

A-LEVEL **BUSINESS STUDIES**

BUSS3 Strategies for Success

Mark scheme

2130
June 2014

Version V1.0: Final

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

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

Further copies of this Mark Scheme are available from aqa.org.uk

| | Assessment Objectives |
|--|---|
| | The Assessment Objectives represent those qualities which can be demonstrated in students' work and which can be measured for the purposes of assessment. |
| AO1 Demonstrate knowledge and understanding of the specified content | Students give accurate definitions of relevant terms. Students can also gain credit for identifying a point relevant to the question. |
| AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations | Students should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Students will not be rewarded for simply dropping the company name or product category into their answer. |
| AO3 Analyse problems, issues and situations | Students use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, students may be asked to build up an argument that shows understanding of cause and effect. |
| AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources | Students evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or 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. Students will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment". |
| Quality of Written Communication | The quality of written communication is assessed in all assessment units where students are required to produce extended written material. Students will be assessed according to their ability to: <ul style="list-style-type: none"> • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate. The assessment of the quality of written communication is included in Assessment Objective 4 . |

The process of marking

When marking a response, it is important to follow the flow of the arguments. This means that you should read a paragraph as a whole to see how an argument develops. In some cases, you may need to read more than one paragraph to follow through an argument to its conclusion.

When reading, you need to identify the relevant skill (e.g. application, analysis and evaluation) and then decide on the level. At the end of the response, you should reflect on the response as a whole - take a view of how the answer works in its entirety and, if necessary, be prepared to revisit particular paragraphs to consider the level.

At the bottom of the script you should write down the level e.g. L3 and then using the text box, justify the reason(s) e.g. Reasonable Analysis and Reasonable Application. You then need to decide on where within the level the mark should fall.

Annotation

When rewarding knowledge, you annotate 'K'. This is common, for example, at the start of an answer when there are often definitions. Once other skills have gone beyond Limited it is not necessary to keep annotating 'K' through the script.

For the other skills:

Application: App

Analysis: An

Evaluation: Eval

It is very important that you annotate the skills you see fully. This shows that all the script has been read and that you have taken relevant arguments into account. You should also annotate blank pages with the 'tick' symbol. Please read all plans and annotate, eg 'K'.

Remember that once a student has reached a level they cannot go lower. For example, if a student achieves Good Analysis in one argument they stay at this level even if the rest of the response only demonstrates Limited Analysis.

GUIDANCE FOR MARKING

When marking a response it is important to take an overview of the answer at the end. You should read the response as a whole to see how the arguments develop and how the effective the skills are within the overall response.

Having read the whole response you must make a decision on the overall quality of the different skills demonstrated - is the quality of the application good? What about the analysis of the question? What about the quality of the evaluation of the question?

Markers should mark from the top down – is it good? If not, is it reasonable? If not, it is limited? Start with the top level and work downwards rather than the other way around.

In making a decision about whether a particular response is good or reasonable, use the following guidelines.

APPLICATION

Application occurs when a response is in context. For example, it relates to the given scenario or the particular issues and problems facing the business or industry.

Good application means the response is well applied to the context. This can be demonstrated in different ways; for example, the response may:

- **Be firmly embedded in the context.** The arguments made within a response may, overall, relate well to the given context recognising key aspects of the situation. This insight into the context may occur in one instance or be a combination of insights that show a good awareness of the specific issues facing the business.
- **Combining information effectively.** Candidates may appreciate the meaning and significance of one aspect of the case in the context of another aspect of the business situation. This combination of factors can show a good insight into the context.
- **Manipulating data effectively.** Candidates may use some numerical data in one part of the case and relate this to another relevant and significant figure elsewhere; by combining these effectively candidates can show a good grasp of the context.

Reasonable application makes some reference to the context in support of the argument(s) but:

- is not necessarily well developed
- does not show much appreciation of the significance of aspects of the context.

Limited application. A mainly descriptive reference to the context.

ANALYSIS

Analysis occurs when students build arguments that show an understanding of cause and effect and may make use of relevant theory.

Good analysis occurs when:

- the answer as a whole has analysed key issues in the question well
- is focused on the precise question and provides a logical, coherent, multi-stage argument examining the causes and effects of an event as appropriate and linking the different aspects of the question effectively
- it makes use of relevant theory to develop the argument, selecting relevant information and use appropriate methods effectively to build up the links between the stages.

Reasonable analysis occurs when there are relevant arguments explained but:

- these are less developed
- there are less clear chains of argument (for example, stages in the argument may be missing or unclear or assumed)
- these are generic rather than addressing the issues in the question directly
- focuses on one aspect of the question.

Limited analysis: This is assertion or of little relevance to the question

EVALUATION

This occurs when a judgement is made. Judgements may occur throughout a response.

Good judgement directly answers the specific question set. It:

- provides a clear and well supported overall response to the question set
- is built on analysis and evidence and is in the context of the given question.

Reasonable judgement may:

- be making judgements on relevant arguments but not the question as a whole
- address some aspects of the question but not directly answers the specific question set may have some support but is not built on effective analysis. It may rather generic, may be incomplete or not fully consistent given the arguments made.

Limited evaluation is an assertion or a judgement with limited support.

The decision on the **Quality of Written Communication** may be used to adjust a mark within the level selected on the basis of the student's evaluation. For example, a student may have been awarded the lower mark in E2 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E2.

A well written answer without any evaluation can receive one mark for quality of language.

1

Total for this question: 10 marks

Klick plc holds a vast amount of information on its database. Analyse the limitations if only this database was used when trying to develop an effective marketing strategy for the applications.

[10 marks]

| Level | Descriptor | Marks |
|-------|--|-------|
| L5 | Good application AND Good analysis | 10–9 |
| L4 | Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application | 8–7 |
| L3 | Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis | 6 |
| L2 | Reasonable application <i>or</i> Reasonable analysis | 5–4 |
| L1 | Limited response primarily based on knowledge | 3–1 |

Definition: A marketing strategy is the marketing decisions and tactics used by an organisation to achieve its marketing objectives

Points for application could include:

- Klick plc holds vast amounts of information on its database which identifies the websites its 700 million users visit, most popular news content items and monitors how effective businesses' advertising has been
- Google believed to be investing heavily in apps
- it operates in a market that changes rapidly in terms of innovation and consumer tastes
- Klick plc had failed to recognise the opportunity resulting from the increased popularity of apps
- new customer base with direct sales and a younger target group.

Limitations of only using the data base (Points of analysis)

- it is historic data as it only shows the websites users have visited in the past
- only relates to current users not the new younger target market
- it focuses on the news content items and so is not relevant to applications
- it does not include any information on its competitors, eg Google
- it does not include any information on market trends which is important in a fast changing and innovative market
- 700m users generates enormous amounts of data which would be time consuming and costly to analyse
- the high rate of change in this market means that information can become quickly out of date
- despite holding large amounts of data the business was slow to recognise the popularity of apps.

Good application could include:

- consistent use of the case study
- linking the fact that the existing database is for a different market than the new younger target market
- the database consists of historic data which may have limited value in a rapidly changing market

Good analysis could include:

- a well developed line of argument that explains that due to the fact that the information on the database could be considered to be of little relevance to the proposed strategy, this could result in an ineffective marketing strategy, such as incorrect decisions regarding pricing and promotion.
- The vast amount of data held on the database could present an opportunity cost as the time spent analysing it could be better spent conducting more up to date and relevant primary research. In such an innovative and fast changing market this could result in *Klick plc* being too slow to respond to market trends

Markers note: If a candidate writes about the **benefits** of using the database, annotate this as 'NAQ'

2

Total for this question: 18 marks

Zak Davies significantly changed the human resource (HR) strategy at Klick plc. Do you think that he was right to do this? Justify your view.

[18 marks]

| Level | Descriptor | Marks |
|-------|--|-------|
| L5 | Good application AND Good analysis | 13–12 |
| L4 | Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application | 11–9 |
| L3 | Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis | 8–6 |
| L2 | Reasonable application <i>or</i> Reasonable analysis | 5–4 |
| L1 | Limited response primarily based on knowledge | 3–1 |

Definition: An HR strategy consists of the methods employed by an organisation to make the most effective use of its workforce in order to achieve its HR objectives.

Markers note: Accept definitions of ‘Hard’ and ‘Soft’ HRM. Candidates that simply describe the HR function annotate as ‘K’ and ‘BOD’ for showing some knowledge

Points for application could include:

- reduction in the training budget (£500 per employee compared to £1000)
- lower salaries but higher bonus payments for meeting demanding targets
- higher labour turnover than industry average for journalists and sales staff
- removal of profit share scheme
- 3000 employees made redundant, significant numbers of which were software programmers
- labour cost as % of revenue has fallen from 100 to 60 – a 40% fall
- 10% of workforce are software programmers compared to 25% in 2013
- more revenue generated per employee index risen from 100 to 125
- the business was making improved profits and paying higher dividends
- ROCE risen from 8% to 10.00% and doubled from 5% figure in 2009.

Good application could include:

- Linking the fall in the labour cost as % of revenue with the lower salaries and training budget
- Linking the increased revenue generated per employee with the bonus payments
- Calculation of ROCE for 2013 of 10% compared to 8% in 2012 and 5% in 2009
- Higher labour turnover, rise in absenteeism linked to lower salaries and removal of profit share scheme
- Consistent use of the case study

Points for analysis could include:

- rise in labour turnover indicates fall in morale plus contributed to the problem of recruiting journalists and sales staff
- loss of skilled employees will have a negative effect upon the company in terms of quality and customer service
- loss of software programmers may affect the ability to innovate
- cuts in training budget could lead to lack of skills in the workforce
- significant cost savings have been made
- employees are more productive – generating more revenue and labour costs less as a % of revenue.

Good analysis could include:

- A line of argument that links the improvements in employee efficiency with the rise in ROCE
- A line of argument that develops the problems resulting from low employee morale in terms of the long term consequences for *Klick plc*

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

| Level | Descriptor | Marks |
|--------------|---|--------------|
| E3 | Good judgement Answer has a logical structure throughout with effective use of technical terms. | 5–4 |
| E2 | Reasonable judgement shown. Evidence of a logical structure and some use of technical terms. | 3–2 |
| E1 | Limited judgement shown. Limited evidence of a logical structure and limited use of technical terms. | 1 |

Points for evaluation could include:

- Klick plc could be considered to be a business which needs creative and technically skilled employees
- the HR strategy could be considered to be unsuitable for this type of workforce and has resulted in the loss of skilled employees
- the approach could be considered effective as cost savings had been made and the employees were more productive.
- this approach could have impressed the shareholders who wanted improved profits and higher dividends
- however in the long term this approach may have negative consequences for the business.

Good evaluation could include:

A conclusion that directly answers the question based upon prior analysis

A consideration of the short term benefits such as improved profitability and employee efficiency, compared to the potential long term costs resulting from the morale issues and loss of skilled employees

Weighing up whether the strategy benefited the shareholders more than the employees

3**Total for this question: 18 marks**

*The Finance Director is concerned about the changes in the Receivables and Payables days figures between 2012 and 2013 shown in **Appendix A**. To what extent do you think that he should be concerned?*

[18 marks]

| Level | Descriptor | Marks |
|--------------|--|--------------|
| L5 | Good application AND Good analysis | 13–12 |
| L4 | Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application | 11–9 |
| L3 | Reasonable application AND Reasonable analysis <i>or</i> Good application <i>or</i> Good analysis | 8–6 |
| L2 | Reasonable application <i>or</i> Reasonable analysis | 5–4 |
| L1 | Limited response primarily based on knowledge | 3–1 |

Definition:

Payables days measures the length of time the business takes to pay its creditors

Receivables days is the length of time the business has to wait before receiving payment from its debtors

Markers note: award maximum of 2 knowledge marks for a correct definition. Do not award candidates who simply write the formula

Points for application:

| Ratio | 2013 | 2012 | Industry average |
|--------------------------------|---|---------|------------------|
| Payables days | $\frac{0.6 \times 365}{4.25} = 51.5$ days | 45 days | 40 days |
| Receivables days | $\frac{0.9 \times 365}{6} = 54.75$ days | 42 days | 30 days |
| Current ratio | 1.625:1 | 1:4:1 | 2:1 |
| The business has £0.4b in cash | | | |
| Gearing | $\frac{1.5}{12.5} \times 100 = 12\%$ | 15% | 40% |
| ROCE | $\frac{1.25}{12.5} \times 100 = 10\%$ | 8% | 20% |

Markers note: Only accept the use of Gearing and/or ROCE if the candidate has applied it in terms of being able to borrow money or raise it from investors to solve the potential cash flow problems

Good application could include:

Correct calculation of **both** Payables and Receivables days for 2013, linked to the 2012 figures and/or the industry average

Points for analysis could include:

- in 2012 there was a difference of 3 days between receivables and payables days indicating good management of working capital. In 2013, the business is paying its creditors 3.25 days before it receives payment from its customers, indicating deterioration in its working capital management
- both the ratios are significantly worse than the industry average which may result in shareholders losing confidence in the business and deter potential investors
- payable days has increased by 6.5 days indicating that creditors are having to wait longer for payment
- receivables days has increased by 12.75 days indicating that customers are taking longer to pay.
- current ratio has improved from 1.4:1 to 1.625:1 indicating a better working capital but still below the industry average.

Good analysis could include:

- a line of argument that links the fact that payables days are now shorter than receivables days, resulting in potential cash flow issues and the consequences that could result

- a line of argument that recognises the potential liquidity problems for *Klick plc* in terms of its relationship with creditors and/or investors
- a line of argument that shows understanding of the improvement in the current ratio due to the fact that the company has £0.4b in cash, which could be used to solve any potential liquidity issues

Markers note: If the candidate fails to use the 2013 figures and only analyses 2012, maximum mark that can be awarded is Level 3 for application and analysis and Level 2 for evaluation

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

| Level | Descriptor | Marks |
|-----------|---|------------|
| E3 | Good judgement. Answer has a logical structure throughout with effective use of technical terms. | 5–4 |
| E2 | Reasonable judgement shown. Evidence of a logical structure and some use of technical terms. | 3–2 |
| E1 | Limited judgement shown. Limited evidence of a logical structure and limited use of technical terms. | 1 |

Points for evaluation could include:

- the Finance Director is right to be concerned as the business is taking longer to pay its creditors which may lead to a deterioration in its relationship with them
- he should also be concerned as there has been a significant increase in receivables days resulting in the business paying its creditors before receiving payment from its customers
- he should not be concerned as the business still has good liquidity indicated by an improved current ratio due to having £0.4b in cash.

Good evaluation could include:

- A conclusion that directly answers the question based upon prior analysis
- A recognition that the Finance Director should be concerned due to the fact that the figures have deteriorated between 2012 and 2013, as well as being significantly worse than the industry average
- The fact that the current ratio has improved indicating that the business could solve its potential liquidity problems

4

Total for this question: 34 marks

Using the information available to you, complete the following tasks:

- analyse the key arguments **for** and **against** Mehvish’s proposal
- make a justified recommendation on whether you think that the Directors of Klick plc should accept Mehvish’s proposal.

[34 marks]

| Level | Descriptor | Marks | Default mark |
|-------|---|-------|--------------|
| L5 | Good application AND Good analysis | 24–21 | 23 |
| L4 | Good application AND Reasonable analysis <i>or</i> Good analysis AND Reasonable application | 20–16 | 18 |
| L3 | Reasonable application AND Reasonable analysis <i>or</i> Good application AND Limited analysis <i>or</i> Good analysis AND Limited application | 15–11 | 13 |
| L2 | Reasonable application AND Limited analysis <i>or</i> Reasonable analysis AND Limited application | 10–6 | 8 |
| L1 | Limited response primarily based on knowledge | 5–1 | 3 |

Points for application could include:

Arguments for

- Mehvish Khan was a senior manager responsible for product development at Google
- it still has a significant market presence with 700m users and an extensive customer database
- the company is profitable and possesses the financial resources to pursue this strategy
- it has low gearing $\frac{1.5}{12.5} \times 100 = 12\%$
- payback period is 3 years 1.5 months
- ARR
Net Return is $8.25 - 3 = 5.25$
Annual Return $5.25/5 = 1.05$
APP $1.05 / 3 \times 100 = 35\%$
- the apps market is growing and forecast to be significantly larger than online news

- introducing kaizen as well as improving pay and conditions may boost morale and encourage innovation.

Arguments against

- the business is suffering from low morale and high labour turnover
- Klick plc currently launches fewer new products, spends less on R+D and training plus lower pay
- other directors are opposed to this proposal
- shareholders have seen a fall in share price
- the business is still reasonably profitable
ROCE 2012 8% 2013 10%
- liquidity – Current ratio 2012 1.4:1 2013 1.625:1 but below the industry average of 2:1
- the online news market is still forecast to grow.

Good application could include:

- Correct calculation of the ARR linked to the Director's expectations of at least 25%
- Linking Mehvish's previous experience with Google to the forecast growth in the apps market
- Linking the current low morale issues and loss of programmers with the lack of new product development compared to Apple and Google

Points for analysis could include:

Arguments for

- Mehvish's expertise in new product development plus experience at Google could be of significant benefit
- Klick plc could exploit its brand name and popular news service when launching new products
- the company is still in a strong financial position in terms of gearing indicating that additional funds could be available to finance the proposal
- higher rate of growth in apps market provides opportunities for increased revenue and profitability.

Arguments against

- low morale plus loss of computer programmers could make it difficult to develop new products that can compete with bigger rivals
- currently the business is not as innovative as its rivals and is not an attractive an employer
- Google, Apple and Facebook are too powerful to compete with
- the business is still reasonably profitable from its existing operation
- potential cash flow problems could result from this proposal due to additional running costs, eg operating more research centres, improving pay and conditions.

Good analysis could include:

- a line of argument that links the motivational benefits resulting from improved salaries, profit share and use of kaizen to improved performance such as greater innovation and product quality
- a line of argument that recognises the increased risk of a strategy of new product development using Ansoff's Matrix especially when trying to compete against powerful rivals such as Apple and Google

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

| Level | Descriptor | Marks |
|-------|--|-------|
| E3 | Good judgement. Ideas are communicated in a coherent structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication. | 10–8 |
| E2 | Reasonable judgement shown. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication. | 7–4 |
| E1 | Limited judgement shown. Ideas are communicated with some structure evident and with occasional use of technical terms. There are some errors in accepted conventions of written communication. | 3–1 |

Points for evaluation could include:

- in the short term it is highly unlikely that this proposal will work as Klick plc currently has a poor record for innovation, lacks the software programmers needed and does not put enough resources into new product development
- the key issue is whether Mehvish can retain her key staff and attract more software programmers through better pay and conditions
- the other directors are opposed – preferring to remain focused on the online news market has less risk and may be more realistic
- the shareholders have seen a fall in share price. A significant issue is whether they are prepared to accept the greater risk of Mehvish's proposal in the hope of gaining greater rewards.

Good evaluation could include:

- A conclusion that directly answers the question based upon prior analysis
- Candidates that write evaluative comments throughout their answer as well as a conclusion that answers the question
- Consideration of the risks compared to the potential rewards
- Consideration of the value of the current strategy focused on news compared to the proposed apps strategy

ASSESSMENT OBJECTIVES

| Question | AO1 | AO2 | AO3 | AO4 |
|----------|-----|-----|-----|-----|
| 1 | 3 | 4 | 3 | 0 |
| 2 | 3 | 6 | 4 | 5 |
| 3 | 3 | 6 | 4 | 5 |
| 4 | 5 | 10 | 9 | 10 |