

# **Business Studies**

Advanced Subsidiary GCE

Unit **F291**: An Introduction to Business

## **Mark Scheme for January 2013**

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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

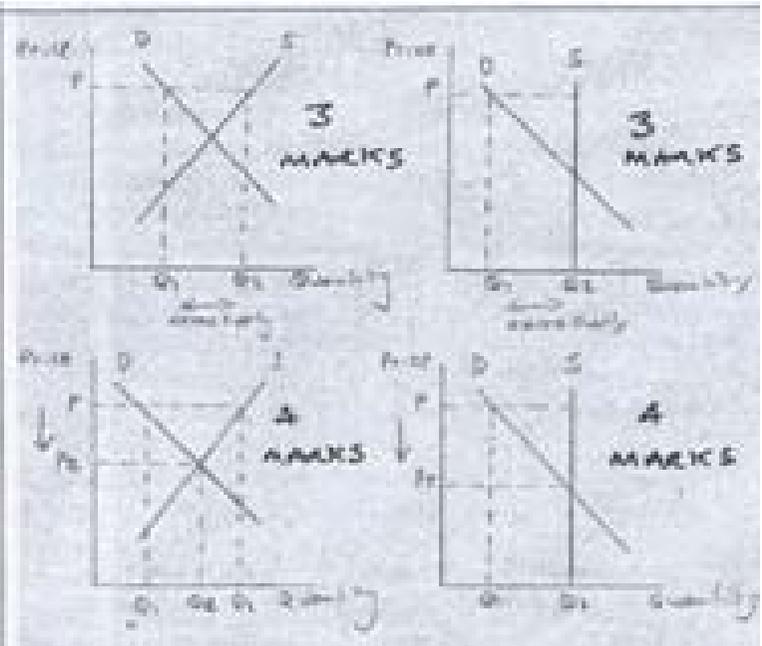
Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Own figure rule
	Repetition
	Noted but no credit given
	Too vague
	Tick

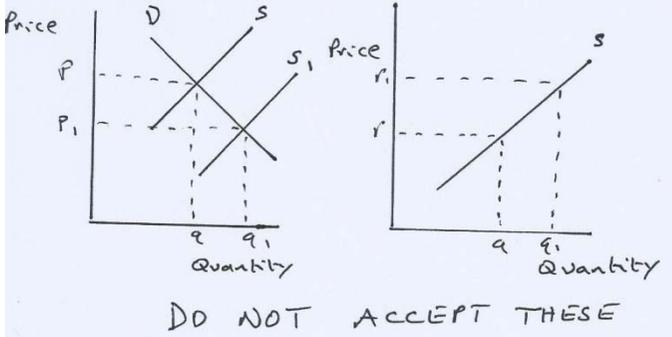
Question		Answer	Marks	Guidance
1	(a)	<p>Indicative Content</p> <ul style="list-style-type: none"> <li>• <b>Cost</b> (Allow reference to 'cost' or cost of labour, land, raw materials etc)</li> <li>• <b>Price</b> (A rise in price is associated with greater supply)</li> <li>• <b>availability of land/ raw materials/labour</b></li> <li>• <b>planning permission</b></li> <li>• <b>subsidies</b> (Unlikely given current economic climate but if available would affect positively supply)</li> <li>• <b>do not allow 'tax' but do allow "tax on houses"/VAT/Stamp duty</b></li> <li>• <b>TW's financial state/"the money TW has available" etc .(state of) cash flow</b></li> <li>• <b>Technology/Technological progress</b></li> <li>• <b>The weather</b></li> <li>• <b>Change in building regulations and Health and Safety and employment law</b></li> </ul>	2	<p><b>2 x 1 mark (2)</b> NB this is a 'state' question so explanation (such as in brackets) is <b>not</b> required.</p> <p><b>Do not accept 'demand' or any determinant of demand.</b> <b>Do not accept price of labour, land or raw materials</b></p> <p><b>Do NOT accept 'changes in law'</b> <b>Do not accept 'natural disaster'</b></p> <p>Two marks may be awarded for answers such as 'cost of raw materials' and 'cost of labour'</p>

Question	Answer	Marks	Guidance
(b)	<p>Indicative Content</p> <ul style="list-style-type: none"> <li>• <b>Price (1)</b> – higher prices will (usually) lower demand (1)</li> <li>• <b>income</b> – higher income for a consumer or regionally/nationally in terms of GDP (usually) will increase demand</li> <li>• <b>Changes in income tax/national insurance</b> – increases in income tax will reduce disposable income therefore demand will fall.</li> <li>• <b>price/availability of rented accommodation</b> – if price is high and/or availability low this could lead to an increase in the demand for houses. Vice versa</li> <li>• <b>price/availability of other builders' houses</b> – if price is high and/or availability low this could lead to an increase in the demand for houses. Vice versa</li> <li>• <b>price/availability of flats/apartments</b> – if these are considered 'substitutes for houses' then low price/high availability may mean a fall in the demand for houses. Vice versa</li> <li>• <b>interest rates</b> – rising rates make it 'more expensive to borrow' and so are likely to lower demand. Vice versa</li> <li>• <b>Ability to borrow/banks' attitude to lending/credit crunch. If banks are reluctant to lend then demand for houses will fall.</b></li> <li>• <b>reputation of TWP/ quality of its houses</b> Are the houses as good as it claims Good/bad publicity can affect demand</li> <li>• Do not accept 'tax' but do allow , <b>stamp Duty</b> (accept 'tax on houses') – a rise in this is likely to lower demand, since some consumers will be 'priced out' of the market Vice versa</li> <li>• <b>TWP's advertising/marketing</b> – not explicitly on F291 but credit references to the amount undertaken by TWP, and any 'special offers', etc</li> <li>• <b>advertising/marketing by other builders.</b> If this increases then demand for TWP's houses may fall</li> </ul>	4	Mark as 2 x (1 + 1)

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> <li>• <b>Costs of complementary services</b>-estate agent fees a rise in such costs will have an adverse effect on demand for houses</li> <li>• <b>state of the economy/position (of economy) on economic cycle/Level of aggregate demand/level of unemployment</b> – not on Unit F291 but valid nevertheless.</li> <li>• <b>Demographics/immigration rising birth rates/immigration will increase the demand for houses. Vice versa.</b></li> <li>• A change in taste/trends/fashion allow references to market research in identifying the demands of customers</li> </ul>		

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(c)	<p>Indicative Content: Excess supply is where supply exceeds demand at a particular price. If TWP builds too many houses then it will have spent money creating expensive items which are not generating a return.</p> <p>Also allow references to 'the whole market having unsold properties' since market theory suggests that in both situations price will have to fall to eliminate the excess supply. Other things being equal, this will lower the profit on the house(s).</p> <p>TWP could, of course, leave the price unchanged but offer a variety of promotional 'deals' to tempt consumers to buy. <b>(NB detailed knowledge NOT required)</b></p> <p>Alternatively, TWP could simply hold on to the excess houses and 'wait for the market to improve' but this means no return in the short run. Presumably, if it did this, TWP would think the loss of funds in the short run is 'worth it' in terms of the long run return.</p>	6	<p><b>A definition is only 1. eg "Excess supply is where there is too much supply" (1 mark) Excess supply is where there is not enough demand" (1)</b></p> <p><b>Excess supply is where there is too much supply and not enough demand" (2 marks)</b></p> <p><b>"There is more supply than demand" (2 marks)</b></p> <p><b>Exemplar- For L2</b></p> <p><b>A statement such as- 'an effect of excess supply is that the business will lose profit because it has bought materials to build the houses that have not been bought' (3 marks)</b></p> <p><b>A reference to the price falling will gain 4 marks.</b></p> <p>If there is no diagram (and there is no necessity to draw one) for level 2, accept comments such as "market price will go down" (4 marks). The addition of, something like, "because the price is too high" or "this will cause demand to increase" will mean the top of the level (4 marks).</p>	<p><b>Level 3 (6–5 marks)</b> Some analysis of the effect of excess supply on TWP.</p> <p><b>Level 2 (4–3 marks)</b> Understanding demonstrated of concepts involved. <b>No context required</b></p> <p><b>Level 1 (2–1 marks)</b> Appropriate concepts, if drawn supply demand and price) identified. If not drawn do not accept supply</p>

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	 <p><b>Comments about a cash-flow problem will also be valid.</b> TWP has built the houses without getting any money from the customer. There could be a long time between TWP building the houses and getting in any money and so it could have trouble paying suppliers and workers.</p> <p>Comments about the extent (and/or likely duration) of the excess supply are also valid. "If the excess supply is small it will not affect them much" or "If TWP does not think the excess supply will not last long it will not affect it much" are also Level 3.</p>		<p>Diagrams showing the price falling but with no explanation will be 4 marks.</p> <p><b>Do NOT accept diagrams (for L2 or L3) showing a rightward shift of the supply curve or a movement along a supply curve.</b></p> <p><b>For level 3</b> award for simple statements, <i>accompanying a diagram or not, of the effect on, implication of, or reaction by TWP such as:</i></p> <p>"This lower price will reduce TWP's profit", "TWP might make a loss if this happens", "TWP will not build any more houses until these have sold", "TWP may have to undertake expensive advertising and special offers".</p> <p>The money tied up in unsold houses, could have been spent on other things such as additional marketing. (Opportunity costs) such statements would be L3</p>	

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	 <p>DO NOT ACCEPT THESE</p> <p><b>Do not accept these for L2 and L3. However they can be used to ward credit at Level1 for recognition of Demand, Supply and Price.</b></p>			

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			Content	Levels of response
2	<p><b>Indicative Content</b>  <b>Ethical publicity may mean that customers prefer to buy from TWP and so TW's sales/revenue/market share increases.</b> <i>This will be a level 3 answer.</i> Candidates are <b>not</b> expected to know about marketing terminology/concepts in any detail.</p> <p>TWP can 'put something back' into the community through sponsorship and community support. It could take the form of sponsorship of sports teams, or the arts such as a theatre group. "Community support" could include purchasing supplies and employing many local people so as to give a boost to the local economy. It could also include the insistence that suppliers themselves adopt a similar policy thus 'forcing good practice' down the supply chain. It may be that suppliers will want to be associated with TW and so may offer discounts to the company. Candidates are <b>not</b> expected to know about these issues in detail.</p> <p><b>Some people may prefer to work for an ethical firm.</b> Thus the ethical stance may attract employees.</p> <p><b>It could also be because investors demand it.</b> If shareholders (owners) demand that the company adopt such a policy then TWP's directors/managers will have to implement it. In addition, there is a similar point to recruitment here. If TWP wanted to issue more shares, the fact that it is seen as ethical through sponsorship and community support could be a deciding factor in whether investors take up the offer. It could therefore be a key point in <b>raising finance.</b></p> <p>This could generate favourable publicity and be used for <b>marketing purposes.</b> TWP's approach can be used as part of advertising, promotion, and public relations.</p>	10	<p><b>Two factors analysed award 9/10 marks.</b>  <b>One factor analysed award 7/8 marks.</b>  <b>Two factors explained award 5/6 marks.</b>  <b>One factor explained award 4 marks.</b></p> <p>When candidates refer to the effects on TW's profits – there is a need to refer to either TW's costs and or revenue to highlight the linked implication to gain L3</p> <p>This has been shown to be particularly important at graduate managerial level. This may be the deciding factor if other employers are offering similar employment packages. It could therefore assist with <b>recruitment and retention of the best employees.</b>' (mentioned in line 14) <i>This will be a L3 answer.</i></p>	<p><b>Level 3 (10–7 marks)</b>  Some analysis of reason(s) for TWP's sponsorship/ community support.</p> <p><b>Level 2 (6–4 marks)</b>  Some understanding of issue(s). <b>No context required.</b></p> <p><b>Level 1 (3–1 marks)</b>  Knowledge of 'the community' as a business' stakeholder demonstrated</p>

Question			Answer	Marks	Guidance	
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			It could, of course, be true that TWP behaves in this way not due to the desire to gain any benefits but <b>because</b> its directors and <b>senior managers simply</b> genuinely believe that this ( <b>adoption of 'a stakeholder approach'</b> ) is the <b>right course</b> of action for any <b>business to adopt</b> .		The "providing of funds to further education colleges for training in construction skills" (line 12) could assist with ensuring a supply of suitably qualified staff for TWP to use in future. If there is a ready supply of staff this could assist with keeping labour costs down in the longer term". <i>Again, this will be a level 3 answer.</i>	

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3	<p><b>Training does not refer simply to TWP's 'builders'; candidates can make reference to TWP's managers, office staff, sales staff, etc.</b></p> <p><b>Less accidents at work</b> (on a building site or elsewhere in the company), therefore, avoidance of claims for compensation, lost time off work, reputation of TWP as a poor employer (in which case it may be difficult to recruit key staff).</p> <p><i>Exemplar</i> Having the H&amp;S training in place will allow its employees to work more effectively and safely, which equals fewer mistakes and therefore higher productivity. TWP is now less likely to get sued if there is an accident and so it can avoid paying compensation or a fine.(L3)</p> <p><b>A more productive workforce</b>, therefore helping to construct/process/sell more in a given time, thus lowering TWP's costs.</p> <p><b>Training shows that TWP values its employees and this can motivate them, resulting in a more committed workforce with less absenteeism and/or greater productivity.</b> Employees who are motivated are more likely to take care/pride in their work; thus helping to reach the customer care objective.</p> <p><b>Employees who feel valued are less likely to leave thus lowering TWP's recruitment costs</b> which helps to improve profits.</p> <p><b>It is important for TWP's employees to keep up to date with different materials, technology, laws, etc.</b> If TWP does this it may give it a competitive advantage. Even if not, it should enable it to compete with other firms who do train.</p>	14	<p>This question is asking for candidates to discuss the <b>BENEFITS TO TWP of having a trained workforce and NOT the benefits of training per se.</b></p> <p><b>Do not credit answers which deal with the advantages &amp; disadvantages of on the job/off the job training. This is not the question.</b></p>	<p><b>Level 4 (14–11 marks)</b> Some evaluation of benefits of training to TWP.</p> <p><b>Level 3 (10–7 marks)</b> Some analysis of benefit(s) of training to TWP.</p> <p><b>Level 2 (6–4 marks)</b> Some understanding of issue(s). <b>No context required</b></p> <p><b>Level 1 (3–1 marks)</b> Knowledge of training demonstrated.</p>

Question		Answer	Marks	Guidance	
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		<p><b>'Training' could also refer to induction training.</b> Benefits are that employees 'settle in' faster, feel more confident in how to perform their jobs, understand 'the rules'/culture of the business, etc.</p> <p><b>Training can help TWP reach its objective</b> of increasing dividends for its shareholders. Exemplar If employees are well trained they will do a better job and so TWP can charge more for its houses. This will help to increase TWP's profits and so shareholders will see an increase in the size of their dividends. TWP have recognised the need to increase dividends and training is a good way to help increase profits and in turn the shareholders' dividends. (L4)</p>		Candidates who make an explicit contextual reference – EG houses, flats are an infrequent , and expensive purchase should receive more credit at the appropriate level than simply a reference to TWP.	

Question		Answer	Marks	Guidance	
4	(a)	<p>Indicative content Allow references to the following sorts of managerial problems:</p> <ul style="list-style-type: none"> <li>• control/co-ordination (of activities)</li> <li>• communication (of policy decisions)</li> <li>• (issues with) span of control</li> <li>• decentralisation/consistency (of policies/decisions eg over wages/prices/suppliers)</li> <li>• consistency of objectives. Accept 'different objectives'?</li> <li>• different management styles (ways of working could be inconsistent)</li> <li>• slower decision making (a reasonable inference if all regional managers are consulted)</li> <li>• (slower process of) reviewing the whole company.</li> <li>• Managerial diseconomies of scale</li> <li>• Possible demotivation of staff</li> <li>• Cost issues</li> </ul>	2	<p><b>2 x 1 Mark (2)</b></p> <p>NB this is a <b>'state'</b> question – explanation (such as in brackets) is <b>not</b> required. Accept managerial diseconomies – BUT do <b>Not</b> accept diseconomies per se.</p>	

Question		Answer	Marks	Guidance
	(b)	Indicative content <ul style="list-style-type: none"> <li>• primary</li> <li>• tertiary</li> </ul> <p><b>Do not allow quaternary sector.</b></p>	4	<p><b>Mark as 2 x (1 + 1).</b> Sector (1) Example (1)</p> <p>Allow any appropriate example of an activity or an actual business engaged in the sector. Eg Primary – extractive industries; farming, fishing, mining.</p> <p>“Tertiary – services, or an example of a service. EG Tertiary – Tesco</p> <p><b>If it is apparent that the sector is correct even if spelled wrong allow mark to be awarded eg teshary would be valid as ‘tertiary’.</b></p>

Question	Answer	Marks	Guidance
5	<p>Indicative Content:</p> <p><b>Allow reference to demographics <i>and/or</i> social trends; candidates do not have to make reference to both in their answer.</b></p> <p><b>Demographic changes.</b></p> <p>At its simplest, a larger UK population means more pressure to build houses. TWP will need to be aware of other demographic changes as well. These include any shift in the <i>age structure of the population</i>. Currently the UK has an aging population (sometimes concentrated in a particular region) and so there may well be a demand for more (smaller) 'retirement type' housing. There is also a growing number of people living on their own and also a changing birth rate. Implications for TWP? Certain areas of the country are growing and attracting families, therefore there is a need to build larger family homes to maximise profit and meet the objective of increasing shareholder returns.</p> <p><b>'Social trends'</b></p> <p>'Social trends' could refer to peoples' desire to live in a particular region or in a particular style of house and/or to have a house built to a customer's particular requirements. Higher demand for housing in a particular area (especially if there is limited land availability) is likely to mean house prices rising. If these trends can be identified TWP can attempt to buy up land in advance of price rises and so potentially make a lot of profit.</p> <p>Incorrectly identifying trends could mean missed opportunities (for profit) and/or having a 'bank' of land in the wrong area which might have to be sold off at a loss or held until that area starts to 'develop'.</p>	18	<p><b>Better candidates will recognise that TWP is divided into regions and so regional demographics are particularly important/significant. This could well prove a route into L4.</b></p> <p>To gain L3, candidates need to offer a clearly linked implication and /or an impact of demographic/social trends on TW.</p> <p>When candidates refer to the effects on TW's profits – there is a need to refer to either TW's costs and or revenue to highlight the linked implication to gain L3</p> <p><b>Level 4 (18–14 marks)</b></p> <p>Some evaluation eg supported judgment concerning the effect(s) of demographics and social trends on TWP. 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><b>Level 3 (13–9 marks)</b></p> <p>Some analysis of the impact of demographics and social trends on TWP. 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
	<p>Some socio-economic groups are leaving it longer to 'form a family unit' and have children. This means that in areas where this is prevalent there may be a need to build smaller flats for individuals rather than family houses. Vice versa.</p> <p>The 'trend' to provide/support social housing has largely been reversed by government economic policy. This could lead to an increased demand for houses built by TWP—assuming people could afford to purchase.</p> <p>Allow changes in 'income' and/or 'spending' to be used as social trends. <b>However, do not accept references to 'the economy' unless there is a CLEAR link to either consumers' income or social/demographic trends.</b></p> <p>Allow references to the need for market research as a consequence of the importance of TW being able to identify the significance of demographic and social trends.</p> <p>Accept references to 'ethics' if there is an identification of either ethical purchases by consumers and or ethical behaviour by businesses.</p>		<p>Candidates who ONLY talk about income are restricted to a mark BELOW the default mark in any level they get into. Candidates who consider ANY social/demographic factor, other than income, can access ANY mark in the appropriate level.</p> <p><b>Level 3</b>          'The business will be able to tailor what it does as a result of its knowledge of the demographics of the population and as a result more effectively meet the demand of the consumers. This will allow them to avoid the situation where they are creating houses that are specific to a certain type of person when there is no demand for that kind of house.' <b>10 marks.</b>          (This is one mark below the default mark because there is no mention of the financial implication of this for TW.)</p> <p><b>Level 4</b>          "Out of the factors mentioned, the main factor TWP should focus upon is the change in population structure. This is because it</p> <p><b>Level 2 (8–5 marks)</b>          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.  <b>No context required.</b></p> <p><b>Level 1 (4–1 marks)</b>          Knowledge recalled about demographics/social trends affecting a business. 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>

Question	Answer	Marks	Guidance
			is an ongoing factor which affects TW in the houses it builds and the way in which it appeals to customers. If it did not monitor this trend it would be unlikely to reach its objective of providing increased dividends for its shareholders (line 8)” <b>16 Marks.</b>

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