

GCSE

Applied Business

Unit **A241**: Business in Action

General Certificate of Secondary Education

Mark Scheme for June 2017

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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.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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These are the annotations, (including abbreviations), including those used in RM Assessor, which are used when marking

Annotation	Meaning of annotation
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.
	Unclear
	Benefit of doubt
	Context
	Level 1
	Level 2
	Level 3
	Not answered question
	Repeat
	Noted but no credit given
	Too vague
	Tick
	Development of point
	Own figure rule
	Cross

Subject-specific Marking Instructions**Application marks (AO2)**

Application marks are available for **application of knowledge**. The application marks would be gained by explaining how a business may react, the implications of their theoretical suggestion or reasons why it is a good/bad idea. Context is not needed.

Application marks are also awarded if the candidate **applies their knowledge in the context** of the case study business or their chosen business. It will be clear in the question which business they should refer to. On occasion candidates may be asked to apply their answer to a

business 'such as' (usually then naming the case study business) this allows candidates to apply their knowledge in the context of a similar

business. The business could be similar in terms of the ownership, size of the business, sector in which it operates or the service it provides/

products it produces. The mark scheme will clearly show whether the application marks are for application in context or application of knowledge.

10 mark questions

Level 1 marks are awarded for showing knowledge.

Level 2 marks are awarded for application and are now split into 3-4 marks and 5-6 marks.

3-4 marks - Application marks are available for **application of knowledge**. The application marks would be gained by explaining how a business may react, the implications of their theoretical suggestion or reasons why it is a good/bad idea. Context is not needed.

5-6 marks are awarded if the candidate **applies their knowledge in the context** of the case study business or their chosen business. Specific guidance will be given within the mark scheme as to what is needed to access 5 marks.

It must be clear that the candidate is applying their answer to the case study business or a business they have studied to move above L2
4

marks. An applied answer can go straight to L2 as it is not expected that the candidate includes theory in their answer.

Start by checking the candidate's answer for context. Once you have found context in the answer then it can gain at least 5 marks.

Context

only has to be hit once to reach this level (level 2 descriptor also has to be met to reach level 2).

Level 3 marks are awarded for analysis and evaluation. The candidate has to have previously correctly applied their knowledge in the context

of the case study in order to achieve level 3.

7 – 9 marks are awarded for analysis based on previous application with context.

10 marks are awarded for evaluation based on previous analysis.

Quality of Written Communication (QWC)

10 mark questions have QWC embedded in the levels. Below are the full descriptors for requirements to meet the level with regard to QWC.

Level 3 - Candidate shows ability to present relevant material in a well planned and logical sequence. Material is clearly structured using appropriate industry terminology confidently and accurately. Sentences, consistently relevant, are well structured in a way which directly answers the question. There will be few, if any, errors of grammar, punctuation and spelling.

Level 2 - Candidate shows ability to present relevant material in a planned and logical sequence. Appropriate industry terminology is used.

Sentences, for the most part, are presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

Level 1 - Candidate shows ability to communicate at least one point using some appropriate industry terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of the question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

MARK SCHEME

Question			Answer/Indicative content	Mark	Guidance
1	a		Indicative content: <ul style="list-style-type: none"> • two • owners • unlimited. 	3	One mark for each identification in the correct order, up to a maximum of three identifications. These are the only correct answers, do not award alternatives.
Question			Answer/Indicative content	Mark	Guidance
1	b	i	Possible responses may include: <ul style="list-style-type: none"> • fewer legal formalities • minimal start-up requirements • less documentation/red tape • only need to register business name • do not need to submit financial figures to Companies House • financial details kept private/no published accounts • greater access to funds because banks willing to lend because of unlimited liability • faster to set up/time saving • simple to set up/does not require much expertise • does not require a solicitor to set up. Exemplar response: The business could be set up relatively quickly (1) because there are few legal formalities (1).	2	One mark for a correct identification, plus a further one mark for an explanation. NB this question solely hinges on the change of legal status. It does not relate to a change in the number of business owners. Must be an advantage of being a partnership in comparison with being a limited company (Ltd or plc). Do not award advantages of being a partnership in comparison with a sole trader (or any other form of business model). E.g. Do not award 'shared workload', 'more capital', 'better decision making' or 'greater control'. Do not award 'don't need to pay dividends', 'have a greater income' or 'don't need to share profits' as the terminology may be different in a partnership to a limited company, but the principle is the same. Do not award 'have a deed to follow' as companies have articles/memorandum of association, the principle is the same. Do not award vague responses such as 'easier to set up' or 'cheaper' unless qualified e.g. why easier or why

Question			Answer/Indicative content	Mark	Guidance
					<p>cheaper. Please annotate 'TV'.</p> <p>Do not award additional marks for reverse arguments e.g. a partnership has little paperwork (1) whereas a limited company has lots of paperwork (0).</p> <p>Comparison with private company can be implied.</p> <p>Accept advantages to the partners as well as the business because there is no separate legal identity.</p>
Question			Answer/Indicative content	Mark	Guidance
1	b	ii	<p>Possible responses may include:</p> <ul style="list-style-type: none"> • unlimited liability/no limited liability • no incorporation/no separate legal identity • partners can be sued • tax disadvantages - income tax rate higher than corporation tax • no business continuity if partner dies • shares cannot be issued • banks may be unwilling to lend to unincorporated businesses (seen as less established) • limited to 20 partners/owners. <p>Exemplar response:</p> <p>The partners do not have limited liability (1) so their personal possessions are at risk (1).</p>	2	<p>One mark for a correct identification, plus a further one mark for an explanation.</p> <p>NB this question solely hinges on the change of legal status. It does not relate to a change in the number of business owners.</p> <p>Must be a disadvantage of being a partnership in comparison with being a limited company (Ltd or plc). Do not award disadvantages of being a partnership in comparison with a sole trader (or any other form of business model). E.g. Do not award 'share profit' or 'more conflict'.</p> <p>Do not award 'cannot issues shares' as although the terminology is different in a partnership to a limited company the principle is the same – additional partners can be taken on in the same way that additional shareholders could be taken on.</p> <p>Do not award 'get less profit', 'smaller return on investment', 'smaller workload', 'hard to make decisions' or 'less control'.</p>

Question			Answer/Indicative content	Mark	Guidance
					<p>Do not award additional marks for reverse arguments e.g. 'a partnership has unlimited liability (1) whereas a limited company has limited liability (0).</p> <p>Comparison with limited company can be implied.</p> <p>Accept disadvantages to the partners as well as the business as there is no separate legal identity.</p>
Question			Answer/Indicative content	Mark	Guidance
1	c		<ul style="list-style-type: none"> • Aim must be appropriate to the business and general in nature • Objective must be specific, quantifiable and have a timeframe • Mission statement must be appropriate for the business. <p>Exemplar response:</p> <p>Name of business: Rory's Repairs Activity of business: Car maintenance Aim: to make a profit (1). Objective: to employ a second mechanic (1). Mission statement: to provide fast, efficient service at a reasonable price (1).</p>	3	<p>One mark for a correct identification of an aim. One mark for a correct identification of an objective. One mark for an appropriate mission statement.</p> <p>If no business is named, max 1 if all three items (aim, objective and mission statement) are acceptable.</p> <p>The aim, objective and mission statement do not need to be linked.</p>

Question			Answer/Indicative content	Mark	Guidance
2	a		<p>Possible responses may include:</p> <ul style="list-style-type: none"> • develop discrete job roles • division of labour/specialisation • develops employee skills • improves quality 	1	<p>One mark for a correct identification.</p> <p>No context required.</p> <p>Do not award vague answers e.g. 'faster' or 'run</p>

Question			Answer/Indicative content	Mark	Guidance
			<ul style="list-style-type: none"> improves efficiency more organised avoids duplication/repetition of tasks avoid tasks being omitted/overlooked clear chains of command known responsibilities delegation routes are clear avoids confusion. 		smoothly' – please annotate 'TV'.
Question			Answer/Indicative content	Mark	Guidance
2	b		Indicative content: <ul style="list-style-type: none"> marketing. 	1	For one mark. Accept 'marketing and sales' and 'marketing/sales'. Do not accept 'sales' (unless accompanied by 'marketing').
Question			Answer/Indicative content	Mark	Guidance
2	c		Indicative content: <ul style="list-style-type: none"> identify training needs recruit staff issue contracts of employment. 	3	One mark for each correct identification, up to a maximum of three identifications.
Question			Answer/Indicative content	Mark	Guidance
2	d		Possible responses may include: <ul style="list-style-type: none"> computers/PCs desktop laptop tablet screen/monitor/vdu/touchscreen keyboard mouse/touchpad/tracker printer mobile phone/smart phone networks Internet/website intranet email 	3	One mark for each correct identification, up to a maximum of three identifications. Do not award CAD/CAM or other types of IT which would not be used by the Administration Department. E.g. Do not award 'bar code scanner', 'till', 'security cameras' Question asks for 'types' not 'uses'. Do not award 'emailing' for 'email'. Do not accept 'e-commerce', 'mail merge', 'spell check', 'auto sum' etc as these are uses of ICT, not types of ICT. Do not award brand names (as these are not 'types').

Question			Answer/Indicative content	Mark	Guidance
			<ul style="list-style-type: none"> • spreadsheets • word-processor • databases • graphics/design/DTP package • hardware • software • firmware. 		<p>Accept 'word processing' for 'word processor' as this is the terminology used in the Specification – please annotate 'BOD'.</p> <p>'Telephone' and 'Phone' too vague – annotate 'TV'.</p>
Question			Answer/Indicative content	Mark	Guidance
2	e		<p>Possible responses may include:</p> <ul style="list-style-type: none"> • production/manufacturing • make the chocolates • package the chocolates • prepare for despatch • stock control • stock requisition • add ingredients • work to recipes • meet food hygiene requirements • manage the quantity of chocolates made • quality control of chocolates made. <p>Exemplar response:</p> <p>The main role of the operations functional area at Highgrove Chocolates is to make the chocolates (CONT) (2).</p> <p>The main role of the operations functional area at Highgrove Chocolates is to manufacture the products to the required quality standards (1).</p>	2	<p>Up to two marks.</p> <p>Award 2 marks for a contextual response ('CONT' annotation required and a double tick).</p> <p>Award 1 mark for a non-contextual response.</p> <p>Do not award 'order ingredients' or 'buy the stock' as these are administrative functions.</p> <p>Read for context first. Look for contextual words such as cocoa, chocolates, sugar, milk, luxury product, confectionery, ingredients, Mexico etc. Do not award 'factory' or 'Highgrove Chocolates' as context.</p>

Question			Answer/Indicative content	Mark	Guidance
2	f		Possible responses may include: <ul style="list-style-type: none"> overspending/going over budget loss of money reduced profit cash-flow problems poor debt management need an overdraft incorrect banking details suppliers/bills not paid taxes not paid employee wages not paid business gets into debt ordering problems inaccurate accounts difficulties with bank poor reputation failure to meet legal obligations set incorrect budget for other functional areas. 	2	One mark for each correct identification, up to a maximum of two identifications. No context required. Annotate 'give incorrect information' as too vague; accept 'give incorrect financial information'.
Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
2	g	*	10	<p>Read for context first. The context for this question is the candidate's chosen business.</p> <p>Read for context first. Look for more than name dropping.</p> <p>Look for references to the candidates chosen business, for example the business' product, service, location, named competitors or type of business e.g. store, shop, factory, farm, check-out, tills, specific methods e.g. bonus of £500 etc.</p>	<p>QWC (Quality of Written Communication) is assessed in this question. See guidance on Page 6 of this mark scheme.</p> <p>Required annotation: L1, L2, CONT, L3. Use ✓+ for justified decision.</p> <p>Level 3 (7–10 marks) Candidate makes reasoned judgements and presents appropriate conclusions about how a good working relationship</p>

Question	Answer/Indicative content	Mark	Guidance
	<ul style="list-style-type: none"> • bonuses • awards • fringe benefits/perks • motivational packages <ul style="list-style-type: none"> • how the ways used create a good working relationship (L2) • benefits or drawbacks of ways (L3) • which method is the best (✓+). <p>Exemplar response:</p> <p>Name of business: Tim's Vegetables Activity of business: Greengrocers Tim holds a staff briefing meeting every morning (L1). This helps staff feel part of the business (L2). It is a low cost method which improves communication in the business (L3).</p> <p>Another way that Tim attempts to promote good working relations is by giving the staff an annual bonus (L1). This makes the staff feel valued for the contribution they have made to the business (L2). It works well but it is a very expensive method (L3).</p> <p>A third way Tim tries to develop good working relations is by giving staff his mobile number to ring if they have a problem (L1). This way the staff feel safe and cared for whilst working in the fruit and vegetable shop (CONT) (L2). It also appears</p>	<p>Annotate as 'CONT'.</p> <p>Do not award the name of the business or general methods as context.</p> <p>Contextual wording must be found in the candidate's response to move above 4 marks i.e. not just using the business' name with otherwise theoretical evidence nor writing in a way which sounds specific or factual.</p> <p>Level 3 – With context 10 marks – makes a justified decision about which was the best way for the business to develop good working relations, having analysed three ways. 9 marks – three ways analysed. 8 marks – two ways analysed. 7 marks – one way analysed.</p> <p>Level 2 (with context) 6 marks – two ways explained with context. 5 marks – one way explained with context.</p> <p>Level 2 (no context) 4 marks – two ways explained with no use of context. 3 marks – one way explained with no use of context.</p>	<p>has been developed in their chosen business.</p> <p>Level 2 (5–6 marks) Candidate applies knowledge about ways to develop a good working relationship in their chosen business.</p> <p>Level 2 (3–4 marks) Candidate applies knowledge about ways to develop a good working relationship in a business (no context required).</p> <p>Level 1 (1–2 marks) Candidate identifies ways in which effective working relationships can be created in a business (no context required).</p> <p>Award as follows:</p> <p>L1 for an identification of a method.</p> <p>L2 for an explanation of how/why method improves a good working relationship. (Max one L2 per method – mark best one). Each L2 must be different i.e. do not award repetition.</p> <p>If context found within the</p>

Question	Answer/Indicative content	Mark	Guidance
	<p>to improve staff absenteeism rates (L3).</p> <p>The best way to improve working relations at the shop is definitely the morning briefings as these keep all staff in the loop without having a negative effect on Tim's Greengrocers' cash flow (✓+).</p>	<p>Level 1 2 marks – identifies two ways of creating a good working relationship. 1 mark – identifies one way of creating a good working relationship.</p> <p>0 marks – response does not answer the question.</p> <p>NB: An answer with context can go straight to 5 marks (Level 2) as candidates are not required to include theory in their answer.</p>	<p>answer annotate as CONT and award:</p> <p>L3 for benefits/drawbacks to the business of the identified method (Max one L3 per method – mark best one). Each L3 must be different i.e. do not award repetition.</p> <p>NB L2 required for L3. No L2 for method then no L3.</p> <p>If 3 methods analysed award:</p> <p>L4 for a justified selection of a method (annotate ✓+).</p> <p>Please see exemplar response.</p> <p>NB do not award the benefit 'improves working relations' as that is the question.</p> <p>NB Accept hypothetical answers or answers in the future tense.</p>

Question			Answer/Indicative content	Mark	Guidance
3	a		Indicative content: <ul style="list-style-type: none"> • being left behind by competitors • missing out on opportunities. 	2	Two marks for each correct identification, to a maximum of two identifications.
Question			Answer/Indicative content	Mark	Guidance
3	b	i	Possible responses include: <ul style="list-style-type: none"> • locals/local community (1) e.g. no litter, peace and quiet, no congestion, jobs. • employees (1) e.g. good wage, pay rise, good working conditions, job security, training, promotion. • managers (1) e.g. good wage, job security, meet targets, committed workforce. • customers (1) e.g. good deals, low prices, wide product range, convenient opening hours. • owners/partners/employers (1) e.g. sales, profit, cash-flow, business doing well, expansion. • shareholders (1) e.g. profit, dividends. • suppliers (1) e.g. regular orders, payment on time, decent prices. • financiers/Banks (1) e.g. repayment of loan, interest charged. • pressure groups/environmentalists (1) e.g. animal welfare, no pollution, land management. • competitors (1) e.g. business plans, special offers. • local government (1) e.g. obey planning regulations, hygiene requirements, pollution limits. • central government (1) e.g. profit, taxes. 	8	One mark for each correct identification up to a maximum of four identifications, plus a further one mark for each of four interests. Award any relevant stakeholder group e.g. 'teachers' if the business is a school. Stakeholder group must be identified for marks to be awarded. Name of business and activity of business for examiner guidance only. Full marks can be awarded even if the business name/activity is not stated. 'Government' and 'community' too vague – please annotate 'TV'. Do not award 'general public' or 'public'. Accept 'local public' as 'local community'.. Do not award specific business names e.g do not award 'Tesco' as the question asks for stakeholder 'groups'.

Question			Answer/Indicative content	Mark	Guidance
3	b	ii	Possible responses may include: <ul style="list-style-type: none"> • bad publicity • poor reputation • loss of market share • protests/boycotts • loss of customers/sales • industrial action/strikes • increased labour turnover • poor working relationships • de-motivated employees • recruitment problems • objections to planning permission • loss of supplier • limited finance • cash flow problems • lack of investors • fall in profit/make a loss • fall in share price (if plc) • go out of business/close down. 	2	One mark for each correct identification, up to a maximum of two identifications. Consequences must be to the business (or its internal stakeholders e.g. employees), not to external stakeholders such as competitors, customers or suppliers. Do not award vague responses e.g. do not award 'won't make progress' or 'financial trouble' or 'may have trouble'. Award any relevant consequences.
Question			Answer/Indicative content	Mark	Guidance
3	c		Possible responses may include: <ul style="list-style-type: none"> • install solar panels on factory roof • improve energy efficiency • turn off lights/equipment • reduce heating to a minimum • minimise the need to travel • use email where possible • minimise unnecessary printing • buy recycled paper and envelopes • use recycled packaging materials • reduce waste • recycle waste • reuse resources • reduce carbon emissions • become carbon neutral 	4	One mark for a correct identification to a maximum of two identifications, plus a further one mark for each of two developments. Question asks for ways to achieve 'sustainability'. Do not award other types of ethical behaviour. The answer must relate to being environmentally friendly. Do not award repetition. NB: description required for second mark i.e. how not why. Award for more detail or how this leads to sustainability.

Question	Answer/Indicative content	Mark	Guidance
	<ul style="list-style-type: none"> • use renewable energy • use environmentally friendly transport e.g. bio-fuels • reduce air/food miles • buy local ingredients • tree planting scheme • source products from an environmentally friendly supplier. <p>Exemplar response:</p> <p>Highgrove Chocolates could reduce its energy consumption (1) by investing in energy efficient machinery (1).</p>		<p>Take care: the descriptive point may be made before the identification point. Either way round is awardable.</p>

Question		Answer/Indicative content	Mark	Guidance
3	d	<p>Possible responses may include:</p> <ul style="list-style-type: none"> • only deal with ethical suppliers • no child labour in supply chain • not employ child labour • no animal cruelty in supply chain • not test products on animals • buy fair trade products where possible • pay fair prices to suppliers • treat suppliers well • buy raw materials from local businesses e.g. milk • use organic ingredients e.g. milk, sugar, cocoa • use free range eggs • sell the chocolates at reasonable prices • treat customers fairly • donate percentage of profit/revenue to charity • donate chocolates/overruns/mis-shapes to charity • raise money for charity • supporting local community projects • not exploiting the workforce • not ask staff to work in unfair conditions • provide good terms of employment • treat workers fairly • give employees fixed hour contracts • do not use zero hours contracts • pay employees a fair wage • pay employees more than the legal minimum wage • pay employees a living wage. <p>Exemplar response:</p> <p>Theo and Anya should pay their employees the living wage (1) so that the workforce can enjoy a decent standard of living (1).</p>	4	<p>One mark for a correct identification to a maximum of two identifications, plus a further one mark for each of two developments.</p> <p>Do not award answers relating to being environmentally friendly or sustainable.</p> <p>Do not award legal requirements e.g. do not award ‘treat employees equally’ or ‘pay the minimum wage’.</p> <p>Accept ‘produce goods which are fit for purpose’.</p> <p>Do not award repetition.</p> <p>NB: Description required for second mark i.e. how not why. Award for more detail or how this leads to being ethical.</p> <p>Take care: the descriptive point may be made before the identification point. Either way round is awardable.</p>

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
3	e *	<p>Possible responses may include:</p> <ul style="list-style-type: none"> • likely consequences of not being seen to behave ethically e.g. <ul style="list-style-type: none"> • bad publicity • poor reputation • loss of existing customers • customers go to ethical competitors • falling sales/revenue • protests/boycotts • unlikely to attract new customers • loss of market share • unhappy customers • poorer working relationships • industrial action • de-motivated employees • recruitment problems • suppliers unwilling to supply • cash flow issues • unable to pay back bank loan • reduce profit/make a loss • unable to grow/expand • business failure. <p>Exemplar response:</p> <p>If Highgrove Chocolates is not seen to be operating in an ethical manner</p>	10	<p>Read for context first. The context for this question is Highgrove Chocolates.</p> <p>Look for contextual words such as cocoa, chocolates, sugar, milk, luxury product, confectionery, ingredients, Mexico, pesos, partnership, hand-made, cocoa, sugar, milk, restaurants, gift shops, grow year on year, competitors increasing, 6 years, 50 employees, good working relationship, their bank loan. Do not award 'Highgrove Chocolates', 'Theo' or 'Anya' as context.</p> <p>Annotate as 'CONT'.</p> <p>Do not award vague references as context. Do not award 'profitable', 'good name', 'factory' etc.</p> <p>Do not award references to other items in the texts as context e.g. ethical customers increasing. Only award specifics business references.</p> <p>Level 3 10 marks – reaches a reasoned</p>	<p>QWC (Quality of Written Communication) is assessed in this question. See guidance on Page 6 of this mark scheme.</p> <p>Required annotation: L1, L2, CONT, L3. Use ✓+ for justified decision.</p> <p>Level 3 (7-10 marks) Candidate makes reasoned judgements and presents appropriate conclusions about the most serious consequence to Highgrove Chocolates of not being seen to operate in an ethical manner.</p> <p>Level 2 (5-6 marks) Candidate applies knowledge of likely consequences to the Highgrove Chocolates of not being seen to behave in an ethical manner.</p> <p>Level 2 (3-4 marks) Candidate applies knowledge of likely consequences to a business of not being seen to behave in an ethical manner (no context required).</p>

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
	<p>it could lead to de-motivated employees (L1) because they feel they are being treated unfairly (L2). This may lead to production staff taking less care with the hand-made chocolates (CONT) which they make, leading to higher wastage levels (L3).</p> <p>Customers may also choose to buy their chocolate from a supplier with an ethical reputation (L1). This would mean Highgrove Chocolates losing customers to the competition (L2), resulting in lower revenue (L3).</p> <p>The business may also develop a poor reputation (L1) which could lead to negative publicity (L2) resulting in a significant reduction in profit (L3).</p> <p>The worst consequence to Highgrove Chocolates is likely to be the effect on its reputation and the impact on profit levels. This is especially true given that the business currently only makes a small profit and cannot afford for its financial situation to worsen (✓+).</p>		<p>evaluative conclusion as to the biggest/most serious consequence having analysed at least three consequences. 9 marks – three consequences 8 marks – two consequences analysed. 7 marks – one consequence analysed.</p> <p>Level 2 (with context) 6 marks – two consequences developed with context. 5 marks – one consequence developed with context.</p> <p>Level 2 (no context) 4 marks –two consequences developed with no use of context. 3 marks –one consequence developed with no use of context.</p> <p>Level 1 2 marks – identifies two consequences of not being seen to operate in an ethical manner. 1 mark – identifies one consequence of not being seen to operate in an ethical manner.</p> <p>0 marks - response does not answer the question.</p> <p>NB: An answer with context can</p>	<p>Level 1 (1-2 marks) Candidate identifies possible consequences to a business of not being seen to behave in an ethical manner (no context required). Award as follows:</p> <p>L1 for an identification of a consequence.</p> <p>L2 for an explanation of cause of the previous L1 consequence (candidates can enter directly at L2) <u>OR</u> a further implication of the previous L1 consequence.</p> <p>If context found within the answer annotate as CONT and award:</p> <p>L3 for a business-facing consequence of a previous L2 point. (Max one L3 per L1 point). Each L3 must be different i.e. do not award repetition.</p> <p>If 3 consequences analysed award:</p> <p>L4 for a justified selection of a consequence (annotate ✓+).</p>

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
				go straight to 5 marks (Level 2) as candidates are not required to include theory in their answer.	Please see exemplar response.

Question		Answer/Indicative content	Mark	Guidance												
4	a	<table border="0"> <thead> <tr> <th>Economic factor</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>Interest rates</td> <td>An increase in the general price level</td> </tr> <tr> <td>Inflation</td> <td>The number of people unable to find work</td> </tr> <tr> <td>Unemployment level</td> <td>Goods bought from foreign countries</td> </tr> <tr> <td></td> <td>The cost of borrowing money</td> </tr> <tr> <td></td> <td>A change in customer demand</td> </tr> </tbody> </table>	Economic factor	Description	Interest rates	An increase in the general price level	Inflation	The number of people unable to find work	Unemployment level	Goods bought from foreign countries		The cost of borrowing money		A change in customer demand	3	One mark for each correct identification, up to a maximum of three identifications.
Economic factor	Description															
Interest rates	An increase in the general price level															
Inflation	The number of people unable to find work															
Unemployment level	Goods bought from foreign countries															
	The cost of borrowing money															
	A change in customer demand															

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
4	b *	<p>Possible responses may include:</p> <ul style="list-style-type: none"> Impacts, consequences and reactions to each of the bulleted changes in economic factor e.g. <ul style="list-style-type: none"> a fall in interest rates e.g. loan repayment cheaper, improved cash flow, lower breakeven point, borrow more money, expand; increased consumer spending (mortgages cheaper, higher disposable income, less incentive to save), more money to spend on luxuries, more sales, reduce marketing spend, more profit. reduced unemployment levels e.g. increased consumer spending (more people in work, higher disposable income), increase prices, reduce marketing spend, more sales, more profit, improved cash flow; pressure to increase wage rate, more difficult to recruit staff, lower inflation e.g. cost of ingredients increase more slowly/do not rise, 	10	<p>Read for context first. The context for this question is Highgrove Chocolates.</p> <p>Look for contextual words such as cocoa, chocolates, sugar, milk, luxury product, confectionery, ingredients, Mexico, pesos, partnership, hand-made, cocoa, sugar, milk, restaurants, gift shops, grow year on year, competitors increasing, 6 years, 50 employees, good working relationship, their bank loan. Do not award 'Highgrove Chocolates', 'Theo' or 'Anya' as context.</p> <p>Annotate as 'CONT'.</p> <p>Do not award vague references as context. Do not award 'profitable', 'good name', 'factory' etc.</p> <p>Do not award references to other items in the texts as context e.g. ethical customers increasing. Only award specifics business references.</p> <p>There is no definitive answer – each of these changes in economic factors could be argued</p>	<p>QWC (Quality of Written Communication) is assessed in this question. See guidance on Page 6 of this mark scheme.</p> <p>Required annotation: L1, L2, CONT, L3. Use ✓+ for justified decision.</p> <p>Level 3 (7-10 marks) Candidate makes a reasoned judgement and/or analysis of the impact on Highgrove Chocolates of the bulleted changes in economic factors.</p> <p>Level 2 (5-6 marks) Candidate applies knowledge about the impact on Highgrove Chocolates of the bulleted changes in economic factors.</p> <p>Level 2 (3-4 marks) Candidate applies knowledge about the impact on a business of changes in economic factors (no context required).</p> <p>Level 1 (1-2 marks) Candidate identifies impacts on a</p>

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
	<p>production costs rise less rapidly, prices of goods consumers buy rise less rapidly, may encourage additional purchases; price charged for chocolates increases slightly or stays the same; wages, encouraging sales; wages more likely to keep pace with lower inflation levels, increasing sales, potentially reducing the price effect on the luxury branding.</p> <p>Exemplar response:</p> <p>A fall in interest rates may mean that Highgrove Chocolates' bank loan (CONT) repayments become cheaper (L1). This would reduce its outgoings (L2) improving its cash flow position (L3).</p> <p>Reduced unemployment levels would mean that more people have a job (L1). This would mean that people are more likely to spend money on luxury goods such as chocolates because they are better off (L2), increasing the businesses' sale revenue (L3).</p> <p>Lower inflation would mean that</p>		<p>to have the greatest impact on Highgrove Chocolates.</p> <p>Level 3 10 marks – makes a justified decision as to which change in economic factor would have the greatest impact, following analysis of all 3 factors. 9 marks – impact of all three bulleted economic changes analysed. 8 marks – impact of two bulleted economic changes analysed. 7 marks – impact of one bulleted economic change analysed.</p> <p>Level 2 (with context) 6 marks – impact on Highgrove Chocolates of two bulleted economic changes developed with context 5 marks – impact on Highgrove Chocolates of one bulleted economic change developed with context</p> <p>Level 2 (no context) 4 marks – impact on a business of two bulleted economic changes developed with no use of context. 3 marks – impact on a business of one bulleted economic change</p>	<p>business of changes in economic factors (no context required).</p> <p>Award as follows:</p> <p>L1 for an identification of an impact of a bulleted change. (Max one L1 per bullet point – mark best one)</p> <p>L2 for an explanation of cause of the previous L1 impact (candidates can enter directly at L2) OR a further consequence of the previous L1 impact. (Max one L2 per bullet point – mark best one)</p> <p>If context found within the answer annotate as CONT and award:</p> <p>L3 for a business-facing consequence of a previous L2 point. (Max one L3 per bullet point – mark best one). Each L3 must be different i.e. do not award repetition.</p> <p>If 3 impacts analysed award:</p> <p>L4 for a justified selection of a bulleted economic change (annotate ✓+).</p>

Question			Answer/Indicative Content	Marks	Guidance	
					Content	Levels of response
			<p>prices rose more slowly than before (L1). This may encourage more customers to buy their chocolates (L2), leading to greater profits for Highgrove Chocolates (L3).</p> <p>The fall in interest rates is likely to have the greatest impact on the business because it still has nine years of repayments to make on its business start-up loan and this will significantly reduce the business' costs (✓+).</p>		<p>developed with no use of context.</p> <p>Level 1 2 marks – identification of impact on a business of two bulleted economic changes with no context. 1 mark – identification of impact on a business of one bulleted economic change with no context.</p> <p>0 marks - response does not answer the question.</p> <p>NB: An answer with context can go straight to 5 marks (Level 2) as candidates are not required to include theory in their answer.</p>	<p>Please see exemplar response.</p> <p>NB Lower inflation means prices are rising, but less quickly. The spending power of money is falling, but less quickly. Do not award arguments which say prices are falling or spending power increasing.</p>
Question			Answer/Indicative content	Mark	Guidance	
4	c	i	<p>Possible responses may include:</p> <ul style="list-style-type: none"> the value of one currency in terms of another the price of a foreign currency the relative values of different currencies the amount of one currency you get for another the conversion rate used to change the money of one country to the money of another country. 	1	<p>One mark for a correct identification.</p> <p>No context required.</p> <p>Needs to be about foreign currency/foreign money rather than about money in general. Accept 'cost of money in a foreign currency', 'cost of own money in a foreign country' but do not accept 'cost of money in a foreign country' or 'how much money is worth in a country'.</p> <p>Do not award answers which relate solely to currency exchange i.e. swapping currency with no reference to the rate of exchange. E.g. Do not award 'exchanging one</p>	

Question			Answer/Indicative Content	Marks	Guidance	
					Content	Levels of response
					currency for another'.	
Question			Answer/Indicative content	Mark	Guidance	
4	c	ii	<p>Use level of response criteria.</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • change cocoa/sugar supplier • buy raw materials from a different country • obtain cheaper supplies/lower cost • ask existing supplier for better deal • buy in greater quantities to obtain discounts • costs/raw materials/variable costs increase • buy the minimum required until the exchange rate improves • monitor exchange rates more closely • trade on commodity/futures markets • save money elsewhere • reduce wages • reduce the size of the workforce • increase prices • do more marketing • accept lower profits. <p>Exemplar responses:</p> <p>Highgrove Chocolates should look for another supplier (Action), preferably one from a different country because the value of the pound has fallen against the Mexican peso increasing the cost of buying the ingredients (CONT) it needs from Mexico (L2).</p> <p>Highgrove Chocolates should increase the prices of its products (Action) to cover the additional cost of importing the raw materials (L1).</p>	4	<p>Level 2 (3-4 marks) Candidate gives an explanation of the action Highgrove Chocolates should take with context.</p> <p>Level 1 (1-2 marks) Candidate identifies an action Highgrove Chocolates should take with no context.</p> <p>Required annotation: ✓, L1, L2, CONT.</p> <p>Award 1 mark for response stating an appropriate action but no explanation (with or without context) annotate with a tick. Award 2 marks for an appropriate action and a reason (with no context). Annotate with a tick and L1. Award 3 marks for an appropriate action and a basic contextual explanation. Award 4 marks for an appropriate action and a detailed contextual explanation.</p> <p>NB Question is about how Highgrove Chocolates should react. Action/reaction required to award marks. Please annotate action with a ✓.</p> <p>Read for context first. Look for contextual words such as cocoa, chocolate, sugar, luxury product, confectionery, ingredients etc. Do not award 'Mexico' as context as it is stated in the question. Do not award 'factory' or 'Highgrove Chocolates' as context.</p>	

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