report of a firm’s marketing objectives and marketing strategy
- application to this business and this product
- company needs clear objectives (can then assess success or failure more accurately). Could lead to a better designed marketing mix to meet the needs of the market and a more appropriate marketing budget.

But:

- needs time and resources. Business needed new models quickly
- can become out-of-date and for brand new products, such as music centres, it can be difficult to gather appropriate and relevant data
- not necessary in this case as they already have experience of Hi Fi market.

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

(a) Analyse the possible benefits to Hifonics Ltd of further investment in research and development (R&D). <i>(8 marks)</i>
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	Content 2 marks	Application 3 marks	Analysis 3 marks
Level 2	2 marks Good understanding of R&D or benefits identified	3 marks Good application to this business	3 marks Good analysis of point(s) made
Level 1	1 mark One benefit of R&D identified or limited understanding of R&D	2–1 marks Limited application to this business	2–1 marks Some analysis of point(s) made

Relevant answers might include the following:

- definition of R&D – spending on scientific research and technical development of new ideas/processes
- benefits could be market leadership through innovative products, higher prices/profit margins through USP, more efficient and flexible production processes, reducing chance of uncompetitive product ranges
- relate to this company, eg could help to maintain success of music centres and other products and achieve cost efficiency in the face of Chinese competition.

(b) Discuss whether the company should stop producing the Titan music centre, using the quantitative and qualitative information available. (12 marks)

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks Good understanding of relevant issues	2 marks Good application of issues to this business	4–3 marks Good use of theory to analyse quantitative and qualitative information	4–3 marks Good judgement shown in answer based on quantitative and qualitative analysis
Level 1	1 mark Some understanding of relevant issues	1 mark Some application of issues to this business	2–1 marks Some use of theory to analyse answer	2–1 marks Limited judgement shown in answer

Quantitative:

- impact on profit (or contribution) needs to be calculated
= Sales revenue less direct costs
Sales revenue = $500 \times 750 = \text{£}375\,000$
Total direct costs = $\text{£}300 \times 750 = \text{£}225\,000$
Total impact on profit of stopping production = $(\text{£}150\,000)$
This assumes that fixed costs must still be paid for if production is stopped. Allow other approaches in calculating the 'contribution' made by the Titan music centre, eg unit cost/price data
- calculation of 'increased profit' from stopping production = $\text{£}100\,000$ (assumes fixed costs will cease if production is stopped)
- direct costs per unit may fall with increased production and sales and this could increase contribution per unit in the future
- depends greatly on whether the fixed costs cease if Titan music centre production stops.

Qualitative:

- impact on company reputation of dropping a model so quickly after introduction
- impact on staff if there are job losses
- product may benefit from increased promotion
- only recently launched – may take time to get noticed and established
- could the capacity created by dropping Titan be quickly used to make the other models? Is there a demand for further units of these?

3

Total for this question: 20 marks

(a) Calculate the payback period **and** the average rate of return (ARR) for the location in Poland. *(8 marks)*

Reduce all cash flows by 50% (even if no other rewardable calculation) (1)

Payback: 2 years 4 months (2)

ARR formula (if correct or not calculations) (1)

ARR = 20.0% (5) (some marks awardable for attempts made)

If cash flows are not reduced by 50% then Payback = 1 yr 6 months (2)

ARR = 60.0% (5)

(b) Recommend, using your answers from **3(a)** and other information, which location Hifonics Ltd should choose for the new factory. Justify your answer. *(12 marks)*

	Content 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks
Level 2	2 marks Two or more relevant factors identified	2 marks Good application to this business	4–3 marks Good use of theory to explain answer	4–3 marks Good judgement shown in answer and final recommendation
Level 1	1 mark One relevant factor identified	1 mark Limited application to this business	2–1 marks Limited use of theory to explain answer	2–1 marks Limited judgement shown

Relevant answers might include the following:

- Poland – lower capital cost and quicker payback – important for this business with falling net profits (but no actual data on this given). Lower ARR but still high as suits quite a high risk venture into a foreign country
- China – higher ARR with potential for further profits from economies of scale in future. Higher cost could be a problem – government grants available? (no information on this)
- Qualitative: which location represents more of a culture shock? Probably China. Managers prepared to move there? Language and distance problems? Huge industry in China could give cheap components. Poland will ensure no trade restrictions unlike China location
- more information would have been helpful, eg labour supply in Poland
- final choice made by candidate does not matter – judgement must be based on preceding analysis.

4

Total for this question: 20 marks

(a) Discuss the likely **human resource management** consequences for Hifonics Ltd of encouraging head office staff to work from home (telework). *(10 marks)*

	Content 2 marks	Application 3 marks	Analysis 3 marks	Evaluation 2 marks
Level 2	2 marks Two or more consequences identified or one consequence and definition	3 marks Good application to this business	3 marks Good use of theory to explain answer	2 marks Good judgement shown
Level 1	1 mark One consequence identified or definition of teleworking / HRM	2–1 marks Limited application to this business	2–1 marks Limited use of theory to explain answer	1 mark Limited judgement shown

Relevant answers might include the following:

- define HRM – managing staff to improve employee performance
- define teleworking – working at home but linked to the office by instant IT links
- may improve performance of staff if they are motivated by prospect of working at home, less need for supervision, given more independence and control
- travel costs saved
- may be easier to recruit staff.

But:

- might not be successful due to staff resistance to change
- poor communication and lack of team spirit. No satisfaction of social needs?
- may conflict with managerial insistence on ‘control’
- training costs on the IT systems involved may come from HR budget
- teleworking might not be suitable for all staff.

(b) The directors of Hifonics Ltd cannot agree on how a decision to close the old factory should be managed and communicated to staff. Recommend which approach should be used. Justify your answer. (10 marks)

	Content 2 marks	Application 3 marks	Analysis 3 marks	Evaluation 2 marks
Level 2	2 marks Two or more relevant points identified	3 marks Points well applied to this business	3 marks Good use of theory to explain answer	2 marks Good judgement shown in recommendation
Level 1	1 mark One relevant point identified	2–1 marks Limited application to this business	2–1 marks Limited use of theory to explain answer	1 mark Limited judgement shown

Relevant answers might include the following:

Identification of leadership / HRM styles suggested in case.

Could adopt either extreme view referred to in case or a compromise between the two.

Hard approach:

- management decision thus no need for consultation
- such consultation and involvement could slow down the decision. This could increase costs of keeping the factory open for longer than needed and give more time for damaging industrial action.

Soft approach:

- will lead to improved employer-employee relations in the future
- staff may give good ideas for solving problems of redundancy/closure etc
- use collective bargaining as union may help 'sell' the deal if it secures jobs elsewhere in the business.