

Business Studies

Advanced Subsidiary GCE

Unit **F291**: An Introduction to Business

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
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Own figure rule
	Repetition
	Noted but no credit given
	Too vague
	Tick

Question	Answer	Marks	Guidance
1	<ul style="list-style-type: none"> • Private sector firms are most likely to be run for a profit – whereas in the public sector the aim is likely to be to provide a service (to the public) • Private individuals own organisations/businesses in the private sector - whereas the government owns organisations/businesses in the public sector. Also, allow reference to shares (even though the question is not specifically about a company), eg in the private sector shares are owned by private individuals – whereas the government owns all/most/the majority of the shares in a public sector organisation/business • An organisation/a business in the private sector is run by an individual/individuals – but a public sector organisation/business is run by the government • A private sector business is controlled by its owner (who is an individual/an entrepreneur, etc) – whereas an organisation/a business in the public sector is controlled by the government • Private sector firms are funded by private individuals and institutions whereas public sector organisations are funded (mainly) by the government. 	4	<p>Mark as 2 x (1 + 1)</p> <p>Ensure the difference stated and the outline are linked. Answers must not be marked as 4x1 mark.</p> <p>A brief, simple outline of the difference will be sufficient for the second mark.</p> <p>Accept also references in context of <u>local</u> government.</p> <p>The difference must be outlined not just implied. Therefore a statement such as- “The public sector is owned by the government” is only 1 mark as the difference is merely implied.</p> <p>Candidates may gain all 4 marks within one difference, eg, ‘public sector is owned, controlled by government and private sector is owned by private individuals and run by directors’</p>

Question		Answer	Marks	Guidance
2	(a)	<p>On the job is:</p> <p>Training undertaken at the workplace whereas off the job is learning away from the workplace / somewhere else</p> <p>Training undertaken by an employee (probably in a managerial position) of the firm whereas with off the job training the trainer is unlikely/may well not be an employee of the business</p> <p>More convenient less time consuming (for employees training/being trained) whereas with off the job employees have to fit in with timing/date of external trainer</p> <p>Likely to be relatively cheap as no specialist trainer involved whereas off the job is likely to be more expensive (because a specialist trainer <i>is</i> likely to be required)</p> <p>Can be organised around business' work schedules whereas off the job training is likely to be organised around the convenience of its own trainers and not another firm's employees</p> <p>Can be tailored to the workplace/workforce needs whereas skills learned externally may need to be modified/adapted</p>	4	<p>Mark as 2 x (1 + 1)</p> <p>Ensure the difference stated and the outline are linked. Answers must not be marked as 4x1 mark.</p> <p>A brief, simple outline of the difference will be sufficient for the second mark.</p> <p>The difference must be outlined not just implied. Therefore a statement such as "On the job is training done at the workplace" is only 1 mark as the difference is merely implied.</p> <p>The difference between the two types of training MUST be shown specifically within one 'Difference'</p> <p>For example, the following is ONLY 1 + 1 marks because the difference is shown across both responses not within a single difference</p> <p><i>Difference 1- On-the-job is at the workplace and is usually cheaper</i> <i>Difference 2- Off-the-job takes place outside the workplace and is more expensive</i></p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>Internal recruitment is cheaper than external recruitment. Not as much would be spent on advertising the position and the selection process. This saves Mars money which has an opportunity cost (the term does not have to be used). The money could be spent elsewhere in the firm.</p> <p>It can act as a motivator. If an employee knows that s/he can progress to senior level (as stated) then s/he may well be motivated to work hard to try to achieve success.</p> <p>Internal candidates will 'already know the company'. This saves money on induction (opportunity cost again) and also 'time settling in' (where mistakes/errors could be made by an external recruit).</p> <p>'The company' will know the candidates' abilities already. This will shorten the recruitment process; will 'tie up' less management time and save money. Etc.</p>	10	<p>Context does not have to be strong for L3</p> <p>For level 3 there needs to be a comment on the effect on, or implication of, internal recruitment for Mars.</p> <p>Stating "It will be cheaper for Mars" will only be rewardable at level 2. For level 3, the candidate would need to write-'this money could be used in other ways such as building an additional factory.'</p> <p>Similarly, writing 'internal promotion will motivate employees' will only be level 2 because there is no effect upon Mars. For level 3, a comment about increasing productivity or efficiency would need to be added.</p>	<p>Level 3: 10 – 7 marks Some analysis of benefit(s) to Mars of internal recruitment. Context required</p> <p>Level 2: 6– 3 marks Some understanding of the issues concerning internal recruitment. No context required</p> <p>Level 1: 2 – 1 marks Knowledge statement(s) concerning internal/external recruitment.</p> <p>Two benefits analysed award 9 or 10 marks</p> <p>One benefit analysed award 7 or 8 marks</p> <p>Two benefits explained award 5 or 6</p> <p>One benefit explained award 3 or 4 marks</p>

Question		Answer	Marks	Guidance	
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	(c)	<ul style="list-style-type: none"> • Adequate/appropriate finance for growth • Adequate cash flow – accept ‘enough money to pay the bills’ etc • High employee morale/motivation. • Market research – what do customers actually want from Mars? • Appropriate marketing (NB detailed knowledge not required). Meeting customer needs in terms of prices charged, products demanded etc • Ability to respond to ‘the market’, eg competitors’ actions, changes in income, etc • Appropriate (ie SMART) strategic and tactical objectives • A clear business plan • Regular evaluation of progress towards objectives • Taking ‘appropriate risks’ in order to succeed, eg new products • Ability to respond to any technological changes • Allow also references to the state of the economy and the consequences for the demand for Mars’s products that might follow from it. NB Detailed knowledge not required. 	14	<p>To achieve L3 candidates MUST make a clear reference to HOW the factor will affect the success of Mars.</p> <p>If success is measured ONLY by demand award L3 BOD, however, if success criteria is more detailed, eg sales/ revenue/profit award L3</p> <p>Evaluation could be achieved by a weighting of the factors and/or consideration of factors in the short term and long term.</p> <p>Candidates could also discuss what is meant by ‘success’. What constitutes ‘success’ for Mars is likely to change over time as objectives evolve.</p>	<p>Level 4: 14 – 11 marks Some evaluation of the factor(s) likely to affect Mars’s success.</p> <p>Level 3: 10 – 7 marks Some analysis of the factor(s) likely to affect Mars’s success.</p> <p>Level 2: 6 – 4 marks Some understanding of the factor(s) likely to affect success. No context required.</p> <p>Level 1: 3 – 1 marks Factors likely to affect a business’ success identified.</p>

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3		<p>The sources chosen/which could have been used will depend on various factors.</p> <p>Loan/mortgage – choice as a source influenced by rates of interest (current and expected), existing borrowing (NB knowledge of gearing not required), easier to keep control – c.f. issuing more shares.</p> <p>Retained profit – No interest needs to be paid on such a source. How much has Mars got and should it keep it as ‘a cushion’ against an unexpected event?</p> <p>Sale of (unwanted) assets (in UK or elsewhere) – does Mars have any? How quickly can these be sold? Asking a ‘bargain price’ will sell then more quickly but will reduce the potential amount raised.</p> <p>Sale and leaseback – theoretically the company could sell off a factory/office block and lease it back but then in future years would not have legal title to it any more. Also Mars would have to pay for the lease of something it used to own.</p> <p>Issue of new shares (assume allowed by Memorandum of Association)/Rights issue – no interest to pay but there are issues of control. Will existing shareholders be happy with the dilution of their holding. If not they will not vote for such an option.</p> <p>EU grant/funding – could well have been available if the plant creates/maintains employment. Would mean a low(er) cost loan or some ‘free funding’.</p>	6	<p>NB without a balance sheet or any financial data it is legitimate for the candidate to imply certain factors eg “<i>If it has just had a rights issue</i> it will not be able to do another one easily as people will not buy more shares so soon” or that “<i>if Mars already had a large loan</i> it would hard to get another one as the bank may think it will worsen its cash flow and not be able to pay”. (Such a statement would be L3)</p> <p><i>NB Only accept overdraft, hire purchase, and leasing, as appropriate sources if it is clear that these are being used to buy (some of the) equipment as opposed to the building itself. These are short term sources of finance not at all likely to be used for a large capital purchase.</i></p>	<p>Level 3: 6 – 5 marks Some analysis of the source of finance that might have been used by Mars. Additional guidance; some implication for Mars of the chosen source(s) is required. Context required; Clear context, award 6 marks. Weak context, award 5 marks.</p> <p>Level 2: 4 – 3 marks Understanding demonstrating a the source of finance that might have been used. Context not required. Additional guidance; If a short term source demonstrated, award 3 marks And if an appropriate longer term source is used, award 3 or 4 marks.</p> <p>Level 1: 2 – 1 marks Source of finance identified. Additional guidance; If a short term source identified award 1 mark, a long term source, award 2 marks.</p>

Question		Answer	Marks	Guidance
4	(a)	<ul style="list-style-type: none"> • Number of factories/outlets/shops/offices • Value of assets/shops/factories/offices/capital employed • Profit • Turnover/sales/revenue/income • Number of employees • stock market value/market capitalisation • Number of shareholders • Number of shares • Number of customers 	2	<p>2 x 1 mark</p> <p>Do NOT accept</p> <ul style="list-style-type: none"> • Growth (of business) • Share price • Profitability • Market share <p>Ensure that points are different eg do not accept sales volume AND sales value or number of offices AND number of shops.</p>
	(b)	Reference to problem(s) to a business as a consequence of being 'too large'/growth-eg inefficiency, communication 'hard to manage'(1)	2	<p>1 + 1 mark</p> <p>Candidates do NOT have to make the point that, strictly speaking economically, these are long term effects.</p> <p>Do not accept - 'Diseconomies 'means that Mars can no longer buy in bulk'</p> <p>For second mark there must be a reference to a rise in unit/ average costs (1 mark)</p>

Question		Answer	Marks	Guidance	
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5*		<p>Shareholders. <i>Accept references to shareholders even though the shares are owned privately by the Mars family and are not quoted/traded on the stock market.</i> Shareholders will see a rise in share value and higher dividends <i>if</i> growth is translated into profit. In the <i>short run</i> will dividends have to fall if some profit is retained to help pay for the growth? How much synergy (the term does not have to be used) is there between the confectionary trade and ponds/aquariums? If Mars' managers 'make a mess of it (ie the growth)' and diseconomies of scale do occur then profits could fall and hence share prices and dividends as well. Vice versa.</p> <p>Employees. A bigger firm hopefully means more job security and better conditions for Mars employees. Employees could benefit if the company is in a secure financial position or/and their wages do rise in a 'fair' way as growth occurs. Important as economy is in a poor state. Are employees 'stakeholders' or 'workers' (text suggests the former).</p> <p>Are Mars' senior managers simply doing this to 'empire build' ie enjoy the power and prestige of being in charge of an even larger company. They may demand more resources to achieve the objective and more pay/bonuses if it is achieved. Less cynically, Mars' growth may enable executives to have greater challenges and more job satisfaction.</p> <p>Customers. If the diseconomies occur will this rise in costs be passed on? If so, this is not going to be a benefit. The production of low fat bars of chocolate <u>should/could</u> be a health benefit. But what about other products which still have a high fat content?</p>	18	<p>Allow reference to both Mars as a multinational and/or Mars UK</p> <p>Essentially the answer revolves around "which stakeholders benefit (most/least)</p> <p>A brief mention of Mars will be sufficient for context and L3, assuming analysis is present</p> <p>Candidates who refer to both an advantage(s) and a disadvantage(s) for a particular stakeholder should be awarded a L3 mark</p> <p>There is plenty of scope for a short term/long term judgement although evaluation does not have to occur through this route.</p> <p>Another possible route into L4 is via a weighting of the likely benefits to the stakeholder(s).</p>	<p>Level 4: 18 – 14 marks Some evaluation eg supported judgment concerning the benefit(s) of growth on Mars's stakeholder(s). Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3: 13 – 9 marks Some analysis of the benefit(s) of growth on Mars' stakeholder(s). Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p>

Question		Answer	Marks	Guidance	
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		<p>May contribute to obesity?</p> <p>The local community'. To what extent will Mars 'put something' back into the local community, eg community grants/sponsorship as it grows? If Mars grows it should create more jobs so boosting a local economy. Of course if the factory/supplier is abroad (eg Line 5) it does nothing for local communities in the UK. The company website (mentioned line 10) suggests care for the environment/community - minimising of waste etc.</p> <p>Suppliers. Will existing suppliers be stakeholders in the true sense of the word and be 'partners' in the growth? If so, the larger Mars should mean that the suppliers' position is more secure. They will not will not benefit if the larger company adopts a 'take it or leave it' attitude (no evidence of that at the moment). The new fair trade type deal should improve suppliers' businesses in the developing world. Will Mars expand this in future?</p> <p>Presumably the government will be 'happy' if the larger Mars creates more tax revenue in the form of corporation tax, income tax, NI and VAT. The money could be used to reduce the budget deficit.</p> <p>Competitors. If the growth in the market(s) is at the competitors' expense then they will suffer in terms of sales/revenue/ profit. However if the growth is 'across' all firms in the market then they may be positively affected in the same way Mars is.</p>			<p>Level 2: 8 – 5 marks Some understanding of the issues(s). Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1: 4 – 1 marks Knowledge recalled about a business' stakeholder(s) or/and business growth. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p> <p>QWC cannot affect the level awarded however it may affect the mark within the appropriate level.</p>

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