

GCE

Business

Unit **H031/02**: The wider business environment

Advanced Subsidiary GCE

Mark Scheme for June 2016

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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

	Blank page
	Tick
	Cross
	Not answered question
	Own Figure Rule
	Benefit of Doubt
	Repeat
	Noted but no credit given
	Too vague
	Unclear
	Knowledge
	Application of knowledge and understanding
	Analysis
	Evaluation
	Effective evaluation

Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

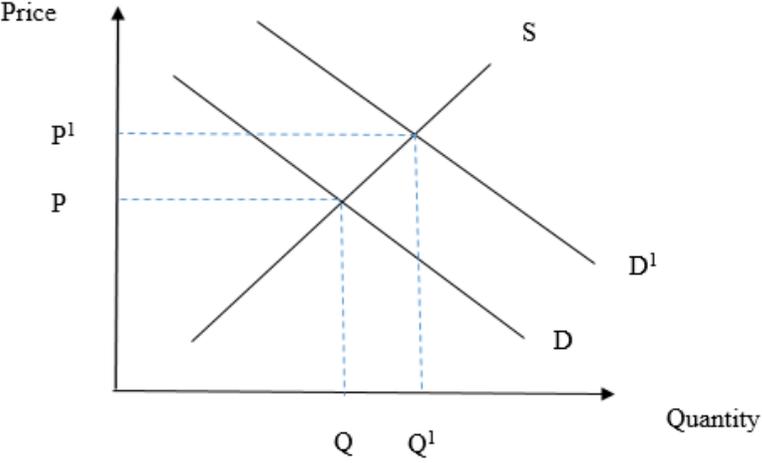
Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

	Answer	Marks	Guidance
1	<p>State two reasons why a business may produce a business plan.</p> <p>1 mark for each correct reason why a business may produce a business plan up to a maximum of 2 marks</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • requires a strategic review to be conducted • gives a sense of direction/helps planning/make decisions/sets targets • helps to set aims or objectives/forces a review of current objectives • makes managers consider constraints • sets out the role of each employee/part of the business • encourages communication between departments • helps to raise finance/investment/capital • helps to predict cash-flow/need for an overdraft • helps to motivate staff <p>Do NOT reward answers which just refer to the business plan helping the business to make more profits/revenue or identify likely profits/revenue/costs etc.</p> <p style="text-align: right;">ARA (any reasonable answer)</p>
2	<p>State two advantages to a business of using flow production.</p> <p>1 mark for each correct advantage to a business of using a flow production method up to a maximum of 2 marks</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • reduces unit costs (allow reference to economies of scale)/reduces labour costs • allows division of labour/specialisation of workers • can produce a standardised product/consistent quality • increases output (level)/quicker production • less downtime/less waste etc. • firms can be more competitive/efficient/higher productivity <p>Look out to ensure the two advantages are different and make sure that any advantage is made clear (e.g. how is 'less labour intensive' an advantage?)</p> <p>Do NOT accept references to better or improved quality</p> <p>Do NOT accept general statements such as 'it is a cheaper method than job or batch' as this is Too Vague (TV)</p> <p style="text-align: right;">ARA</p>

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3	<p>State what is meant by a ‘person specification’.</p> <p>2 marks for a clear definition 1 mark for an answer which only includes one or more correct components of a person specification</p> <p>No reward for answers referring to a ‘Job Description’</p>	<p>2 (AO1 2)</p>	<p>Exemplar response: A person specification is a document which sets out the ideal <u>characteristics</u> of the person to undertake a <u>specific</u> job (2).</p> <p>A person specification includes examples such as qualifications or experience of the worker (1).</p> <p style="text-align: right;">ARA</p>																													
4	<p>Complete the missing data in the four unshaded boxes.</p> <p>1 mark for each correct answer up to a maximum of 4 marks</p>	<p>4 (AO2 4)</p>	<table border="1"> <thead> <tr> <th></th> <th>Forecast (£)</th> <th>Actual (£)</th> <th>Variance (£)</th> <th>Favourable/Adverse</th> </tr> </thead> <tbody> <tr> <td>Sales revenue</td> <td>23 000</td> <td>25 000</td> <td>2 000</td> <td>Favourable</td> </tr> <tr> <td>Labour costs</td> <td>8 000</td> <td>12 500</td> <td>4 500</td> <td>Adverse</td> </tr> <tr> <td>Other costs</td> <td>6 000</td> <td>5 500</td> <td>500</td> <td>Favourable</td> </tr> <tr> <td>Profit</td> <td>9 000</td> <td>7 000</td> <td>2 000</td> <td>Adverse</td> </tr> </tbody> </table>						Forecast (£)	Actual (£)	Variance (£)	Favourable/Adverse	Sales revenue	23 000	25 000	2 000	Favourable	Labour costs	8 000	12 500	4 500	Adverse	Other costs	6 000	5 500	500	Favourable	Profit	9 000	7 000	2 000	Adverse
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5	<p>An employee may claim ‘unfair dismissal’ if dismissed for being a member of a trade union.</p> <p>State two other reasons why an employee may successfully claim unfair dismissal.</p> <p>1 mark for each correct reason why an individual may be able to claim unfair dismissal up to a maximum of 2 marks.</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • pregnancy • discrimination (race, gender, age, disability, religious, sexual preference) - allow two types of discrimination for two marks • whistle blowing • single cases of misconduct such as lateness, absenteeism, poor performance • family reasons including parental leave/asked for flexible working • time off for jury service/public duties <p>Do NOT accept ‘trade union membership’ as that is in the question</p> <p>Do NOT accept any references to sickness or sick leave</p> <p>Do NOT accept wrongful dismissal, i.e. processes rather than reasons</p>																													

	Answer	Marks	Guidance
			Do NOT accept answers which would actually be dealt with under constructive dismissal regulations <p style="text-align: right;">ARA</p>
6	<p>State one advantage and one disadvantage to a business of being a public limited company.</p> <p>1 mark for a correct advantage for a business of being a public limited company.</p> <p>1 mark for a correct disadvantage for a business of being a public limited company.</p>	<p>2 (AO1 2)</p>	<p>Indicative content (advantages)</p> <ul style="list-style-type: none"> • limited liability (to shareholders) • access to large amounts of capital/shares can be sold on the stock market • allows continuity/business has its own legal identity <p>Indicative content (disadvantages)</p> <ul style="list-style-type: none"> • the chance of being taken over/may lose control of the business/less control over who buys shares • a need to publish financial data • can be a very expensive procedure • may require a complicated management structure <p>Some answers may be relevant to a private limited company as well, however, do not reward answers which ONLY apply to a private limited company (e.g. shares can only be sold privately).</p> <p>Do NOT reward answers which could apply to any large business, regardless of its legal structure, e.g. sell globally.</p> <p style="text-align: right;">ARA</p>
7	<p>Calculate the rate of labour turnover for 2014.</p> <p>1 mark for upside down formula (3125) or correct answer but not multiplied by 100 (e.g. 0.032)</p> <p>2 marks for correct answer with or without working</p> <p>No marks for calculating labour turnover for the wrong year</p>	<p>2 (AO2 2)</p>	<p>Rate of labour turnover = $\frac{84}{2,625} * 100$ (1)</p> <p style="text-align: center;">= <u>3.2%</u> (2)</p> <p>One mark for answer of 96.8% (the percentage of staff not leaving)</p> <p>ACCEPT answer with or without %</p>

	Answer	Marks	Guidance
8	<p>Construct a demand and supply diagram to show the effect on equilibrium of an increase in consumer income.</p> <p>1 mark for correctly labelling supply and demand schedules</p> <p>1 mark for initial equilibrium point identified (with lines or a label)</p> <p>1 mark for shifting demand schedule to the right</p> <p>1 mark for new equilibrium point identified (no OFR)</p>	<p>4 (AO2 4)</p>	 <p>The two schedules MUST be labelled to gain any marks</p> <p>An answer which has the supply and demand schedules labelled the wrong way round can score one mark <u>at most</u> for the initial equilibrium point (OFR)</p> <p>A diagram which IN ADDITION has a supply schedule shift can still gain full marks if the final equilibrium is correctly labelled</p> <p>No reward for written comments about the diagram as the question asks the candidate to 'construct'</p>

	Answer	Marks	Guidance
9	<p>Outline two ways A.G. Barr may segment its market.</p> <p>1 mark for each correct identification up to a maximum of 2 identifications, plus a further 1 mark for each of two developmental points applied to the context.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Segmentation methods include:</p> <ul style="list-style-type: none"> • age • geography • gender • social class • residence • religious/ethnic grouping <p>The method of segmentation may be implied from the example</p> <p>Make sure the two methods are clearly different.</p> <p>The use of context must be sufficient to at least suggest <u>how</u> the segmentation may occur. For example, “They could split up market by age group that drinks fizzy drinks” is only worth one mark. However, “They may split up the market by gender, Irn-Bru for boys and juice drinks for girls” would be two marks.</p> <p>Exemplar responses:</p> <ul style="list-style-type: none"> • They could use geography (1) by targeting the London-based Funkin brand in the South-East and Irn-Bru in the North of the UK (1). • The firm could segment by age (1) as smoothies may be targeted at younger consumers as they are seen to be a healthier option but the Strathmore brand may be aimed at older consumers who may be more concerned about consuming too much sugar (1). <p style="text-align: right;">ARA</p>

		Answer	Marks	Guidance
10	a	<p>Explain one reason why a business may include 'goodwill' in its Statement of Financial Position.</p> <p>1 mark for identifying a reason for including 'goodwill' in the accounts.</p> <p>1 mark for explaining how this may benefit the business.</p>	<p>2 (AO1 2)</p>	<p>Reasons for including goodwill include:</p> <ul style="list-style-type: none"> • it is an (intangible) asset of the business • it represents the brand name of the business • to help better record full assets of the business, other than those which actually exist <p>Do NOT accept reasons linked to attracting more investors into the business or helping to improve ratios</p> <p>Watch out for answers which suggest goodwill <u>leads to</u> a better brand image (the wrong way round)</p> <p>No context is required for full marks.</p> <p>Exemplar response: They represent the value of the firm's brand name (1) which is part of the true value of the business (1).</p> <p style="text-align: right;">ARA</p>
10	b	<p>Calculate A.G. Barr's acid test ratio for 2015.</p> <p>2 marks for correct answer with or without working</p> <p>1 mark for use of correct figures</p> <p>1 mark for correct mathematical operation</p> <p>NB: If 2014 answer calculated (1.34 or 1.3) – Maximum 1 mark</p>	<p>2 (AO2 2)</p>	<p>Acid test = $\frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$</p> $= \frac{77,402}{56,181} (94,163 - 16,761) \quad (1)$ $= \underline{\mathbf{1.38}} \quad (1.4) \quad (1)$

	Answer	Marks	Guidance
11*	<p>Evaluate how regulation of the market may affect A.G. Barr's operations.</p> <p>Level 4 (10–12) Candidate shows strong knowledge and understanding, analysis and evaluation of how market regulation may affect A.G. Barr. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (7–9) Candidate shows good knowledge and understanding, analysis and evaluation of how market regulation may affect A.G. Barr. <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (4–6) Candidate shows reasonable knowledge and understanding, analysis and evaluation of how market regulation may affect A.G. Barr <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–3) Candidate shows limited knowledge and understanding of market regulation with limited or no analysis and evaluation of the impact on A.G. Barr of market regulation. <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p>	<p>12 (AO1 2) (AO2 2) (AO3 4) (AO4 4)</p>	<p>Areas where market regulation may affect A.G. Barr and its stakeholders:</p> <ul style="list-style-type: none"> • Food labelling laws- evidence that the company had to change the name of its main brand in the past. In addition, recent food safety laws regulate what can be put in the drinks and what must be on the labelling. This may help customers to make better/healthier choices and avoid certain components. However, it may increase the costs for the business and create extra work for managers. • Financial regulations- as a publicly quoted company, A.G. Barr must abide by legislation in terms of what information it publishes. The Statement of Financial Position in Extract C is just one example of this. This can provide important information for managers and shareholders about the financial state of the business, let suppliers identify creditworthiness but allow competitors to see how well another firm is performing • Competition law- this aims to ensure that customers are not exploited by high prices and suppliers and distributors are not forced to accept unfavourable terms. In this case, given that A.G. Barr is still a relatively small firm its power is limited, although with it now having such a wide range of products some distributors/ retailers may find they are asked to carry the full product line ('full line forcing') and it does have an exclusive deal to distribute the 'Snapple' range of soft drinks- does this keep the price up for customers? • The CMA is responsible for monitoring restrictive or unfair competition. Although it passed both the Funkin merger and the proposed merger with Britvic, would A.G. Barr change its behaviour to ensure that the mergers were approved? This may benefit consumers by ensuring they have more choice or lower prices but at the expense of shareholders seeing a smaller return on any possible gains expected from the merger. For example, it is quite common for mergers to only be approved if some of the merged

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	<p>NB – award maximum of two marks for non-contextualised answers.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>assets/brands are sold off to maintain a level of competition. We are told this was not the case here but that may have been purely because Britvic or A.G. Barr had divested themselves of some brands already.</p> <ul style="list-style-type: none"> • Consider the effect on A.G. Barr’s share price once the Britvic merger was announced, then referred and then approved (increase-decrease-increase). In addition, if the merger failed due to the referral then that is significant evidence that regulation activities have had an impact on the business. Further evidence may be seen in the rise in the share price once the non-referred merger with Funkin was announced. • Does the presence of market regulation force companies to stay smaller than they would prefer to ensure they do not attract the attention of any CMA accusations of market dominance? In this case, most stakeholders will lose out in one way or another. <p>Accept any reference to business legislation as this is part of market regulation, e.g. Health & Safety at Work or Data Protection.</p> <p>Do not reward answers which only consider the impact of a merger happening or not happening.</p> <p>Analysis and evaluation need to have some link back to a specific form of regulation.</p> <p>Exemplar ideas:</p> <p>Due to its small market share it is unlikely that AG Barr will pose a monopolistic threat as there are many large competitors. Therefore, AG Barr will not be greatly affected by market regulation. (Evaluation)</p> <p>The restriction of market power by competitors such as Coca-Cola may give AG Barr a better opportunity to increase its market share.</p>

	Answer	Marks	Guidance
			<p>(Evaluation)</p> <p>Increased legislation about food labelling may mean that AG Barr must change its packaging. This will increase production costs and may mean it cannot include as many marketing/image components on its labels. (Analysis)</p> <p>AG Barr was trying to merge with Britvic. AG Barr has seen sales improve by 5% in the 3 months. AG Barr only has a 2% market share. (Application)</p> <p>Areas of regulation include mergers, restrictive practices & regulating harmful monopolistic companies. (Knowledge and Understanding)</p>
12*	<p>To what extent do you agree that A.G. Barr is an ethical business? Justify your view.</p> <p>Level 4 (16–20) Candidate shows strong knowledge, understanding, analysis and evaluation of whether A.G. Barr is an ethical business. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (11–15) Candidate shows good knowledge and understanding, analysis and evaluation of whether of A.G. Barr is an ethical business. <i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>There are a number of factors to consider when considering A.G. Barr's ethical behaviour.</p> <ul style="list-style-type: none"> • Recruitment & retention of better staff- A.G. Barr have a wide range of perks/fringe benefits and a good pension which it offers its staff. These can help to recruit and reward staff in a highly competitive industry which is trying to attract staff with the right product innovation, marketing and customer service skills. • Attract more customers- a number of the ethical and sponsorship areas which A.G. Barr is involved are likely to attract a high profile. For example, The English Football League is the most watched sporting organisation in the UK with 10,000s of people watching weekly both at matches and on television. However, many associate poor behaviour, overpaid players and recent high profile racial and homophobic stories as being symptomatic of an industry which has a low ethical standing. Will A.G. Barr be tarnished as well? • To be seen to not harm the environment- the Keep Scotland Beautiful campaign and ISO140001 are useful tools to show the company's concern for the environment.

	Answer	Marks	Guidance
	<p>Level 2 (6–10) Candidate shows reasonable knowledge and understanding, analysis and evaluation of whether A.G. Barr is an ethical business. <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of ethical behaviour with limited or no analysis and evaluation of the likely impact on A.G. Barr. <i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised answers.</p> <p>0 marks no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> To encourage more investors- nowadays, investors want to be seen to be associated with companies with a positive public image. Voluntary membership of the ‘Public Health Responsibility Deal’ can be seen as a positive way of helping customers & employees health, especially for a business involved in an industry traditionally seen as not that healthy. Corporate Social Responsibility (CSR) - nowadays, this is seen as very important and a way of showing that a business is interested in more than just profit. All of the items in Extract F, including the perks for employees, can be seen as a company being willing to accept higher costs if it can get a return on its reputation. This can also be seen in the higher share price over the last two years. <p>Ensure that any reference to the impact on employees and customers is clearly linked to the ethical behaviour of the firm. Why is A.G. Barr’s behaviour ethical?</p> <p>Candidates may conclude that the evidence supports the view that A.G. Barr is an ethical business. However, shareholders may see the short-run costs of being ethical and the effect it may have on the bottom line for a business. However, especially in a highly competitive market dominated by a couple of large firms (Coca-Cola and PepsiCo) where their marketing/ sponsorship budget is both much larger and global, a more cynical viewpoint may be that A.G. Barr does all of this for the necessary publicity and because their larger competitors do the same. In other words, the disadvantages of NOT being ethical when others in your industry are.</p> <p>Candidates may say that the benefits found when looking at the increase in sales (Extract B), rising share price (Fig.1) and growing business value (Extract D) shows that ethics and success go hand in hand.</p>

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			<p>Exemplar ideas:</p> <p>AG Barr say they are involved in reducing litter but if they changed the way they package their products, not using non-biodegradable cans, they would be less likely to be accused of double standards. (Evaluation)</p> <p>It will cost AG Barr to reduce the calorie content of its products. As it uses flow production any time that production is interrupted the business may suffer economically. (Analysis)</p> <p>AG Barr appears to provide good benefits for its workers (shares, pension, holiday) has an environmental ISO and voluntarily supports 'Keep Scotland Beautiful'. (Application)</p> <p>Caring for the environment, workers' rights and not exploiting customers are all ethical issues. (Knowledge and Understanding)</p>

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