

Applied Business

Advanced Subsidiary GCE

Unit:**F242**: Understanding the Business Environment

Mark Scheme for June 2012

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

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Annotations

Annotation	Meaning
	The response given is 'Unclear' to the marker
	'Benefit of doubt' – but credit given
	To indicate the response is in 'context' of the relevant case study
	Response is incorrect
	Use for Level of response answers to indicate Level 1
	Use for Level of response answers to indicate Level 2
	Use for Level of response answers to indicate Level 3
	Use for Level of response answers to indicate Level 4
	The response is not incorrect but has 'Not answered question'
	Own figure rule. Use where indicated in mark scheme
	'Repeat' Response repeats the same marking point where credit has already been given
	'Noted but no credit given' or to indicate all of part blank answer pages have been seen by marker
	Correct point/answer. Credit can be given

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 8d which is a levels of response question and carries 12 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 8d.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response].

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Question		Answer	Marks	Guidance
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • video conferencing • skype/webcam • emails. <p>Exemplar responses: E.g. Video conferencing (1) – this allows Nina to have ‘meetings’ with her staff in India (1). E.g. Emails (1) can be used to send messages/documents/images (1) / send messages instantly/quickly etc (1). E.g. Skype (1) – allows free communication with staff in India (1).</p>	4	<p>One mark for each correct identification up to a maximum of two identifications plus one mark for each of two explanations (<u>not</u> description).</p> <p>Accept any valid response.</p> <p>Remember question is about communication.</p> <p>If methods are not identified correctly, do not award any marks for reasons or benefits of using IT.</p> <p>Do not award methods for external communication e.g. website/internet.</p> <p>Do not award telephone, word processor, cameras.</p>
	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • training employees to use IT • maintenance of IT equipment • repair of IT equipment • costs of upgrading IT hardware/software • cost of setting up/installation of hardware/software • improve security of premises due to expensive IT hardware • cost of electricity to run computers • employees to operate IT • depreciation on computer hardware • insurance of hardware/software • storage for IT • desks and chairs for IT • printing (costs). <p>Exemplar responses: E.g. Training employees to use IT (1). E.g. Maintenance of IT equipment (1). E.g. Upgrade equipment (0). E.g. Data security software (0).</p>	4	<p>One mark for each correct identification up to a maximum of four identifications.</p> <p>Accept any valid response as long as it <u>clearly refers to IT</u>.</p> <p>Do not award vague answers e.g. labour/materials/overheads/ training employees/electricity etc.</p> <p>Do not accept ‘redundancy payments’.</p> <p>Do not accept software and hardware packages (as in question).</p>

Question		Answer	Marks	Guidance
2	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • the economy • exchange rates • interest rates • labour costs • inflation rates • unemployment rate • recession • price/availability of raw materials • stakeholders e.g. government, customers, competitors, local community, suppliers • insurance premiums • weather • unexpected events. <p>Exemplar responses: E.g. Exchange rates (1) – if Sterling weakens against rupees then the cost of setting up and running the factory in India will go up (1). E.g. If interest rates in India (1) go up, the loan repayment will increase (1). E.g. If the Indian government raises the minimum wage (1), this will increase the cost of labour (1). E.g. If inflation rates (1) go up, the cost of heating and lighting might increase (1).</p>	4	<p>One mark for each correct identification up to a maximum of two identifications plus a further one mark for each of two explanations.</p> <p>Must be external influences. Accept generic response.</p> <p>Explanation marks for impact of changes in external influences.</p> <p>Do not award taxation/corporation tax BUT allow VAT/indirect taxation.</p> <p>Explanation has to refer to costs, capital or sales budgets.</p> <p>If the ways are not identified correctly, do not award any marks for explanation.</p>

Question	Answer	Marks	Guidance
(b)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • cash-flow problems • efficiency of factory • huge variances • objectives not met • demoralised workforce • project not going to plan • problems obtaining finance • loss of business. • cause overspending • business unable to run smoothly. <p>Exemplar response: E.g. A consequence of setting an unrealistic budget is that cash flow problems may arise (L1). A consequence of an unrealistic budget is that there may not be enough money to buy essential items (L1) such as the purchase of machinery (CONT) (L2). She would not be able to continue working which could result in a loss of business (L3). If the company's budgets were unrealistically low for the IT provision (CONT) (L2), then it would not be able to install the communication systems needed for monitoring purposes (CONT) (L2) which might affect the efficiency of the factory (L3). E.g. By setting a sales budget which is too high, the consequence of this is that Nina will not have sold all the nappies that she produces (CONT) (L2). This may mean that break-even point is not reached (L3). If she does not allow a sufficient amount of money for the new kitchen to be built (CONT) (L2) then this will have an impact on staff motivation (L3) which would affect the productivity of the business (L3).</p>	12	<p>AO1-3 AO2-3 AO3-3 AO4-3</p> <p>Level 4 Candidate evaluates consequences of setting unrealistic budgets in context.</p> <p>Level 3 Candidate analyses consequence(s) of setting unrealistic budgets in context.</p> <p>Level 2 Candidate applies knowledge and understanding of the consequence(s) of setting unrealistic budgets in context.</p> <p>Level 1 Candidate identifies consequence(s) of setting unrealistic budgets with no use of context.</p> <p>Level 4: (11–12 marks) Candidate evaluates after examining more than one consequence of setting unrealistic budgets in context with full justification.</p> <p>Level 4: (10 marks) Candidate evaluates after examining more than one consequence of setting unrealistic budgets in context with weak justification.</p> <p>Level 3: (8–9 marks) Candidate makes more than one analytical comment of a consequence of setting unrealistic budgets in context.</p> <p>Level 3: (7 marks) Candidate makes one analytical comment of a consequence of setting unrealistic budgets in context.</p>

Question	Answer	Marks	Guidance
	<p>The most likely consequence of not setting realistic budgets is a delay in getting the nappy (CONT) factory up and running according to schedule (L4). This will lead to loss of business which reduces the chances of success of the new nappy (CONT) factory (L4).</p> <p>However unrealistic budgets may not be a significant problem for Organic Cherubs as Nina runs a highly profitable business with an annual turnover of £1.5 million (CONT), meaning that even if expenditure is greater than budgeted sales she can rely on the retained profits from the Turkish business (L4).</p>		<p>Level 2: Must contain more context than name-dropping, e.g. IT, new kitchen, nappies, machinery, tools and equipment, software, factory purchase, high end product, staff room.</p> <p>Level 2: For context do not allow words lifted from the question.</p> <p>NB Context may come at end of comment.</p> <p>Level 2: (5–6 marks) Candidate applies knowledge and understanding of more than one consequence of setting unrealistic budgets in context.</p> <p>Level 2: (4 marks) Candidate applies knowledge and understanding of one consequence of setting unrealistic budgets in context.</p> <p>Level 1: (2–3 marks) Candidate identifies more than one consequence of setting unrealistic budgets with no context.</p> <p>Level 1: (1 mark) Candidate identifies one consequence of setting unrealistic budgets with no context.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation. Non-contextual answer max Level 1.</p>

Question		Answer	Marks	Guidance								
3	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • monitor and control financial performance • identify overspend • minimise waste • set future budgets/amend budgets • control expenditure • identify reasons for variance. <p>Exemplar responses: E.g. To monitor/improve financial performance (1). E.g. To identify areas of overspend (1). E.g. To set future budgets (1). E.g. To set sales targets (1). e.g. To make budgets more realistic (1). E.g. To set targets (0).</p>	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Do not award vague responses e.g. to make improvements, to set targets.</p> <p>Do not award for responses that reflect comparisons of sales with expenses/costs.</p> <p>Do not award references to profit/loss.</p>								
	(b)	<table border="1"> <thead> <tr> <th>Original budget (£)</th> <th>New budget (£)</th> <th>Variance (£)</th> <th>Adverse/fav</th> </tr> </thead> <tbody> <tr> <td>25000 x £16 400 000 (1)</td> <td>400 000 x 110% = 40 000 440 000 (1)</td> <td>400 000 – 440 000 40 000 (1)</td> <td>Adverse (1)</td> </tr> </tbody> </table>	Original budget (£)	New budget (£)	Variance (£)	Adverse/fav	25000 x £16 400 000 (1)	400 000 x 110% = 40 000 440 000 (1)	400 000 – 440 000 40 000 (1)	Adverse (1)	4	<p>Ignore the sign for variance.</p> <p>No OFR.</p>
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4	(a)	<p>S = social L = legal E = economic P = political T = technological/technology</p>	5	<p>One mark for each correct identification up to a maximum of five identifications</p> <p>Condone 'economical' BOD as it is in the specification.</p>								

Question	Answer	Marks	Guidance
(b)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Social – preference for reusable nappies, care for the environment, etc • Legal – minimum wage, tax payable, health and safety laws • Economic – unemployment, inflation, interest rates, exchange rates, tax • Political – government policies on foreign investments, incentives offered to businesses, stability of ruling party, tax • Technology – IT software/hardware, robots. <p>Exemplar response: E.g. A SLEPT analysis examines the external environment which could impact on a business (L1). The demand for organic nappies (CONT) has risen due to the fact that people are more conscious about the environment (L2) and recycling has become a social responsibility (L2). This has led to an increase in the sales of OrganicCherubs.com’s organic nappies (L3), making the business more successful (L3). Nina needs to make sure that she pays at least the minimum wage set by the Indian government (CONT) (L2). Failure to do so will lead to fines and/or worse, a bad reputation for the business (L3). If inflation goes up in India (CONT) then it would cost more to run the factory in terms of heating and lighting (L2) which would affect the profitability of the business (L3). A stable political environment allows businesses to thrive (L1). If the Indian government imposes heavy taxes on foreign investments (CONT) (L2) then it</p>	12	<p>AO1-3 AO2-3 AO3-3 AO4-3</p> <p>Level 4 Candidate evaluates which factor in a SLEPT analysis has the most significant impact on <i>OrganicCherubs.com</i>.</p> <p>Level 3 Candidate analyses impact(s) of the factor(s) of a SLEPT analysis on <i>OrganicCherubs.com</i>.</p> <p>Level 2: Candidate applies knowledge and understanding of the factor(s) in a SLEPT analysis that could impact on <i>OrganicCherubs.com</i>.</p> <p>Level 1 Candidate identifies factor(s) in a SLEPT analysis that could impact on a business with no use of context.</p> <p>Level 4: (11–12 marks) Candidate evaluates the factor that would contribute most to <i>OrganicCherubs.com</i>. with full justification.</p> <p>Level 4: (10 marks) Candidate evaluates the factor that would contribute most to <i>OrganicCherubs.com</i>. with weak justification.</p> <p>Level 3: (8–9 marks) Candidate analyses the impact of more than one factor on <i>OrganicCherubs.com</i>.</p> <p>Level 3: (7 marks) Candidate analyses the impact of one factor on <i>OrganicCherubs.com</i>.</p> <p>Must contain more context than name-dropping.</p>

Question	Answer	Marks	Guidance
	<p>would affect the profitability of the factory (L3). The latest IT technology allows Nina to communicate effectively with her employees in India (CONT) (L2). Without this technology she would be not able to run her factory as effectively and in the way in which she wants it to be run (L3). On the whole, the most important factor is a social one as without a strong and growing demand for the nappies (CONT) the business is not viable in the long term (L4). A growing market ensures the business will do well in the future (L4).</p>		<p>Level 2: For context do not allow words lifted from the question. NB Context may come at end of comment.</p> <p>Level 2: (5–6 marks) Candidate applies knowledge and understanding of more than one factor giving example(s) in context.</p> <p>Level 2: (4 marks) Candidate applies knowledge and understanding of one factor giving example(s) in context.</p> <p>Level 1: (1–3 marks) Candidate identifies factor(s) in a SLEPT analysis that could impact on a business with no use of context.</p> <p>Note – there is no definitive answer, award marks according to the quality of argument.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the CONT annotation.</p> <p>Non-contextual answer max Level 1.</p>

Question		Answer	Marks	Guidance
5	(a)	<p>Indicative content: The break even point is the point at which sales levels are high enough not to make a loss, but not high enough to make a profit.</p> <p>Exemplar response:</p> <p>E.g. Break-even is the point where the revenue generated is the same as the total expenses (1). This is where a business does not make a profit or a loss (1).</p>	2	<p>Up to two marks.</p> <p>Accept generic response.</p> <p>DO NOT accept inflows/outflows</p>
	(b)	<p>Award three marks if 47890 is seen irrespective of method used. Otherwise, award workings as follows:</p> <p>BE = FC/SP - VC (1) Only award marks for formula if no other marks can be awarded</p> <p>BE = 95780 (1)/ £4 - £2 (1) or £2 (1) 47890 (3)</p>	3	<p>Up to three marks.</p> <p>95780 – 1 mark</p> <p>Award 1 mark for correct calculation of unit contribution.</p> <p>Accept formula or working outside the box.</p>

Question	Answer	Marks	Guidance
(c)	<p>Award three marks if £4220 is seen irrespective of method used. Otherwise, award workings as follows:</p> <p>Sales revenue = £4 x 50 000 = £200 000 (1) Total costs = £2 x 50 000 + £95 780 = £195 780 (1) Profit = £4 220 (1)</p> <p>Or margin of safety method Profit = 2 110 (1)(OFR applies) x 2 (1) = £4 220 (1) (OFR applies)</p>	3	Up to three marks.
(d)	<p>Indicative content:</p> <ul style="list-style-type: none"> • increase selling price • decrease costs (fixed) or examples • decrease costs (variable) or examples. <p>Exemplar response: E.g. Increase selling price (1). This will increase the revenue per item sold (1) /fewer items need to be sold in order to cover total costs (1).</p> <p>E.g. Decrease FC (1). Nina could go to a cheaper insurance company (1).</p> <p>E.g. Decrease VC (1). This will increase the unit contribution (1) or fewer items need to be sold in order to cover total costs (1).</p>	4	<p>One mark for each correct identification up to a maximum of two identifications plus a further one mark for each of two explanations.</p> <p>Accept generic responses.</p> <p>Do not accept increase sales.</p> <p>If the ways are not identified correctly, do not award any marks for explanation.</p> <p>DO NOT accept repeat of same type of cost.</p>

Question		Answer	Marks	Guidance
6	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • shows inflows/outflows • shows viability/feasibility • identifies shortage of cash • allows setting of budgets • identifies where savings can be made • shows stakeholders e.g. bank. <p>Exemplar responses: E.g. A cash-flow forecast shows the amount of money flowing into and out of a business (1), this shows if a venture is viable (1). E.g. If closing balance is negative (1), this shows that a loan is required (1). E.g. By forecasting the outflows (1), this allows budgets to be set (1).</p>	4	<p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Accept any generic response.</p> <p>Do not accept vague reasons e.g. detect future problems, help achieve objectives, start up budget. However, award marks for explanation if it is specific to cash-flow forecasts.</p> <p>If reasons are not identified correctly, do not award any marks for explanation.</p>

Question	Answer	Marks	Guidance																																																										
(b)	<p>Sales = £200 000 Total inflow = £200 000 1 mark if both correct Loan repayment = £5000 Wages and salaries = £90 000 Insurance = £400 Maintenance = £200 Heating and lighting = £180 Raw Materials = £160 000 (1) Total outflow = £255 780 (1), Net cash-flow = -£55 780 (1), Closing balance = -£70 780 (1)</p> <table border="1" data-bbox="481 550 1265 1117"> <tr> <td>Cash inflow</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td>200,000</td> <td rowspan="2">}</td> <td rowspan="2">1 mark</td> </tr> <tr> <td>Total inflow</td> <td>200,000</td> </tr> <tr> <td>Cash Outflow</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Loan repayment</td> <td>5000</td> <td rowspan="5">}</td> <td rowspan="5">All figures correct =1 mark</td> </tr> <tr> <td>Wages and Salaries</td> <td>90000</td> </tr> <tr> <td>Insurance</td> <td>400</td> </tr> <tr> <td>Maintenance</td> <td>200</td> </tr> <tr> <td>Heating and Lighting</td> <td>180</td> </tr> <tr> <td>Raw Materials</td> <td>160000</td> <td></td> <td>1 mark</td> </tr> <tr> <td>Total outflow</td> <td>255780</td> <td></td> <td>1 mark</td> </tr> <tr> <td>Net cash-flow</td> <td>-55780</td> <td></td> <td>1 mark</td> </tr> <tr> <td>Opening balance</td> <td>-15000</td> <td></td> <td></td> </tr> <tr> <td>Closing balance</td> <td>-70780</td> <td></td> <td>1 mark</td> </tr> </table>	Cash inflow				Sales	200,000	}	1 mark	Total inflow	200,000	Cash Outflow				Loan repayment	5000	}	All figures correct =1 mark	Wages and Salaries	90000	Insurance	400	Maintenance	200	Heating and Lighting	180	Raw Materials	160000		1 mark	Total outflow	255780		1 mark	Net cash-flow	-55780		1 mark	Opening balance	-15000			Closing balance	-70780		1 mark	6	<p>Up to six marks.</p> <p>OFR applies to Total outflow, Net cash-flow and Closing balance.</p> <p>Common error:</p> <table data-bbox="1523 414 2016 590"> <tr> <td>Raw materials</td> <td>100 000</td> <td></td> </tr> <tr> <td>Total outflow</td> <td>195 780</td> <td>OFR</td> </tr> <tr> <td>Net cash flow</td> <td>4 220</td> <td>OFR</td> </tr> <tr> <td>Closing balance</td> <td>-10 780</td> <td>OFR</td> </tr> </table>	Raw materials	100 000		Total outflow	195 780	OFR	Net cash flow	4 220	OFR	Closing balance	-10 780	OFR
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Question	Answer	Marks	Guidance
7	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • examines the internal/external environment a business operates in • can build on strengths • overcome weaknesses • make sure opportunities are identified and exploited • know what threats the business faces • highlight the positives. <p>Indicative benefits:</p> <ul style="list-style-type: none"> • better planning • higher profits • greater control • reduce risk • increase chance of success • exploit opportunities • get ahead of competitors • allows contingency plans to be drawn up • supports financial application • resolve issues before they occur • devise a solution. <p>Exemplar response: E.g. A SWOT analysis will help Nina identify strengths within her company (L1) such as her knowledge of making the garments (CONT) (L2). She can use these strengths as a competitive gain/to ensure success (L3). By analysing threats Nina is able to weigh up whether or not they will be damaging to the new factory (L1) and whether it is worth opening (CONT) (L2). It can also allow the business to prepare enough so that the threats have a smaller impact on the business and do not affect success levels (L3).</p>	9	<p>AO1-3 AO2-3 AO 3-3</p> <p>Level 3 Candidate analyses the benefits of using SWOT in context.</p> <p>Level 2 Candidate applies knowledge and understanding of the benefits of using SWOT in context.</p> <p>Level 1 Candidate identifies the benefits of using SWOT with no use of context.</p> <p>Level 3: (8–9 marks) Candidate analyses more than one benefit of completing a SWOT analysis in context.</p> <p>Level 3: (7 marks) Candidate analyses one benefit of completing a SWOT analysis in context.</p> <p>Level 2: For context do not allow words lifted from the question. NB Context may come at end of comment.</p> <p>Level 2: (5–6 marks) Candidate applies knowledge and understanding of more than one benefit of completing a SWOT analysis in context.</p> <p>Level 2: (4 marks) Candidate applies knowledge and understanding of one benefit of completing a SWOT analysis in context.</p>

Question	Answer	Marks	Guidance
	<p>Nina will be able to determine her opportunities (L1) such as the Indian government offering tax incentives (CONT) (L2). She can exploit this opportunity to set up the business there to enjoy the benefits of these incentives (L3).</p> <p>By understanding the strengths (L1) such as the ethical nature of the business (CONT) (L2) Organic Cherubs will be able to build on these to exploit them (L3).</p> <p>A SWOT analysis allows a business to examine the internal and external environment (L1). It is important for Nina to identify and exploit the opportunities that exist in India e.g. the incentives offered by the government to foreign businesses (CONT) (L2). This increases the chances of success of the new factory (L3).</p> <p>Examining the external environment allows Nina to identify potential threats (L1) such as the level of competition that exists in the nappy market (CONT)(L2). Pricing strategies can be drawn up which will allow the new business to be ahead of its competitors (L3).</p>		<p>Level 1: (2–3 marks) Candidate identifies more than one benefit of completing a SWOT analysis with no context.</p> <p>Level 1: (1 mark) Candidate identifies one benefit of completing a SWOT analysis with no context.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Context should be annotated every time L2 is awarded. Non-contextual answer max Level 1.</p> <p>Analysis cannot be negative as question is asking for benefits of SWOT analysis.</p> <p>The question asks for the benefits of using SWOT so annotate NAQ if the candidate conducts a SWOT analysis.</p>

Question		Answer	Marks	Guidance
8	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> shareholders want greater returns/ethical practices are costly conflict of stakeholder interest. <p>Exemplar response: E.g. A plc's main aim is to maximise the return for its shareholders (1). It is difficult to achieve this without compromising the interests of other stakeholders (1). E.g. Customers wanting ethical products which cost more to produce (1). E.g. This means it will be difficult to stay ethical (1) and please shareholders (1).</p>	2	<p>Up to two marks.</p> <p>Award full marks if conflict between stakeholders is evident.</p>
	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> above the minimum wage good working environment fair wage avoid using child labour non-financial incentives. <p>Exemplar responses: E.g. Make sure workers are paid a fair wage (1), this ensures workers have a reasonable standard of living (1). E.g. Ensure a good working environment (1). Workers are entitled to a pleasant working environment (1).</p>	4	<p>One mark for each correct identification up to a maximum of two identifications plus a further one mark for each of two explanations.</p> <p>Accept generic response.</p> <p>Answers must refer to <i>OrganicCherrubs.com</i> as an ethical employer.</p> <p>If way is not identified correctly, do not award any marks for explanation.</p>
	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> maintain/improve reputation satisfy needs of stakeholders improve image become more competitive increase sales/profits motivated workforce reduce labour turnover 	4	<p>One mark for each correct identification up to a maximum of two identifications plus a further one mark for each of two explanations.</p> <p>Accept any generic response.</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • sell for a higher price • increase awareness • USP • more people would want to work for them. <p>Exemplar responses:</p> <ul style="list-style-type: none"> • Maintain/build good reputation (1). This is important for the long-term survival of the business (1). • Fulfil needs of stakeholders (1) e.g. customers so they will repeat business (1). 		<p>Award explanation marks for any development on benefits identifies, including examples.</p> <p>If benefit is not identified correctly, do not award any marks for explanation.</p>

Question	Answer	Marks	Guidance
(d)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <p>Reasons it may not be able to operate ethically:</p> <ul style="list-style-type: none"> • shareholders demand higher dividends • lose control • higher profit • risk of takeover. <p>Reasons it could continue to operate ethically:</p> <ul style="list-style-type: none"> • social trend • corporate social responsibility • attract ethical investors • mission statement • ability to charge premium prices • lower production costs allowing ethical practices and high profits • government regulations encouraging ethical practices. <p>Exemplar response: E.g. A plc sells its shares on the Stock Exchange and therefore has to be able to maximise returns for its shareholders in order to be successful (L1). Shareholders would probably object to Nina paying workers 10% above the minimum wage (CONT) because they want more profits (L2). This reduces her ability to trade ethically due to pressure from shareholders (L3). Sourcing materials responsibly for her nappies (CONT) will increase her variable costs which is not in the best interest of shareholders (L2). However, this is what her customers want and failure to please them would reduce sales in the long-run (L3).</p>	12	<p>AO1-3 AO2-3 AO3-3 AO4-3</p> <p>QWC is assessed in this question.</p> <p>Level 4 Candidate evaluates the implication(s) of flotation on ethical practices with context.</p> <p>Level 3 Candidate analyses the implication(s) of flotation on ethical practices with context.</p> <p>Level 2 Candidate applies knowledge and understanding of the implication(s) of flotation with context.</p> <p>Level 1 Candidate identifies the implication(s) of flotation with no use of context.</p> <p>Level 4: (11–12 marks) Candidate evaluates the extent which Nina is able to run an ethical business after flotation with full justification.</p> <p>Level 4: (10 marks) Candidate evaluates the extent to which Nina is able to run ethical business after flotation with weak justification.</p> <p>Level 3: (8–9 marks) Candidate analyses more than one implication of flotation on ethical practice(s) in context.</p> <p>Level 3: (7 marks) Candidate analyses one implication of flotation on ethical practice(s) in context.</p> <p>Level 2: For context more than name dropping is required</p> <p>NB Context may come at end of comment.</p>

Question	Answer	Marks	Guidance
	<p>Indeed, the success of the nappies (CONT) depends, to a great extent, on the way the business is run ethically and more and more plcs depend on this practice for their long-term survival (L4). Even though trading ethically may cost more in terms of running costs, it is in the long-term interest of the business to continue to implement its ethical practices instead of focussing on maximising profit alone. This is especially important in the highly competitive nappies (CONT) market (L4).</p>		<p>Level 2: (5–6 marks) Candidate applies knowledge and understanding of more than one implication of flotation on ethical practice(s) in context.</p> <p>Level 2: (4 marks) Candidate applies knowledge and understanding of one implication of flotation on ethical practice(s) in context.</p> <p>Level 1: (2–3 marks) Candidate identifies more than one implication of flotation with no use of context; often name-dropping.</p> <p>Level 1: (1 mark) Candidate identifies one implication of flotation with no use of context; often name-dropping.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Non-contextual answer max Level 1.</p>

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