



**Wednesday 21 January 2015**

**LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING**

**10331 Unit 4                  Business Environment**

**MARK SCHEME**

**Duration:** 2 hours plus 30 minutes reading time

**MAXIMUM MARK                  90**

**FINAL**  
Version: **8** Last updated: **28/01/2015 – Post Standardisation Version**  
**(FOR OFFICE USE ONLY)**

**This document consists of 14 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 sector</li> <li>• sales growth</li> <li>• provision of product and service</li> <li>• social benefit</li> <li>• for profit.</li> </ul> <p><b>Exemplar response:</b> One organisational purpose of <i>InSaddle Ltd</i> is that it is a social enterprise [1].</p>	2	<p><b>One</b> mark for each correct identification up to a maximum of <b>two</b> identifications.</p>
2	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• shareholders</li> <li>• customers</li> <li>• employees</li> <li>• local government</li> <li>• general public</li> <li>• competitors</li> <li>• suppliers.</li> </ul> <p><b>Exemplar response:</b> One of the owners, Steve, is a stakeholder [1]. One objective of this stakeholder is to ensure that the local ties and family ethos of <i>InSaddle Ltd</i>, particularly as a social enterprise, is preserved [1].</p>	4	<p><b>One</b> mark for each correct identification up to a maximum of <b>two</b> identifications, plus a further <b>one</b> mark for each of <b>two</b> correct statements.</p>

Question	Answer/Indicative Content	Marks	Guidance
3	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• embeds its social enterprise aspirations into its 'Articles of Agreement'</li> <li>• earns a proportion of its revenues on work with the Greater London Council</li> <li>• subscribes to the government's Cycle to Work Scheme</li> <li>• offers an alternative transport option</li> <li>• contributes to healthier living and achieving a lower carbon footprint.</li> <li>• employment of UK and international staff</li> <li>• sale of safety products</li> </ul> <p><b>Exemplar response:</b> One way in which <i>InSaddle Ltd</i> chooses to meet its social responsibilities is in embedding its social aspirations into its 'Memorandum of Association' [1]. In this way <i>InSaddle Ltd</i> signals its willingness to be held accountable for its contribution to social well-being [1].</p>	4	<p><b>One</b> mark for each correct identification up to a maximum of <b>two</b> identifications, plus a further <b>one</b> mark for each of <b>two</b> explanations.</p>
4	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• co-existence of private and public sectors</li> <li>• the price signal</li> <li>• 'willingness-to-pay'</li> <li>• factors of production</li> <li>• derived demand</li> <li>• private goods/services</li> <li>• public goods/services</li> <li>• under-over consumption</li> <li>• allocation through government supervision</li> <li>• profit motive</li> <li>• social benefit</li> </ul>	8	<p><b>Level 2 (5 – 8 marks)</b> Candidate explains how a mixed economy attempts to allocate resources efficiently.</p> <p><b>Level 1 (1 – 4 marks)</b> Candidate identifies how a mixed economy attempts to allocate resources efficiently.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p><b>Exemplar response:</b>            In a mixed economy members of society generally agree that the co-existence of the private and public sectors is necessary for the effective allocation of that society's scarce economic resources [1]. This type of economy uses prices to signal the allocation of resources among its private enterprises [1]. But among its public enterprises, where price signals are weak (or absent) as in the case of merit or public goods, governments will choose to intervene to allocate resources [1]. When a private enterprise produces a private good or service the price stimulus and the customer's willingness-to-pay result in the purchase of that good [1]. This starts a chain reaction in which the private enterprise re engages its factors of production so as to replace the purchased product [1] and this creates a derived demand for the inputs of those factors of production, and so on [1]. Where the price signal for a good or service is either weak or absent, for example in the provision of education or national defence [1], governments may decide to intervene in this sector of the mixed economy so as to avoid under- or over-consumption [1]. In this way, the scarce public sector resources become re-allocated through government supervision [1].</p>		
5	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• restricted global trade</li> <li>• higher prices for European Union (EU) bicycles</li> <li>• restricted consumer choice</li> <li>• protecting inefficient suppliers in the EU</li> <li>• a decline in sales and profits among EU suppliers.</li> </ul>	4	<p><b>One</b> mark for each correct identification up to a maximum of <b>two</b> identifications, plus a further <b>one</b> mark for each of <b>two</b> explanations.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p><b>Exemplar response:</b> An anti-dumping levy could result in the misallocation of scarce resources since the cheaper imports from China could lead to reductions in sales and profits among EU suppliers [1] In this way, misallocation results from the displacement of economic resources such as labour and production capacity which could otherwise be used to produce bicycles in the EU market [1].</p>		
6	<p><b>Indicative content:</b> Impact on <i>InSaddle Ltd</i> of raising interest rates may be:</p> <ul style="list-style-type: none"> <li>• the general cost of borrowing increases</li> <li>• InSaddle Ltd's business costs increase</li> <li>• staff may demand wage rises</li> <li>• business innovation and investment are discouraged</li> <li>• increased cost and hence price for a bicycle</li> <li>• weekly sales of bicycles may fall, leading to a fall in revenues and profits</li> <li>• weekly sales of bicycles may also rise, as customers switch from other modes of transport to bicycles.</li> <li>• increased savings</li> <li>• increased exports</li> <li>• lowered shareholder returns</li> <li>• greater international competition</li> </ul> <p><b>Exemplar response one: (<i>InSaddle Ltd</i>)</b> An increase in interest rates is likely to impact on <i>InSaddle Ltd</i> in a number of areas. When interest rates increase the general cost of borrowing also increases [L1]. For example, a supplier may respond to an interest rate rise by imposing tighter controls which require its</p>	20	<p><b>Levels of response:</b></p> <p><b>Level 4 (16 – 20 marks)</b> Candidate evaluates the likely impact(s) on <i>InSaddle Ltd</i> of a rise in interest rates.</p> <p><b>Level 3 (11 – 15 marks)</b> Candidate analyses the likely impact(s) on <i>InSaddle Ltd</i> of a rise in interest rates.</p> <p><b>Level 2 (6 – 10 marks)</b> Candidate explains the likely impact(s) on <i>InSaddle Ltd</i> of a rise in interest rates.</p> <p><b>Level 1 (1 – 5 marks)</b> Candidate identifies the likely impact(s) on <i>InSaddle Ltd</i> of a rise in interest rates.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p>creditors to settle outstanding debt within shorter credit periods [L2]. A supplier may respond in this way so as, in effect, to prevent a creditor from funding its short-term borrowing needs with the supplier's funds. In turn, this could affect <i>In Saddle Ltd's</i> ability to meet its working capital obligations and along with this, its ability to pay, for example, its staff [L3]. While the case evidence points to healthy revenue growth in <i>Insaddle Ltd's</i> activities, a cash flow crisis arising from poor credit control could, in turn, pose a serious threat to the survival of the business [L4].</p> <p>As a result of this seemingly rational trade-off between risk and the customer's safety whilst using a bicycle could be compromised [L4].</p>		
7	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• pricing decisions are convergent</li> <li>• products are largely identical</li> <li>• no single firm's pricing decisions can affect their market share</li> <li>• firms retaliate to attempts to raise prices.</li> </ul> <p><b>Exemplar response:</b> As market forces in a monopolistically competitive market tend to drive all competitors toward convergent pricing decisions on products which are largely identical, no single competitor can alone affect the going market price [1]. So attempts by a single firm in this market structure to raise prices as a way of increasing revenue or affecting market share [1] are likely to result in increased marginal costs to this firm as a result of retaliation from other firms in the market [1].</p>	3	<p><b>One</b> mark for each correct point of explanation up to a maximum of <b>three</b> such points, but allow development.</p>

Question	Answer/Indicative Content	Marks	Guidance

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8	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• change in marketing mix</li> <li>• core competences</li> <li>• product/service portfolio</li> <li>• suppliers</li> <li>• prices</li> <li>• competition</li> <li>• no impact.</li> </ul> <p><b>Exemplar response:</b> One way in which consumer demand for E-bikes might affect <i>InSaddle Ltd's</i> is in the nature of the technical and repair services it will need to provide for this new product area [1]. New technical skills to deal with customer queries arising from the more sophisticated design of these products will need to be fostered [1]. Likewise, <i>InSaddle Ltd</i> may need to expand staffing and space in order to accommodate the associated customer service demands which this new product is likely to bring [1].</p>	9	<p><b>One</b> mark for each correct identification up to a maximum of <b>three</b> identifications plus up to a further <b>two</b> marks for each of <b>three</b> identifications.</p>
9	<p><b>Indicative content:</b></p> <p>Possible external cultural environment affects on <i>InSaddle Ltd's</i> performance might be:</p> <ul style="list-style-type: none"> <li>• increased valuation on leisure time and activities</li> <li>• changing attitudes on health and well-being</li> <li>• increased media prominence of cycling</li> <li>• increased use of cycling as an alternative mode of travel</li> <li>• increase demands for cleaner air in London</li> <li>• changing attitudes on energy conservation</li> <li>• corporate social responsibility</li> </ul>	12	<p><b>Levels of response:</b></p> <p><b>Level 4 (10 – 12 marks)</b> Candidate evaluates how the external cultural environment affects <i>InSaddle Ltd's</i> performance.</p> <p><b>Level 3 (7 - 9 marks)</b> Candidate analyses how the external cultural environment affects <i>InSaddle Ltd's</i> performance.</p> <p><b>Level 2 (4 – 6 marks)</b> Candidate explains how the external cultural environment affects <i>InSaddle Ltd's</i> performance.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<ul style="list-style-type: none"> <li>• opinions of elite cyclists</li> </ul> <p><b>Exemplar response:</b>            ‘There are a number of possible factors at play in <i>InSaddle</i> Ltd’s (<i>ISL</i>) external cultural environment which could affect its future performance [L1]. But to evaluate how one (or more) of these possible factors might affect performance requires <i>ISL</i> to be clear about which of the many possible performance criteria it should use to measure future performance [L2]. To be able to achieve these performance criteria <i>ISL</i> may decide to focus on the factor, say, of ‘the increased use of cycling as an alternative mode of transport’ and/or the ‘changing attitudes toward energy conservation’ [L2]. In turn, these factors may then stimulate profit growth and the development of innovative products/services [L3]. In particular, the integration of the factor ‘changing attitudes toward energy conservation with that of ‘the opinions of elite cyclists’ could be used to present a potent marketing strap-line and campaign. Though a business case for such a campaign would need to proven, it could result in increased market share and thus increased profit performance [L4].</p>		<p><b>Level 1 (1 – 3 marks)</b>            Candidate identifies relevant factors in the external cultural environment which might affect <i>InSaddle</i> Ltd’s performance..</p> <p><b>NB:</b> allow up to <b>two</b> marks only for the simple identification of one (or more) factor(s).</p>
10	<p><b>Indicative content:</b></p> <p><b>Exemplar response:</b>            A common external tariff is a tax imposed on imported goods into a protected free trade area such as the EU [1]. The countries within the protected free trade area thus enter into a ‘customs union’ wherein each mutually agrees to remove tariff barriers so as to allow the free movement of imported goods and services [1].</p>	2	Up to <b>two</b> marks.

Question	Answer/Indicative Content	Marks	Guidance
11	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• price rises in tyres and tyre repair kits</li> <li>• an initial spike in the demand for tyres and repair kits</li> <li>• a short-term increase in revenue</li> <li>• an initial spike in demand for repair and maintenance services</li> <li>• de-stocking of tyres and repair kits</li> <li>• decreased revenue from retail services, if shortage is prolonged</li> <li>• idle operations capacity</li> <li>• investing in alternative supplies.</li> </ul> <p><b>Exemplar response:</b>                      The impact of a shortage in rubber supplies on <i>InSaddle Ltd</i> is likely to be felt in stages. An initial shortage may lead to a rise in the prices of tyres and tyre repair kits <b>[L1]</b> which is the market’s attempt to adjust to this exogenous shock <b>[L2]</b>. In turn, there is likely to be an initial spike in demand for tyres and tyre repair kits <b>[L1]</b> as customers begin to panic-buy so as to enable them to continue to use their bicycles <b>[L2]</b>, at least until the shortage abates <b>[L3]</b>. This spike in demand is then likely to manifest itself in a temporary rise in demand for <i>InSaddle Ltd’s</i> retail services <b>[L2]</b>, and as a result, staff may become over-stretched in all aspects of the business. The business may then need to consider the use of overtime to satisfy this temporary increase in demand <b>[L3]</b>.</p>	6	<p><b>Levels of response:</b></p> <p><b>Level 3 (5 - 6 marks)</b>                      Candidate analyses the impact of a shortage of rubber supplies on <i>InSaddle Ltd</i>.</p> <p><b>Level 2 (3 – 4 marks)</b>                      Candidate describes the impact of a shortage of rubber supplies on <i>InSaddle Ltd</i>.</p> <p><b>Level 1 (1 – 2 marks)</b>                      Candidate identifies the impact of a shortage of rubber supplies on <i>InSaddle Ltd</i>.</p>

Question	Answer/Indicative Content	Marks	Guidance
12	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• a fall in the average price of a bicycle</li> <li>• increased competition among London bicycle retailers</li> <li>• potential interruption of supplies from the EU</li> <li>• potential change in services portfolio</li> <li>• switch from EU supplier to Far East suppliers</li> <li>• increased security of supplies</li> <li>• reduced consumer choice</li> <li>• potential reduction in sales margins and hence profitability</li> <li>• potential inventory changes and purchasing and procurement practices</li> <li>• risk of failure</li> <li>• switching to alternative technologies</li> <li>• reduced economies of scale.</li> </ul> <p><b>Exemplar response:</b> The removal of this levy presents a significant challenge to <i>InSaddle Ltd</i>. If it continues to import bicycles from its current EU supplier, not only will the risks associated with a sole supplier remain [L1], but also the costs of these supplies will increase, at least in the short-run [L2] until the EU market re-adjusts in line with the lower average prices of imports from China [L3].</p> <p>Alternatively, if <i>InSaddle Ltd</i> decides to switch to the cheaper bicycle supplies from China, its supplier options are likely to broaden [L3], but the consequences this may hold for its activities are likely to be more pronounced [L4]. Whether or not <i>InSaddle Ltd</i> decides to maintain the status quo or opt to switch suppliers [L3], it does seem inevitable that a strategy for diversifying its supplies will need to be put in place [L4]. One way in</p>	16	<p><b>Levels of response:</b></p> <p><b>Level 4 (13 – 16 marks)</b> Candidate evaluates the impact of the removal of this levy on <i>InSaddle Ltd</i>.</p> <p><b>Level 3 (9 – 12 marks)</b> Candidate analyses the impact of the removal of this levy on <i>InSaddle Ltd</i>.</p> <p><b>Level 2 (5 – 8 marks)</b> Candidate explains the impact of the removal of this levy on <i>InSaddle Ltd</i>.</p> <p><b>Level 1 (1 – 4 marks)</b> Candidate identifies the impact of the removal of this levy on <i>InSaddle Ltd</i>.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p>which this might be achieved is for <i>InSaddle Ltd</i> to open up new supplier opportunities from the Far East, while tapering-off supplier involvement in the EU <b>[L3]</b>. In this way, <i>InSaddle Ltd</i> is seen to adopt both a responsible and a managed approach to the problem <b>[L4]</b>. Such an approach values not only the long-term business relationship with its EU supplier <b>[L3]</b>, but also allows the consequences of the change process – which will no doubt be felt by its key stakeholders – to be more effectively managed <b>[L4]</b>.</p>		