

Business Studies

Advanced Subsidiary GCE

Unit **F291**: An Introduction to Business

Mark Scheme for June 2013

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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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1. 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

Subject-specific Marking Instructions**Crossed Out, Rubric Error (Optional Questions) and Multiple Responses****Crossed Out Responses**

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners should give candidates the benefit of the doubt and mark the crossed out response where legible.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Question		Answer	Marks	Guidance	
				Content	Levels of response
1		<ul style="list-style-type: none"> • Sole trader/proprietor • Partnership • Limited Liability Partnership (LLP) • Co-operative. Allow 'Co-op'. • Allow private (limited) company as this is 'another type of business in the private sector'. Allow 'Ltd'. 	2	<p>Do not accept 'franchise' as this is not in itself a type of business. Do not accept 'charities'.</p> <p>Do not allow "types of business" e.g. 'a shop selling fish and chips', 'Tesco', or 'a chemist'. Similarly do not allow reference to primary, secondary, or tertiary output.</p>	2 x 1 Mark
2	(a)	<p>These may well arise from changes in the external environment. The business environment is dynamic and Barclays will need to review and revise objectives in the light of this</p> <ul style="list-style-type: none"> • A change in Barclays' position, ie once an objective is reached then another will then be set. "If it is obvious that the objective cannot be achieved or is no longer appropriate 'they'(the board) will change it". • A business opportunity – such as new financial products (developed by Barclays – or having to offer them because competitors are) • A change of senior manager/s – may bring new ideas on the direction of the company and, therefore, its objectives. The new CEO of Barclays has insisted the operation of the bank becomes more ethical. • Government 'encouragement' (eg Project Merlin) of the banks to lend more. 	4	<p>Allow reference to strategic and/or tactical objectives whether explicit or implied. NB the term(s) do NOT have to be used.</p> <p>An explicit reference to Barclays is not necessary.</p> <p>Candidates may choose to work within the SMART framework but there is no necessity to do so.</p> <p>Do not accept responses along the lines of 'short term objectives change because they are easier to change than a long term objectives'.</p>	<p>2 x (1 + 1)</p> <p>One mark for each correct identification plus a further one mark for development.</p> <p>A few words will be sufficient for the 'outline'. BUT do not award 2 marks for answers along the lines of "Competition - this will mean a change of objectives". This is only 1 mark as there is no outline merely a restatement of part of the question.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			<ul style="list-style-type: none"> • Reacting/responding to 'quantitative easing' by the Bank of England to encourage banks to lend more. (NB detailed knowledge not required.) • Changes in banking legislation. (NB detailed knowledge not required.) • A change in costs – including the rate of interest at which Barclays itself can borrow money • A change in the state of the economy – with concomitant changes in consumer spending/saving/borrowing • Emergence/disappearance of a competitor (not likely in this sector but accept it – Lehman Bros did disappear) – may well affect revenue/profit/market share, etc • Views of stakeholder groups – new CEO of Barclays has insisted the operation of the bank becomes more ethical. Perhaps due to pressure groups/image to potential customers • Aims/Mission statements have changed- Consequently objectives may need to change. 			

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>Objectives are targets for a business to reach.</p> <ul style="list-style-type: none"> • Employees will know what they are expected to achieve which can improve coordination of business activities. The business will not just 'drift' along. This will be important with the closures/sale/reorganisation which Bob Diamond has announced./Barclays can meet its stakeholders' needs (more can easily). • Objectives form an essential part of Barclays's business plan. Setting strategic objectives will help managers at all levels focus on tactical ones. They will provide a basis for decision making about lending policies/closures. • Objectives are usually quantifiable and so Barclays can use them to measure success. Very important as Barclays is a very high profile plc which is expected to 'deliver' (in terms of profit/dividends). Reviewing success gives a guide as to future courses of action. 	6	<p>NB Accept answers for Barclays as a corporate entity, ie as a high street bank and/or its whole corporate set up. Allow reference to tactical/or/and strategic objectives.</p> <p>Some reference to the context of Barclays is necessary to gain level 3; not just the name, there needs to be the context of banking. E.g. allow a reference to 'customer service' (obviously important in this kind of business) or a reference to Barclays' current objective of improving profits for shareholders.</p> <p>There is no necessity to work within the 'SMART' framework.</p>	<p>Level 3 (6–5 marks) Some analysis of benefit(s) to Barclays of setting clear objectives.</p> <p>Level 2 (4–3 marks) Some understanding of the benefits of setting clear objectives.</p> <p>No context required</p> <p>Level 1 (2–1 marks) Knowledge of business objectives.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
3	(a)	<p>Answers are likely to revolve around redundancy, and the effect on morale/motivation of remaining employees worrying 'if they are next'.</p> <ul style="list-style-type: none"> • Redundancy/the threat of redundancies is going to be disruptive. However, good communications between Barclays management and employees can help get through the process with the minimum of difficulty. Candidates are not expected to know the following in any detail but some issues for consideration are: • Consultation with employees over closures. The purpose of consultation is to provide an opportunity for those concerned to explore the options. How will this occur? When? In work time? Tribunals have ruled that redundancies have been found to be unfair where a union has been consulted but not the individual employee • Voluntary redundancy versus compulsory redundancy. The former will be less problematic especially if 'generous' terms are offered. Finance available for this. Careful consideration given to the selection criteria to be used where redundancy is unavoidable. Barclays does not want to be in breach of the law. Also (similarly) consideration of early retirement. 	10	<p>Allow references to 'sacking', although stronger answers will use the correct terminology (e.g. 'redundancy' or 'early retirement')</p> <p>For L3 the implication could relate to or follow from an HR issue.</p> <p>Two implications analysed = 9/10 marks</p> <p>One implication analysed = 7/8 marks</p> <p>Two factors explained = 5/6 marks</p> <p>One factor explained = 3/4 marks</p>	<p>Level 3 (10–7 marks) Some analysis of factors affecting the decision to close underperforming parts of the business.</p> <p>Level 2 (6–3 marks) Understanding demonstrated of human resource management issues related to closure. No context required.</p> <p>Level 1 (2–1 marks) Knowledge of human resource management issues related to closure.</p>

Question			Answer	Marks	Guidance	
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			<ul style="list-style-type: none"> • Consideration of suitable alternative work for employees affected by redundancy • Opportunity cost of redundancy payments. Alternatively, will only the minimum legal amount be paid to minimise costs? • Appeals procedure to be considered/established • Policy on helping redundant employees obtain training or search for alternative work needs to be developed. A budget needs to be set aside for this. • References to the (negative) effect that the closures will have on remaining staff morale/motivation and subsequently on their productivity/efficiency/attitude to customers 			

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<ul style="list-style-type: none"> • Internal recruitment – cheaper than external recruitment/candidate's strengths/weaknesses of a financial institution known. However they may be 'set in ways' and experience in one division (or indeed in a particular country) of Barclays may not be appropriate to another • External recruitment – more expensive but a wider 'field'/can bring in new ideas etc • Agency/Headhunting – Common in this sort of situation. Specialist firms exist with a wide range of contacts and expertise in the field of senior management. Barclays would have to pay a fee (hardly likely to be an issue given the level of profit) but it cuts down on the work Barclays HRM department has to do • (Quality) press – can target specific type of executive. Need carefully designed advert given the nature of the position. <p>Allow references to the selection process:</p> <ul style="list-style-type: none"> • • Clear job description/person specification. Senior executive posts in a multinational such as Barclays have considerable responsibility and billions of pounds are potentially at risk if the wrong person is chosen • Application form (carefully designed)/detailed consideration of CV Interviews/selection panel. Who will be on this? Why? 	14	<p>Stronger answers will have explicit consideration of recruiting senior executives. However, a detailed knowledge of strategic management issues is NOT required.</p> <p>Some reference to Barclays (not just the name, there needs to be the context of banking and/or senior management) is necessary to gain levels 3 and 4</p> <p>Allow references to Barclays having to become more ethical to attract the best senior managers – because some (senior) people may not want to work for an unethical firm.</p> <p>Do not reward answers that focus on the benefits to Barclays.</p> <p>In L3 one piece of analysis should be awarded up to a maximum of 9 marks. Two or more pieces of analysis must be awarded 9 or 10 marks</p> <p>In L4 one piece of evaluation should be awarded up to a maximum of 13 marks.</p>	<p>Level 4 (14–11 marks) Some evaluation of the best way to recruit the best senior executives to Barclays.</p> <p>Level 3 (10–7 marks) Some analysis of the best way to recruit the best senior executives to Barclays.</p> <p>Level 2 (6–4 marks) Some understanding of possible recruitment issues. No context required.</p> <p>Level 1 (3–1 marks) Some knowledge of recruitment Issues demonstrated.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			<ul style="list-style-type: none"> • Aptitude tests • Amount of resources (time/money) made available for the selection process. <p>Allow also reference to the ‘employment package’; salary, bonuses, other benefits. Also the nature of the responsibilities. People at this level need sufficient challenge. It could be argued that no matter how good the recruitment process is, potentially the right executives will not apply if the package is not sufficient.</p> <p>Exemplar answer. Barclays may use a recruitment agency to find the best senior managers. It can set a test for the recruits and Barclays can review the test scores to find the best senior managers. But recruiting in this way Barclays will need to pay a lot of money. (L3-9 marks) Given their high levels of responsibility and importance to the organisation, senior managers are paid highly anyway and therefore the high costs of recruitment are justifiable.(L4-13 marks)</p>		Two or more pieces of evaluation must be awarded 13 or 14	

Question		Answer	Marks	Guidance	
				Content	Levels of response
4	(a)	<ul style="list-style-type: none"> • (Current) consumer spending/ demand OR aggregate demand. • Expectations of consumer spending/ demand Seasonal demand • Money for starting up a business • Cash flow/the firm has/is expecting a cash flow problem (accept “has run out of money”/is short of money) OR accept ‘a <i>good cash flow</i>’/the firm has lots of money/sales/profit/retained profit’ (therefore it doesn’t need to borrow.) • The rate of interest • Availability of finance at other banks • Rate of interest at other banks • “The economy”/”If economy is in boom/slump/recession/recovery” • (The firm wants) to expand • Costs rising/inflation (means the firm may be short of funds) • Business objectives • Profit/profitability • Income/revenue/sales 	2	<p>Do not accept ‘demand’/increase in demand’.</p> <p>Ensure that both answers are different (e.g. Factor 1- ‘good cash flow’. Factor 2- ‘bad cash flow’ is only 1 mark)</p>	<p>2 x 1 mark</p> <p>One mark for each correct identification</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<ul style="list-style-type: none"> • Overdraft -“taking more out of the (current) account than there is in it”. Essentially short (accept also ‘medium’) term lending (accept also definition of an overdraft as a short/medium term ‘loan’). Lending for/to prevent cash flow problems. Interest has to be paid. • Loan - Funds credited to the business’ current account and a separate loan account opened. Short/medium/long term lending for survival, expansion, financing a (‘big’) new contract, etc. Interest has to be paid. • Mortgage – long term loan. Likely to be for buying property. Interest payable. • Factoring - The bank buys debt from a business (it pays less than 100% of the amount in order to make a profit). Can help a business to avoid a cash flow problem • Buying shares - Barclays may decide to buy shares in another company as an investment. If these shares are a rights issue (accept ‘new issue’) or from a new company just starting ‘finance will have been provided’ • Credit cards - Issued by banks and so are valid as a source of finance. Cardholder can “Buy now pay later”. Barclays issue corporate cards but also accept references to the use of personal credit (Barclay) cards. An entrepreneur may use his/her own card for business. 	4	<p>Accept reference to ‘venture capital’ but not ‘business angels’.</p> <p>A few words will be sufficient for the ‘outline’, e.g. ‘a loan (1) has to be paid back in instalments/with interest (1)’.</p> <p>But, ‘a loan has to be paid back’ is only 1 mark. This is because the outline is too vague.</p>	<p>Mark as 2 x (1 + 1)</p> <p>One mark for each correct identification plus a further one mark for outline.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
5		<ul style="list-style-type: none"> • Customers – Small and medium sized business may regard the “careful lending” as unethical. These customers’ businesses and their employees’ livelihoods could be at risk. Also closure of underperforming areas of the business may be inconvenient for customers in terms of having to travel further, more difficult to make payments, get cash etc. They may see this as unethical in terms of doing this just to make more money for shareholders • Employees – Closure of underperforming sections when business is profitable. May be regarded as unethical as they will lose their jobs and livelihoods. However, bonuses are to be paid to some and those employees are likely to welcome this and may not be concerned ‘how the profit was gained’. It could be argued that jobs are being safeguarded by the careful lending policies to small businesses. Employees may regard this as very sensible and not at all unethical. • Suppliers – A profitable Barclays presumably means regular and secure contracts for suppliers. They may well not regard Barclays as unethical at all. However, are they treated as true stakeholders or does Barclays adopt a ‘take it or leave it approach’? No evidence of this. 	18	<p>Some issues at Barclays which some <i>may</i> regard as unethical:</p> <ul style="list-style-type: none"> • High profits (All banks underwritten by the taxpayer in the last analysis) • Bonuses of £2.6bn • Increase in pay vastly in excess of inflation at a time of austerity (the term does not have to be used) • Relatively small amount of tax paid in the UK despite large UK operation. Also confusing information given regarding the nature of tax paid. • Like other banks, has faced allegations of ‘not lending enough’ <p>Some reference to Barclays is necessary for levels 3 and 4.</p>	<p>Level 4 (18-14 marks) Some evaluation eg supported judgment concerning of Barclays un/ethical behaviour.</p> <p>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 Barclays un/ethical behaviour</p> <p>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> <p>Level 2 (8-5 marks) Some understanding of the issues concerning stakeholder(s) and ethical behaviour.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			<ul style="list-style-type: none"> • Government – Transferring money between overseas subsidiaries may reduce tax liability in UK. Less tax revenue. The government is likely to regard this as unethical because of the budget deficit (accept “the government is very short of money” etc.) • Investors – Profits, dividends & share prices are up. They may not regard the behaviour as unethical just ‘good sense’ as they have benefited from it. Barclays has not broken the law. Could be argued that the shareholders’ investment is safeguarded by the careful lending policies to potentially risky customers and is therefore not unethical at all. • Competitors – Other banks may regard Barclays as unethical if they have paid their “fair share” of corporation tax in the UK and Barclays has not. Being unethical gives Barclays an ‘unfair’ advantage in terms of issues such as ability to pay higher dividends. • Pressure groups - will regard Barclays’ failure to pay their “fair share “of tax as unethical because it means other groups in society have to pay more. 		<p>In L3 one piece of analysis should be awarded up to a maximum of 11 marks. Two or more pieces of analysis must be awarded 12 or 13 marks</p> <p>In L4 one piece of evaluation should be awarded up to a maximum of 16 marks. Two or more pieces of evaluation must be awarded at least 16 marks.</p>	<p>No context required.</p> <p>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 stakeholders/ethics.</p> <p>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>

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