



Wednesday 22 January 2014

**LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING**

**10331 Unit 4**

Business Environment

**MARK SCHEME**

**Duration:** 2 hours 30 minutes

**MAXIMUM MARK**

**90**

**FINAL**

Version: 2 Last updated: 20/12/2013

**(FOR OFFICE USE ONLY)**

**This document consists of 12 pages**

**MARKING INSTRUCTIONS****PREPARATION FOR MARKING  
SCORIS**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *scoris assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to scoris and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 10 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

**TRADITIONAL**

Before the Standardisation meeting you must mark at least 10 scripts from several centres. For this preliminary marking you should use **pencil** and follow the **mark scheme**. Bring these **marked scripts** to the meeting.

**MARKING**

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the scoris 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the scoris messaging system, or by email.
5. Work crossed out:
  - a. where a candidate crosses out an answer and provides an alternative response, the crossed out response is not marked and gains no marks
  - b. if a candidate crosses out an answer to a whole question and makes no second attempt, and if the inclusion of the answer does not cause a rubric infringement, the assessor should attempt to mark the crossed out answer and award marks appropriately.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen.
7. There is a NR (No Response) option. Award NR (No Response)
- if there is nothing written at all in the answer space
  - OR if there is a comment which does not in anyway relate to the question (eg 'can't do', 'don't know')
  - OR if there is a mark (eg a dash, a question mark) which isn't an attempt at the question
- Note: Award 0 marks – for an attempt that earns no credit (including copying out the question)
8. The scoris **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**  
If you have any questions or comments for your team leader, use the phone, the scoris messaging system, or e-mail.
9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
  - b. **To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

## 11. Annotations

used in the detailed Mark Scheme (to include abbreviations and subject-specific conventions)

***Subject specific - insert details in table making sure that the annotation matches the image that appears on scoris. Your Qualifications Manager or Qualifications Leader will be able to help.***

Annotation	Meaning

## 12. Subject-specific Marking Instructions

that apply across the whole question paper to be included here.

Question	Answer/Indicative Content	Marks	Guidance
1	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• private</li> <li>• provision of service</li> <li>• social benefit</li> </ul> <p><b>Exemplar response:</b> One organisational purpose of CitySalus is that it is a for-profit provider of healthcare services <b>[1]</b>.</p>	2	<p><b>One</b> mark for each correct identification of an organisational purpose of CitySalus up to a maximum of <b>two</b> identifications.</p>
2	<p><b>Indicative content:</b></p> <p>Stakeholders include:</p> <ul style="list-style-type: none"> <li>• shareholders</li> <li>• potential investors</li> <li>• company executives (e.g. CEO)</li> <li>• creditors</li> <li>• customers (clients)</li> <li>• employees</li> <li>• government</li> <li>• general public</li> <li>• trade unions</li> <li>• pressure groups</li> </ul> <p><b>Exemplar response:</b> The Chief Executive Officer is a stakeholder of CitySalus <b>[1]</b>. One objective of this stakeholder is to ensure that the ethos of preventative healthcare is maintained at CitySalus <b>[1]</b>.</p>	4	<p><b>One</b> mark for each correctly identified stakeholder up to a maximum of <b>two</b> identifications and a further <b>one</b> mark for stating the relevant stakeholder objective.</p>

Question	Answer/Indicative Content	Marks	Guidance
3	<p><b>Indicative content:</b></p> <p>Possible ways to improve the client satisfaction rate:</p> <ul style="list-style-type: none"> <li>• investing in customer (client) services training</li> <li>• delivering value for money</li> <li>• valuing the client's time</li> <li>• making the service accessible and memorable</li> <li>• solving the customer's (client's) problem and giving timely feedback</li> </ul> <p><b>Exemplar response:</b>  CitySalus could invest in customer (client) services training for all frontline staff within the General Practice Service area. <b>[1]</b> This would equip frontline staff with the professional skills and confidence to deal with clients <b>[1]</b> as well as improving the prospect of repeat business <b>[1]</b>.</p>	6	<p><b>One</b> mark for each correct identification up to a maximum of <b>two</b> identifications, plus up to a further <b>two</b> marks for each of two explanations.</p>

Question	Answer/Indicative Content	Marks	Guidance
4	<p><b>Indicative content:</b></p> <p>Impacts of maintaining low interest rates:</p> <ul style="list-style-type: none"> <li>• results in a 'liquidity trap' and so stifles investment</li> <li>• favours the use of loan capital as a way of funding the expansion</li> <li>• could rule out the idea of a share issue to raise funds</li> </ul> <p><b>Exemplar response:</b></p> <p>In the current recession the bank rate (set by the Bank of England's Monetary Policy Committee) is the lowest on record. So attempts to increase the supply of money as a way of 'kick-starting' investment initiatives such as CitySalus' proposed expansion into another UK city, have resulted in a 'liquidity trap' [L1]. This is a situation where money supply is left idle in people's bank accounts in the hope that the recession will abate. In this situation, CitySalus' proposed expansion might be better funded through loan capital since interest payments on this capital would, in turn, be low [L2]. Raising capital through a share issue could also be problematic as potential investors may well be caught in the 'liquidity trap' and be reluctant to buy shares owing to the uncertainties created by the recession. On the other hand, CitySalus' strong reputation and growth may be factors which could entice potential investors to put to better economic use the idle money in their bank accounts [L3].</p>	6	<p><b>Levels of response:</b></p> <p><b>Level 3 (5 – 6 marks):</b> Candidate assesses the likely impact of maintaining low interest rates on a decision to expand CitySalus' operations.</p> <p><b>Level 2 (3 – 4 marks):</b> Candidate analyses the likely impact of maintaining low interest rates on a decision to expand CitySalus' operations.</p> <p><b>Level 1 (1 – 2 marks):</b> Candidate explains the likely impact of maintaining low interest rates on a decision to expand CitySalus' operations.</p> <p><b>NB:</b> allow <b>one</b> mark only for the simple identification of one (or more) impact(s).</p> <p>I suspect there would, in other circumstances, be a much wider range of responses. However, there may still be a need to review the indicative content in light of responses.</p>

Question	Answer/Indicative Content	Marks	Guidance
5	<p><b>Indicative content:</b></p> <p>Impacts on CitySalus of policy on giving doctor's surgeries control of their annual budgets:</p> <ul style="list-style-type: none"> <li>• increased volume of commissioned work, particularly within General Practice services</li> <li>• reduced business risk exposure to the NHS</li> <li>• increased burden on data and financial information systems</li> <li>• increased competition from other new healthcare providers</li> <li>• opportunity to focus on niche services provision</li> <li>• opportunities for services innovation</li> </ul> <p><b>Exemplar response:</b></p> <p>The Coalition Government's aim of enabling GP's to control their annual budgets is based on the view that markets can best allocate scarce resources. According to this view, markets tend to operate more efficiently when the choices which need to be made on how, when and where scarce resources are to be expended are made by those best placed to make such choices – in this case GP's [L1]. One likely impact on CitySalus of giving doctor's surgeries control of their annual budgets would be the potentially increased volumes of commissioned work, particularly within the General Practice Services (GPS) area. In this instance, clients might choose to pay more to use CitySalus' services, than to pay less for similar NHS services which could only be accessed through lengthy queues [L2]. Instead of the possibility of expanding provision into another UK city, CitySalus could instead consider expanding its GPS area to include more general practitioners and so gain leverage from more individual budgets. CitySalus might also seek to influence and /or develop GP networks and</p>	16	<p><b>Levels of response:</b></p> <p><b>Level 4 (13 – 16 marks):</b> Evaluates the likely impact on CitySalus of this policy of giving doctor's surgeries control of budgets.</p> <p><b>Level 3 (9 – 12 marks):</b> Analyses the likely impact on CitySalus of this policy of giving doctor's surgeries control of budgets.</p> <p><b>Level 2 (5 – 8 marks):</b> Explains the likely impact on CitySalus of this policy of giving doctor's surgeries control of budgets.</p> <p><b>Level 1 (1 – 4 marks):</b> Describes the likely impact on CitySalus of this policy of giving doctor's surgeries control of budgets.</p> <p><b>NB:</b> allow up to <b>two</b> marks only for the simple identification of one (or more) impact(s).</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p>in this way extend the reach of the business [L3]. As a well respected player in the healthcare market with a known brand, CitySalus might then seek to influence its business environment and longer term stability by gaining access to those in government and the NHS who are responsible for allocating the budgets to GPs [L4].</p>		
6	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Scarcity, choice and opportunity cost</li> </ul> <p><b>Exemplar response:</b>  An opportunity cost occurs when costs arise from a decision not to choose the next best alternative course of action. [1] For example, a decision to maintain the status quo at CitySalus by deciding not to expand operations into another UK city [1] has associated with it opportunity costs. These might be, for example, the potential revenue which could be earned [1] and the potential growth in shareholder equity that could result from the new expansion [1]</p>	4	<p><b>One</b> mark for each correctly explained point up to a maximum of <b>four</b> such points, but allow development marks.</p>

Question		Answer/Indicative Content	Marks	Guidance
7	(a)	<p><b>Indicative content:</b></p> <p>Possible reasons why a large public organisation might be a monopoly include:</p> <ul style="list-style-type: none"> <li>• social acceptance</li> <li>• government legislation</li> <li>• services ‘free at the point of use’</li> </ul> <p><b>Exemplar response</b> A large public sector monopoly usually exists either at the behest of society through social acceptance [1], or through government by legislation which prevents the service/product being traded on the market [1]. The NHS exists because it is largely socially accepted and is legally obliged to provide healthcare services which are ‘free at the point of use’ [1]. These two factors combine to confer the NHS its status as, effectively, a public sector monopoly [1].</p>	2	Up to <b>two</b> marks.
7	(b)	<p><b>Indicative content:</b></p> <p>Reasons why monopoly might affect an organisation’s output decisions include:</p> <ul style="list-style-type: none"> <li>• large share of total industry</li> <li>• control of pricing and output decisions</li> <li>• equate marginal cost to marginal revenue</li> <li>• profit seeking/public sector monopolist</li> </ul> <p><b>Exemplar response:</b> An organisation operating as a monopoly produces a large enough share of the total industry output so as to be able to exercise control over output and pricing decisions [1]. The monopolist exerts control by varying the output and prices of the product and/or service which it provides [1]. The profit-seeking monopolist usually</p>	4	<b>One</b> mark for each correctly explained point up to a maximum of <b>four marks</b> , but allow development marks.

Question	Answer/Indicative Content	Marks	Guidance
	<p>decides to set production targets where marginal cost equates to marginal revenue and then sets its prices in relation to the industry demand (or average revenue) [1]. In the case of a public sector monopolist such as the NHS where the 'price signal' which stimulates the market to reallocate resources cannot perform its role, the combination of excessive healthcare 'demand' from patients, and the under-provision of healthcare 'supply', results in queues [1].</p>		
8	<p><b>Indicative content:</b></p> <p>Impact of changes:</p> <ul style="list-style-type: none"> <li>• skills capability</li> <li>• service capacity</li> <li>• contribution to profit</li> <li>• service area priorities</li> </ul> <p><b>Exemplar response:</b></p> <p>Taking on any new business of this kind would require the relevant service area to make a judgement on whether or not it had the appropriate skills/capabilities to service the contract [1]. There would need to be a match between the counselling problems of the potential client group and the counselling skills and capabilities within the well-being service area. A mismatch of skills and capabilities may require CitySalus to recruit appropriate skilled counsellors [1].</p>	4	<p><b>One</b> mark for each correctly identified impact on CitySalus of accepting the contract up to a maximum of two identifications, plus a further <b>one</b> mark for each of the two explanations.</p>

Question	Answer/Indicative Content	Marks	Guidance
9	<p><b>Indicative content:</b></p> <p>Reasons why business organisations import:</p> <ul style="list-style-type: none"> <li>• favourable exchange rate</li> <li>• comparative advantage</li> <li>• higher perceived quality of goods</li> <li>• no feasible domestic substitute</li> </ul> <p><b>Exemplar response:</b></p> <p>One reason why CitySalus is buying its MRI Scanner from abroad could be due to 'comparative advantage' [1]. The unique differences in the factors of production between overseas and UK firms make it mutually beneficial to source MRI Scanners more cheaply from abroad [1].</p>	4	<p><b>One</b> mark for each correct identification up to a maximum of two identifications, plus a further <b>one</b> mark for each of the two explanations.</p>

Question	Answer/Indicative Content	Marks	Guidance
10	<p><b>Indicative content:</b></p> <p>The potential scope of advice offered could be:</p> <ul style="list-style-type: none"> <li>• rates of childbirth</li> <li>• rising standards of healthcare</li> <li>• disposable income</li> <li>• mobility needs of client group</li> <li>• relocation of services closer to market needs</li> <li>• integrated, specialist services</li> <li>• re-evaluate cultural values</li> </ul> <p><b>Exemplar response:</b></p> <p>The case study alludes to the over-50s age group and the business potential this holds for CitySalus because of the disposable income associated with this client group. As rates of childbirth continue to decline in London and the standard of healthcare continues to rise, particularly for this client group, the trend for an ageing population will continue. <b>[L1]</b> Access to this disposable income may need a root and branch assessment of how healthcare services should be redesigned to satisfy the needs of this client group. <b>[L2]</b> Relocation of some CitySalus service areas such as GPS and Health and Well-being in closer proximity to these client markets may help to support mobility problems associated with increasing age. Likewise, CitySalus may consider establishing an 'Integrated Service' which provides exclusively for this client group. <b>[L3]</b> It might also consider creative ways of service delivery to clients who are house-bound. It is possible that CitySalus may not wish to take up this market opportunity and instead prefer to maintain its current market position. But if it does decide to also focus on an ageing client group, then this decision should not result in a diminution of services to other areas and client groups within CitySalus. Yet this focus on an ageing population may itself require a re-evaluation of CitySalus' underlying cultural values which emphasise preventative over reactive healthcare <b>[L4]</b>.</p>	20	<p><b>Levels of response:</b></p> <p><b>Level 4 (16 – 20 marks):</b> candidate advises the Executive Board of CitySalus on how an ageing population could affect its operations.</p> <p><b>Level 3 (11 – 15 marks):</b> candidate analyses the Executive Board of CitySalus on how an ageing population could affect its operations.</p> <p><b>Level 2 (6 – 10 marks):</b> candidate explains the Executive Board of CitySalus on how an ageing population could affect its operations.</p> <p><b>Level 1 (1 – 5 marks):</b> candidate describes the Executive Board of CitySalus on how an ageing population could affect its operations.</p> <p><b>NB:</b> allow up to <b>two</b> marks only for the simple identification of one (or more) impact(s).</p>

Question	Answer/Indicative Content	Marks	Guidance
11	<p><b>Indicative content:</b></p> <p>Reactions to the outbreak might include:</p> <ul style="list-style-type: none"> <li>• acting quickly to preserve reputation of the brand</li> <li>• quarantining returners from the Far East</li> <li>• devising a communications strategy</li> <li>• learning lessons for the future</li> </ul> <p><b>Exemplar response</b></p> <p>CitySalus will be concerned about the potential damage a viral outbreak could wreak on its reputation and brand, especially in terms of its mantra that the 'client excellence matters'. <b>[L1]</b> The most immediate impact will be to ensure that the viral outbreak is completely isolated and to do so it may have to quarantine any business (and for that matter holiday) returners from the affected region in the Far East. <b>[L2]</b> Quarantining these clients will also ensure that other service areas are not impacted by the outbreak as this could threaten revenue performance and, hence, profitability <b>[L3]</b>.</p>	6	<p><b>Levels of response:</b></p> <p><b>Level 3 (3 marks):</b> For each response the candidate analyses a way in which CitySalus should react to this outbreak.</p> <p><b>Level 2 (2 marks):</b> For each response the candidate explains a way in which CitySalus should react to this outbreak.</p> <p><b>Level 1 (1 mark):</b> For each response the candidate describes a way in which CitySalus should react to this outbreak.</p>

Question	Answer/Indicative Content	Marks	Guidance
12	<p><b>Indicative content:</b></p> <p>Likely impacts:</p> <ul style="list-style-type: none"> <li>• access to wider pool of skills/capabilities</li> <li>• access to wider pool of clients</li> <li>• reduced wage bill for CitySalus</li> <li>• increased profits</li> <li>• threat to reputation/brand due to UK nationals competing with non-UK nationals for UK jobs</li> <li>• demands improved by the legislation</li> </ul> <p><b>Exemplar response:</b></p> <p>The free movement of EU citizens, goods, capital and services within the EU is among a number of important principles set out in the Treaty of Rome. The principle of free movement entitles any citizen of an EU member state to trade and work within, and to access the health, social, cultural and educational resources of another member state [L1]. One likely impact which this will have on a business such as CitySalus is that it may gain access to a larger employment pool of skilled healthcare workers who may regard the employment terms and conditions at CitySalus as being significantly more favourable to them, than might be the case for a competing UK citizen [L2]. Being able to pay lower wages to non-UK EU citizens could result in a lower overall wage bill for CitySalus. In turn this might increase profits, and, hence, shareholder returns [L3]. However, the growing tensions in the UK concerning firms employing non-UK citizens could adversely impact CitySalus' reputation and brand, as well as resulting in resentment among the existing UK employees [L4].</p>	12	<p><b>Levels of response:</b></p> <p><b>Level 4 (10 – 12 marks):</b> Candidate evaluates the impact of European legislation on a business such as CitySalus.</p> <p><b>Level 3 (7 – 9 marks):</b> Candidate analyses the impact of European legislation on a business such as CitySalus.</p> <p><b>Level 2 (4 – 6 marks):</b> Candidate explains the impact of European legislation on a business such as CitySalus.</p> <p><b>Level 1 (1 – 3 marks):</b> Candidate describes the impact of European legislation on a business such as CitySalus.</p> <p><b>NB:</b> allow up to <b>two</b> marks only for the simple identification of one (or more) impact(s).</p>