

Cambridge National
Business and Enterprise

Unit **R061/01**: Introduction to Business

Cambridge National Level 1/2 Award/Certificate

Mark Scheme for January 2014

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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 used in the detailed Mark Scheme.

Annotation	Meaning
	Unclear
	Benefit of doubt
	Context
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
R	Use of research
	Repetition
	Point has been noted, but no credit has been given (big)
	Tick
	Too vague

Question		Answer	Mark	Guidance
1	a	<p>A partnership has <i>unlimited</i> liability</p> <p>A partnership has a lack of <i>continuity</i>.</p>	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
1	b	<p>Reasons might include:</p> <ul style="list-style-type: none"> • increased availability of finance • limited liability • continuity • accounts not published • increased investors/more shareholders • improved status. <p>Exemplar responses:</p> <p>A private limited company can raise more finance (1) through the sale of shares (1) which means that FaFF might be able to pay for the increased costs of transport when bringing wood from Finland (1).</p> <p>A private limited company would have limited liability (1) which means that some of the increased risk of operating abroad (1) is reduced in that the shareholders can only lose the money invested in the business and not their personal possessions (1).</p>	3	<p>One mark for a correct identification, one mark for a correct explanation plus one mark for context of Faff trading internationally.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

Question		Answer	Mark	Guidance
2	a	<p>Indicative content:</p> <ul style="list-style-type: none"> • increase market share • sell through retail outlets/other distribution • survive • customer service • break even • growth/expansion • profits • more ethical/environmentally friendly • to decide on location of business. <p>Exemplar response:</p> <p>FaFF could also have the objective of changing its channel distribution (1) by opening retail outlets (1) in which to sell the furniture. Often this is a one-off purchase and people like to see what they are buying (1).</p>	3	<p>One mark for the option chosen, plus one mark for an explanation and one further mark for context of scenario.</p> <p>Do not allow increase in sales.</p> <p>Explanation can be 'how' and/or 'why'.</p> <p>Allow generic explanation for one development mark eg give the business a target.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
2	b	<p>Response may include following reasons for business planning:</p> <ul style="list-style-type: none"> • to raise finance • to measure progress • to help avoid making mistakes • to motivate the workforce • for contingency planning • to help become more competitive • to survive • to see if business decision is a good idea. <p>Exemplar responses:</p> <p>A business such as FaFF should develop business planning when taking major business decisions. Such planning will consider a number of factors such as time, costs, external factors which might affect the decision such as a change in the economic conditions (Level 2). In the case of FaFF this might involve the costs of building, investment in new machinery and other resources, as well as organising retail opportunities (Level 3).</p>	6	<p>NB Maximum mark at L3 can only be achieved through reference to local research AND good analysis.</p> <p>Level 3 – Analysis (5-6 marks) Analysis of the importance of business planning, in context of Faff, when making business decisions, using own research. Maximum of 5 marks if no context./research.</p> <p>Level 2 – Application (3-4 marks) An understanding of business planning in context using own research. Maximum of 3 marks if no context/research.</p> <p>Level 1 (1-2 marks) Generic knowledge of business planning.</p>

Question			Answer	Mark	Guidance
					<p>Maximum L1 for list of contents of business plan.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
3			<p>Buying new premises</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • bank loan • mortgage • sale of assets • retained profits. <p>Exemplar response:</p> <p>Buying new premises is likely to cost a great deal of money but it will last a long time (1). Therefore an external source of finance such as a bank loan or mortgage (1) would be the best so that the debt could be paid off gradually (1).</p> <p>Buying wood and raw materials</p> <p>Indicative content</p> <ul style="list-style-type: none"> • trade credit • overdraft. <p>Exemplar response:</p> <p>Raw materials need to be paid for all the time and are used up quickly. Therefore money has to be available within a short period to pay suppliers (1). Suppliers give trade credit (1) to customers for regular supplies (1).</p>	4	<p>One mark for the correct identification up to a maximum of two identifications, plus a further one mark for each of two appropriate explanations for suitability ie feature showing suitability.</p> <p>Do not allow retained profits/loan for buying wood and raw materials.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

Question		Answer	Mark	Guidance
4	a	<p>Methods which might be chosen:</p> <ul style="list-style-type: none"> • trade fairs • direct selling through agents/representatives • catalogues/trade magazines • (foreign) newspapers • (international) television • social networking • poster/billboards. <p>Exemplar response:</p> <p>FaFF could use trade magazines (1) and catalogues to support its website when selling abroad (1). The business would be able to use glossy photographs to show the technical and attractive features of its products (1).</p>	3	<p>One mark for the correct identification of a promotion method, one mark for the explanation of its suitability, plus one further mark for application to the international context.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
4	b	<p>Suitable pricing methods might include:</p> <ul style="list-style-type: none"> • penetration pricing • price skimming • competitive pricing • cost plus • consumer led • psychological • promotional pricing. <p>Exemplar response:</p> <p>Businesses which sell quality products in my area such as John Lewis are generally much more expensive (Level 1) than those who sell in large quantities such as IKEA. In the case of FaFF, it has a reputation for high quality furniture which can be very expensive. In order to make more products it will have much higher total costs but will be able to make more of a lower quality. FaFF needs to decide whether it is more important to maintain its reputation of a high quality premium business or to increase</p>	6	<p>NB Maximum mark at L4 & L3 can only be achieved through reference to local research AND good evaluation/analysis.</p> <p>Level 4 – Evaluation (6 marks) Recommendation of a suitable pricing method fully justified in context using own research.</p> <p>Level 3 – Analysis (4-5 marks) Analysis of the implications of the pricing method in context using own research. Max 4 marks for no research.</p> <p>Level 2 – Application (2-3 marks) Knowledge of different pricing method/s suitable for FaFF/furniture shops/using examples and/or the local area.</p>

Question			Answer	Mark	Guidance
			<p>sales by using pricing penetration (Level 2) to gain a hold in the market. FaFF also needs to consider the competition and whether its products are different enough to maintain a high price (Level 3). From my research in my area where people are generally employed and well off, I would recommend that FaFF uses a combination of cost plus and competitive pricing to sell the new products especially if it wants to achieve its main objective of increased sales (Level 4). However, purchase of this type of furniture is often a one-off and therefore, it is important that the price is high enough to reflect this trend.</p>		<p>Max 2 marks for no research.</p> <p>Level 1 – Knowledge (1 mark) General knowledge/simple identification of pricing methods.</p> <p>Allow pricing methods described and not named.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
5	a	i	<p>Accept:</p> <ul style="list-style-type: none"> • job • one-off • bespoke • hand made. 	1	<p>For one mark.</p> <p>Do not allow custom made/to customer design.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

Question			Answer	Mark	Guidance
5	a	ii	<p>Production Process</p> <pre> graph LR A[Producing furniture] --> B[Counting number of products made] C[Logistics] --> D[Making furniture to sell] E[Measuring production] --> F[Managing resources from raw materials to finished goods] </pre> <p>Description</p>	3	<p>One mark for each correct identification up to a maximum of three identifications.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Tick every correct line. X every incorrect line</p>
5	b		<p>Methods of quality management:</p> <ul style="list-style-type: none"> • quality raw materials • quality design and production methods • skilled labour • quality control • quality assurance • responsibility for quality at every stage • training • quality mark (eg ISO 9000) 	7	<p>NB Maximum mark at L4 & L3 can only be achieved through reference to local research AND good evaluation/analysis.</p> <p>Level 4 – Evaluation (6-7 marks) A discussion of the different method(s) in which quality can be managed and maintained based on an analysis for FaFF / furniture shops/new products using examples and the local area. Max 6 marks for evaluation but no research</p>

Question		Answer	Mark	Guidance
		<p>Exemplar response:</p> <p>The management of quality should be the responsibility of each person in the process from the design of the product, in this case furniture and purchase of the raw materials, to the after sales service offered to the end user (Level 2).</p> <p>In order to maintain quality when a greater number and variety of products are made it is important that a variety of suppliers are sourced so that costs can be reduced. FaFF will need to employ more staff and retrain those staff who are used to a highly skilled job in order to use the new machinery (Level 3). Maintenance of quality carries on after the product is made. If the furniture is assembled in the home then delivery drivers will have to be able to do this to a high standard.</p> <p>There is no one part of quality management which is more important than others. If FaFF is to increase sales of the new furniture, then every stage of the process will need to be managed in order to maintain quality (Level 4).</p>		<p>Level 3 – Analysis (4-5 marks) Analysis of the implications of method(s) of quality management for FaFF / furniture shops/new products using examples and the local area. Max 4 marks for analysis but no research</p> <p>Level 2 – Application (2-3 marks) Knowledge of different quality management method(s) suitable for FaFF / furniture shops/new products using examples and the local area. Max 2 marks for no research</p> <p>Level 1 – Knowledge (1 mark) Knowledge/ simple identification method(s) of quality management. Allow ‘how’ and ‘why’.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
5	c	<p>Disadvantages might include:</p> <ul style="list-style-type: none"> • distance • cost of transport • language/communication problems • culture • exchange rate • increased carbon footprint • unable to source same quality wood elsewhere • Finland may place restrictions on export of wood. 	3	<p>One mark for a correct identification, one mark for an explanation, plus one further mark for context of question.</p>

Question	Answer	Mark	Guidance
	<p>Exemplar response: FaFF might find it difficult and time consuming (1) to get the wood it needs from so far away (1) in time to produce the furniture to sell (1).</p>		
6	<p>Effects of changing production methods on staff:</p> <ul style="list-style-type: none"> • lower morale/motivation • less highly skilled workers • higher labour turnover • redundancy • loss of atmosphere • increased training • increased error rate. <p>Exemplar response:</p> <p>Change of any kind is difficult for employees (Level 1). In the case of FaFF the production staff are highly skilled at their crafts and are used to working at their own pace to produce high quality one-off pieces of furniture (Level 2). With changes in production methods, an increase in machinery and more products needing to be completed more quickly it is likely that existing staff morale will fall and the staff will be demotivated (Level 3). This in turn may result in staff leaving or being made redundant. Change always has to be managed carefully in the continuity of the business if the quality of products /service is to be maintained (Level 3).</p>	6	<p>Level 3 – Analysis (5-6 marks) An analysis (in the context of FaFF) of the implications of growth and change to production staff.</p> <p>Level 2 – Application (3-4 marks) An understanding of the effects of change and growth on production staff at FaFF.</p> <p>Level 1 (1-2 marks) Generic knowledge of effects of change.</p> <p>Default: L1 - 2 marks L2 - 4 marks L3 - 6 marks</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
7	<p>Indicative content</p> <ul style="list-style-type: none"> • employment law • health and safety law • consumer legislation • taxation law • change in Finnish Law • trade embargo. 	3	<p>One mark for the correct identification of an effect, plus a further one mark for an explanation, plus an additional one mark for context.</p> <p>Do not allow environmental/exchange rates/fair trade regulations etc</p>

Question	Answer	Mark	Guidance
	<p>Exemplar response:</p> <p>FaFF might be affected by changes in health and safety law (1) which will impact on the employees (1) who may have to wear protective clothing to carry out the production of the furniture (1).</p>		<p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
8	<p>Impacts might include:</p> <ul style="list-style-type: none"> • economic – recession, unemployment, inflation, high interest rates, taxation (eg VAT) exchange rates • political – change in government resulting in changes in economic, social, ethical factors, etc. Change in EU legislation • ethical – sustainability eg impact on forests, treatment of staff, accurate advertising, pricing policy, EU policy <p>Exemplar response:</p> <p>Economic factors will impact on FaFF because it sells high quality furniture which is a luxury item. Customers may be hit by rises in VAT, income tax or interest rates (Level 2) which will reduce their disposable income which may in turn, reduce the number of potential sales which FaFF and similar businesses might make. These factors could also affect the business itself in terms of the exchange rate with the Euro when making payment for the wood (Level 3).</p> <p>Political – change in government can result in changes in policy especially in economic and fiscal policy. Also relationships with Europe may change due to political changes (Level 3).</p> <p>Ethical – the market has become much more aware of ethical issues such as accurate advertising, carbon footprints and the treatment of labour (Level 2). FaFF therefore has to ensure that the use of wood and the sustainability of forests is maintained and that it can reduce its carbon footprint (Level 3).</p>	10	<p>NB Maximum mark at L4 & L3 can only be achieved through reference to local research AND good evaluation/analysis.</p> <p>Level 4 – Evaluation (8-10 marks) An evaluation of the impact based on an analysis of two or more external factors for FaFF / furniture shops/new products using examples and the local area.</p> <p>Max 8 marks for evaluation no research</p> <p>Level 3 – Analysis (5-7 marks) An analysis of one or more of the external factors for FaFF / furniture shops/new products using examples and the local area.</p> <p>Max 5 marks for analysis no research</p> <p>Level 2 – Application (3-4 marks) Application of knowledge of one or more of the external factors for FaFF / furniture shops/new products using examples and the local area.</p> <p>Max 3 marks for no research.</p>

Question		Answer	Mark	Guidance
		Difficult to assess which has the greatest impact on a business. In the short term the greatest impact will be internal and whether the changes result in increased sales. However the economy is an overarching factor which affects many of the stakeholders of the business and could ultimately be the factor which decides between success and failure (Level 4).		<p>Level 1 – Knowledge (1-2 marks) Knowledge of external factors</p> <p>NB Emphasis should be on the effects on the business itself of external factors</p> <p>Default: L1 - 2 marks L2 - 4 marks L3 - 6 marks L4 - 9 marks</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

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