

Business Studies

Advanced GCE A2 H430

Advanced Subsidiary GCE AS H030

Mark Scheme for the Units

January 2010

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Advanced Subsidiary GCE Business Studies (H030)

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F291 An Introduction to Business

Question		Expected Answer	Mark
1	(a)	<p>“Royal Mail is publicly owned” (line 1).</p> <p>State <u>two</u> characteristics of a public sector organisation. (2)</p> <p>Accept answers such as:</p> <ul style="list-style-type: none"> • “An organisation/a business which is owned by the government” • “An organisation/a business which is run by the government” • “An organisation/a business which is controlled by the government” • Accept also “owned/run/controlled by local government” - obviously Royal Mail is not owned by local government but the question does not specifically ask about Royal Mail • Accept “Public sector organisations may be run to provide a service”. <u>Also</u> “they do not aim to make a profit” - though this does not appear to be the case with Royal Mail <p>Do NOT accept examples of <u>organisations</u> in the public sector such as NHS/schools/ libraries, etc. <u>These are not characteristics.</u></p> <p>Level 1: 2 x 1 mark. (2)</p>	[2]

Question	Expected Answer	Mark
(b)	<p>Royal Mail has been accused of spending too little time on its customers' needs (line 9).</p> <p>Royal Mail might conduct some <u>primary</u> market research into its customers' needs and in doing so will use sampling.</p> <p>State <u>two</u> reasons why it would use sampling. (2)</p> <p><i>Simple statements will be sufficient. Technical marketing terms/concepts are NOT necessary.</i></p> <p>Accept answers along the lines of:</p> <ul style="list-style-type: none"> • Low(er) cost/"it's cheap"/efficient • Can be easy/simple to do • "It saves time"/PO may need the information quickly • Processing time (of data) is quicker • (If done properly) "sampling can be quite accurate" (and, therefore, sufficient) • "It's not necessary to research the whole market" • It may not be practicable to research the whole market • Representative (of the whole population) <p>"Sampling" is NOT the same as "market research". Do not credit reasons why firms would use market research.</p> <p>Level 1: 2 x1 mark. (1)</p>	[2]

Question		Expected Answer		Mark
	(c)	<p>Royal Mail might also consider using secondary data as part of its market research.</p> <p>Outline <u>two</u> sources of secondary data that Royal Mail could use to gather information about its customer needs.</p> <p><i>A few words will be sufficient for an outline</i> <i>Any elaboration of a source or usage can be acceptable</i></p> <p>Royal Mail’s own sales figures nationally or locally – from past months/year. Trends could be established Previous surveys Royal Mail has done – assuming these were of a similar nature and are not too far out of date Competitors – some information could be gained from competitors (Report and Accounts, website publicity, etc.) Government statistics – on volumes of mail/parcels being moved around the economy Data bought from specialist market research companies. This would save time (also would incur a cost) The Internet – quite a lot of data available generally on industry trends. Also competitors’ websites Specialist publications/Trade journals etc. – relevant information specifically for businesses distributing mail/parcels Newspapers – quality newspapers publish economic/business information regularly</p>		
		Level 2	Source(s) outlined.	(4-3)
		Level 1	Source(s) stated.	(1-2)
				[4]

Question		Expected Answer		Mark
2		<p>Other than market research, discuss the factors that are likely to determine the future success of Royal Mail.</p> <p>NB Accept answers for Royal Mail as a corporate entity ie “The Mail”, the Post Office and/or Parcel Force OR in the context of its individual branch operations. An answer could, therefore, concentrate on one or more of the three parts of it.</p> <p>The question centres on the sections of the specification “What businesses need”/”Objectives”/”The market” and “Other influences”. Possibilities might, therefore include:</p> <ul style="list-style-type: none"> • Given the recent problems, good industrial relations (the term does not have to be used) will be necessary to avoid more strikes and the loss of customers. Also, successful negotiation with trade unions on introduction of new technology. (N.B. detailed knowledge of these issues is NOT required on F291) • Adequate/appropriate finance for expansion • Adequate cash flow - accept “enough money to pay the bills”, etc. • The ‘right staff’ in the branches and at managerial level. This will involve human resource planning, training, etc. Also negotiation with trade unions (NB detailed knowledge of these issues is NOT required on F291) • A ‘good relationship’ with suppliers of stationery and the other products sold in PO branches • Once it has found out what customers want, it must meet those needs, e.g. in terms of prices charged, services products demanded, etc. • Appropriate (i.e. SMART) strategic & tactical objectives • Regular evaluation of progress towards objectives • Taking ‘appropriate risks’ in order to succeed, e.g. new ventures such as allowing other businesses to use their network • Ability to respond to ‘the market’, e.g. new competitors/competitors’ actions • Ability to respond to technological changes • Marketing, e.g. advertising/promotion/pricing of services offered (N.B. detailed knowledge of these issues is NOT required on F291) • Growth of consumers’ income, therefore, more personal/business letters posted etc. • Privatisation could be argued to be a way forward, a source of finance etc. • The state of the economy – e.g. in the recession lower demand for business mail 		
Question		Expected Answer		Mark
		Level 4	Some evaluation of the impact of the factor(s) in determining the future success of Royal Mail.	(14-11)
		Level 3	Some analysis of factor(s) in context.	(10-7)
		Level 2	Some understanding of factor(s).	(6-4)
		Level 1	Factors influencing business success are identified	(3-1)
				[14]

Question	Expected Answer	Mark									
3	<p>Royal Mail has faced ‘increased competition from other businesses offering mail and parcel delivery services’. (line 7) Analyse <u>one</u> way in which Royal Mail could be affected by the increased competition.</p> <p>There are two possible routes into the question; consideration of the market as a whole or Royal Mail as an individual firm.</p> <p>A diagram is NOT necessary. However, on a demand & supply diagram representing the market this increased competition will change the conditions of supply (N.B. technical terms are not necessary) and will increase the number of suppliers. This is shown by a shift of the supply curve to the right causing more mail/parcel deliveries to be made at a lower price.</p> <p>Alternatively the effect on Royal Mail as an individual firm could be shown. This would be shown as a leftward shift of the demand curve since it is reasonable to assume the new competitor would take some business away.</p> <p>Level 2. If a correct diagram is drawn with no accompanying written analysis this is still a level 2 answer.</p> <p>If there is no diagram accept comments such as “market price will go down (3)” and the quantity of mail/parcels being posted will rise(4)”.</p> <p>Also (for Royal Mail rather than the market) “The demand for Royal Mail services will go down (3) because the competitor will take business away (4)”.</p> <p>For level 3 award the level for simple statements, <i>accompanying a diagram or not, of the effect on, implication of or reaction by Royal Mail such as:</i></p> <p>“Royal Mail now has to remain (even more) competitive (5) - in terms of price, customer service – or both.(6) “Royal Mail now needs to advertise (promote/market) more (5) and will now have to sell more to maintain profit levels (as the price has gone down)”(6)</p> <p>Comments about the extent (and/or likely duration) of the price/demand change are also valid. “If the price fall is small it won’t affect them much”/“people may go back to Royal Mail after a while if the other firm’s service is bad” are Level 3.</p> <p>Also allow references to comments such as “there may be no effect if customers prefer to use/trust/ Royal Mail even if market price has fallen and/or “there may be no effect if customers don’t like the competitors (they may have been ‘let down’ by them)/don’t know about competitors/the price fall etc.”</p>										
	<table border="1"> <tr> <td data-bbox="236 1886 582 1975">Level 3</td> <td data-bbox="582 1886 1125 1975">Some analysis of the effect on Royal Mail.</td> <td data-bbox="1125 1886 1284 1975">(6-5)</td> </tr> <tr> <td data-bbox="236 1975 582 2042">Level 2</td> <td data-bbox="582 1975 1125 2042">Understanding demonstrated of concepts involved.</td> <td data-bbox="1125 1975 1284 2042">(4-3)</td> </tr> <tr> <td data-bbox="236 2042 582 2078">Level 1</td> <td data-bbox="582 2042 1125 2078">Appropriate concepts identified.</td> <td data-bbox="1125 2042 1284 2078">(2-1)</td> </tr> </table>	Level 3	Some analysis of the effect on Royal Mail.	(6-5)	Level 2	Understanding demonstrated of concepts involved.	(4-3)	Level 1	Appropriate concepts identified.	(2-1)	[6]
Level 3	Some analysis of the effect on Royal Mail.	(6-5)									
Level 2	Understanding demonstrated of concepts involved.	(4-3)									
Level 1	Appropriate concepts identified.	(2-1)									

Question		Expected Answer		Mark	
4	(a)	<p>Some have accused Royal Mail of a lack of clear objectives (Line 8).</p> <p>Outline two differences between a tactical and a strategic objective.</p>			
			Tactical		Strategic
		Time period involved	Short/medium		Long/medium
		Ability to change once set	Easy		Difficult
		Nature of objective	Routine/everyday		Non-routine
		Set/implemented by	Junior/middle managers		Senior managers/directors
		Amount of detail involved	(May be) General		Specific
		<p>NB For Level 2 the difference must be explicit; an answer saying “Tactical is short term” only <u>implies</u> the difference and is, therefore, Level 1.</p> <p>“Tactical is short term and strategic is long term” <u>outlines</u> the difference and is worth Level 2 (This is one example and therefore 3 marks).</p>			
		Level 2	Difference(s) outlined.		(4-3)
		Level 1	Differences(s) stated.		(2-1)

[4]

Question		Expected Answer		Mark
4	(b)	<p>Analyse <u>two</u> ways Royal Mail might benefit from setting clear objectives.</p> <p>Accept answers for Royal Mail as a corporate entity ie “The Mail”, the Post Office and/or Parcel Force OR in the context of its individual operations/branches.</p> <p>Allow references to tactical or/and strategic objectives.</p> <p>Objectives are targets for a business to reach. If Royal Mail has clear objectives there will be clarity at all levels as to what should be achieved.</p> <p>There will be a much greater sense of direction so that Royal Mail can meet its stakeholders’ needs.</p> <p>Employees will know what they are expected to achieve which can improve coordination of business activities. The business will not just ‘drift’ along. Royal Mail is a high profile organisation and the government will want ensure that losses are turned into profits and to know that it is ‘on course’ to do so.</p> <p>Objectives form an essential part of Royal Mail’s business plan. Setting strategic objectives will help managers at all levels focus on tactical ones. They will provide a basis for decision making.</p> <p>Objectives are usually quantifiable and so Royal Mail can use them to measure success. Reviewing success gives a guide as to future courses of action.</p>		
		Level 3	Some analysis of benefit(s) to Royal Mail.	(7-10)
		Level 2	Some understanding of issue(s).	(4-6)
		Level 1	Knowledge of business objectives.	(3-1)
				[10]

Question	Expected Answer	Mark
5	<p>Evaluate how Royal Mail’s stakeholders might be affected by the decision to close 2,500 Post Office branches. (18)</p> <p>Employees – loss of jobs and, therefore, income. Will they be able to find new jobs easily? Some (longer serving) employees will qualify for (large?) redundancy payments (NB detailed knowledge not required on F291). The union (“reluctantly”) supports it so they must feel that it is in members’ interest to some extent.</p> <p>Customers – will lose out unless they do not mind travelling to other Post Office branches further away or do not mind using other methods of sending mail/parcels – this may well be easier for business customers (are likely to have a greater awareness’ of the alternatives available) than for individuals “who just want to post letters” . If the remaining network is “viable” then services in those remaining branches would be better – especially if the suggested services (eg banking) are coming into existence. Many small post offices also sell food, etc, and so the loss of them will not only be ‘postal’. There will be a loss of other products, too.</p> <p>Local community - the loss of jobs will have a depressing effect on the local economy. But how large will this be? If workers find new jobs quickly it may not ‘lose out’. The main impact is likely to be on the loss of service(s); some of the points above under ‘customers’ will also apply here. There will be a loss of service. The elderly who may find it hard to travel will be especially ‘hard hit’.</p> <p>Suppliers – local suppliers may well lose out in terms of sales, revenue, and profit. Some suppliers may benefit if they now get more business from the ‘leaner/fitter/more secure’ Royal Mail.</p> <p>Government (as owner) – presumably wants the Royal Mail to (at least) break even. The closure of unprofitable branches will help with this. In the short run there will be redundancy payments for Royal Mail to make. Of course, the redundancy payments may be offset by the funds raised from the sale of the branches. The government, as the owner, may attract negative publicity and at by elections/a general election some MPs who supported the closures might lose their seat, thus weakening the government’s position.</p> <p>The taxpayer – if the taxpayer is having to help subsidise Royal Mail’s operations there is an opportunity cost to this money. Eliminating the unprofitable branches will reduce the burden on the taxpayer. However, some taxpayers will also be part of ‘the local community’ which will be negatively affected.</p> <p>Competitors - If there are fewer opportunities for customers to use Royal Mail then competitors will benefit through greater volumes of mail and therefore revenue and presumably profit.</p>	

Question			Expected Answer		Mark
			Level 4	Some evaluation, eg judgement formed through consideration of likely objectives of the Post Office stakeholder's. 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	(18-14)
			Level 3	Some analysis of the effect(s) on Post Office stakeholder(s). Relatively straightforward 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.	(13-9)
			Level 2	Some application/ understanding of the issues(s). 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.	(8-5)
			Level 1	Knowledge recalled about stakeholder(s)/stakeholder objectives. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.	(4-1)

F292 Business Functions

Question Number Section A	Expected Answer	Max Mark
1 (a)	<p>Define the term 'adverse variance'.</p> <p>Where the actual figure is found to be worse than the forecast figure. Accept a correct definition that focuses solely on a revenue or cost term.</p> <p>Up to 2 marks 2 marks – a clear knowledge of what the term means (including the adverse part) 1 mark – a general idea of what variance means (eg the difference between forecast and budget)</p>	[2]
1 (b)	<p>To increase sales is one possible marketing objective. State two other marketing objectives.</p> <p>For example:</p> <ul style="list-style-type: none"> • increase market share or dominance/become market leader; • increase product awareness/target market; • move into a new market segment; • improved profitability/profit; • improve customer service; • improve company image; • gain a unique selling point; • achieve market growth; • improve quality; • launch new products / increase range of products / product innovation; • retain existing customers; • gain new customers; • increase market research. 	[2]

Question Number	Expected Answer	Max Mark
1 (c)	<p>Identify two ways in which a firm may operate above 100% capacity.</p> <ul style="list-style-type: none"> • increase the hours of the workforce (overtime), or increase numbers; • increase storage capacity; • subcontract work to other firms/temporary use of another location; • reallocate workers from other areas; • reduce planned maintenance. 	[2]
1 (d)	<p>The following is a partially completed cash flow statement. Calculate the closing balance for November.</p>	

Item	October (£)	November (£)
Opening balance	40	36
Inflows		
Sales revenue	100	150
Outflows		
Wages	54	50
Raw Materials	28	25
Rent & Fuel	22	38
Net cash inflow	-4	37
Closing balance	36	73

Award 4 marks for correct answer of 73 (no working out is necessary)

Award 2 marks for £36 in October

Award 1 mark for evidence of some attempt at correct method

[4]

Question Number	Expected Answer	Max Mark
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1 (e) **Outline two disadvantages to a firm of holding too much stock.**

- Increased costs which may include storage, insurance, security;
- Stock may go out of date or get damaged, particularly for perishable or fashionable products;
- Inefficiencies may occur as it becomes difficult to find stock quickly;
- General opportunity costs.

Level 2	Some understanding shown of the disadvantage(s) of holding too much stock.	(4-3)
Level 1	One or two disadvantages identified/stated.	(2-1)

[4]

(f) **Explain two consequences to a business of a narrow span of control.**

- There will be a danger of over supervision by management which may affect motivation;
- There may need to be more layers of hierarchy (a tall structure) which may be detrimental to communication in the business;
- Managers have the necessary time to properly support their staff and do their own job;

Level 2	Some understanding shown of how a narrow span of control will affect organisational activity.	(4-3)
Level 1	Some knowledge of span of control.	(2-1)

[4]

Question Number	Expected Answer	Max Mark
2 (a)	Refer to Table 1. FIF allocates £ 216,080 fixed costs per year to the Classic 760Z treadmill.	

Assume that the current level of output is maintained and that all sales for this produce are made at list price. Calculate the annual break-even level of sales.

$$\text{Break-even} = \frac{\text{Fixed costs}}{\text{Unit contribution}} \quad [1]$$

$$\text{Unit contribution} = \quad \text{£2,300} - \text{£840} \quad = \quad \text{£1,460} \quad [1]$$

$$\text{Break-even} = \frac{\text{£216,080}}{\text{£1,460}} \quad = \quad \underline{\underline{148}} \quad [2]$$

[4]

- 2 (b) Evaluate the usefulness of break-even analysis as a decision-making tool for FIF, given its current pricing policy.

The break-even level of output is where revenue covers total costs.

By using break-even FIF can quickly and easily identify whether a particular product or range of products will be profitable or not. It also allows scenarios to be investigated if costs or prices were to change. FIF has been profitable for six years and so we may assume that the break-even analysis has been used to good effect in helping to achieve this situation.

Question Number	Expected Answer	Max Mark
2 (b)	Continued	

However, there are a number of problems with using break-even. The first is that there is an assumption that products made are sold and they will be paid for. We are told about a common situation for FIF of it not being paid for some time by the gyms for equipment which has been sold. If the money is not forthcoming, then any break-even data would be void.

Break-even also assumes that the price of a particular product is constant. This is clearly not the case for FIF as we are told about the variety of prices which are used, in particular for treadmills, to encourage loyalty from established customers and as loss leaders. Lower prices will undoubtedly raise the break-even levels.

Also, costs are assumed to be fixed. Again, we are told about the variation in the cost of components, particularly of imported steel and IT. Steel, being a main commodity, will undergo rapid fluctuations in price which are not always predictable. Any imported items will be subject to fluctuations in price caused by exchange rate changes which are again difficult to predict. In addition, the rising reject rate will effectively increase the costs of production, which again will limit the usefulness of the break-even data.

FIF produces lots of products and so it will be difficult to monitor them all using break-even analysis. This may mean using it is impractical, although it still remains a good starting point, especially for new products.

Candidates may argue that as long as the uncertainties and weaknesses are recognised, break-even analysis is a useful tool for any business to use. (This would likely be a L4 answer)

Better answers at L4 may also recognise other techniques which FIF may use in conjunction with break-even analysis.

Question Number	Expected Answer	Max Mark
2 (b)	Continued	

Level 4	Some evaluation shown by supporting any judgement made about the usefulness of break-even analysis for decision-making at FIF.	(16-12)
Level 3	Some analysis of how appropriate break-even analysis is, with specific reference to the context of FIF	(11-7)
Level 2	Some understanding shown of how break-even analysis can be used.	(6-3)
Level 1	Some knowledge of what break-even analysis is.	(2-1)

[16]

3 Evaluate the importance of market segmentation to FIF when selling exercise equipment to homes and schools (lines 64-68).

Market segmentation involves trying to identify specific groups from within a larger market, which can be targeted in a different way from other groups. Segmentation is important because it allows a firm to target its marketing effort towards those customers who have similar characteristics.

Although FIF is a relatively large business, it is in a competitive market. Up to now it has concentrated its efforts on selling gym equipment to gyms and leisure clubs. We can assume that it is very good at this as FIF is profitable and has grown quite quickly. However, it is now considering moving into two new markets, homes and schools. Although much of the equipment will be broadly the same and so FIF's expertise is relevant, it needs to be noted that there are significant differences in selling to these two segments.

Question Number	Expected Answer	Max Mark
3	Continued	

Selling to the home market will present new challenges. How do you promote to this market? The usual network of salesman dealing with a few large customers is not a feasible approach with so many potential individual customers. Advertising will need to be considered in public-focused media (something unlikely to be necessary at present). The FIF brand may well be unknown to the public. The home market may be more or less susceptible to price and how the equipment is paid for.

FIF will need to recognise that it cannot sell the equipment to the home market in the same way as it has sold to the current market. The home gym market is a niche market. The approach which has worked for FIF in selling to traditional gyms will have to be refined.

The schools-based market may be more similar to the gym-based market but again there are differences. Schools are generally not in control of their own budgets. FIF may have to deal with LEAs where non-commercial pressures may be more pressing, eg the latest health issues or political pressure. FIF may need to target school fundraising groups, such as parents' associations. Some of the parents within such associations are probably the sort of people who can afford a home gym, so there may be some market synergy.

FIF would be the sole distributor of the CITX machine and with it being completely new to the UK market, FIF will have to spend time and effort in publicising its merits to the UK education market. It may be necessary to set up a dedicated sales team for this machine, as the time and effort needed may detract from the four sales teams' other work.

Candidates need to recognise that the two new segments need approaching in a different way to the current market. This may mean changes in emphasis or focus on different parts of the marketing mix. Any reasonable suggestions, given the context available, should be rewarded.

Question Number
3

Expected Answer
Continued

Max Mark

Level 4	Some evaluation shown by assessing the usefulness (or not) of segmentation for FIF, with any judgements being supported.	(16-12)
Level 3	Some analysis of how market segmentation may be useful to FIF when moving into these new markets, with specific reference to the context available.	(11-7)
Level 2	Some understanding shown of how segmentation can be used by a business.	(6-3)
Level 1	Some knowledge of what segmentation is and/or how segmentation can be carried out.	(2-1)

[16]

4 Discuss methods that FIF could use to improve quality.

Quality can be defined as the ability to satisfy the expectations of consumers, although this can be difficult to measure. We are told that quality of service is of growing significance and so any improvements are vitally important.

FIF's products are innovative and at the higher end of the price range. Therefore, its customers will expect a generally high level of quality. Although there is no indication that poor quality products actually reach the customer, the high reject/rework rates will have an impact on the business in both financial and logistical ways. The problem appears to lie in the imported component parts and the standard of the workforce.

FIF uses a traditional quality control technique, with inspectors taking random samples of products to check. The obvious simple solution to this is to employ more quality control staff to carry out more checks. However, this appears to be unlikely in the short-term and even though it may be possible in the medium-term it is not actually dealing with the problem. (Quality is someone else's responsibility.) It gives no real incentive to the workers to work better and it does not address the basic problem of poor quality components.

Question Number	Expected Answer	Max Mark
4	Continued	

Could FIF produce more of the components so that it does not have to import 30% of the stock? This would remove the problem completely, but is it feasible? Maybe these components or products cannot be produced by FIF due to factors including space, technical ability or patents. However, this may only make the other problem worse, as FIF will now be putting even more pressure on its own workers.

Improving the standard of its own workers appears to be more of a priority (especially considering these account for more than 70% of its production). Better training may be the answer or tighter recruitment standards. We do not know the nature of the local employment market or the standard of the workforce, so this may be impossible for FIF to do anything about. It may, therefore, have to make the best of what employees it can get hold of.

This leads to considering a more all-encompassing approach to quality, namely quality assurance. This could include quality circles, benchmarking or TQM. Ultimately, it means making the workers more responsible for their own quality and answerable to their internal customers. This is a big change to the culture at FIF and so may be difficult in such a short space of time to achieve the targets set for reject rates. However, as Alyson and Hiro are going to be assessed on this target, they need to do something and fast.

Candidates who recognise the strategic nature of this problem and, therefore, suggest a phased series of changes to be made to achieve the ever tightening targets, should be rewarded at Level 4.

**Question
Number**
4

Expected Answer
Continued

**Max
Mark**

Level 4	Some evaluation shown by concentrating on the extent to which changes suggested may be appropriate and/or work for FIF.	(16-12)
Level 3	Some analysis of appropriate ways of improving quality at FIF, with specific reference to the context available.	(11-7)
Level 2	Some understanding shown of how quality can be improved in a business.	(6-3)
Level 1	Some knowledge of quality methods.	(2-1)

[16]

5
*

Assess ways in which FIF might seek to motivate its staff more effectively.

Evidence in the case study shows that the number of new contracts has fallen, labour turnover of sales staff has doubled and FIF is losing some regular customers to a competitor. The workers in the factory are unhappy about the standard of recent recruits and the knock-on effects that this is having on their own performance and satisfaction.

There appear to be three key problems with the way in which the sales & service teams currently operate.

First, the four teams appear to operate very independently from each other. There does not appear to be any centralised focus to their activities. Although many theorists argue that decentralisation and empowerment are strong motivators, workers still need some sense of belonging and control to satisfy basic needs. (It could be argued that although motivators are in place, hygiene factors are lacking.)

Question Number	Expected Answer	Max Mark
5	Continued	

Second, although the teams are given the empowerment and independence it does not extend to the final decision-making power. Having to get all contracts 'signed off' by Emily or her assistant is demeaning and does not imply belief in the managers' abilities. This is made worse by the fact that this decision can sometimes be delayed. In such a competitive market this could also lead to business being lost, which may be a factor in new contract deals falling. (Also leading to a fall in bonuses for managers caused by someone else's performance!) FIF needs to consider giving the team managers more REAL control.

Third, sales staff are on a fixed salary. This is unusual in this sort of job where commission is a common way of incentivising staff. There is currently no motivation to the teams to sell more. They get paid the same whether they are out selling to customers or sat in their cars on the road. The only financial incentive is to the managers. This means any business won by a salesman is only rewarding his/her manager. The logical change for FIF would be to pay the individual sales staff a commission-related bonus with a team bonus as well to encourage greater teamwork (a common motivational concept.)

Better answers (at L3 and L4) will recognise that the different groups of workers will need different approaches to improving their motivation.

Question
Number
5

Expected Answer

Max
Mark

Continued

Level 4	<p>Some evaluation shown by justifying the likely success or otherwise of suggestions made to improve motivation of the staff at FIF.</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>	(20-15)
Level 3	<p>Some analysis of appropriate motivational improvements for the staff, with specific reference to the issues facing FIF.</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>	(14-9)
Level 2	<p>Some understanding shown of methods of improving motivation of staff.</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>	(8-4)

Question
Number
5

Expected Answer

Max
Mark

Continued

<p>Level 1</p>	<p>Some knowledge of motivational methods and/or identification of problems with the motivational techniques at FIF.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	<p>(3-1)</p>

[20]

F293 Marketing

Question	Answer	Mark
1	<p>Using Table 1, calculate the price elasticity of demand for the budget single bed with mattress</p> <p>PED = $\frac{\% \text{ Change in Demand}}{\% \text{ Change in Price}}$</p> <p>Demand: Was 25, now 30, Change = 5 $\frac{5}{25} \times 100 = 20\%$ {1}</p> <p>Price: Was £75.00, now £67.50, Change = £7.50 $\frac{7.5}{75} \times 100 = 10\%$ {1}</p> <p>PED = $\frac{20}{10} = 2$ {2}</p> <p>Award a mark for the correct formula if there is nothing else worthy of credit.</p>	[4]

Question	Answer	Mark
2 *	Discuss an appropriate pricing strategy that Hugh might adopt to increase demand in the coming months	

The pricing strategy might include some discussion of known approaches

e.g: cost-plus, demand based, psychological etc

Candidates have the opportunity to consider the full range of services/products mentioned in the case with the key consideration being to develop a strategy

Some may focus on the problem of setting different prices in relation to the full range of products being sold at BFL. To achieve L4, there is an expectation that candidates will consider a range of possible approaches in line with the evidence available competition; wide product mix; etc

Reference to the examples in Table 1 would help, as would calculating the other elasticities for the luxury suite, the PED is 0.625 and for the coffee table it is 4.0. In the end, there needs to be a strategy

Question
2

Answer
Continued

Mark

Level 4	<p>Candidate demonstrates evaluative skills when formulating an appropriate pricing strategy that Hugh might adopt to increase demand in the coming months.</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 have been few, if any, errors of spelling punctuation and grammar.</p>	[9-13]
Level 3	<p>Candidate demonstrates analytical skills when considering elements of a pricing strategy that Hugh might adopt to increase demand in the coming months.</p> <p>Relatively straightforward 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>	[6-8]
Level 2	<p>For demonstrating knowledge and understanding of relevant pricing methods. 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>	[3-5]
Level 1	<p>For showing knowledge and understanding of pricing ideas. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.</p>	[1-2]

[13]

Question
5*

Answer

Mark

Evaluate the advantages and disadvantages to BFL of having an extensive product portfolio.

A product portfolio relates to the range of different goods and services provided by an organisation. In the case of BFL, it sells a range of diverse products related to the home and furniture. Everything from carpets to suites, along with the possible move into the office furniture market could be considered. Better answers may well attempt to consider relating the different ranges sold to elements of the Boston Matrix and/or the product life cycle. The advantages could relate to having different products in different markets budget vs. luxury, as well as the appeal to different potential customers. The disadvantages relate to the problems of spreading the expertise too thinly and the need to cater for too many varieties [Problem faced by Woolworths?] To reach L4, it is expected that a clear discussion, including some prioritising of the advantages would be shown.

Level 4	For evaluating the advantages/disadvantages to BFL of having an extensive product portfolio. 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 have been few, if any, errors of spelling punctuation and grammar.	[9-13]
Level 3	For analysing the advantage(s)/disadvantage(s) to BFL of having an extensive product portfolio. Relatively straightforward 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.	[6-8]
Level 2	For demonstrating knowledge and understanding of the advantage(s)/disadvantage(s) of having an extensive product portfolio. 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.	[3-5]
Level 1	Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.	[1-2]

[13]

Question	Answer	Mark
6	Considering marketing and other issues, should BFL take over DAM, the office furniture business? Justify your view.	

Candidates should bear in mind that the changes would have a wide-ranging impact on the business as a whole. Better answers should reflect on the impact on other functional areas within the firm:
 Finance: can the firm afford to expand in this way (setting up the website etc.)?
 People: staff skills? Widen the customer base? Need for more staff? Possible redundancy for some?
 Operations: maintaining quality? Research of product range?
 Also, there is a need to consider the wider market.
 Some discussion of the changes and how they might impact on different issues would be credited. Better responses may refer to Ansoff's Matrix (not required) and the issues related to product/market development.
 The evaluation of the actual decision should draw on the other functional areas.

Level 4	Candidate demonstrates evaluative skills and the strategic implications when considering whether BFL should take over the office furniture business. 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 have been few, if any, errors of spelling punctuation and grammar.	[13-18]
Level 3	Candidate demonstrates analytical skills when considering whether BFL should take over the office furniture business. Relatively straightforward 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.	[7-12]
Level 2	For demonstrating knowledge and understanding of the factors affecting the decision to take over a business. 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.	[3-6]
Level 1	For showing knowledge and understanding of how strategic changes might impact on business in general. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.	[1-2]

NB An answer which only includes or does not include marketing issues should only be awarded the lowest mark in the appropriate level.

[18]

F294 Accounting

Question	Answer	Mark
1	<p>In 2007 The Coffee Exchange Ltd's gross profit margin was 63.8% and its net profit margin was 11.9%. Using the information in Table 1, calculate these ratios for TCE for the year ended 31 December 2008.</p> <p>(i) Gross Profit Margin= (Gross Profit/Sales) x 100 2009: (93453/154385) x 100 = 60.5%</p> <p>(ii) Net Profit Margin=(Net Profit/Sales) x 100 2009: (20567/154385) x 100 = 13.3%</p>	<p>(1) (2)</p> <p>(1) (2)</p>
2	<p>Analyse <u>two</u> possible reasons for the change in TCE's net profit margin.</p> <p>NP margin has increased by 1.4%, whilst the GP margin has decreased by 3.3%. Has TCE enforced savings in overheads, eg reduced staff costs, energy costs? On the other hand was 2008 an unusual year? For example were there exceptional costs such as writing off any bad debts, interest charges on an overdraft?</p>	
	<p>Level 3 Candidate demonstrates analytical skills when considering one or more possible reasons for the change in net profit margin.</p>	(5-6)
	<p>Level 2 For demonstrating knowledge and understanding reason(s) for the change in TCE's net profit margin.</p>	(3-4)
	<p>Level 1 For showing knowledge and understanding of net profit margin.</p>	(1-2)

Question	Answer	Mark
3	Analyse Katie's decision to allocate some of the existing overheads to the lunch service.	

Katie could have treated the lunch service from a marginal cost approach, the existing overheads will continue whether she decides to introduce this service or not.

She is simply using existing resources when they would otherwise be idle.

On the other hand she could only operate a marginal cost approach in the short-term and eventually the service would have to absorb its share of the total overheads.

Lunch service is forecast to make a positive contribution and net profit (see below).

There are several methods of overhead allocation she could have chosen instead of using sales revenue. Because this is an executive service the level of sales from the service may be disproportionately high and therefore, might not be the most accurate method of allocation.

Other methods include, for example, the proportion of employees' wages/working time, use of working area.

These methods are probably even more artificial than Katie's chosen method.

Key figures::

Lunch service

Total sales= £29,250

Net profit= £1,050

Net profit margin=3.6%

Unit contribution=£4.35

Total contribution=£13,050

Level 3

(5-6)

Candidate demonstrates analytical skills when considering Katie's decision to allocate some of the existing overheads to the lunch service.

Level 2

(3-4)

Candidate demonstrates knowledge and understanding of allocating existing overheads.

Level 1

(1-2)

Candidate offers relevant knowledge and understanding of the allocation of overheads.

Question	Answer	Mark
4*	<p>With reference to Table 2 and other relevant factors, evaluate the usefulness of break-even analysis in helping Katie to decide whether to introduce the lunch service.</p>	

$$\frac{\pounds 12,000}{\pounds 9.75 - \pounds 5.40} = 2758.6 \text{ lunches or } 2759$$

2759 lunches equates to an average of approx. 10.95 or 11 lunches per day (based on trading for 52 weeks x 5 days less 8 bank holidays).

Break-even has helped Katie to establish a target for the project. Her research has established that there is a small margin of safety. She can now use her results to project different levels of profit resulting from the lunch venture.

The validity of any break-even calculation depends upon the quality of the data used to make the calculation. For example, how did Katie calculate the average selling price? Much depends upon her skills as a market researcher; she has catering experience but what about market research? We hope we can trust her average variable cost due to her catering expertise but what happens if there are unanticipated increases in the cost of food ingredients? Can any rising costs be passed on to the customer?

How has she calculated the fixed cost of the project? Was she right to allocate some of the existing overheads to the project? Has this decision inflated the break-even point? Are there spin offs from the new venture, such as increased demand at other times and greater employee productivity levels. They are making the lunches during a quiet period of the working day.

Therefore, break-even is a useful technique but must be used in conjunction with other commercial factors eg would the lunch service encourage office workers to use the café at other times and so boost sales.

Level 4

Candidate demonstrates evaluative skills when considering the usefulness of break-even analysis in helping Katie to decide whether to introduce the lunch service.

(9-13)

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.

Question	Answer	Mark
4*	Level 3 Candidate demonstrates analytical skills when considering the usefulness of break-even analysis in helping Katie to decide whether to introduce the lunch service. Relatively straightforward 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.	(6-8)
	Level 2 For demonstrating knowledge and understanding when considering the usefulness of break-even analysis. 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.	(3-5)
	Level 1 For showing knowledge and understanding of the usefulness of break-even analysis. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.	(1-2)
5*	To what extent can accounting concepts assist Katie in establishing whether The Coffee Exchange (TCE) and Café on the Prom (COTP) are valued at realistic selling prices? Candidates should demonstrate an understanding of accounting conventions including consistency, going concern, matching (accruals) principle, materiality, objectivity, prudence (conservatism) and realisation. Both businesses are private limited companies and so it will be easy to obtain their audited accounts and explore their accounting conventions. What Usha will be trying to do is ascertain the accuracy of both sets of accounts.	

Question	Answer	Mark
5*	<p>Consistency: She will want to study several years of accounts to ensure the valuation of fixed assets is consistent, eg any change in depreciation method in the middle of an asset's life. COTP seems to have a significantly higher value of equipment but this may be explained if TCE hires and/or leases equipment.</p> <p>Prudence (conservatism): The same applies to the value of stock, ie valued at the lower of cost versus recoverable value. Is this particularly relevant in the catering industry? Why has COTP £2505 at the end of its closed season? Is COTP just gearing up for the new season? Why do both businesses have debtors? Are both businesses confident that these customer debts will be paid?</p> <p>Objectivity: The most significant value on both balance sheets is the land and buildings. Bearing in mind both businesses are for sale, how sure can we be that the owners have not overvalued their businesses? When were land and buildings last re-valued? Remember the owners will be attempting to maximise the selling price of their companies.</p> <p>Going concern: The convention assumes that the business will continue to exist. Both companies have traded for many years and both balance sheets (reserves) indicate that have traded profitably.</p> <p>TCE is valued at 21.4% above its book value, whilst COTP is valued at 32.6% above its book value. This alone justifies why Usha should carefully study the accounting conventions applied by both companies. However, a company cannot just be valued from its financial information. For example, COTP might be valued higher due to the new marina opening nearby or TCE is valued lower due to the major business re-locating away from the area. The number of possibilities is endless.</p>	

Question	Answer	Mark
5*	Level 4 Candidate demonstrates evaluative skills when considering to what extent accounting concepts assist Katie to establish whether both companies are valued at realistic selling prices. 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.	(9-13)
	Level 3 Candidate demonstrates analytical skills when considering to what extent accounting concepts assist Katie to establish whether both companies are valued at realistic selling prices. Relatively straightforward 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.	(6-8)
	Level 2 For demonstrating knowledge and understanding of accounting concepts in relation to valuing businesses. 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.	(3-5)
	Level 1 For showing knowledge and understanding of accounting concepts. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.	(1-2)

Question	Answer	Mark
6*	Considering accounting and other issues should Katie purchase TCE or COTP? Justify your view.	

TCE

Gross Profit Margin = 60.5%

Net Profit Margin = 13.3%

ROCE = 7.9%

Current Ratio = 1.22:1

Acid Test Ratio = 0.96:1

Fixed Asset utilisation = 0.60 times

Net Assets utilisation = 0.60 times

Payback = 15.3 years

COTP

Gross Profit Margin = 73.0%

Net Profit Margin = 10.7%

ROCE = 9.2%

Current Ratio = 1.48:1

Acid Test Ratio = 0.16:1

Fixed asset utilisation = 0.86 times

Net Assets utilisation = 0.86 times

Payback = 14.3 years

Why is TCE's GP margin much lower? Is it due to a more competitive pricing strategy and/or lower levels of efficiency, more wastage, higher supply prices?

Why is COTP's NP margin much lower? Is it due to higher staffing costs, including, for example, the owner's salary? Are fixed costs higher due to the relatively larger size of the premises (85 covers)?

Why is TCE's ROCE lower? Is it due to the valuation of assets?

Why are COTP's liquidity ratios so poor? Do they threaten the solvency of the business? Is it due to the timing of the balance sheet at the very end of the closed season? Is the business re-stocking for the new season? Why at the end of the closed season are there any outstanding debtors? Would the amount of any of the liabilities, eg the overdraft, cause major financial difficulties if it had to be re-paid?

Question	Answer	Mark
6*	<p>What is the capacity utilisation of both businesses? We know COTP has more covers but the business is shut down for five months of the year. But TCE closes at 5.30pm, is there scope to extend opening hours for a different target market?</p> <p><u>Other issues</u></p> <p>What are Katie's objectives? COTP appeals if she would like an annual closedown for long holidays and refurbishments. Would these cause recruitment problems? Would there be much higher staff turnover and the need to constantly train up staff? Is the tourist industry more susceptible to external influences such as the weather, consumer confidence and foreign holidays?</p> <p>TCE appeals if she wants to develop new markets but is demand more dependent on the success of Bristol as a viable regional/national base for financial institutions?</p>	
	<p>NB: An answer which only includes or does <u>not</u> include financial and accounting issues should only be awarded the lowest mark in the appropriate level.</p>	(13-18)
	<p>Level 4</p> <p>Candidate demonstrates evaluative skills when considering whether Katie should purchase The Coffee Exchange or Café on the Prom. 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>	(7-12)
	<p>Level 3</p> <p>Candidate demonstrates analytical skills when considering whether Katie should purchase The Coffee Exchange or Café on the Prom. Relatively straightforward 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>	

Question 6*	Answer	Mark
	Level 2	(3-6)
	For demonstrating knowledge and understanding of relevant factors when considering the purchase of a business. 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.	
	Level 1	(1-2)
	For showing knowledge and understanding of business decision making. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive. Writing may also lack legibility.	

F295 People in Organisations

Question	Expected Answer	Marks
1 (a)	<p>Calculate the new total weekly basic wage bill on a 40 hour week if the four full-time employees receive an increase of 5% (see Table 1). Up to two marks.</p> <p>$£280 \times 4 = £ 1120$ $£1120 \times \frac{5}{100} = £ 56$ [1] Therefore new total wage bill = $£1120+56=1176$ [1]</p> <p>NB If correct answer given without working, award 2 marks.</p>	[2]
(b)	<p>Using the information in Table 2 and assuming Emma works a 50-hour week, calculate the additional cost of paying her overtime at £11.50 per hour. Up to two marks.</p> <p>Additional cost = 10hours 50-40 OFR [1] 10hours @ £11.50p = £115 [1]</p> <p>NB If correct answer given without working, award 2 marks.</p>	[2]

Question 2	Expected Answer Analyse how possible changes in health and safety legislation may affect the operation of HH.	Marks
	<p>Reference may be made to health and safety audits, actual legislation and how each affects the hotel.</p> <p>Reference may be made to the actual costs involved in complying with any new legislation and the consequences of such cost increases. Will there be a need to formulate a new health and safety policy? Will additional training be needed with the consequent cost and time repercussions? Might such consequences have repercussions on how the hotel is operated and how it is staffed? Will there be an opportunity to offer additional responsibilities to a member of staff as a motivational tool? Will the reported food hygiene certificate be issued by an external body and, therefore, cost more? Not complying in full may affect the imminent inspection from the Tourism Board hotel inspector. A failure to 'pass' the inspection to upgrade the hotel's rating may have revenue and image repercussions.</p>	[6]
	<p>Level 3 Candidate demonstrates analytical skills when considering how health and safety legislation may affect Holly's hotel.</p>	[5-6]
	<p>Level 2 Candidate is able to apply relevant details of health and safety legislation.</p>	[3-4]
	<p>Level 1 Candidate offers relevant theoretical knowledge only.</p>	[1-2]

Question 3	Expected Answer Analyse <u>two</u> benefits to HH of its employees being involved in the decision-making process.	Marks
	May include references to: industrial democracy; involvement in setting objectives; strategy delegation; empowerment, therefore another source of motivation – Herzberg and Mayo; EU legislation (social charter on European directives on workers councils (EWC) – though unlikely for a business of this size as intention of the EWCs was to be aimed at multi-nationals; motivational involvement (Mayo); sense of belonging (Maslow), team working.	[6]
	Level 3 Candidate demonstrates analytical skills when considering the benefits for HH's employees.	[5-6]
	Level 2 Candidate is able to apply relevant details of decision-making processes and benefits.	[3-4]
	Level 1 Candidate offers relevant theoretical knowledge only.	[1-2]

Question	Expected Answer	Marks
4 *	<p>Recommend and justify the most effective method of communication Holly should use when reviewing Emma's treatment of Mr and Mrs Wood.</p> <p>May include reference to:</p> <ul style="list-style-type: none"> • formal and informal communication; • one and two communication; • communicational networks; • barriers to effective communication; • modes of communication to be used; • skill of communicator (Holly); • and receiver, (Emma); • time available; • value of customers v employees; • business objectives; • formal interview with Emma with no noise/distractions; • the content for communication which is difficult given she has worked at HH for a long time, but has upset a valued guest. 	[13]
	<p>Level 4 Candidate demonstrates evaluative skills when recommending effective methods of communication. 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>	[9-13]
	<p>Level 3 Candidate demonstrates analytical skills when considering effective methods of communication 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>	[6-8]

Question	Expected Answer	Marks
4 *	<p>Level 2 Candidate is able to apply knowledge of communication methods. 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>	[3-5]
continued	<p>Level 1 Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	[1-2]
5 *	<p>Evaluate the likely impact of Holly's leadership style on the operation of the hotel.</p> <p>Leadership styles in context (democratic), McGregor Theory Y, Tannenbaun and Schmidt's management grid, sense of responsibility (Herzberg), paternalistic, with links to the benefits for the hotel. Less absenteeism, greater productivity, less staff turnover and, therefore, less recruitment and training costs, improved communication (two way) – management by walking about. Disadvantages could include her style of leadership may reduce employee involvement, although the case suggests otherwise and, therefore, if she is too democratic, important decisions are not within her immediate control.</p> <p>Level 4 Candidate demonstrates evaluative skills when discussing Holly's leadership style and subsequent benefits for the hotel. 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>	[13]
		[9-13]

Question 5 * continued	Expected Answer	Marks
	<p>Level 3 Candidate demonstrates analytical skills when considering leadership styles and their consequences for the hotel. 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>	[6-8]
	<p>Level 2 Candidate is able to apply relevant suggestions to the styles of leadership. 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>	[3-5]
	<p>Level 1 Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	[1-2]

Question 6 *	Expected Answer	Marks
	<p>Considering human resources <u>and other issues</u>, should Holly introduce performance related pay for her employees? Justify your view.</p> <p>Taylor's encouragement by payment by production, Tom Peters offering financial incentives (Herzberg's hygiene factors). Views of the employees. Difficulties of measuring performance in the service sector. Consequences for the business in terms of costs, pricing and profitability. Finance, cost of setting it up and running it. If it is successful, customers will get a better service. Improved feedback from customer questionnaires/customer views on websites. Customer feedback to the hotel. Repeat bookings. Customer loyalty. Quality of service. Also accept negative factors. Eg If it is not carefully implemented, the service may get worse. What are the criteria that should be used for judging its success. Discussion of appraisal. Productivity – but how to quantify this in the hotel sector</p>	[18]
	<p>Level 4 Candidate demonstrates evaluative skills when discussing performance related pay. 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>	[13-18]
	<p>Level 3 Candidate demonstrates analytical skills when considering methods of payment. 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>	[7-12]
	<p>Level 2 Candidate is able to apply to knowledge of methods of payment. 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>	[3-6]

Question 6 * continued	Expected Answer Level 1	Marks
	Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.	[1-2]
	NB An answer which only includes, or does not include human resources issues, should only be awarded the lowest mark in the appropriate level.	

F296 Business Production

Question Number	Expected Answer	Max Mark
1 (a)	<p>Analyse <u>two</u> ways in which production decisions at Café Black will impact on other departments.</p> <p>Marketing department – the effect on Marketing will be largely in the areas of product, price and promotion. The decisions of the Operations Manager should be made in conjunction with Marketing and as a consequence of the Marketing Department’s research. Indeed, what design changes Marketing decide as necessary will need to be incorporated into the actual design; the feasibility of this happening is integral to their relationship. Any pricing changes deemed necessary may mean reductions in production costs are essential which may affect quality, and so on.</p> <p>Human Resources – any changes in terms of production will have an impact on Human Resources – from minor training issues to full blown recruitment initiatives. Production is key and whatever is produced will involve human resources to an extent. Decisions, for example, to adopt fully automated flow production may impact on morale and motivation as the nature of peoples’ jobs change.</p> <p>Finance – all production decisions will invariably have financial implications whether it be training, new equipment, new suppliers and so on. New products will impact on revenue streams, with subsequent impacts on profits.</p> <p>Legal – producing a coffee machine involves adherence to food standards, health and safety in terms of equipment and other relevant employment protection issues.</p>	
	<p>Level 3 Candidate demonstrate analytical skills when considering impacts – a strong use of context (5-6)</p>	
	<p>Level 2 Candidate is able to apply relevant suggestions to knowledge of impacts – a weak use of context (3-4)</p>	
	<p>Level 1 Candidate offers relevant theoretical knowledge only (1-2)</p>	[6]

Question Number	Expected Answer	Max Mark
2*	Evaluate the implications for Café Black of implementing a system of Total Quality Management (TQM). TQM means improvement from design onwards. CB may spend more time focusing on, for example, customer needs when it designs the coffee machine. This may mean far fewer customer complaints as customers get what they want which, in turn, leads to more repeat business and profits. However, the extra design input is likely to come at a cost in terms of research (both product and market) and time. This does not mean that the TQM approach will not be viable, however, and for a quality 'technical' product such as this it seems obvious. Essentially there are implications in the process and the outcome. It should mean that there are higher quality products, better designs and improved efficiency. Less wastage and cost and energy savings are likely, reducing costs overall, although there are implications in terms of increased costs of quality control in terms of human time and machine usage as well as more training. With more checking and re-working there is a chance of more down-time as well. However, better products are likely which means satisfied customers, enhanced reputation and repeat business. Level 4 Candidate demonstrates evaluative skills when considering the implications. 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.	(9-13)

Question Number	Expected Answer	Max Mark
2*	Continued Level 3 Candidate demonstrate analytical skills when considering the implications. 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. (6-8) Level 2 Candidate is able to apply relevant suggestions to knowledge of implications. 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. (3-5) Level 1 Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility. (1-2)	

Question Number	Expected Answer	Max Mark
3	<p data-bbox="293 271 1315 338">Analyse <u>two</u> operational benefits to Café Black of having locally sourced components.</p> <p data-bbox="293 371 1299 539">Makes for ease/speed of delivery - local suppliers can deliver quickly. In the case of CB there are likely to be times when coffee machine components are needed rapidly. A local supplier can probably do this. This has the added advantage that CB can run down its inventory and thus save storage costs - almost a JIT system.</p> <ul data-bbox="293 546 1326 952" style="list-style-type: none"> • Should cut down on delivery costs as local suppliers are likely to charge very little for delivery and maybe able to deliver very regularly – again reducing the need for storage and its associated costs. • Should make supplier relationship easier – communication is likely to be eased as managers can actually meet and contact can be maintained. This is likely to lead to trust and closer inter-dependency. • Should enable emergency supply – good relationships and close geographical proximity may well lead to the ability to supply in any ‘reasonable’ emergency. • Good reputation as a local 'benefactor' in terms of jobs – co-operation between manufacturers may mean local spin-offs in terms of image in the community. 	
	<p data-bbox="293 987 1315 1088">Level 3 Candidate demonstrate analytical skills when considering benefits - a strong use of context (5-6)</p>	
	<p data-bbox="293 1122 1315 1223">Level 2 Candidate is able to apply relevant suggestions to knowledge of benefits - a weak use of context (3-4)</p>	
	<p data-bbox="293 1256 1315 1321">Level 1 Candidate offers relevant theoretical knowledge only (1-2)</p>	

Question Number	Expected Answer	Max Mark
4*	<p data-bbox="293 271 1294 338">Discuss the extent to which Café Black might gain from "specialisation and the division of skilled labour" (line 20).</p> <p data-bbox="293 371 1294 439">There are many gains, but also some potential drawbacks involved in this issue.</p> <p data-bbox="293 443 1294 640">Concentration on tasks workers do best – the workforce in such a skilled/semi skilled environment ought to specialise at what they do best – thus increasing overall productivity. There are drawbacks to this, such as workers becoming bored and de-motivated by repetitive tasks, although with the relatively small production runs and different designs this issue is less of a problem than it would be in a mass production scenario.</p> <p data-bbox="293 645 1294 909">Skills are improved by repetition - repeating a task makes workers better. In terms of CB, there will be distinct/discrete tasks, such as soldering, on the production line that individual workers could get good at. This means that CB will see its coffee machines produced quickly, effectively and efficiently with less chance of wastage. However, firms have a tendency to 'over specialise' and the division of labour only works when that worker is available. In reality CB will have to spend time and money training staff to multi-skill so that an illness to one worker does not actually disrupt production.</p> <p data-bbox="293 913 1294 1043">Time saved by not changing tasks – there will be some down time involved in swapping jobs. This may be small in itself, but repeated time and again throughout the day could build up to a considerable amount of wasted time. Again, this may be offset by other gains in terms of flexibility or staff morale.</p> <p data-bbox="293 1048 1294 1144">Easier/more effective organisation of production – specialised staff can lead to a more effective organisation of production, maximising efficiency at each stage.</p> <p data-bbox="293 1149 1294 1245">Reduction in unit costs – assuming pay rates stay the same (and they may not as bonuses may be awarded for production increases) as output increases, unit costs fall.</p>	

Question Number	Expected Answer	Max Mark
4*	Continued	
	Level 4 Candidate demonstrates evaluative skills when considering the gains. 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. (9-13)	
	Level 3 Candidate demonstrate analytical skills when considering the gains. 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. (6-8)	
	Level 2 Candidate is able to apply relevant suggestions to knowledge of gains. 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. (3-5)	
	Level 1 Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility. (1-2)	

Question Number	Expected Answer	Max Mark														
5	<p>The table below shows the cost of producing CN17 coffee machines.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Coffee machine 'shell' cost</td> <td style="text-align: right;">£995 per unit</td> </tr> <tr> <td>Pipework & electrical component costs</td> <td style="text-align: right;">£1,770 per unit</td> </tr> <tr> <td>Direct labour</td> <td style="text-align: right;">£4,000 per unit</td> </tr> </table> <p>Calculate the contribution each CN17 coffee machine makes to the overheads and profit of Café Black if it sells at its standard price.</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Contribution = price – VC</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>VC = £995 + £1,770 + £4,000 = £6,765</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>£8,500 - £6,765</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>= £1,735</td> <td style="text-align: right;">(1)</td> </tr> </table> <p>4 marks for correct answer 3 marks for £832,800 (total contribution)</p>	Coffee machine 'shell' cost	£995 per unit	Pipework & electrical component costs	£1,770 per unit	Direct labour	£4,000 per unit	Contribution = price – VC	(1)	VC = £995 + £1,770 + £4,000 = £6,765	(1)	£8,500 - £6,765	(1)	= £1,735	(1)	
Coffee machine 'shell' cost	£995 per unit															
Pipework & electrical component costs	£1,770 per unit															
Direct labour	£4,000 per unit															
Contribution = price – VC	(1)															
VC = £995 + £1,770 + £4,000 = £6,765	(1)															
£8,500 - £6,765	(1)															
= £1,735	(1)															

Question Number	Expected Answer	Max Mark
6*	The cost of delivering 60 CN17 machines to Green Bean would be £4,750. Considering production <u>and other issues</u>, should Café Black accept the order from Green Bean? Justify your answer.	

There are many factors to be considered before choosing to accept or decline the Green Bean order.

Candidates may calculate the contribution (below):

$$£7,000 - £6,765 = £235 \times 60 \text{ machines} = £14,100 - £4,750 \text{ (delivery)} = £9,350$$

The question is – is £9,350 really worth it (on a turnover of £420,000) compared to the contribution when sold at £8,500? It is indeed a lot of effort to gain a mere £9,350 and a contextual answer that relates this figure to bigger picture of what they turnover each year should be rewarded. However, this is not the complete picture. Special orders can lead to repeat business. The contribution of £9,350 does seem a huge amount of effort to go to for such a small 'profit', given the resources needed and time it would take - possibly blocking other more potentially lucrative orders. However, if a firm order for 60 at £7,000 is CB's best offer then it is better than the alternative (idle capacity) and at least brings in something over and above the variable costs and costs associated with this order. In the case of CB, producing a specialist piece of kit in a growing market, it seems unnecessary to accept at this price.

There is also the issue of repeat business – very likely if this order is produced to a high standard and on time. This has related marketing issues about what price they would then go on to sell at and so forth as well as current customers seeing a new buyer getting it at a reduced rate. CB would need to effectively 'discriminate' its price and ensure 'word did not get around', otherwise there could be negative implications.

Question Number	Expected Answer	Max Mark
6*	Continued	

There is also a major production issue. Does CB have the capacity? An extra 60 machines will need to be ordered in terms of components, putting pressure on suppliers (can they cope?). It also means extra labour time – to what extent are the human resources currently utilised? Is it indeed possible to produce this order? Does CB have the equipment necessary? However there are possible economies of scale to be gained here – particularly in terms of technological and purchasing economies (although this does depend on how they set production up to produce these extra machines and whether suppliers can sell them more components at the same/cheaper price – it maybe that suppliers are pushed themselves and have to actually raise prices).

It is possible that this decision will set off a chain of decisions regarding production. CB may well have to invest in more machinery and thus will be looking at an increased marketing effort to find more customers to make this viable in the medium/long term. This increased investment will need a source of finance. Do they have the liquidity to cope with purchasing more stock and the volume of finance for a large capital purchase?

NB An answer which only includes, or does not include production issues, shall only be awarded the lowest mark in the appropriate level

Level 4

Candidate demonstrates evaluative skills when considering the decision and its implications.

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.

(13-18)

Question Number	Expected Answer	Max Mark
6*	Continued Level 3 Candidate demonstrate analytical skills when considering the decision and its implications. 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. (7-12) Level 2 Candidate is able to apply relevant suggestions to knowledge of implications. 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. (3-6) Level 1 Candidate offers relevant theoretical knowledge only. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility. (1-2)	

F297 Strategic Management

- 1 (a) With reference to Table 2, calculate the Accounting Rate of Return (ARR) and the Pay Back Period (PBP) of each of the three options being considered.

[13]

	Taxi vouchers	Taxi services in Upton	Executive travel
Set up	(£1,000)	(£20,000)	(£15,000)
Year 1	£2,800	£5,000	£10,000
Year 2	£2,800	£10,000	£10,000
Year 3	£2,800	£25,000	£10,000
Year 4	£2,800	£25,000	£10,000
Total	£10,200	£45,000	£25,000
Average	£2,550	£11,250	£6,250
ARR	255.0%	56.2%	41.7%
PBP	0.36 years	2.2 years	1.5 years
	4.3 months	2 years, 2.4 months	1 year, 6 months

Level 3	The answer contains analysis of the data to determine the outcome of the technique(s). 1 mark for each ARR correct. If only ARR award 9 to 11. 1 mark for each PBP correct. If only PBP award 9 to 11. Maximum of 12 marks for an incomplete answer. Maximum marks can only be achieved by 3 correct ARR <u>and</u> 3 correct PBP figures.	(13-9)
Level 2	Applies understanding of the data and technique(s) in attempting to assess the options. 1 mark for each ARR attempted using the case data. If only ARR award 4-6. 1 mark for each PBP attempted using the case data If only ARR award 4-6.	(8-4)
Level 1	Demonstrates some knowledge of the technique(s). 1 mark for each formula	(3-1)

- 1 (b) Recommend whether Candy Cabs should go ahead with any of the three options being considered. Justify your view. [18]

Need to consider the whole business, the objectives of key stakeholders, strategic fit, and resources available, exit strategy, etc. Candidates might use Ansoff

	Existing product	New product
Existing market	<p>Market penetration <i>Buying pensioner cars Existing customers, so selling the same service more often. Low capital requirement, but strain on working capital whilst waiting for Traylen to pay the 90% purchase price. If CC “buys” a car for £4,000 then it effectively loses £400, but captures the customer.</i></p>	<p>Product development</p>
New market	<p>Market development <i>Upham How different are the two markets in terms of customer needs? Suggestion is that CC is already known and respected so lowers risk.</i></p>	<p>Diversification <i>Executive car New dedicated service to a new set of customers (business v private).</i></p>

Buying pensioner’s cars.

Has CC got the capacity to expand in this way? What might happen to its reputation if, having entered into this deal, its cars are always busy when pensioners want a cab? Is there an ethical issue, does CC have a moral obligation to give these customers priority over full payers? But, 70+ market unlikely to use cabs during the evening or early morning so would not interfere with these two markets. Marketing benefits – could this be seen as CSR, public safety taking the elderly off the roads. CC already has the resources, cabs and drivers, and it fits with what it does. Once the customer is captured then CC can raise prices later. Ideal situation is that the pensioner does not redeem their full value of vouchers.

Executive car

What does CC know about this market? Is it different to regular “plying for trade” taxis? Does CC have the resources? £15,000 is a lot of money, and there is not enough cash in the bank so would need external finance. But, how much is the sunk costs of this venture. If it does not work how much could CC sell the “posh” car for? Cost of finance? Also, might need a different type of employee, so recruitment and/or training.

Upham

Rather than buy two new cabs why not divert resources from Oakford as a test. If business is brisk then, and only then, invest in additional capacity. So, it is relatively easy to limit the cost of failure. Having seen off Terry, CC might be able to hire Terry's ex-drivers and then train them in the CC way of doing things. So, human resources might not be a major issue – providing they are prepared to wear pink! What if Terry does not simply roll over and die, does CC have the stomach for a fight? Can it afford a price war, might any competitive fight spill over to Oakford and so risk the core of the business? Expansion sends a message to others that business is good, so may encourage others to enter the cab market. Are there issues of managerial control/supervision given the geographical distance apart? Are there marketing benefits – a single advertisement on the local radio/newspaper now reaches a bigger audience. Consider other E of S arguments.

The validity of choice determined by the synthesis of case and subject. There is no clear winner here, so mark will reflect the skill shown in putting forward the case.

Level 4	Discussion is balanced in evaluating recommendation.	(18-12)
Level 3	Analyses case material in support of recommendation.	(11-8)
Level 2	Recommendation is supported by descriptive use of the material.	(7-4)
Level 1	Offers a view without support.	(3-1)

2 Evaluate the extent to which the legal identity of Candy Cabs impacts on its ability to achieve its objectives

To be sensible, objectives need to reflect the available resources (or the ability to secure resources) and the business landscape being travelled through.

Legal identity is a partnership. Three owners, one identified as a sleeping partner (Andrew) who, therefore, enjoys limited liability. Having unlimited liability, so putting their personal assets at jeopardy, may make Catherine and Yvonne more cautious and so make them less inclined to take risk when it comes to expansion/objectives.

Being a partnership any lending is to the individuals, not the business. A bank, therefore, lends to the owner, who in turn can advance a loan to the business in their personal capacity. Bank would take a charge over a personal and not business asset. This may severely limit the ability of the business to acquire finance to fund any expansion plans. If it were an Ltd this may still be the case, but it may well be that lenders would use business assets for collateral. In short, being a partnership limits access to sources of finance.

With no requirement to publish accounts how do the owners know what the business is achieving? Without knowing your starting point, how does one plan a strategy to reach the objective? So, the lack of legal requirement for accurate and current financial information makes diagnosis of the current position very difficult. Not helped here by Andrew's reluctance to even try! Lack of audited accounts would also make gaining a loan from a lender more problematic.

Each of the three options being considered carries a financial requirement which cannot be met from internal sources. This lack of funding, allied with problems of going beyond the business, might "force" the partners to take the route with the lowest capital requirement, rather than the one that gives the best return or makes best business sense. So, legal identity could severely restrict its ability to choose the most appropriate objective.

Further, there is suggestion of tensions between the partners which if taken to an extreme may call into question the long term viability of the business. Might the owners, therefore, want to transfer to Ltd status to enable either of them to walk away and leave the business intact as "a going concern" and, therefore, heading toward achieving its objective?

Level 4	A view of the possible link between partnership and objectives is reasoned explicitly in context.	(18-12)
Level 3	Consideration of the possible link between partnership and objectives is supported by analysis of case material.	(11-8)
Level 2	Describes possible ways in which the legal identity may influence the business ability to reach or choose objectives.	(7-4)
Level 1	Demonstrates knowledge of objectives or knowledge of partnerships.	(3-1)

3 Discuss how a period of sustained UK unemployment might affect the success of Candy Cabs.

Unemployment comes in different types! A clear route to L4 is to consider the different types to argue that some will, and some won't, affect CC's strategy.

UK unemployment may not have much impact on a local/regional business if it does not effect the locality. However, if it does then regional, for example, could be devastating. Similar argument for structural, so really it depends on the nature of the local economy.

Cyclical unemployment will lower average UK incomes and reduce household confidence, so less likely to spend, so demand for CC will fall. Case evidence suggests that taxis are a luxury for some; a necessity for others. So, if unemployment rises then CC might switch efforts toward the necessity market (local authority work, pensioners, etc). If CC has gone into the pensioner car exchange market then demand from this niche is likely to hold up, so keeping CC's capacity utilisation high, spreading fixed costs, etc. Increased unemployment might reduce demand from the corporate market, so hold off expansion plans into executive travel market.

Local authority contract is for 6 months, so 10% of income is guaranteed for this time period, so candidates might argue that the SR impact will be different to the LR impact.

What competition does CC face? If incomes fall, might people start to walk more or use the bus? Are there local buses? Case suggests none in the evenings and at weekends.

If incomes fall households may sell second/ third cars to save money/liberate some capital. This might cause a rise in demand for local journeys, so making expansion more attractive.

Unemployment makes it easier to attract and retain staff as labour market tightens so fewer alternative opportunities for staff. Skills/ qualification required by staff are a licence and a CRB check, so staff are likely to be easy to find, keeping any upward pressure on wages in check.

How long is sustained?

Level 4	Discussion is evaluative in balancing different possibilities.	(18-12)
Level 3	Case material is subject to analysis in discussing the possible affect of unemployment upon CC's strategy.	(11-8)
Level 2	Describes how strategy might be affected by unemployment.	(7-4)
Level 1	Demonstrates knowledge of strategy/unemployment.	(3-1)

4* Recommend, to Catherine and Yvonne, how the proposed changes in working practices be implemented.

Various models of change could be used as a framework in answering this question, eg Lewin. Many models have common themes such as to envisage the need for change, consult, implement and then evaluate; unfreeze, change, refreeze, etc.

First and foremost, Catherine and Yvonne need to believe that the proposed change is needed and would be beneficial. The case suggests they are not convinced because it is described as Andrew's big idea – so perhaps they themselves have not bought into the change. If they cannot see the need for it, it would be very difficult to persuade others.

Need to be careful because the skill and expertise of the business largely rests with the drivers/employees. If they do not like what they hear they could depart and set up on their own – we are told the barriers to entry are low, so there is considerable scope for owner drivers. Also, Candy Cabs as a brand is only as good as its employees, therefore, this idea carries with it great risk – indeed one could argue that “outsourcing” drivers is very silly as they are the very core of the business' success. Is it worth putting its hard won reputation at risk for no measurable gain? – NB Andrew has not provided any data to suggest what the benefits of contracting-out labour might be.

If Catherine and Yvonne say “no”, will Andrew get bored and go away or will he pull the plug on the business. Do Catherine and Yvonne still need him? He has a loan to Candy Cabs of £22,500, can they afford for him to walk away?

Once they have decided on the need for change, no matter how reluctantly, they need to sell the idea to the employees. Seek to emphasise the advantages to them as individuals. Own boss, freedom, etc. but under an established successful umbrella of Candy Cabs. But employees may not want to be self employed, they may well resist change – if they wanted to be self-employed why are they not already? So, Catherine and Yvonne need to establish any reasons for resistance and then to gradually chip away at each obstruction.

If the change is simply imposed, then Candy Cabs runs two risks. Unhappy staff, so leading to poor customer service. Second, haemorrhaging of staff leaving the business with insufficient staff to operate effectively.

There is of course the legal situation to consider, is what Andrew is proposing even legal? Can you make an employee redundant and then immediately take them on as a self employed contractor? Maybe C/ Y should consult a lawyer (which is quite ironic!) or the CAB

Need to establish success criteria to assess change post-event – has it delivered what was expected and if not what still needs to be done?

Level 4	Achieves an overall view having evaluated different possibilities. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex 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.	(23-17)
Level 3	Analysis of material supports discussion of how change might be managed in the context. 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.	(16-11)
Level 2	Describes how change might be managed in a generic sense with no use of the explicit context. 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.	(10-5)
Level 1	Offers knowledge of change Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.	(4-1)

Grade Thresholds

Advanced GCE Business Studies (H030 H430)
January 2010 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F291	Raw	60	43	38	34	30	26	0
	UMS	80	64	56	48	40	32	0
F292	Raw	90	52	46	41	36	31	0
	UMS	120	96	84	72	60	48	0
F293	Raw	60	40	36	33	30	27	0
	UMS	80	64	56	48	40	32	0
F294	Raw	60	41	37	33	30	27	0
	UMS	80	64	56	48	40	32	0
F295	Raw	60	46	42	38	34	30	0
	UMS	80	64	56	48	40	32	0
F296	Raw	60	45	42	39	36	33	0
	UMS	80	64	56	48	40	32	0
F297	Raw	90	58	51	45	39	33	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
H030	200	160	140	120	100	80	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
H030	10.17	29.06	59.08	82.81	96.37	100.00	413

For a description of how UMS marks are calculated see:

<http://www.ocr.org.uk/learners/ums/index.html>

Statistics are correct at the time of publication.

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