

Applied Business

Advanced GCE

Unit **F248**: Strategic Decision Making

Mark Scheme for January 2012

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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

Annotation	Meaning
	Unclear
	Benefit of the doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Own figure rule
	Repeat
	Noted but no credit given
	Tick

Subject-specific Marking Instructions**Testing of QWC**

In this external assessment the assessment of QWC will take place in Question 2c which is a levels of response question and carries 14 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 2c.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response].

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Question		Answer	Mark	Guidance
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • provide something to work towards/direction/indication of intentions/where going/purpose/focus/target/goal • clarify thinking/steer decision-making • avoid disagreements • resolve disputes • allow specific objectives to be set • monitor performance/track progress • motivational tool/guide employees • communicate with stakeholders • encourage investor interest/secure bank loans • planning • unify the organisation/work towards same goals/teamwork. <p>E.g. To stop Pete and Simon arguing about the purpose of the business (1).</p> <p>E.g. To guide the owners when making strategic decisions (1).</p>	2	<p><i>One mark for each correct identification up to a maximum of two identifications.</i></p> <p>No context required.</p> <p>Do not award statements about aims, must be benefits.</p>

Question		Answer	Mark	Guidance
1	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • pay rates • non-financial rewards • job security • job prospects (promotion) • working practice • change • nature of contracts • working conditions • holiday entitlement • hours of work • workload • health and safety • training • authority • leadership/management style • purchase/availability of machinery • expansion plans • lack of agreed aim • decision-making process • staffing. <p>E.g. Pay (1). The brothers will want to pay the farm labourers rates which are as low as possible (1) but the labourers will want to be paid as much as possible (1).</p> <p>E.g. Training (1). The orchard fruit workers will want to receive thorough training on how to use the hydraulic access platforms (1). However, the owners will want to spend as little money as possible on training as it is non-productive (1).</p>	9	<p><i>One mark for each correct identification up to a maximum of three identifications, plus up to a further two marks for each of the explanations.</i></p> <p>Conflict MUST be between farm labourer v owner and NOT between owner and owner or farm labourer and farm labourer.</p> <p>Stakeholder views MUST BE explicit (not just a repetition of the current situation).</p> <p>Do not award consequences of the conflict or solutions to the conflict.</p> <p>Award:</p> <p>3 marks if 2 explicit viewpoints given (issue can be implied).</p> <p>2 marks if only 1 viewpoint (issue can be implied).</p> <p>1 mark for issue only.</p>

Question		Answer	Mark	Guidance
1	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> • bank/building society/financial institution • (central) government/HMRC • local government/council • customer (Fruitline Ltd) • local community/residents • accountant • solicitor • suppliers • supermarkets • end user (purchasing public)/consumers • other farms/competitors • youth club • Pete and Simon's family/friends • pressure groups. <p>E.g. People who live near the farm (1).</p> <p>E.g. Bank(1).</p>	2	<p><i>One mark for each correct identification up to a maximum of two identifications.</i></p> <p>Must be external. Do not award owners (Pete and Simon) or employees (farm labourers).</p> <p>Accept 'customer' but not 'customers'. <i>Fairburn Farm</i> only has one customer – Fruitline Ltd.</p> <p>'Community' too vague.</p>

Question			Answer	Mark	Guidance
2	(a)	(i)	<p>Indicative content:</p> <ul style="list-style-type: none"> • decreased output • reduced productivity • higher recruitment cost • disrupted schedules • difficulty harvesting the crop • ripe fruit going to waste • decreased morale of remaining staff • jobs may not get done on time • difficulty planning operations • too few workers • cover staff need to be replaced. <p>E.g. There will be fewer labourers to do the required work (1) and some tasks may not get done (1).</p> <p>E.g. The staff who do turn up for work will need to work harder (1). They may resent this leading to an unhappy workforce (1).</p>	2	<p><i>One mark for a correct identification, plus a further one mark for an explanation.</i></p> <p>Do not award causes of absenteeism.</p> <p>Do not award consequences of labour turnover.</p>

Question		Answer	Mark	Guidance
2	(a) (ii)	<p>Indicative content:</p> <ul style="list-style-type: none"> • improve staff morale/motivation • monitor attendance more closely • more permanent staff/fewer temporary staff • pay rise • flexi time • offer financial incentives/bonus • reward full attendance • loyalty scheme • increase responsibility/empowerment • motivational schemes • training • appraisal • preventative measures • change manager • change management style • stricter absence policy • deal with the cause of any problems. <p>E.g. The brothers could give an annual bonus to staff who turn up for work every day that they should (1). This would encourage staff to always come into work in order to get the extra money (1).</p> <p>E.g. Pete and Simon need to check if any work related problems are causing the high levels of absenteeism (1). Resolving such problems should reduce the levels of absenteeism (1).</p>	4	<p><i>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</i></p> <p>Do not award ways to improve labour turnover.</p> <p>Award examples by way of explanation.</p>

Question		Answer	Mark	Guidance
2	(b)	<p>Indicative content:</p> <p>Labour productivity $\frac{200,000}{18,000} = 11.11$ or 11 kg per hour</p> <p>Wastage Rate $\frac{50,000}{200,000} \times 100 = \mathbf{25\%}$</p> <p>Rate of Labour Turnover of permanent staff $\frac{2}{3} \times 100 = 66.66\%$ or 67%</p>	6	<p><i>Up to two marks for each of three calculations.</i></p> <p>Workings should only be marked if the final answer is incorrect.</p> <p>Do not award marks for formulae as these are provided for candidates.</p> <p>Labour productivity - award full marks for: 11 or 11.1, 11.11 etc.</p> <p>Wastage Rate - award full marks for 25. Award one mark for 0.25.</p> <p>Labour Turnover - award full marks for 66 - 67.</p> <p>Award max one mark for correct application of formula, but incorrect answer.</p> <p>Award max one mark if only error is 'x 100' omitted in percentage calculations. E.g. 0.25 for Wastage and 0.67 for Labour Turnover.</p>

Question	Answer	Mark	Guidance
2	<p>(c*)</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • different managers • leadership styles • morale/motivation levels • degree of team work • nature of work – soft fruit backbreaking labour intensive, orchard fruit uses machinery • variety of tasks • number of staff • permanent/temporary staff ratio • working hours • soft fruit fragile/easily damaged • weather damage. <p>Exemplar response:</p> <p>Hiring temporary staff tends to have a negative effect on personnel effectiveness levels (L1). Soft fruit (CONT) production uses a much larger percentage of temporary staff than the orchard fruit production and this may be responsible for at least some of the differences in personnel effectiveness (L2). Temporary labourers are usually less committed to the long term future of the business, and therefore, may not work as hard as the permanent staff, lowering productivity levels (L3). The greatest cause of differences in personnel effectiveness is, however, more likely to be the different ways in which Pete and Simon handle their staff as this affects the performance of the permanent staff (CONT) as well as the temporary workers (L4).</p>	14	<p><i>Use levels of response criteria.</i> <i>This question has embedded marks for QWC.</i></p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>NB this question is about <u>causes</u> of differences in personnel effectiveness. Do <u>not</u> award consequences or solutions.</p> <p>Level 4 – [13 - 14 marks] Candidate evaluates likely reason(s) for the differences in personnel effectiveness at <i>Fairburn Farm</i> with detailed and specific justification.</p> <p>Level 4 – [11 - 12 marks] Candidate evaluates likely reason(s) for the differences in personnel effectiveness at <i>Fairburn Farm</i> with sound justification.</p> <p>Level 4 – [10 marks] Candidate evaluates likely reason(s) for the differences in personnel effectiveness at <i>Fairburn Farm</i> with weak justification.</p> <p>NB To award Level 4 the candidate must have produced some analysis (L3) and the evaluative judgement they make must match this analysis.</p>

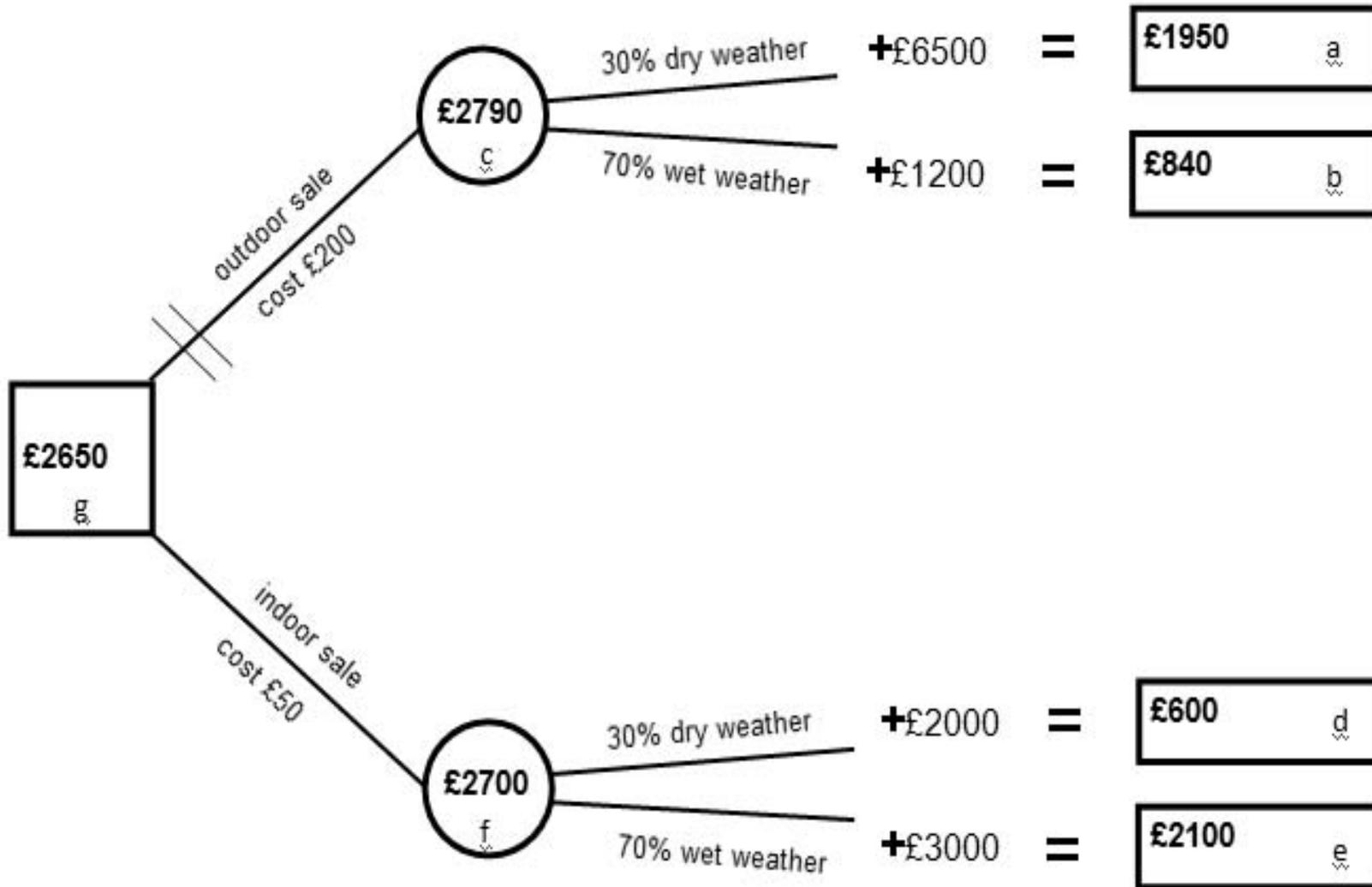
Question	Answer	Mark	Guidance
			<p>Level 3 – [6 - 9 marks] Candidate analyses likely reason(s) for the differences in personnel effectiveness at <i>Fairburn Farm</i>.</p> <p>To get L3 candidate must link the reasons identified to productivity, wastage rate, absenteeism and labour turnover.</p> <p>Level 2 – [3 - 5 marks] Candidate applies knowledge and understanding to suggest likely reasons for differences in personnel effectiveness to <i>Fairburn Farm</i>.</p> <p>Context – look for more than <i>Fairburn Farm/Pete/Simon</i> e.g. fruit, orchard, harvest, packing machines/strenuous work etc.</p> <p>Level 1 – [1 - 2 marks] Candidate identifies reasons for differences in personnel effectiveness with no use of context.</p> <p>Do not award differences in pay/wage as they are the same in both production activities.</p> <p>Non-contextual answer max Level 1.</p> <p>Level annotation required.</p>

Question		Answer	Mark	Guidance
3	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • planning/project planning/mathematical tool • diagram/visual • order of activities • time/duration • earliest start time/latest finish time • float time • delay minimisation • prioritise tasks. <p>E.g. A production planning tool (1) used to map the best order for the activities to take place (1).</p> <p>E.g. A method of minimising production delays (1) by calculating the earliest start time and latest finish time for each activity (1).</p>	2	<p><i>Up to two marks.</i></p> <p>NB This question asks what critical path analysis is. Do <u>not</u> award benefits of critical path analysis as this is tested in 3(b).</p> <p>Award one mark for a drawn example.</p> <p>Do not award 'it is a decision/strategic decision making tool'.</p> <p>No context required.</p>

Question	Answer	Mark	Guidance
3 (b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • sequence/order tasks • prioritise tasks • concurrent tasks • avoid bottlenecks • work out the shortest time for project completion • more accurate monitoring of progress • identify the critical path to give it extra attention • can put additional resources on the critical path • enables firms to change priorities • alerts to the need to re-allocate resources • calculate slack time/identify float • better usage of slack time • clear visual tool • works even with complicated production processes, especially if computer programmed • allows alternative scenarios to be modelled. <p>E.g. CPA allows resources to be prioritised (1).</p> <p>E.g. Allows a project to be completed in the shortest possible time (1).</p>	2	<p><i>One mark for each correct identification up to a maximum of two identifications.</i></p> <p>NB This question asks for the benefits of critical path analysis. Do <u>not</u> award statements which simply state what critical path analysis is - this is tested in 3(a). E.g. 'works out the earliest start time' is a statement not a benefit, the benefit is that knowing this you can allocate resources or prioritise tasks etc.</p> <p>Do not award vague answers such as 'better planning', 'improved efficiency' unless explained.</p> <p>'Time' too vague - needs to be shortest/minimum/saving time.</p> <p>No context required.</p>

Question	Answer	Mark	Guidance
3	(c)	4	<p><i>Up to four marks.</i></p> <p>3 marks for £4,500 and 1 additional mark for loss (or minus sign/brackets).</p> <p>No workings required.</p> <p>Workings should only be marked if the final answer is not £4,500.</p> <p>No marks for stating formula.</p> <p>No OFR.</p>

Question		Answer	Mark	Guidance
4	(a)	<p>Indicative content:</p> <p>a £1,950 d £600 g £2,650 b £840 e £2,100 c £2,790 f £2,700</p> <p>Full marks (7) for £2650 in g.</p> <p>Else: 3 marks for £2790 in c (irrespective of whether a and b completed or correct) and 3 marks for £2700 in f (irrespective of whether d and e completed or correct).</p> <p>Else: 1 mark for each correct response in boxes a, b, d and e.</p>	7	<p><i>One mark for each correct calculation up to a maximum of seven calculations.</i></p> <p>Award full marks for £2650 in box g (irrespective of whether other boxes completed or correct).</p> <p>Workings should only be marked if node is empty. To award marks from working a clear indication must be made by the candidate as to which node or box (a-g) the figure relates.</p> <p>Mark from left to right.</p> <p>No OFR.</p> <p>See completed CPA below.</p>



Question		Answer	Mark	Guidance
4	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Indoors <p>E.g. Inside (1)</p> <p>E.g. Undercover (1)</p>	1	<i>For one mark</i>
4	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Plan B/alternative plan/back up plan • proactive • unforeseen circumstances/crisis/emergency • what if? analysis • scenario drills • aims to minimise risk. <p>E.g. It is used to help the business survive a situation which threatens the very existence of the business (1). It does this by planning beforehand to decide what action should be taken if a particular set of circumstances were to arise (1).</p> <p>E.g. Contingency planning is creating an alternative plan for a crisis (1); for example, to minimise the damage to the farm caused by bad weather (1).</p>	2	<p><i>Up to two marks.</i></p> <p>Accept answers relating to definition or purpose.</p> <p>Accept one example by way of explanation.</p> <p>Do not award 'if anything goes wrong'. Needs to give some indication of severity – crisis/emergency etc.</p> <p>No context required.</p>

Question		Answer	Mark	Guidance
5	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • long term • large/major • affects whole business • change of direction • substantial resources • massive implications for business/high element of risk • made by senior colleagues/owners. <p>E.g. They usually involve a change of direction for the business (1) which affects every aspect of the business' operations (1).</p> <p>E.g. Big decisions that the firm must make (1) which have a massive effect on whether the business will be successful in the future (1).</p>	2	<p><i>Up to two marks.</i></p> <p>Do not award 'involves choosing which option to take' – all planning involves choosing from options.</p> <p>Do not award 'strategic'.</p> <p>Do not award examples or tools which can be used.</p> <p>No context required.</p>
5	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Diversification <p>E.g. diversifying (1)</p> <p>E.g. new product, new market (1)</p>	1	<p><i>For one mark.</i></p>

Question	Answer	Mark	Guidance
5	<p>(c)</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • assesses risk/safety • can be used to avoid too much risk if risk averse • takes into account market positioning • considers the relationship between a business and its environment • clarifies marketing strategy • does not take into account the cost of the investment • does not take into account the expected yield • does not take into account external factors • only looks at market positioning • complex projects are difficult to position within the matrix • categorise options • no time scales • no quantitative analysis. <p>Exemplar response:</p> <p>Ansoff's Matrix can be used to assess levels of risk (L1). Options 1 (Christmas trees) (CONT) and Option 2 (Golf Range) would be categorised as high risk as they involve selling new products to new markets (L2). Realising that these two options are high risk means that the brothers can seek additional independent advice about these two options before making their final decision (L3). Since the brothers operate in the difficult industry of farming (CONT), where returns depend largely on weather conditions throughout the year which are outside of their control, Ansoff's Matrix will be extremely useful to them as they can choose a stabilising, low risk option to complement the current operations at the farm (L4).</p>	8	<p><i>Use levels of response criteria.</i></p> <p>NB Only award advantages/disadvantages of Ansoff's Matrix (not advantages/disadvantages of options).</p> <p>Level 4: [7-8 marks] Candidate evaluates the usefulness of Ansoff's Matrix to Pete and Simon when making strategic decisions for <i>Fairburn Farm</i>.</p> <p>NB To award L4 a candidate must have given a justified judgement as to the usefulness of Ansoff's Matrix to Fairburn Farm based on previous analytical (L3) comment AND the evaluative comments must be in specific context, i.e. apply in particular to Pete and Simon/Fairburn Farm.</p> <p>Level 3: [5-6 marks] Candidate analyses the usefulness of Ansoff's Matrix to Pete and Simon when making strategic decisions for <i>Fairburn Farm</i>.</p> <p>Level 2: [3-4 marks] Candidate applies knowledge and understanding of the usefulness of Ansoff's Matrix to <i>Fairburn Farm</i>.</p> <p>Context – look for more than Fairburn Farm/Pete/Simon e.g. fruit, farm, caravans, Christmas trees, golf range, profit, social, etc.</p> <p>Level 1: [1-2 marks] Candidate identifies the usefulness of Ansoff's Matrix with no use of context.</p> <p>Non-contextual answer max Level 1.</p> <p>Level annotation required.</p>

Question		Answer	Mark	Guidance
6	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> time to recoup the start-up costs of investment/project using revenue/income/cash inflows earned in future years the shorter the better/less risk. <p>E.g. The period of time taken to recoup the start-up costs of an investment (1) using net cash flow (1).</p> <p>E.g. The payback period measures how long future earnings take (1) to pay back the cost of an investment (1).</p>	2	<p><i>Up to two marks.</i></p> <p>Do not award answers which relate to paying back a loan.</p> <p>Do not award 'start making a profit'.</p> <p>No context required.</p>

Question		Answer	Mark	Guidance
6	(b)	<p>Indicative content:</p> <p>Option 1 (Christmas trees) Payback period = 7 years Award one mark for '7' and an additional mark for 'years'.</p> <p>Option 2 (Golf range) Payback period = 4.5 years Award one mark for '4.5' and an additional mark for 'years'.</p> <p>Option 3 (Holiday caravans) Payback period = 5.75 years Award one mark for '5.75' and an additional mark for 'years'.</p>	6	<p><i>One mark for each of three correct numerical answers, plus one additional mark for stating the appropriate units for each of three measures.</i></p> <p>In each case 1 mark for numerical answer plus 1 additional mark for correct units.</p> <p>No workings required.</p> <p>Opt 1 Christmas trees = 7 years Opt 2 Golf range = 4.5 years (4 years 6 months) Opt 3 Holiday caravans = 5.75 years (5 years 9 months)</p> <p>Award equivalents. E.g. accept 84 months for 7 years. E.g. accept 5 years and 39 weeks for 5.75 years.</p> <p>Equivalents in days/weeks/months acceptable.</p> <p>Correct units (years/months/days,etc) appropriate for the numerical answer given are required for full marks.</p>

Question		Answer	Mark	Guidance
6	(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> the current value of future net cash flows in today's money terms/current worth accounts for changes in value of money over time/inflation/depreciation/interest rates/discounted rates positive result means a potentially worthwhile investment. <p>E.g. Net present value looks at the time value of money (1). It restates the future values of returns in today's money terms (1).</p> <p>E.g. The value in today's money terms of an investment's future net cash flow (1). The result needs to be positive for the investment to be worthwhile, and the larger the figure the stronger the investment (1).</p>	2	<p><i>Up to two marks.</i></p> <p>Do not award for quoting the formula.</p> <p>Do not award 'values of anticipated net cash flows in future money terms' as this is incorrect.</p> <p>No context required.</p>

Question	Answer	Mark	Guidance
6 (d)	<p>Indicative content:</p> <ul style="list-style-type: none"> • NPV takes into account the timing of cash inflows • NPV takes into account the effect inflation has on the future value of money • NPV allows analysis of the effect of different inflation rates • NPV allows investments with significantly different amounts of start-up capital to be compared • PB only looks at speed of payback • PB ignores returns on investment after payback • PB discriminates against projects which have longer payback periods • PB requires projects to have similar levels of start up capital to make true comparisons • PB ignores investment yield • PB assumes the shorter the payback period the better the investment. <p>E.g. NPV takes into account the timing of cash inflows (1). This would be important to the brothers in order to avoid a cash flow crisis on the farm (1).</p> <p>E.g. <i>Fairburn Farm</i> is expected to remain in the family for many years, therefore, Pete and Simon are likely to be more interested in the long term level of their returns (1) rather than how quickly they get their initial investment back (1).</p>	2	<p><i>One mark for a correct identification, plus a further one mark for an explanation.</i></p> <p>First mark for difference between NPV and PB (PB element can be implied).</p> <p>Second mark for explaining why NPV is more useful to <i>Fairburn Farm</i>.</p>

Question	Answer	Mark	Guidance
7	<p>Indicative content:</p> <ul style="list-style-type: none"> • degree of risk (financial or non-financial) • likelihood of success • cost • profitability • returns on investment • payback period • ARR • market positioning – Ansoff’s Matrix • competitive advantage • short run returns versus long run returns • personalities of brothers • aspirations of owners • business aims • current staff reaction • future staffing issues • conflicts with external stakeholders • financing the options • secured/unsecured loans • repayment period of loan • depletion of bank balance • owners’ knowledge of markets • appreciation of value of land • gaining of planning permission • ongoing maintenance • workload • demand • competition • state of the economy • disposable income levels • wider business environment • exchange rate stability (Option 3) 	20	<p><i>Use level of response criteria.</i></p> <p>4b – using quantitative <u>and</u> qualitative information [19-20 marks] Candidate recommends which option <i>Fairburn Farm</i> should take with detailed and specific justification using both quantitative and qualitative information. [18 marks] Candidate recommends which option <i>Fairburn Farm</i> should take with sound justification using both quantitative and qualitative information. [17 marks] Candidate recommends which option <i>Fairburn Farm</i> should take with weak/brief justification using both quantitative and qualitative information.</p> <p>4a – using quantitative <u>or</u> qualitative information [15-16 marks] Candidate recommends which option <i>Fairburn Farm</i> should take with detailed and specific justification using either quantitative or qualitative information. [14 marks] Candidate recommends which option <i>Fairburn Farm</i> should take with sound justification using either quantitative or qualitative information. [13 marks] Candidate recommends which option <i>Fairburn Farm</i> should take with weak/brief justification using either quantitative or qualitative information.</p> <p>NB To award Level 4 the candidate must have produced analyses of at least two options – Level 3b, and the evaluative judgement they make must match these analyses.</p>

Question	Answer	Mark	Guidance																																				
	<ul style="list-style-type: none"> • economic conditions – interest rates, inflation. unemployment rates • social trends – Christmas trees, golf, UK holidays • seasonal – Christmas trees (winter), caravans (summer) • practical and operational matters. <table border="0" style="width: 100%; text-align: center;"> <tr> <td></td> <td>Opt 1</td> <td>Opt 2</td> <td>Opt 3</td> </tr> <tr> <td></td> <td>Father's idea</td> <td>Simon pref</td> <td>Pete pref</td> </tr> <tr> <td></td> <td>Xmas trees</td> <td>Golf range</td> <td>Caravans</td> </tr> <tr> <td>Ansoff's:</td> <td>Mkt penetratn</td> <td>Diversificatn</td> <td>Diversificatn</td> </tr> <tr> <td>Cost:</td> <td>£900,000</td> <td>£640,000</td> <td>£460,000</td> </tr> <tr> <td>Payback:</td> <td>7 years</td> <td>4.5 years</td> <td>5.75 years</td> </tr> <tr> <td>Land:</td> <td>20 hec</td> <td>8 hec</td> <td>0.5 hec</td> </tr> <tr> <td>Finance:</td> <td>unsec loan</td> <td>sec loan</td> <td>loan</td> </tr> <tr> <td></td> <td>£600k</td> <td>£340k</td> <td>£160k</td> </tr> </table> <p>Exemplar response:</p> <p>All strategic decisions need to take into account the initial cost of the investment (L1). Option 3, holiday caravans (CONT), is the cheapest of the three options (L2) and because it can be funded with a loan, a long term source of finance, it should pose little threat to the farm's current cash flow position (L3a). However the Christmas tree (CONT) option is an agricultural market which Pete and Simon are experienced in (L2) and they may make fewer operational mistakes (L3b). For this reason it would be better for them to choose Option 1, Christmas trees (CONT), even though it is a more expensive option, as it is most closely related to their current operations and they can use their knowledge of farming and retail markets to secure the success of <i>Fairburn Farm</i> (L4a).</p>		Opt 1	Opt 2	Opt 3		Father's idea	Simon pref	Pete pref		Xmas trees	Golf range	Caravans	Ansoff's:	Mkt penetratn	Diversificatn	Diversificatn	Cost:	£900,000	£640,000	£460,000	Payback:	7 years	4.5 years	5.75 years	Land:	20 hec	8 hec	0.5 hec	Finance:	unsec loan	sec loan	loan		£600k	£340k	£160k		<p>Level 3b: <u>more than one</u> option analysed [10-12 marks] Candidate analyses more than one option under consideration at <i>Fairburn Farm</i>.</p> <p>Level 3a: <u>only one</u> option analysed [7-9 marks] Candidate analyses one option under consideration at <i>Fairburn Farm</i>.</p> <p>Level 2: [3-6 marks] Candidate applies knowledge and understanding to the option(s) under consideration at <i>Fairburn Farm</i>.</p> <p>Context – look for more than <i>Fairburn Farm</i>/Pete/Simon e.g. Christmas trees/caravans/golf, secure commercial load, planning permission, servicing daily, unlimited liability, etc.</p>
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Question	Answer	Mark	Guidance
			<p>Level 1: [1-2 marks] Candidate identifies issues relating to strategic decision-making with no use of context.</p> <p>Non-contextual answers max Level 1.</p> <p>Risk must be qualified to be awarded e.g. financial or Ansoff's.</p> <p>NB Candidates have been given net cash flow/revenue in question 6 not profit.</p>

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