

Business Studies

Advanced GCE

Unit **F296**: Business Production

Mark Scheme for June 2012

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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.

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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	
				Content	Levels of response
1		<p>There is a whole range of legislation aimed at food safety – The Food Safety Act (1990), The General Food Law Regulation (EC) (2002), The General Food Regulations (2004) – to name but a few. Candidates are NOT being rewarded for specific legal knowledge, but what they do with it.</p> <p>2 factors analysed = 6 marks 1 factor analysed = 5 marks 2 factors explained = 4 marks 1 factor explained = 3 marks 2 factors stated = 2 marks 1 factor stated = 1 mark</p>	6	<p>Food safety legislation will affect many areas of food production including safety and hygiene, labelling and packaging, nutrition and GM foods. This will most certainly apply to the production of biscuits. The biscuits must, for example, be correctly labelled in terms of weight, ingredients and nutritional information. This will have ‘knock-on’ impacts in terms of the way in which BBL operates. It will have to spend more time sampling biscuits in terms of these credentials (weight, etc) and this will take ‘man hours’ at a direct cost to the business. It will also, presumably spoil some of the products. Other costs include:</p> <ul style="list-style-type: none"> • slowing down of the production line or stopping if faults are found and the associated costs in terms of lost output • more attention to designing packaging and being scrupulously accurate with the information on the packaging • with nut related issues BBL may decide to simply not produce biscuits with a nut content – ie a major change in product design • far more attention to hygiene, ie more cleaning which is time consuming and results in lost production time. 	<p>Level 3 (5–6 marks) Candidate demonstrates analytical skills when considering food safety issues</p> <p>Level 2 (3–4 marks) Candidate demonstrates knowledge and understanding of food safety issues. No context required</p> <p>Level 1 (1–2 marks] Candidate offers theoretical knowledge of food safety issues</p>

Question		Answer	Marks	Guidance	
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2		<p>Lean production is a philosophy which aims to produce more by using less, ie by eliminating all forms of waste. It incorporates a 'lean' approach to people management, quality, design and material supply, as well as JIT, TQM and time based management. At BBL this could mean rationalising the ordering of flour, sugar and so on, so that each arrives when needed for production and in the right quantities. This would mean getting to grips with what is actually being produced in terms of biscuit orders – currently BBL produce speculatively. This would, presumably, result in large cost savings as waste in terms of raw materials would, in theory, be non-existent. However, there might be issues in terms of buffer stocks of these ingredients should an order come in. On balance though this has to be the way forward in the long term as the market is hugely competitive and waste will cost it business, ultimately.</p>	13	<p>There are also advantages and disadvantages in terms of:</p> <ul style="list-style-type: none"> • quality management and biscuit testing – a lean approach to this would help • people management – training staff to problem solve and be part of the quality process • lean design – a new approach to designing new products, maybe in tandem with DCL or in the new research facility. • 'Cultural shift' needed • JIT and TQM – both have scope for incorporation. 	<p>Level 4 (9–13 marks) Candidate demonstrates evaluative skills when considering the usefulness of lean production.</p> <p>Level 3 (6–8 marks) Candidate demonstrates analytical skills when considering the usefulness of lean production.</p> <p>Level 2 (3–5 marks) Candidate demonstrates knowledge and understanding of lean production. No context required.</p> <p>Level 1 (1–2 marks] Candidate offers theoretical knowledge of lean production</p>

Question	Answer	Mark	Guidance
3	Coconut flake is 15% of output, so first calculation is: 15% of £55,000 (1) = £8,250 (1) Second calculation is £55,000/5 (biscuit types) = £11,000 (1) So, difference is £11,000 - £8,250 = £2,750 (1) + or – £2,750 gets four marks	4	

Question		Answer	Marks	Guidance	
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4		<p>The costing methods used by BBL are very rudimentary and unscientific. There is no real attempt to allocate costs in anyway other than by simple full costing. This does not give, given the complexities of biscuit production, a realistic apportionment of costs. Indeed, overheads are unfairly distributed in the case of the Original Cookie which has the highest output, but should not necessarily account for 35% of, say, the cost of lighting. The biggest problem is that each of the five product areas could very easily have costs apportioned accurately – why should the cost of chocolate chips be apportioned out according to output? Clearly they should be apportioned directly and in full to the Chocolate Chip biscuit. Much could be said for the direct labour. It is highly unlikely that they will spend their hours in direct proportion to the output of each biscuit because when the cleaning time is taken into consideration (and this is done for each changeover whether it is a production run of two million Original Cookies or 500,000 Vanilla Pod Creams) the time is not proportional. There are many other instances of costs which do not fit with this method. Candidates can then look at alternative approaches, namely absorption costing (absorbing in each cost centre on a more appropriate basis – whatever that may be) or marginal/contribution costing – particularly for ‘extra’ orders.</p>	13	<p>Perhaps a cost centre approach should not be used at all as it is inappropriate. If not, then what? There are clear advantages in terms of identifying problems – biscuit varieties which consume disproportionate amounts of costs and do not actually pay for themselves. Surely there should be some account taken of price and revenue each generates, as this broadens the picture. Evaluation should focus on these issues – a summary of whether the current system works and what is a better way of doing it.</p>	<p>Level 4 (9–13 marks) Candidate demonstrates evaluative skills when considering costing approaches</p> <p>Level 3 (6–8 marks) Candidate demonstrates analytical skills when considering costing approaches.</p> <p>Level 2 (3–5 marks) Candidate demonstrates knowledge and understanding of costing approaches. No context required</p> <p>Level 1 (1–2 marks) Candidate offers theoretical knowledge of costing approaches</p>

Question		Answer	Marks	Content	Guidance
					Levels of response
5		There are some very obvious gains for BBL in investing in a new R & D facility. The answer must not be a marketing one though. It is OPERATIONAL. This means the advantages can be initially marketing related which have knock-on operational (ie production) advantages.	6	For example, BBL could develop a new biscuit which is far easier to produce or maybe has less call on ingredients. These would then have supply related advantages or production simplicities which will save time and money. It may be that new variants do not necessitate a total cleaning of the facility on changeover or maybe do not have food allergy related issues.	<p>Level 3 (5–6 marks) Candidate demonstrates analytical skills when considering R & D facility</p> <p>Level 2 (3–4 marks) Candidate demonstrates knowledge and understanding of features of a R & D facility. No context required</p> <p>Level 1 (1–2 marks) Candidate offers theoretical knowledge of R & D</p>

Question		Answer	Marks	Guidance	
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6		<p>There are many issues to consider from both a production perspective and the other functional areas. From a production point of view there are massive economies of scale to be had – both internal and external. Presumably there are suppliers in the region who could supply both (external e.o.s.) as well as the savings of bulk buying (say, salt), financial, risk bearing, technological economies and so on. There would be a mutually advantageous sharing of knowledge and skills and, undoubtedly, savings in terms of redundancies for ‘duplicated’ staff. Quality may (or may not) improve, improvements might come in the areas of productivity, better stock control, better waste management, more efficient production methods – all things are possible on a new site with two merged companies.</p> <p>NB An answer which only includes or DOES NOT include production issues should only be awarded the lowest mark in the appropriate level.</p>	18	<p>A one-sided answer cannot achieve a L4.</p> <p>NB An answer which only includes, or does not include production issues, should be awarded the lowest mark in the appropriate level</p> <p>Issues to do with marketing might involve overlapped advertising, change of brand identity, better pricing, products, shared research, etc. as they are broadly in the same market but not cannibalising each others sales as it is more like lateral integration.</p> <p>In terms of human resources there are the arguments to do with saving on staffing v new opportunities for staff development in the ‘new’ merged business. There are also motivation, communication and other related issues.</p> <p>There is also a huge financial aspect – presumably capital costs v longer term savings. Much would depend on what BBL and DCL did with their respective sites.</p>	<p>Level 4 (13–18 marks) Candidate demonstrates evaluative skills when considering the joint venture. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the subject matter. Sentences and paragraphs, consistently relevant have been well structured using appropriate technical terminology. There have been few if any errors in spelling punctuation and grammar.</p> <p>Level 3 (7–12 marks) Candidate demonstrates analytical skills when considering the joint venture. Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of question. There will be some errors of spelling punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 (3–6 marks) Candidate demonstrates knowledge and understanding of issues regarding the joint venture. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. No context required.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					Overall, it is a balancing of these issues which the candidate needs to do to fully answer the question with a view to the long term future of this 'merger'.	Level 1 (1–2 marks) Candidate offers theoretical knowledge of joint ventures. 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.

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