

GCE

Business Studies

Unit **F296**: Business Production

Advanced GCE

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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Annotations

Annotation	Meaning
	Correct
	Incorrect
	Not sure what the candidate is trying to say or it does not make sense.
BOD	Benefit of doubt given
L1 L2 L3 L4	Levels of response awarded at this point
OFR	Own figure rule
TV	Too vague
NAQ	Not answered the question
NUT	Not used the context (generic)
REP	Repetition. The candidate has merely restated what has already been said and so no further credit given.
SEEN	The page has been seen. This can be used on pages where no other annotation is appropriate.

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Subject-specific Marking Instructions

Crossed out responses

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

Contradictory responses

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

Short answer questions (usually worth only **one mark per response**)

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

INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

Before the Standardisation Meeting, you should read and mark a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of Bands for the paper which you are marking. Please mark these answers according to the marking criteria.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

Question		Answer	Marks	Guidance	
				Content	Levels of response
1		<p>Analyse two ways in which food safety legislation might affect production decisions at GG.</p> <p>Food safety legislation will affect many areas of production including safety and hygiene, labelling and packaging, allergies, nutrition and GM foods. This will most certainly apply to the production of ice cream. The ice cream must, for example, be correctly labelled in terms of weight, ingredients and nutritional information if being sold to a customer 'packaged' or have that information available when being 'scooped'. This will have knock-on impacts in terms of the way in which GG produces. It might have to spend time sampling the ice cream and this will take 'man hours' at a direct cost to the business. It will also, presumably, spoil some of the products. Other costs include:</p> <ul style="list-style-type: none"> • Absolutely accurate measurement of the ingredients inputted so that post-production customer information is accurate (e.g. calorific value) • slowing down of production or stopping if faults are found and the associated costs in terms of lost output • more attention to designing any packaging and being scrupulously accurate with the information on them (this IS part of production) • with nut related issues GG may decide to simply not produce ice cream with a nut content or be very clear in its marketing/labelling • far more attention to hygiene, i.e. more cleaning which is time consuming and results in lost production time 	6	<p>Must be two clear, separate issues.</p> <p>The emphasis is on PRODUCTION DECISIONS – NOT MARKETING OR ANYTHING ELSE.</p> <p>Analysis must focus on HOW production decisions, with regards to ice cream, have been affected</p> <p>Comments that will help the examiner to interpret the mark scheme/LoR.</p> <p>2 issues analysed = 6 marks 1 issue analysed = 5 marks 2 issues understood = 4 marks 1 issue understood = 3 marks 2 issues stated = 2 marks 1 issue stated = 1 mark</p>	<p>Level 3: 6-5 marks Candidate demonstrates analytical skills when giving impacts of food safety legislation at GG.</p> <p>Level 2: 4-3 marks Candidate demonstrates understanding of impacts of food safety legislation at GG. No context required.</p> <p>Level 1: 2-1 marks Candidate demonstrates only theoretical knowledge of food safety legislation.</p>

Question	Answer	Marks	Guidance	
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2	<p>Calculate the percentage fall in labour productivity.</p> <p>2015 – 2016 $9,252/4 = 2,313$ (1)</p> <p>2016 – 2017 $11,904/6 = 1,984$ (1)</p> <p>$2,313-1,984 = 329/2,313 \times 100$ (1)</p> <p>= - 14.2% (1)</p>	4	Can ignore the negative sign	
3	<p>Evaluate possible ways in which Giovanni could increase productivity at GG.</p> <p>Essentially there are two broad areas that could be addressed at GG.</p> <ul style="list-style-type: none"> • Increasing output • Reducing ‘man hours’ <p>These are the only ways productivity will rise, i.e. more is produced per man hour or per FT equivalent person.</p> <p>Increasing output:</p> <ul style="list-style-type: none"> • A change in technology/production equipment to that which is more efficient/capacious (this has been done in part already with the new churning machine). • A change in system of production – flow of some sort? • More staff training • More staff encouragement to get involved in production/change in management style/organisation of workforce • Other motivational method – monetary or otherwise • Change in recipe for the ice cream 	13	<p>The key context in this question is there ARE many things GG COULD do, but would Giovanni ACTUALLY do them – given his control of the firm?</p> <p>L3 needs analysis of the advantages/disadvantages of METHODS of raising productivity.</p> <p>L4 would involve a conclusion as to whether they should bother in each case.</p> <p>There IS an argument along the lines of ‘productivity has NOT necessarily fallen because the table for question 2 only measures the FT staffing – a very blunt, round number. Actual hours</p>	<p>Level 4: 13-9 marks Candidate demonstrates evaluative skills when considering how productivity could be increased at GG.</p> <p>Level 3: 8-6 marks Candidate demonstrates analytical skills when considering how productivity could be increased at GG.</p> <p>Level 2: 5-3 marks Candidate demonstrates understanding of how to increase productivity. No context required.</p> <p>Level 1: 2-1 marks Candidate demonstrates only theoretical knowledge of productivity.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>Reducing man hours:</p> <ul style="list-style-type: none"> • Redundancy • Reduction in hours/overtime • More efficient use of time, therefore fewer hours needed • Re-organisation so that most efficient employees work on production, so fewer hours <p>All of these issues have some very obvious pros and cons, e.g. more staff training should mean increased output, but will cost money and would presumably have to be done by Giovanni – who wants total control (so unlikely).</p> <p>Given that it appears that Giovanni does not use any method of costing whatsoever, then ANYTHING done in this respect is probably an advantage!</p> <p style="text-align: right;">ARA</p>		<p>of labour input would be far more accurate and might show a different picture'. THIS IS WORTH CREDIT IN L3.</p> <p>Only one piece of evidence of a particular skill is necessary to score the top mark in any level.</p>	<p>Default marks</p> <p>L4 – 11 L3 – 7 L2 – 4 L1 – 2</p> <p>The mark at the bottom of the level should only be used for a BOD answer.</p>
4		<p>Analyse one advantage to GG of adopting this approach to costing.</p> <p>Absorption costing sets out to allocate overheads in a way that makes some logical and mathematical sense with regards to the various cost centres of a firm and their relative size, consumption of inputs and other factors. In the case of GG, Tom is allocating ALL costs (because none are allocated at all at present) – including labour and raw materials (ingredients). Quite how the firm chooses to do this depends on each unique case. At GG there is some mileage in splitting it into five separate ice creams plus the hot drinks. This would:</p> <ul style="list-style-type: none"> • Enable Giovanni to get a better understanding of which ice creams are actually profitable and to what extent. 	6	<p>Analyse ONE advantage – it is likely that one advantage will gradually merge into another – this is acceptable if there is a continuous train of thought/logic.</p> <p>To achieve Level 3 the answer must be contextual, i.e. CLEARLY relate to the gain for GG of actually doing some form of absorption costing.</p> <p>1 advantage with very clear 'ice cream' context analysed</p>	<p>Level 3: 6-5 marks Candidate demonstrates analytical skills when considering an advantage of absorption costing at GG.</p> <p>Level 2: 4-3 marks Candidate demonstrates understanding of an advantage of absorption costing. No context required.</p> <p>Level 1: 2-1 marks Candidate demonstrates only theoretical knowledge of</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<ul style="list-style-type: none"> Allow an appreciation of just how much GG was paying on overheads relative to direct costs and therefore make further costing decisions (such as cutting certain overheads). Enable Giovanni to decide whether to continue with certain product lines or what to avoid in future – for example, ice cream containing nuts may need so much cleaning and preparation that it is actually loss making when allocated a realistic proportion of overheads. Ditto some of the flavoured ice creams that take much longer in stage 1 of production. 		= 6 marks 1 advantage with weak context analysed = 5 marks 1 very clear advantage understood = 4 marks 1 advantage understood but without complete clarity = 3 marks 1 absorption costing issue stated and vague demonstration of knowledge = 2 marks some knowledge = 1 mark	absorption costing.
5		<p>To what extent might GG have benefitted from economies of scale between 2013 and 2017? Justify your answer.</p> <p>Internal economies of scale possible:</p> <ul style="list-style-type: none"> Purchasing – it is very likely that buying ingredients in larger quantities meant discounts – although with Giovanni this may or may not be likely! Technical – better utilisation of capital equipment, such as the churning machine, should spread fixed costs Managerial – GG COULD have if Giovanni had clearly empowered Tom and others into specialist roles. To an extent, the fixed cost of Giovanni is spread out over more units. Marketing – the little that GG do is spread out over more units. Financial – there is no information about borrowing money but it is reasonable to assume GG might have. 	13	<p>The focus must be on EOS and possibly DOS as well. Key is the evaluation of to what extent – they are all possible to an extent, but some more than others. Look for prioritisation.</p> <p>Context of GG being haphazard and not benefitting from growth is important.</p> <p>L3 involves analysis of these issues, L4 involves to what extent they might have occurred.</p> <p>Only one piece of evidence of a particular skill is necessary</p>	<p>Level 4: 13-9 marks Candidate demonstrates evaluative skills when considering EOS at GG.</p> <p>Level 3: 8-6 marks Candidate demonstrates analytical skills when considering EOS at GG.</p> <p>Level 2: 5-3 marks Candidate demonstrates understanding of EOS factors. No context required.</p> <p>Level 1: 2-1 marks Candidate demonstrates only theoretical knowledge of EOS.</p> <p>The mark at the bottom of the</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<ul style="list-style-type: none"> Risk-bearing – little evidence beyond different flavours of ice cream and serving hot drinks! <p>External economies of scale? It is possible that GG would benefit by support services being attracted to the area, such as ingredient suppliers, but it is unlikely that GG's presence alone would have tipped the balance in terms of services located nearby. There would be little sharing of labour or research & ideas with anyone else.</p> <p>It is reasonable to argue that GG might well have experienced diseconomies – after all, productivity (and maybe unit cost) has fallen. This could be partly due to Giovanni's inability to manage the organisation as it grew, loss of morale, poor communication etc.</p>		to score the top mark in any level.	level should only be used for a BOD answer. Default marks L4 – 11 L3 – 7 L2 – 4 L1 – 2
6*		<p>Considering production and other issues, should GG accept the offer from CFL? Justify your view.</p> <p>Fundamentally, the Giovanni way of doing things will be compromised by this offer. This is the ultimate 'sticking point'. That said, he is in debt.</p> <p>The issues clearly fall into the four main categories:</p> <p>Financial This seems the most logical starting place for an evaluation of this offer. £300,000 'mentioned' to upscale production may or may not occur and we are given no figures as to the actual capital cost of this, so the number is relatively meaningless, but it is reasonable to come from the angle that GG will not have to pay anything/much. There is a contribution of 80p per litre (equating to £40,000) in the first year. This might well be pure profit, but it might</p>	18	<p>Important: There should be a decision – to accept, reject or 'conditionally' accept or reject.</p> <p>The key context here is the massive change that GG would need to undergo that clearly means a shake-up of Giovanni's way of operating. There are massive potential gains to them with potential for more, but it changes the nature of what goes on at GG.</p> <p>Reward responses that</p>	<p>Level 4: 18-13 marks Candidate demonstrates evaluative skills when considering the offer.</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p> <p>Level 3: 12-7 marks Candidate demonstrates</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
		<p>not – depending on any other costs that now need covering (e.g. legal implications). Probably the biggest financial argument is the potential gain in the second year (how many litres and at what price?) versus the potential loss of regular customers if they change the way the business is currently run.</p> <p>Production On the face of it, it would seem absurd that Giovanni would be able to effectively increase production from approximately 12,000 5 litre tubs (2017) to 22,000 tubs. Unless of course he sacrificed current customers/business model which seems highly unlikely – it is far more profitable, presumably, selling directly to the public rather than to CFL at £2.30 per litre. Production would have to change (flow?) in terms of method, equipment and capacity. The implications of this are huge: short term disruption, loss of business, logistical/space problems, new ways of working, impacts on quality control, stock control issues and ordering etc. Certainly EOS are likely.</p> <p>Human Resources The biggest HR issue is Giovanni himself. He likes what he does and is unlikely to simply agree, although his personal debt problem may override this. There is a certain lack of control and independence in supplying CFL that would not appeal, but might do in terms of pay and job security for his employees. Changes in production will mean training, motivation, changes to contracts etc.</p> <p>Marketing GG will now have another aspect to the business and therefore there is a spreading of risk. Key is not losing existing general public customers. There should be little</p>		<p>look more deeply into the offer and make suggestions regarding how Giovanni could ‘counter-offer’, i.e. conditionally accept.</p> <p>EVALUATION marks (level 4) are awarded to candidates who compare and contrast these issues, demonstrating prioritisation – which issues really are critical? Which are not? How do they fit with the firm’s objectives (?).</p> <p>An answer which only includes or does not include production should only be awarded the lowest mark in the appropriate level.</p> <p>A one-sided argument cannot achieve a L4 mark.</p>	<p>analytical skills when considering the offer.</p> <p>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2: 6-3 marks Candidate demonstrates understanding of the issues involved in the offer. No context required.</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1: 2-1 marks Candidate offers relevant knowledge only.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			impact or need to do much by way of pricing or promotion but it might be that CFL has specific flavours in mind. Getting its brand known outside of this area of London could be a huge marketing gain in the future – the start of something really big.		Poor QWC cannot prevent a candidate from accessing any level, but within any individual level QWC can affect, by up to 2 marks, the final mark given.	and grammar which will be noticeable and intrusive. Writing may also lack legibility. Default marks L4 – 16 L3 – 10 L2 – 5 L1 – 2

APPENDIX 1 - GRID FOR EXAMINATION JUNE 2017

Question	AO1	AO2	AO3	AO4	Total
1	2	2	2	-	6
2	2	2	-	-	4
3	2	3	3	5	13
4	2	2	2	-	6
5	2	3	3	5	13
6	2	4	6	6	18
Total	12	16	16	16	60

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