

GCE

Business

Unit **H031/01**: The local business environment

Advanced Subsidiary GCE

Mark Scheme for June 2017

June 2017

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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Annotations

BP	Blank page
	Tick
	Cross
NAQ	Not answered question
OFR	Own Figure Rule
BOD	Benefit of Doubt
REP	Repeat
SEEN	Noted but no credit given
TV	Too vague
	Unclear
K	Knowledge
APP	Application of knowledge and understanding
AN	Analysis
E	Evaluation
EE	Effective evaluation

Subject-specific Marking Instructions**INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.

Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:**A INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where relevant.
- 2 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward accordingly.

B TOTAL MARKS

- 1 The maximum mark for the paper is **60**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level.

Question	Answer	AO	Rationale
1	D	1	(a) An employee can be fairly dismissed if they prove to be incapable of doing their job. (b) An employee can be fairly dismissed if they behave in an unacceptable way. (c) An employee can be fairly dismissed if their job role is no longer required. (d) Correct answer: being sacked for whistle blowing is one of the grounds for unfair dismissal.
2	D	1	(a) If a competitor ceases trading the business may be able to gain market share so it is an opportunity. (b) An increase in the minimum wage would be negative, but outside the control of the business so it is a threat. (c) A smaller market size is negative, but outside the control of the business so it is a threat. (d) Correct answer: poor quality control is negative but within the business' control so it is a weakness.
3	B	2	(a) Candidate erroneously calculates 8% of staff employed and 8% of working days and multiplies them together. (b) Correct answer: $210 \times 36 = 7560$; $7560 \times 8/100 = 604.8$ worker days. (c) Candidate calculates total working days. (d) Candidate calculates 7560 but then multiplies by 100 and divides by 8.
4	B	2	(a) Candidate confuses the current ratio with market share, i.e. two-thirds of market. (b) Correct answer: it is likely to be able pay its short-term creditors, even if it has to sell some of its inventory to do so. (c) Candidate confuses the current ratio with net profit margin. (d) Candidate erroneously believes the company did not make a profit and, therefore, will not be liable for corporation tax.
5	A	2	(a) Correct answer: $\text{£}31,000,000/117 = \text{£}264,957 = \text{£}0.26\text{m}$ per employee. (b) Candidate inverts the formula and inaccurately translates to millions. (c) Candidate uses the correct formula but then multiplies by 100 erroneously believing productivity to be measured as a percentage. (d) Candidate inverts the formula and calculates productivity as a percentage.
6	D	1	(a) There is no direct link between level of morale and a business plan. (b) Objectives should always be set, this is not a disadvantage. (c) Risk minimisation is an advantage. (d) Correct answer: it takes a long time to produce a business plan.
7	B	1	(a) Cost of sales can be found in the trading section of an income statement. (b) Correct answer: current assets are found on a statement of financial position rather than an income statement.

Question	Answer	AO	Rationale
			<p>(c) Finance costs can be found on an income statement.</p> <p>(d) Revenue can be found in the trading section of an income statement.</p>
8	B	2	<p>(a) Candidate erroneously believes that the product with the lowest costs always has the largest added value.</p> <p>(b) Correct answer: added value is selling price minus cost of direct. Jeans have the highest added value £45-£19 = £26.</p> <p>(c) Candidate erroneously multiplies cost by selling price. This would give shirt as the answer.</p> <p>(d) Candidate erroneously believes that the product with the highest selling price always has the largest added value.</p>
9	C	2	<p>(a) Centralisation refers to an organisation where authority and power is not dispersed throughout the organisation.</p> <p>(b) Division of labour is a means of improving productivity.</p> <p>(c) Correct answer: internal recruitment is the appointment of an employee who already works for the organisation.</p> <p>(d) Vertical integration involves a business merging with another business at a different stage of the same production process.</p>
10	B	2	<p>(a) Candidate erroneously deducts inflows and adds outflows.</p> <p>(b) Correct answer: £107,000 - £82300 - £12,000 = £12,700.</p> <p>(c) Candidate ignores the opening balance figure.</p> <p>(d) Candidate incorrectly uses the opening balance as a positive figure.</p>
11	B	1	<p>(a) Inclusion relates to equality legislation.</p> <p>(b) Correct answer: the main piece of legislation the Copyright, Designs and Patents Act protects innovative designs.</p> <p>(c) Data protection legislation safeguards customer data.</p> <p>(d) Employment legislation attempts to stop exploitation in the workplace.</p>
12	D	1	<p>(a) Uncertainty and choice have no causal link.</p> <p>(b) There is no link between uncertainty and liability.</p> <p>(c) Confusion between the relationship of uncertainty and risk with that of risk and reward.</p> <p>(d) Correct answer: increased uncertainty increases risk.</p>
13	C	2	<p>(a) Consumer protection legislation still applies. In fact, there is additional consumer protection legislation to cover distance selling.</p> <p>(b) Financial planning is required irrespective of the channel of distribution.</p> <p>(c) Correct answer: the overheads of operating on the Internet are likely to be considerably lower than the</p>

Question	Answer	AO	Rationale
			overheads of a shop because a physical retail outlet is not required. (d) A higher break-even point would be a disadvantage. In addition, due to lower fixed costs the break-even point is more likely to be lower.
14	D	1	(a) Finance deals with money and accounts. (b) Human resources deals with the employees of the organisation. (c) Marketing is responsible for advertising and promoting the organisation. (d) Correct answer: operations management deals with output.
15	B	2	(a) Increased wheat costs do not directly impact on the demand for flour. (b) Correct answer: increased production costs will reduce supply at all price levels. (c) Increased wheat costs do not directly impact on the demand for flour. (d) Increased wheat costs do impact on the supply of flour, but they would have a negative effect.

SECTION B				
Question		Answer	Marks	Guidance
16	a	For one mark.	1 (AO1 1)	<p>Indicative content:</p> <ul style="list-style-type: none"> • market share • output • productivity • employee lateness • absenteeism • labour turnover • wastage • environmental goals • footfall/number of customers • customer retention rates • quality levels/awards • number of complaints • size of business e.g. number of employees. <p>Answer must be non-financial and measurable.</p> <p>Do not award 'customer reviews' or 'focus groups' as these are methods of obtaining the data, not the measure themselves.</p> <p>Do not award 'customer satisfaction', 'status', 'reputation'. 'brand recognition' as these are not measures, nor are they directly measurable.</p> <p>Do not award 'market growth' as this is a measure of the market, not the business.</p> <p>Do not award 'growth' unless qualified e.g. growth in size of business, increase in number of stores etc.</p> <p>No context required.</p>

SECTION B				
Question		Answer	Marks	Guidance
				ARA
16	b	For one mark.	1 (AO2 1)	<p>Indicative content:</p> <ul style="list-style-type: none"> • purchasing economy • buying in bulk • discounts for purchasing food in large quantities. • risk-bearing • introduced features to spread the risk e.g. car parking, extended product range. <p>Must be currently being experienced by The Cabin.</p> <p>Do not award 'marketing/technical/managerial economies' as there is no evidence in the text that The Cabin is experiencing these.</p>

SECTION B			
Question	Answer	Marks	Guidance
17	One mark for each correct identification up to a maximum of two identifications, plus one mark for each of two explanations.	4 (AO1 2) (AO2 2)	<p>Indicative content:</p> <ul style="list-style-type: none"> • positive publicity • enhanced reputation • counteract public perceptions • more custom • increased revenue • increase market share • increased capacity utilisation • easier to recruit staff • improved staff morale • better financial performance • increased return on investment • display on signage/documentation • may be able to increase prices • use for marketing purposes • competitive advantage • better relationship with suppliers • improves trust. <p>Answers must be benefits of winning the award not solely of quality of food</p> <p>Watch out for repetition in answers</p> <p>Exemplar responses:</p> <p>Winning the award is likely to motivate staff (1) to work harder because they feel proud (1) of receiving the award.</p> <p>Winning the award is likely to lead to improved morale at the cafe (1), reducing the rate of labour turnover of the kitchen staff (1).</p> <p style="text-align: right;">ARA</p>

SECTION B				
Question		Answer	Marks	Guidance
18	a	<p>Up to three marks.</p> <p>Three marks for correct answer 19091 (irrespective of workings)</p> <p>Otherwise: award two marks for 19090/19090.91</p> <p>Else: award one mark for '4.40', if seen (£ sign not required).</p>	<p>3</p> <p>(AO2 3)</p>	<p>Break-even output = $\frac{£84,000}{£6.80-2.40} = \frac{£84,000}{£4.40} = 19090.91$ (1)</p> <p>Break-even output = 19091 customers</p> <p>Award maximum two marks if pound sign (£) used for final answer or any other incorrect units.</p> <p>'£19091' (max 2 marks)</p> <p>'£19090' / £19090.91 (max 1 mark)</p>
18	b*	<p>Level 4 (10–12)</p> <p>Candidate shows strong knowledge and understanding, analysis and evaluation of the limitations of using break-even analysis at The Cabin.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (7–9)</p> <p>Candidate shows good knowledge and understanding, analysis and evaluation of the limitations of using break-even analysis at The Cabin.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (4–6)</p> <p>Candidate shows reasonable knowledge and understanding, analysis and evaluation of the limitations of using break-even analysis at The Cabin.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited</i></p>	<p>12</p> <p>(AO1 2)</p> <p>(AO2 2)</p> <p>(AO3 4)</p> <p>(AO4 4)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • assumes all stock is sold • ignores stock damage or loss • assumes fixed costs remain constant • more easily applicable to a single product line • more useful to producers than retailers • uses average price across a product range • assumes the same price is charged at all times • cannot account for new product lines • ignores promotional offers and price discounts • assumes that costs can be accurately calculated • assumes that costs can be split into fixed and variable • ignores inflation and other changes in external factors which affect cost/selling price • gives no indication of time • prediction only • time consuming. <p>Do not award arguments towards demotivation</p>

SECTION B			
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	<p><i>evidence.</i></p> <p>Level 1 (1–3) Candidate shows limited knowledge and understanding of break-even analysis with limited or no analysis and evaluation of the limitations of using break-even analysis at The Cabin. <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised response.</p> <p>0 marks not worthy of credit.</p> <p>NR for no response.</p>		<p>Analysis could include:</p> <ul style="list-style-type: none"> • inaccurate • unreliable • unrealistic targets • incorrect • misleading • unhelpful • breakeven higher/lower • recalculations needed. <p>Evaluative comments could include:</p> <ul style="list-style-type: none"> • multiple products, varying prices, average customer spend of little value • established business, break-even not the most important financial indicator of performance. <p>Candidates may consider that this is a service sector business with a range of stock and prices, making break-even analysis difficult to apply. They may refer to the data in Fig. 1 citing variation in meal prices making average price/spend of limited use or calculating average breakfast meal price of £6.38. They may also consider The Cabin's additional income stream from overnight parking at a fixed price of £20. They may also consider that the business is already profitable as the business is said to be 'booming' now Mark has taken over, rendering the calculation of break-even of limited significance.</p> <p>Evaluative answers can either argue about the seriousness of the limitations of break-even analysis to The Cabin or which limitation(s) is/are the most serious.</p> <p>NB The question asks for an evaluation of the limitations of</p>

SECTION B				
Question		Answer	Marks	Guidance
				<p>break-even analysis it does not ask about the usefulness of the tool i.e. arguments referring to benefits should not be awarded.</p> <p>Break-even 'changes', 'varies', 'alters' etc are too vague for the award of analysis.</p> <p>Do not award arguments relating to levels of demand, amount of sales, amount of customers, competitor behaviour, social/technological/ environmental changes in the external environment etc as these relate to whether the business reaches the break-even level, not to the limitations of the tool itself.</p> <p style="text-align: right;">ARA</p>
19		One mark for each correct identification up to a maximum of two identifications, plus one mark for each of two descriptions.	4 (AO1 4)	<p>Indicative content:</p> <ul style="list-style-type: none"> • economic growth/GDP/GNP • inflation/deflation • unemployment/employment • interest rates • exchange rates • balance of payments/trade balance. <p>Precise identification of indicator required. Therefore, do not award vague references e.g. do not award 'exports', 'value of pound' as indicators.</p> <p>Do not award 'recession', 'boom', 'troughs' etc, these are economic factors but they are not economic indicators.</p> <p>Do not award 'tax' or 'Brexit' (as these are political) or 'minimum wage' (as this is legal).</p>

SECTION B					
Question			Answer	Marks	Guidance
					<p>Description, rather than explanation of impact, required for the development marks.</p> <p>No context required.</p> <p>Exemplar response: One economic indicator which will affect a business is inflation (1). This is a sustained increase in the price level of raw materials, finished goods and service provision (1).</p>
20*			<p>Level 4 (16–20) Candidate shows strong knowledge, understanding, analysis and evaluation of the importance of product as an element of the marketing mix to the future success of The Cabin. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (11–15) Candidate shows good knowledge and understanding, analysis and evaluation of the importance of product as an element of the marketing mix to the future success of The Cabin. <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (6–10) Candidate shows reasonable knowledge and understanding, analysis and evaluation of the importance of product as an element of the marketing mix to the future success of The Cabin. <i>The information has some relevance and is presented with</i></p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • product – quality, speed of service, availability, new menus, product range, product life cycle, Boston matrix, product portfolio analysis, USP • other elements of the marketing mix i.e. price, place, promotion • marketing e.g. target market, market research, branding, niche • other factors affecting success e.g. financial, non-financial, growth • external factors e.g. political, social, economic, ethical, environmental, technological, legal • price, income, cross elasticities of demand • level and nature of competition • need for innovation • reasons for current success • future aims and objectives of business/owner. <p>Candidates may refer to the feedback from customers suggesting price, customer service or parking facilities are more important. They may also suggest that location or promotional activity will be the key to success given the competition.</p>

SECTION B				
Question		Answer	Marks	Guidance
		<p><i>limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of factors affecting the success of a business with limited or no analysis and evaluation of the importance of product as an element of the marketing mix to the future success of The Cabin. <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised response.</p> <p>0 marks not worthy of credit.</p> <p>NR for no response.</p>		<p>A good answer may well also include a discussion of what is meant by ‘success’ and how this can be measured.</p> <p>Answers explaining that product is the key to future success, that another element of the marketing mix is more important, that another business function is more important or any other internal or external factor are equally acceptable as long as the explanation is contextual. For example, candidates might suggest that perhaps Mark’s ongoing commitment, financial management, staff training, social trends or economic factors are far more important to the future success of the business. Alternatively, they might consider the nature of the business and conclude that despite winning an award, the quality of the food is not the primary concern of this type of business’ clientele.</p> <p style="text-align: right;">ARA</p>

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