

# **Applied Business**

Advanced GCE A2 H426/H626

Advanced Subsidiary GCE AS H026/H226

## **Mark Schemes for the Units**

---

**January 2010**

**H026/H226/MS/R/10J**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of pupils of all ages and abilities. OCR qualifications include AS/A Levels, GCSEs, OCR Nationals, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new syllabuses to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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

© OCR 2010

Any enquiries about publications should be addressed to:

OCR Publications  
PO Box 5050  
Annesley  
NOTTINGHAM  
NG15 0DL

Telephone: 0870 770 6622  
Facsimile: 01223 552610  
E-mail: [publications@ocr.org.uk](mailto:publications@ocr.org.uk)

## CONTENTS

**Advanced GCE Applied Business (Double Award) (H626)**

**Advanced GCE Applied Business (H426)**

**Advanced Subsidiary GCE Applied Business (Double Award) (H226)**

**Advanced Subsidiary GCE Applied Business (H026)**

### MARK SCHEMES FOR THE UNITS

<b>Unit/Content</b>	<b>Page</b>
F242 Understanding the business environment	1
F243 The impact of customer service	18
F248 Strategic decision-making	33
F256 Business law	57
F257 Managing risk in the workplace	79
Grade Thresholds	95

## F242 Understanding the business environment

Question Number	Expected Answer	Mark	Additional Guidance
1 (a)	<p><b>What is meant by the term ‘negative cash-flow’?</b></p> <p><b>AO1 – 1 mark</b></p> <p><b>Up to one mark for description.</b></p> <ul style="list-style-type: none"> <li>• outflow is greater than inflow (1)</li> <li>• when a business is short of money (1).</li> </ul>	<b>[1]</b>	<p>Do <b>NOT</b> accept profit or loss. Making money / losing money.</p> <p>Do not award: When you go into minus / negative figures (too vague).</p> <p>Accept negative opening or closing bank balance.</p>
1 (b)	<p><b>State TWO ways in which a business could improve cash-flow.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks for explanation.</b></p> <ul style="list-style-type: none"> <li>• by taking out a loan (1)</li> <li>• by getting an overdraft (1)</li> <li>• by getting customers to pay more quickly (1)</li> <li>• by raising prices (1)</li> <li>• using marketing to increase sales (1)</li> <li>• get a cheaper supplier (1)</li> <li>• debt factoring (1)</li> <li>• reducing wages / redundancies / paying minimum wage (1)</li> <li>• shareholder / owner investment (1).</li> </ul>	<b>[2]</b>	<p>Do <b>NOT</b> accept ‘increase inflow’ or ‘decrease outflow’ or ‘reduce expenditure or income’ or ‘increase sales’ or ‘decrease costs’ without further expansion. Answers must be examples e.g. reduce prices to increase sales.</p>

Question Number	Expected Answer	Mark	Additional Guidance
1 (c)(i)	<p>Using the information provided below, complete the unshaded boxes in the cash-flow forecast for the proposed expansion of HHO Ltd.</p> <p><b>AO1 – 4 marks</b> <b>AO2 – 3 marks</b></p> <p><b>1 mark for each correct calculation.</b></p> <p>April closing bal = 26 000 (1)            May opening bal = 26 000 (1) <b>OFR</b>            June SR = 96 000, Total cash inflow = 96 000 (1) *both must be correct for 1 mark            June Stock = 36 000 (1)            June Total cash outflow = 55 000 (1) <b>OFR</b>            June Net cash flow = 41 000 (1) <b>OFR</b>            July Total cash outflow = 79 000 (1).</p>	<b>[7]</b>	<p>Look out for own figure rule.</p> <p>Award full marks for correct answer without workings.</p>
1 (c)(ii)	<p><b>Calculate the sales revenue per hydrocycle if the average selling price drops by 5%</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 1 mark</b></p> <p><b>1 mark for each correct calculation.</b></p> <p><math>800 \times 5\% = 40</math> (1) or <math>800 \times 95\% = 760</math> (+1)</p>	<b>[2]</b>	<p><b>Full marks for correct answer £760</b></p> <p>1 mark for correct working but wrong answer.</p> <p>Look out for answers with calculated profit (£460) – no marks. Award 1 mark for £760 if shown in workings, but not given for final answer.</p> <p>Do not award decimal place errors.</p>

Question Number	Expected Answer	Mark	Additional Guidance
1 (d)	<p><b>The cash-flow forecast of the proposed expansion of HHO Ltd is positive. However, Gillian realises that she needs to be cautious with the way in which she uses these figures.</b></p> <p><b>Identify TWO reasons why she needs to be cautious with the way in which she uses these figures.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>1 mark for each reason up to a maximum of 2 marks.</b></p> <ul style="list-style-type: none"> <li>• figures are only estimates so may not be accurate e.g. human error, incompetence or inexperience.</li> <li>• external factors such as the exchange rates might affect cash outflows</li> <li>• unexpected events are not taken into account ie the credit crunch</li> <li>• costs can change.</li> </ul>	<b>[2]</b>	<p>Accept any reasonable answers regarding the drawbacks of cash-flow forecasts but look out for repetition.</p> <p>Answers do <b>not</b> have to relate to HHO.</p> <p>Do <b>NOT</b> accept vague answers e.g. 'they may not sell that many hydrocycles; candidate must state external factors affecting sales e.g. recession or new competitor.</p>
1 (e)(i)	<p><b>Using the cash-flow forecast in part (c)(i), calculate the cost of direct labour per hydrocycle in June. Give your answer correct to two decimal places.</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 1 mark</b></p> <p><b>Up to two marks for calculation.</b></p> <p>5000 /120 (1) = 41.67 (1).</p> <p>41.66 Award 1 mark only.</p>	<b>[2]</b>	<p><b>Award full marks for correct answer without workings.</b></p> <p>£41.66 1 mark</p> <p>£41.67 2 marks</p>

Question Number	Expected Answer	Mark	Additional Guidance
1 (e)(ii)	<p><b>State the effect of an increase in output on HHO Ltd's cost of direct labour per hydrocycle.</b></p> <p><b>AO1 – 1 mark</b></p> <p><b>1 mark for description.</b></p> <p>Direct labour per bike will decrease (1).</p>	[1]	One word answers are acceptable.
2 (a)	<p><b>What is meant by the term 'break-even'?</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to 2 marks for description.</b></p> <p>Break-even is the output at which total revenue equals total costs (1). This is when a business does not make a profit or a loss (1). Any sales over the BE point results in profit (1). (The opposite is also true for 1 mark).</p>	[2]	Do <b>NOT</b> award marks for examples or formula.
2 (b)	<p><b>Using the cash-flow forecast in Question 1(c)(i), identify THREE fixed costs for HHO Ltd.</b></p> <p><b>AO2 – 3 marks</b></p> <p><b>One mark for each correct identification to a maximum of three identifications.</b></p> <p><b>Acceptable responses:</b> Rent, loan repayments, insurance, overheads, wages, salaries.</p>	[3]	Answers <b>must</b> be taken from cash-flow forecast.

Question Number	Expected Answer	Mark	Additional Guidance
2 (c)	<p>Using the cash-flow forecast in Question 1(c)(i), calculate the number of hydrocycles which need to be sold each month to break-even.</p> <p><b>AO1 – 1 mark</b> <b>AO2 – 2 marks</b></p> <p><b>Up to three marks for calculation.</b></p> <p>BE = FC/SP-VC (1) or Fixed Cost / Contribution (1) = 19000 (1)/800-300 (1) or 500 (1) = 38 (+1).</p>	<b>[3]</b>	<p><b>Award full marks for correct answer without workings.</b></p> <p>Award full marks for 38 with no workings.</p>

Question Number	Expected Answer	Mark	Additional Guidance
2 (d)	<p><b>Discuss the usefulness of break-even analysis to HHO Ltd.</b></p> <p><b>Please indicate each time a candidate achieves a particular level, as this will help you to allocate the marks within that level.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate describes BE out of context.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains <b>how</b> HHO could use BE analysis.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses positive/negative impact(s) of using BE analysis in context.</p> <p><b>Level 4 (10-12 marks)</b> Candidate evaluates BE analysis in context.</p> <p><b>Indicative content (L2):</b></p> <ul style="list-style-type: none"> <li>• Work out BE point</li> <li>• Use it as a modelling tool to see effects of different selling price/costs</li> <li>• Work out margin of safety</li> <li>• Work out profit/loss</li> <li>• Motivate staff to meet targets / produce more hydrocycles</li> </ul> <p><b>Exemplar response:</b> BE analysis enables businesses to decide whether they have the capacity to produce the BE output (<b>L1</b>). It helps HHO to see whether it is able to produce the BE output of bikes (<b>L2</b>) in order not to make a loss (<b>L3</b>). It can see how changes in the price/costs of bikes can affect the BE point and profit (<b>L2</b>). This enables HHO to set a price that will allow the business to make a reasonable amount of profit. However, BE analysis assumes that HHO can sell all the bikes it produces (<b>L2</b>). This assumption is misleading so in reality HHO might not break-even at the BE point if it cannot sell all the bikes it produces. The effectiveness of BE depends on the accuracy of Gillian's data (<b>L2</b>). If they rely completely on the data provided by BE analysis, they might end</p>	<b>[12]</b>	<p><b>L1: [1-3 marks]</b> [1 mark] – candidate defines BE, no context. [2-3 marks] – candidate describes how BE can be used; often name-dropping, no real context.</p> <p><b>L2: [4-6 marks] Look for something more than HHO e.g. bikes, hydrocycles</b> [4 marks] – candidate describes/explains 1 way in which HHO could use BE analysis. [5-6 marks] – candidate describes/explains more than 1 way in which HHO could use BE analysis.</p> <p><b>L3: [7-9 marks]</b> [7 marks] – candidate analyses 1 positive/negative impact of using BE for HHO. [8-9 marks] – candidate analyses more than 1 positive/negative impact of using BE for HHO.</p> <p><b>L4: [10-12 marks]</b> [10 marks] – candidate evaluates BE in context with justification. [11-12 marks] – candidate evaluates BE in context with full justification.</p> <p>*Look for context first to establish L2 then look for how HHO may or may not benefit from BE analysis –L3.</p>

Question Number	Expected Answer	Mark	Additional Guidance
	up losing money <b>(L3)</b> . Overall, BE analysis is useful to HHO as it provides an easy and visual means of analysing HHO's financial position at different levels of output <b>(L4)</b> . It can see at a glance whether the amount of profit is worth the investment it is about to put in <b>(L4)</b> .		

Question Number	Expected Answer	Mark	Additional Guidance
3	The parts needed to build each hydrocycle cost 4 500 Chinese yuan.		
3 (a)	<p>Using Appendix 4 of the case study, calculate correct to TWO decimal places the sterling cost of purchasing the parts for ONE hydrocycle for</p> <p>(i) for 2004; (ii) for 2009.</p> <p>AO1 – 1 mark AO2 – 1 mark</p> <p>Up to 1 mark for each calculation.</p> <p><b>2004</b> i <math>4500/15.9 = 283.02</math> (1)</p> <p><b>2009</b> ii <math>4500/11.1 = 405.41</math> (1)</p>	<p>[1]</p> <p>[1]</p>	<p>Award full marks for correct answer without workings.</p> <p>Answer <b>must</b> be in two decimal places.</p> <p>Award for correct answer only e.g. 283.01 (0 marks) 405.40 (0 marks)</p>
3 (b)	<p>Calculate the percentage change in the sterling cost of purchasing the parts for ONE hydrocycle between 2004 and 2009.</p> <p>AO1 – 1 mark AO2 – 1 mark</p> <p>Up to 2 marks for calculation.</p> <p>Difference = 122.39 (1) <b>NO OFR</b></p> <p><math>122.39/283.02 \times 100</math> (1) = 43.24% (1) or 43.2% (1) or 43% (1)</p>	[2]	Award full marks for correct answer with no workings e.g. 43.24% 43.2% or 43%.

Question Number	Expected Answer	Mark	Additional Guidance
3 (c)*	<p><b>Discuss the extent to which HHO Ltd is affected by changes in the value of sterling.</b></p> <p><b>Please indicate each time a candidate achieves a particular level, as this will help you to allocate the marks within that level.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate describes the effect(s) of exchange rates out of context.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains <b>how</b> HHO is affected by the exchange rates.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses the effect(s) of exchange rates on HHO.</p> <p><b>Level 4 (10-12 marks)</b> Candidate evaluates the extent of effects of exchange rates on HHO.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• More expensive / less expensive imports (raw material/supplies)</li> <li>• More expensive / less expensive exports (sales)</li> <li>• Impact on demand and profits</li> <li>• Impact on cash-flow</li> <li>• Impact on break even point</li> </ul> <p><b>Exemplar response:</b></p> <p>Businesses that are involved in importing and exporting goods from/to overseas are affected by the strength of sterling (<b>L1</b>). HHO imports bicycle parts from China and is therefore greatly affected by the strength of sterling (<b>L2</b>). When sterling is strong, the bicycle parts are cheaper (<b>L2</b>), this will increase profit margin (<b>L3</b>). However, as HHO sells the bikes in Europe, when sterling is strong, its bikes become more expensive for its customers there (<b>L2</b>). This might have an adverse effect on their sales figures (<b>L3</b>).</p>	<b>[12]</b>	<p><b>L1: [1-3 marks]</b> [1 mark] – candidate describes the trend in Appendix 4 out of context. [2-3 marks] – candidate describes the effects of exchange rates out of context; often name-dropping, no real context.</p> <p><b>L2: [4-6 marks] Look for something more than HHO</b> [4 marks] – candidate describes/explains one reason <b>how</b> HHO's costs <b>or</b> sales overseas are affected by exchange rates. [5-6 marks] – candidate describes/explains more than one reason <b>how</b> HHO's costs <b>or</b> sales overseas are affected by exchange rates.</p> <p><b>L3: [7-9 marks]</b> [7 marks] – candidate analyses one effect of exchange rates on HHO's costs <b>or</b> sales overseas. [8-9 marks] – candidate analyses more than one effect of exchange rates on HHO's costs <b>or</b> sales overseas. *Look for impacts on profit (margin), sales, selling price, cash-flow</p>

Question Number	Expected Answer	Mark	Additional Guidance
	<p>Therefore a weak sterling is not all bad news <b>(L4)</b>. Overall, HHO is not going to suffer too much if sterling is weak because of its high profit margin <b>(L4)</b>. It will be able to sell more bikes in overseas markets because they are cheaper and this should, hopefully, compensate for the loss in profit margin <b>(L4)</b>.</p>		<p><b>L4: [10-12 marks]</b>  [10 marks] – candidate evaluates the extent to which HHO is affected by exchange rates with justification.  [11-12 marks] – candidate evaluates the extent to which HHO if affected by exchange rates with full justification.  *Look for the different effects of exchange rates on imports and exports.</p> <p>Make sure the effects described are correctly:</p> <p><b>e.g.</b> weaker sterling means imports are more expensive (bad) and exports are cheaper (good)</p> <p><b>e.g.</b> strong sterling imports are cheaper (good) and exports more expensive (bad)</p> <p>Look out for repetition of the same points in the negative.</p>

Question Number	Expected Answer	Mark	Additional Guidance
4 (a)	<p><b>Gillian made sure that HHO was set up as a private limited company rather than a partnership. Evaluate her decision in the context of the proposed expansion.</b></p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate describes ownership out of context.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains the benefit(s)/drawback(s) of being an ltd or a partnership for HHO.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses the impact(s) of being an ltd and/or partnership for HHO.</p> <p><b>Level 4 (10-12 marks)</b> Candidate evaluates the decision of setting up as an ltd in the context of the proposed expansion.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Separate legal identity</li> <li>• Limited liability</li> <li>• More sources of finance available for ltd</li> <li>• More red tape for ltd</li> <li>• Ltd more expensive to run.</li> </ul> <p><b>Exemplar response:</b></p> <p>A private limited company has limited liability but not a partnership (<b>L1</b>). This is good as if the business fails then Steve and Gillian will not lose all their personal possessions (<b>L2</b>). The corporate status ensures a separate legal identity which allows continuity of the business while a partnership will end if one of the partners decides to leave (<b>L2</b>). An ltd status ensures that HHO will continue to trade if something happens to the partners offering more stability (<b>L3</b>). However, a limited company costs more to run</p>	<b>[12]</b>	<p><b>L1: [1-3 marks]</b> [1 mark] – candidate describes 1 advantage of ownership out of context; often name-dropping, no real context. [2-3 marks] – candidate describes both ownerships out of context, no real context.</p> <p><b>L2: [4-6 marks] Accept generic context, e.g. HHO, hydrocycles or Steve and Gillian.</b> [4 marks] – candidate explains 1 benefit/drawback of an ltd or a partnership in context. [5-6 marks] – candidate explains more than 1 benefit/drawback of an ltd or a partnership in context.</p> <p><b>L3: [7-9 marks]</b> [7 marks] – candidate analyses 1 impact of being an ltd or partnership in context. [8-9 marks] – candidate analyses more than 1 impact of being an ltd or partnership in context.</p> <p><b>L4: [10-12 marks] L4 can only be awarded if L3 also awarded in answer.</b> [10 marks] – candidate evaluates the decision to set up as an ltd for HHO’s expansion with justification based upon their previous analysis.</p>

Question Number	Expected Answer	Mark	Additional Guidance
	and set up <b>(L2)</b> . This will affect the profitability of the business <b>(L3)</b> . Overall, a limited company is a better option because of the risk and high cost of expansion <b>(L4)</b> . They will also have more choice when it comes to external funds as banks are more likely to lend to limited companies <b>(L4)</b> .		[11-12 marks] – candidate evaluates the decision to set up as an ltd for HHO’s expansion with full justification based upon their previous analysis.  <b>DNA</b> comparisons between PLC’s or sole traders <b>MUST BE</b> partnership and ltd
4 (b)	<p><b>If HHO Ltd needed to expand further, it could become a public limited company. State FOUR advantages of being a public limited company rather than a private limited company.</b></p> <p><b>AO1 – 4 marks</b></p> <p><b>1 mark for each advantage up to a maximum of 4 marks.</b></p> <ul style="list-style-type: none"> <li>• Easier to raise finance as shares can be sold on the <b>Stock Exchange</b></li> <li>• Seen as more secure so easier to borrow money from banks</li> <li>• More people are likely to be aware of a plc so a wider customers base</li> <li>• Has more capital and, therefore, can expand more easily</li> <li>• Can afford the best employees so business can be more successful</li> <li>• A higher status attracts more customers</li> <li>• Easier to obtain a bank loan.</li> </ul>	<b>[4]</b>	<p>Make sure that the advantages are not repeated.</p> <p>Do <b>NOT</b> award features common to both ltd and plc, e.g. limited liability.</p> <p>Do <b>NOT</b> accept vague answers e.g. ‘easier to promote products’, ‘have more ideas’, ‘more money for the business’ without explanation.</p> <p>Do not award ‘easier to expand’ unless there is further explanation.</p> <p>Do not award ‘accounts are published’ unless benefit explained, e.g. could attract shareholders if accounts are positive.</p>

Question Number	Expected Answer	Mark	Additional Guidance
5 (a)	<p><b>Identify three ways in which the government - as a stakeholder - can try to ensure the success of businesses such as HHO Ltd which specialise in alternative fuels.</b></p> <p><b>AO2 – 1 x 3 marks</b></p> <p><b>1 mark for each explanation up to a maximum of 3 marks.</b></p> <ul style="list-style-type: none"> <li>• Government funding - offer grants/loans/funding/subsidy</li> <li>• start up advice for business set up</li> <li>• promote the use of alternative fuels</li> <li>• spend money on research</li> <li>• raise taxes on fuel</li> <li>• Reduce tax charged to HHO Ltd</li> <li>• Increase/start/ make cyclist exempt from congestion charge</li> <li>• Make cycling easier / safer / more cycle lanes.</li> </ul>	<b>[3]</b>	<p>Valid responses must apply to alternative fuels and to what the <b>Government</b> can do.</p> <p>Do <b>NOT</b> accept ‘new legislation’ without details or ‘tax reduction’ without explanation.</p> <p>Do not award ‘increase price of fuel/petrol’ as Government can only increase the tax charged not the price charged.</p>
5 (b)	<p><b>Analyse the possible conflict that might arise between HHO Ltd and the local community as a result of the proposed expansion.</b></p> <p><b>Please indicate each time a candidate achieves a particular level, as this will help you to allocate the marks within that level.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate describes stakeholder conflicts out of context.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains the conflict(s) between HHO and the local community.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses the conflict(s) between HHO and the local community in the context of the proposed expansion.</p>		<p><b>L1: [1-3 marks]</b> Candidate describes stakeholder interests out of context.</p> <p><b>L2: [4-6 marks]</b> [4 marks] - candidate lists conflict of interests between the local community and HHO. [5-6 marks] - candidate describes/explains conflict(s) of interests between the local community and HHO.</p>

Question Number	Expected Answer	Mark	Additional Guidance
	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Pollution, e.g. noise, traffic congestion</li> <li>• Negative impact on the environment</li> <li>• House prices go down.</li> </ul> <p><b>Impacts:</b></p> <ul style="list-style-type: none"> <li>• Complaints to council</li> <li>• Protests</li> <li>• Bad publicity</li> <li>• Negative impact on reputation</li> <li>• Increased cost for waste disposal</li> <li>• Limited impact in reality as expansion is small, eg only 5 more employees</li> <li>• Refuse to grant planning permission.</li> </ul> <p><b>Exemplar response:</b> Local community expects a business to operate ethically (<b>L1</b>). The local community might object to the noise pollution (<b>L2</b>) and traffic congestion that the expansion might bring (<b>L2</b>). They could complain to the local council (<b>L3</b>) who could refuse to grant HHO planning permission for the proposed expansion (<b>L3</b>).</p>	<b>[9]</b>	<p><b>L3: [7-9 marks]</b> [7 marks] – candidate analyses <b>1 impact</b> of HHO having conflicting interests with the local community. [8-9 marks] - candidate analyses <b>more than 1 impact</b> of HHO having conflicting interests with the local community.</p> <p>Do not award benefits of the expansion eg increased employment opportunities, as this is not a conflict.</p>

Question Number	Expected Answer	Mark	Additional Guidance
6 (a)	<p>Complete the following SWOT analysis for HHO Ltd by stating <b>ONE</b>:</p> <ul style="list-style-type: none"> <li>• <b>strength</b></li> <li>• <b>weakness</b></li> <li>• <b>opportunity</b></li> <li>• <b>threat.</b></li> </ul> <p><b>AO2 – 4 marks</b></p> <p><b>1 mark for each factor up to a maximum of 4 marks.</b></p> <p>Strengths (Internal):</p> <ul style="list-style-type: none"> <li>• Steve and Gillian have the skills and knowledge</li> <li>• high profit margin</li> <li>• environmentally friendly product</li> <li>• limited liability</li> <li>• USP.</li> </ul> <p>Weaknesses (Internal):</p> <ul style="list-style-type: none"> <li>• lack funds for expansion</li> <li>• current product lacks choice / one colour and one size only</li> <li>• working at capacity / only just meeting current demand.</li> </ul> <p>Opportunities (External):</p> <ul style="list-style-type: none"> <li>• government incentives to support alternative fuels</li> <li>• people more aware of environmental issues</li> <li>• petrol prices rising</li> <li>• Order from European sports company.</li> </ul> <p>Threats (External):</p> <ul style="list-style-type: none"> <li>• weak sterling, higher costs</li> <li>• increased/new competition, affects sales/profits</li> <li>• new cars are more eco friendly</li> <li>• new legislation in China restricting use of cheap labour or exports.</li> </ul>	<p><b>1 x 4</b> <b>[4]</b></p>	<p>Strengths and weaknesses must be largely based on facts taken from case study.</p> <p>Opportunities and threats can be general <b>external</b> factors that might affect a business.</p> <p>One word answers are not acceptable, e.g. exchange rates, expansion or competition, without some explanation, e.g. accept fluctuating or changing exchange rates and increasing competition.</p> <p>Do <b>NOT</b> accept 'opportunity to expand' without linking it to changing lifestyle or consumer preference.</p> <p>Hydrocycles are powered by water <b>NOT</b> hydrogen.</p> <p>Strengths and weaknesses <b>MUST</b> be internal, opportunities and threats <b>MUST</b> be external.</p>

Question Number	Expected Answer	Mark	Additional Guidance
6 (b)	<p><b>Explain why child labour is an ethical rather than a legal issue for businesses such as HHO Ltd.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks for explanation.</b></p> <p>It is not against the law to import goods involving child labour (1) but it is against the moral of most people in this country to do so (1).</p>	<b>[2]</b>	<p>Do not award for ethical must say moral / right thing to do, etc</p> <p>Allow the idea of choice, e.g. HHO choose not to buy from a supplier that uses child labour.</p> <p>Award for reasons why they choose to be ethical, e.g. impact on reputation/sales.</p>
7 (a)	<p><b>For each of the following items of expenditure, identify and explain a different external source of finance.</b></p> <p><b>AO1 – 3 marks</b> <b>AO2 – 6 marks</b></p> <p><b>Up to 3 marks for each suggestion up to a maximum of 9.</b></p> <ul style="list-style-type: none"> <li>• Photocopier – HP, leasing, overdraft, bank loan.</li> <li>• Premises – mortgage, new shareholders, loan, debenture issue, venture capitalist (business angels), renting/leasing, Government grant</li> <li>• Stationery – trade credit, overdraft, borrow off family/friends.</li> </ul> <p>*Sources identified must be external.</p>	<b>[9]</b>	<p>HP/leasing – can pay in small instalments, equipment maintained by leaser Overdraft – easy to arrange, flexible/small amount Bank loan – can spread repayment, interest relatively low Mortgage – small repayment, can borrow huge sums Shareholder – no interest to pay, gain expertise of new shareholder Trade credit – usually interest free over 3 months, no formal arrangement required.</p> <p>If source of finance is incorrect, do not award any marks for explanation.</p> <p>Look for repetition. Each source of finance may only be used once.</p>

Question Number	Expected Answer	Mark	Additional Guidance
7 (b)(i)	<p><b>Identify two internal sources of finance.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>One mark for each identification up to a maximum of 2.</b></p> <ul style="list-style-type: none"> <li>• retained profit</li> <li>• (owners' / personal) savings</li> <li>• sale (and leaseback) of assets.</li> </ul>	<b>[2]</b>	<p>Sources of finance must be internal.</p> <p>Do not award capital, shares, family and friends or new partner.</p> <p>Must say retained profit and not just profit.</p>
7 (b)(ii)	<p><b>State two benefits of using internal sources of finance.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>One mark for each benefit up to a maximum of 2.</b></p> <ul style="list-style-type: none"> <li>• there is no interest to pay (1)</li> <li>• does not need to produce complicated paperwork (1)</li> <li>• does not have to go into debt (1)</li> <li>• lower risk (1)</li> <li>• no repayments – does not have to be paid back (1).</li> </ul>	<b>[2]</b>	<p>Do not award 'easier to pay back' as internal sources of finance do not have to be paid back.</p> <p>Do not award 'quick and easy' unless explained as too vague, e.g. quicker than a bank loan as no application required.</p>

## F243 The impact of customer service

Question Number	Expected Answer	Mark	Additional guidance
1 (a)	<p><b>State FOUR reasons why effective customer service is important.</b></p> <p><b>AO1 – 4 marks</b></p> <p><b>One mark for each statement up to a maximum of 4.</b></p> <ul style="list-style-type: none"> <li>• Good customer service is important to any business to encourage repeat business/increase customer loyalty (1)</li> <li>• It enables a business to grow/ expansion (1)</li> <li>• It will help the business to gain in market share (1)</li> <li>• It will enhance a business's reputation(1)</li> <li>• It could make people want to visit for the first time/generate new/ more customers (1)</li> <li>• It can give a business an edge over its competitors/ customers will use that firm over another (1)</li> <li>• Increases sales/ customers buy more products/ increases profit/ survival of the business (1)</li> <li>• It will encourage referrals/advocacy from existing customers (1)</li> <li>• It will maintain/improve customer satisfaction levels/satisfies customers/ meets the customers needs (1)</li> <li>• To be able to communicate with customers effectively (1)</li> <li>• Deal with customer complaints appropriately and efficiently (1)</li> <li>• To be able to operate good relationships with customers (1)</li> <li>• So that transactions can run smoothly and efficiently between business and consumer (1)</li> <li>• Improves staff morale (1)</li> </ul>	<b>[4]</b>	Do not award “makes customers happy”

Question Number	Expected Answer	Mark	Additional guidance
1 (b)	<p><b>Using the case study, identify and explain THREE examples of bad customer service.</b></p> <p><b>AO1 – 3 marks</b> <b>AO2 – 3 marks</b></p> <p><b>One mark for a contextual identification and additional mark for explanation which can be generic x 3.</b></p> <ul style="list-style-type: none"> <li>• GPB has moved to a new location without informing customers. (1) This is an example of bad customer service as they are not keeping their customers informed and updated with changes to the business. (1)</li> <li>• GPB have not provided ramps for disabled customers. (1) This is poor customer service as they are not meeting the needs of the disabled customers. (1)</li> <li>• Not having staff readily available to help, just allowing them to sit in the back room like Evie (1)</li> <li>• Not offering a good quality product like a clean outfit (1)</li> <li>• Not supplying a complete product because one of the dwarf outfits was missing (1)</li> <li>• Not having sufficient staff by not replacing Evie (1)</li> </ul>	<b>[6]</b>	<p>Identification must be in context of the case study to be awarded a mark.</p> <p>One mark can be awarded for a generic explanation and two for an answer in context.</p>

Question Number	Expected Answer	Mark	Additional guidance
1 (c)*	<p><b>Discuss possible reasons why Gary's Party Box should become more customer focused.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate identifies the possible reason(s) why any business should be more customer focused.</p> <p><b>Level 2 (4-6 marks)</b> Candidate describes the possible reason(s) why GPB should become more customer focused.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses possible reason(s) why GPB should become more customer focused.</p> <p><b>Level 4 (10-12 marks)</b> Candidate evaluates possible reasons why GPB should become more customer focused.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Stay in business/ so that GPB stays open</li> <li>• Because the business relies on customers for survival</li> <li>• To encourage new customers</li> <li>• So that existing customers become advocates for the business/ Improve reputation/ To encourage recommendations</li> <li>• To generate more sales/ more profit</li> <li>• Meet the needs/ changing needs of all customers</li> <li>• So that customers feel valued</li> <li>• Stability, growth and long term survival</li> <li>• Improve the buying experience.</li> </ul>	<b>[12]</b>	<p>Please note the question relates to <b>why</b> not <b>how</b> the business could become more customer focused.</p> <p>Analysis must be from the business perspective.</p> <p>Level 1 – Discussion on good customer service i.e. non-contextual response.</p> <p>Level 2 – Describing reasons in context.</p> <p>Level 3 – Analytical development of reasons given from business perspective.</p> <p>If analysis is based on <b>being</b> customer focused award 7 marks, but if based on becoming <b>more</b> customer focused award 8/9.</p> <p>If the candidate has not addressed the <b>more focused</b> issue they cannot be awarded level 4.</p> <p>Level 4 – A judgement must be made with respect to becoming <b>more</b> customer focused based on two or more analytical points made.</p>

Question Number	Expected Answer	Mark	Additional guidance
	<p><b>Exemplar response:</b>            It is important for firms to focus on customers if they are to stay in business <b>(L1)</b>. GPB needs to focus on customers as it has just moved to a new location and is not getting the passing trade anymore <b>(L2)</b>. Which means that GPB's sales could drop dramatically <b>(L3)</b> that could mean no money for future investment <b>(L3)</b>. If Gary doesn't make his business more customer focused lack of customers could lead to GPB closing <b>(L4)</b>. As a small business in a niche market GPB is more vulnerable than most to the loss of custom <b>(L4)</b>.</p>		<p>An overall judgement of the reason for GPB becoming more customer focused is awarded 10 marks.</p> <p>An extension e.g. linking to it being a small business, difficult economic conditions, it's a niche market or short term long term benefits, 11 marks.</p> <p>Prioritisation, explaining the most important reasons for becoming more customer focused is given, 12 marks.</p> <p>Do not award "keeps customer happy".</p>

Question Number	Expected Answer	Mark	Additional guidance
2 (a)	<p><b>Identify and explain the law that Gary has broken by not having wheelchair access to Gary's Party Box.</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 1 mark</b></p> <ul style="list-style-type: none"> <li>• He was in breach of the Disability Discrimination Act (1) because Gran could did not have the same rights and opportunities as able bodied people to get into the shop (1).</li> </ul>	<b>[2]</b>	Award 1 mark for the correct explanation in context of the DDA even if the act is not identified correctly e.g. the disability rights act.
2 (b)	<p><b>Identify and describe THREE <u>other</u> acts or regulations that would protect customers of businesses such as Gary's Party Box.</b></p> <p><b>AO1 – 6 marks</b></p> <p><b>One mark for identification plus one further mark for description x3</b></p> <ul style="list-style-type: none"> <li>• Sale of Goods Act/Sale and Supply of Goods Act (1) which relates to satisfactory quality (1).</li> <li>• Trades Description Act (1) which relates to false advertising (1)</li> <li>• Supply of Goods and Services Act (1) which relates to reasonable time, skill and care (1)</li> <li>• Consumer Protection Act (1) which relates to product safety (1)</li> <li>• Health and Safety at Work Act (1) relates to duty of care (1).</li> <li>• Weights and Measures Act (1985);</li> <li>• Data Protection Act (1984/98);</li> <li>• Sex Discrimination Act</li> <li>• Race Relations Act</li> </ul>	<b>[6]</b>	<p>Accept the use of customer for consumer in the response.</p> <p>Only accept consumer protection legislation and not employment protection legislation.</p> <p>Description should follow from correctly identified legislation.</p> <p>Do not accept DDA.</p> <p>Date not essential.</p>

Question Number	Expected Answer	Mark	Additional guidance
2 (c)	<p><b>Identify and explain TWO implications for Gary's Party Box of breaking the law.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 4 marks</b></p> <p><b>One mark for basic statement plus up to two further marks for explanation in context x 2.</b></p> <ul style="list-style-type: none"> <li>• The business could be taken to court (1) and given a fine which Gary may not be able to pay (1) as currently revenue is decreasing (1)</li> <li>• The business could end up getting shut down (1) and Gary and Zoe would lose their jobs (1) and that would be the end of Gary's Party Box and fancy dress in that town (1)</li> <li>• People would not want to be associated with a firm that discriminates against disabled people (1) so no one would want to work for Gary (1) and so GPB would be consistently understaffed (1)</li> <li>• The bad publicity (1) could lead to existing customers moving to a competitor (1)</li> <li>• GPB may be subject to monitoring to ensure compliance (1) which could prove costly for GPB (1)</li> </ul>	<b>[6]</b>	Must be in the context of any law being broken.

Question Number	Expected Answer	Mark	Additional guidance
2 (d)	<p><b>Discuss whether Gary's Party Box might improve its customer service by operating a tailor-made costume service.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate identifies element(s) of any tailor-made service in relation to any generic business.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains whether GPB would improve its customer service by operating a tailor-made costume service.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses whether GPB would improve its customer service by operating a tailor-made costume service.</p> <p><b>Level 4 (10-12 marks)</b> Candidate evaluates whether GPB might improve its customer service by operating a tailor-made costume service.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Giving customers exactly what they want</li> <li>• Make the customers feel special</li> <li>• Provide a unique service</li> <li>• Provide a bespoke service</li> <li>• Improve the reputation of GPB</li> <li>• Improved product range/more choice</li> <li>• Increase customer satisfaction</li> <li>• Improve customer relationships</li> <li>• Increase costs/ profits affecting customer service</li> <li>• Staff need training leading to a temporary reduction in customer service</li> <li>• No extra staff could lead to lower customer service</li> <li>• Less help in the shop</li> </ul>		<p>Please note the question relates to <b>whether</b> customer service is improved and not <b>how</b> it is improved, and not cost implications alone.</p> <p>Analysis must be about customer service. Eg only accept increased cost if linked to the impact to customer service.</p> <p>Level 1 – Improvement of customer service through any tailor-made service i.e. non-contextual response.</p> <p>Level 2 – Explanation of whether a tailor-made costume service improves GPB's customer service.</p> <p>Level 3 – Analytical development of explanation.</p> <p>If analysis is based on one side of the argument award 7 marks, but if based on both sides of the argument, award 8/9.</p> <p>If the candidate has not analysed both sides they cannot be awarded level 4.</p> <p>Level 4 – A judgement must be made as to whether GPB might improve its customer service by operating a tailor-made costume service, based on two or more analytical points made, award</p>

Question Number	Expected Answer	Mark	Additional guidance
	<p><b>Exemplar response:</b></p> <ul style="list-style-type: none"> <li>Creating something tailor made to the customer is giving the customer exactly what they want <b>(L1)</b> By offering a tailor-made costume service GPB is better meeting the need of its customers by giving them exactly what they want<b>(L2)</b>. This could lead to the increase in reputation that could lead to increased customer satisfaction <b>(L3)</b>. However it could also mean that it would cost a lot more to produce a tailor-made costume in terms of labour and time and so Zoe may be concentrating on this and not helping in the shop so customer service may suffer overall <b>(L3)</b>. Overall, if it is done properly and professionally, a tailor-made costume service is an example of improving customer service that GPB could adopt <b>(L4)</b>. However, this may have limited impact if they don't improve other aspects of their customer service such as costume cleanliness <b>(L4)</b>.</li> </ul>	<b>[12]</b>	<p>10 marks.</p> <p>A judgement must be made as to <b>the extent to which</b> GPB might improve its customer service by operating a tailor-made costume service, award 11/12 marks.</p>

Question Number	Expected Answer	Mark	Additional guidance
2 (e)	<p><b>Analyse the implications for Gary's Party Box of opening late every night from Tuesday to Saturday.</b></p> <p><b>Level 1 (1-3 marks)</b> Candidate identifies the implication(s) of a firm opening late.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains the implication(s) of GPB opening late.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses positive/negative implications to GPB of opening late.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• More time for customers to view the costumes, increasing sales</li> <li>• People may not visit later in the day, reducing sales</li> <li>• Costs will increase</li> <li>• Extra staff needed</li> <li>• New staff will need to be trained</li> <li>• Difficult to retain staff if they are asked to work longer hours</li> <li>• Opportunity cost, GPB may not be able to complete other jobs</li> <li>• Issues relating to security, Health &amp; Safety, working time directive.</li> <li>• New contracts, staff demotivated</li> </ul> <p><b>Exemplar response:</b> A business opening late means that there is more time for customers to come in and hopefully buy things <b>(L1)</b>. If GPB were to open later every night, it would give more customers the opportunity to browse the fancy dress after work or school and therefore are more likely to hire a costume <b>(L2)</b>. This could lead to an increase in sales and profits <b>(L3)</b>. However, there is no guarantee that people will visit the business later in the day to hire <b>(L2)</b> and Gary would have to keep the store open later, taking on the burden of all the costs such as wages and bills that incurs without additional sales <b>(L3)</b>.</p>	<b>[9]</b>	<p>Please note the question relates to the implications to GPB.</p> <p>Level 1 – Identifies any implication(s) for a business, not in context.</p> <p>Level 2 – Explanation of any implication for GPB.</p> <p>Level 3 – Analyses the positive/negative implications.</p> <p>If only one side of argument analysed, max 7 marks, but if based on both sides of the argument, award 8/9 marks.</p>

Question Number	Expected Answer	Mark	Additional guidance
3 (a)	<p><b>Describe how a suggestion box works.</b></p> <p><b>AO1 – 3 marks</b></p> <p><b>Up to three marks for a description about how a suggestion box works.</b></p> <ul style="list-style-type: none"> <li>• <b>Customers could make comments about the firm on a piece of paper (1)</b></li> <li>• <b>Put it in the box provided (1)</b></li> <li>• <b>Anonymous (1)</b></li> <li>• <b>The management would then read the slips (1).</b></li> </ul>	<b>[3]</b>	<p>Do not accept 'it's a box with a hole in' or similar.</p> <p>The answer should relate specifically to suggestion box as a method of research.</p>
3 (b) (i)	<p><b>State and explain TWO advantages to Gary's Party Box of using a suggestion box.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 4 marks</b></p> <p><b>One mark for statement, up to two further marks for explanation in context x 2.</b></p> <ul style="list-style-type: none"> <li>• It is a really cheap way of finding out what customers think (1) as neither Gary or Zoe need to spend time or money on questionnaires (1) and so can use the money for other things within GPB (1).</li> <li>• Customers are more likely to write exactly how they feel because it's anonymous (1) so GPB should be getting feedback that is more valid and honest (1) which would help Gary improve GPB to meet customers' real needs (1).</li> <li>• Customers fill in the slip at the point of sale and therefore the suggestions are fresh in their minds (1) and they are unlikely to have forgotten anything about the service from GPB (1), therefore Gary's information is real time based on current service (1)</li> <li>• Information can be accessed and analysed quickly (1), Gary can check the box more regularly than other methods (1), and can react to customer comment to help improve GPB (1)</li> </ul>	<b>[6]</b>	<p>The focus must be on the advantage to GPB NOT the method.</p> <p>The answer should relate specifically to suggestion box as opposed to other methods of research.</p> <p>Context only needs to be mentioned once to award AO2 points, irrespective of where it is in the answer.</p> <p>"The business" is not seen as context.</p> <p>"The shop" is seen as context.</p>

Question Number	Expected Answer	Mark	Additional guidance
3 (b) (ii)	<p><b>State and explain TWO disadvantages to Gary’s Party Box of using a suggestion box.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 4 marks</b></p> <p><b>One mark for statement, up to two further marks for explanation in context x 2.</b></p> <ul style="list-style-type: none"> <li>• Customers may put in unhelpful suggestions (1) which may be of no use to Gary at all (1) so was a waste of time (1).</li> <li>• Not everyone will put in a suggestion (1), it will only contain opinions of GPB from customers who could be bothered or feel strongly about something (1) so Gary could end up acting on a suggestion that only one person feels (1)</li> <li>• The suggestions are unlikely to be in detail (1); if the person has only written a couple of words down, Gary cannot ask them to elaborate on them (1), particularly if it is anonymous (1)</li> <li>• If the suggestion box is not regularly checked, then comments cannot be acted upon (1) making customer feel devalued if they don’t see any change, (1) creating a bad image for the shop (1).</li> <li>• Customers may not notice that the box is there (1) so Gary doesn’t get any effective feedback (1) because customers will not leave suggestions (1)</li> <li>• Customers may use the suggestion box as an opportunity to complain rather than make constructive suggestions (1). Therefore Gary will only hear bad things about GPB (1) and may not know what exactly the customer wants improving (1)</li> </ul>	<b>[6]</b>	<p>The focus must be on the disadvantage to GPB NOT the method.</p> <p>The answer should relate specifically to suggestion box as opposed to other methods of research.</p> <p>Context only needs to be mentioned once to award AO2 points, irrespective of where it is in the answer.</p> <p>“The business” is not seen as context.</p> <p>“The shop” is seen as context.</p>

Question Number	Expected Answer	Mark	Additional guidance
3 (c)	<p><b>Other than a suggestion box, identify FOUR ways in which a retail business can assess the standard of customer service in its stores.</b></p> <p><b>AO1 – 4 marks</b></p> <p><b>One mark for identification x 4.</b></p> <ul style="list-style-type: none"> <li>• informal comments from customers (1)</li> <li>• Freephone number (1)</li> <li>• They could organise a focus group (1)</li> <li>• Questionnaire (1)</li> <li>• Mystery shopper (1)</li> <li>• Observation (1)</li> <li>• Complaints analysis (1)</li> <li>• Face to face talks with customers (1)</li> </ul>	<b>[4]</b>	<p>Beware of similar responses.</p> <p>Only accept questionnaires once even if presented as different types of media (e.g. telephone questionnaires, postal questionnaires).</p> <p>Do not accept Survey as it is quantitative and not qualitative.</p> <p>Any type of the use of complaint analysis eg level of complaints and nature of complaints that relate to customer service.</p>

Question Number	Expected Answer	Mark	Additional guidance
3 (d)	<p><b>Other than a ‘local paper advertisement’, (line 20), state and explain FOUR ways in which Gary’s Party Box could inform people about its move to new premises.</b></p> <p><b>AO1 – 4 marks</b> <b>AO2 – 8 marks</b></p> <p><b>One mark for identification, up to two marks for development in context x 4.</b></p> <ul style="list-style-type: none"> <li>• They could put posters/billboards in the streets (1) so that when customers walk past the old premises (1) they would be directed to the new premises (1)</li> <li>• They could put an advert on the local radio (1) which would contain directions to the store (1) so the customers would know how to get there even if they were not in town (1)</li> <li>• They could show information on the screens at the local cinema (1) so while people are waiting for the film to start they could read about GPB’s move(1) and know the new address (1)</li> <li>• They could get a person with a sandwich board to walk around town (1) so people can not only read about the move (1) but talk to someone about it too (1)</li> <li>• Gary could hold an event before he moves shop(1) to let customers know his new location (1) which could also be used to attract new customers (1)</li> <li>• Any other form of advertising (relevant to a small firm and the move eg use of the internet in any plausible form, and texting)</li> </ul>	<b>[12]</b>	<p>Do not accept TV advertising as this is not appropriate for this business.</p> <p>Context only needs to be mentioned once to award AO2 points, irrespective of where it is in the answer.</p> <p>“The business” is not seen as context.</p> <p>“The shop” is seen as context.</p> <p>“The move” is seen as context.</p> <p>Candidate can be awarded for different electronic advertising methods eg web site, email, sponsored link, Twitter, Facebook.</p> <p>Methods that relate to customer contact only are acceptable, eg mailshot to customer base, telephoning and writing to existing customers.</p>

Question Number	Expected Answer	Mark	Additional guidance
3 (e)	<p><b>Evaluate the extent to which putting an advertisement in the local paper may have boosted sales at Gary's Party Box.</b></p> <p><b>Level (1-3 marks)</b> Candidate describes how an advert might boost sales.</p> <p><b>Level 2 (4-6 marks)</b> Candidate explains how an advert might have boosted sales at GPB.</p> <p><b>Level 3 (7-9 marks)</b> Candidate analyses how an advert may have boosted sales in GPB.</p> <p><b>Level 4 (10-12 marks)</b> Candidate evaluates to what extent an advert would have boosted sales in GPB.</p> <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Attract people's attention</li> <li>• Get them interested</li> <li>• Alert old customers</li> <li>• Encourage new and old customers to visit the shop</li> <li>• Could advertise services as well</li> <li>• Attract a wider segment of the market</li> <li>• Rely on people buying the paper</li> <li>• Only attracts from the local area</li> <li>• Short term form of information</li> <li>• Quality of the advert could reflect negatively on the business</li> </ul> <p><b>Exemplar responses:</b></p> <ul style="list-style-type: none"> <li>• An advert in a local paper can attract people's attention to a business <b>(L1)</b> and get them interested enough to visit it <b>(L1)</b> and possibly buy something <b>(L1)</b>. An advert in the local paper may have alerted old customers to the fact that GPB has moved <b>(L2)</b> and so may have encouraged them to visit the new premises a short walk away <b>(L2)</b> and so may have liked the new store so much that they</li> </ul>		<p>Please note the question relates to the extent to which advertising boosts sales, not different methods of advertising.</p> <p>Level 1 – Use of advertising to boost sales, non-contextual response.</p> <p>Level 2 – Explanation of how advertising boosts sales for GPB.</p> <p>Level 3 – Analytical development of explanation.</p> <p>Level 4 – A judgement must be made as to whether GPB might boost its sales, award 10 marks.</p> <p>An extension that links to the factors that limit the effectiveness of the advert given that there are other factors which need to be addressed, award 11 marks.</p> <p>A fully justified judgement must be made as to <b>the extent to which</b> GPB might improve its sales as a result of placing the advert, award 12 marks.</p>

Question Number	Expected Answer	Mark	Additional guidance
	<p>felt they wanted to hire something therefore it could have boosted sales <b>(L3)</b>, if people went to the effort of acting upon what they saw in the paper. Also, old customers may have thought that GPB had simply shut down <b>(L2)</b> and so an advert would have made them realise that GPB still existed <b>(L2)</b> and go along to see the new building <b>(L2)</b>. People who had never visited GPB before may see the advert and be encouraged to go <b>(L2)</b> and hire something to boost sales <b>(L3)</b>. However, GPB is relying on people seeing the ad in the first place as people may not read the local paper <b>(L2)</b> or not buy it that particular week <b>(L2)</b> and so, realistically, an advert was unlikely to have much effect on boosting sales because advertisements have a limited life <b>(L4)</b> as the peak time for hiring out costumes is Christmas and New Year when GPB is sold out anyway <b>(L4)</b>.</p>	<b>[12]</b>	

## F248 Strategic decision-making

Question Number	Expected Answers	Mark	Additional guidance
1 (a)	<p><b>What is meant by the term ‘business aim’?</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks for an explanation of a business aim.</b></p> <p>A business aim is the overall purpose of the business. It is a general statement of what the business wishes to achieve in the long term and provides focus and direction for the business. The objectives and mission statement of the business should be derived from this overarching goal/target.</p> <p>Award answers relating to definition or purpose.</p> <p>Do <b>not</b> award examples.</p> <p>No context required.</p> <p>Eg A business aim states the purpose of a business (1) and provides focus for all of its activities (1).</p> <p>Eg Business aims give the business a sense of direction (1) and purpose (1).</p> <p>Eg A super-ordinate goal/target (1) that a business wishes to achieve (1).</p> <p>Eg A business aim states the intended goal of the organisation (1) following objectives derived from the aim moves the business closer to achieving its goal (1).</p> <p>Eg provides long term direction (1).</p> <p>Eg sets foundations for the business (1)</p>	<b>[2]</b>	<p>Do not reward answers that confuse ‘aims’ with ‘objectives’.</p> <p>Eg An aim is a specific and measurable target that a business attempts to achieve (0).</p> <p>Eg An aim is a short term target (0)</p> <p>However, reward a candidate who refers to objectives as a stepping stone to achieving the aim.</p> <p>‘Targets’ acceptable on its own provided they are not described as short-term or measurable, etc.</p>

Question Number	Expected Answers	Mark	Additional guidance
1 (b)	<p><b>Other than the owners, identify TWO stakeholder groups of <i>Natracleanse</i>.</b></p> <p><b>AO2 – 2 marks</b></p> <p><b>One mark for a correct identification up to a maximum of two identifications.</b></p> <ul style="list-style-type: none"> <li>• employees</li> <li>• customers (retail establishments)</li> <li>• purchasing public (customers of retail establishments)</li> <li>• end users</li> <li>• suppliers</li> <li>• local communities</li> <li>• potential investors</li> <li>• financial advisors</li> <li>• local government/councils</li> <li>• central government</li> <li>• financial institutions</li> <li>• pressure groups</li> <li>• environmentalists</li> <li>• potential visitors (Option 1)</li> </ul>	<b>[2]</b>	<p>Do <b>not</b> award for owners as it is in the question.</p> <p>The question asks for stakeholder <b>groups</b> therefore watch out for repetition. Do not award two examples in the same category eg local pharmacies and department stores are both customers (retail establishments).</p> <p>Do not accept partners or shareholders as these are owners.</p> <p>Do not accept venture capitalist unless qualified as potential rather than actual owners.</p>

Question Number	Expected Answers	Mark	Additional guidance
1 (c)	<p><b>Explain ONE way in which Stewart and Mary's strong environmental and ethical beliefs may benefit stakeholders of <i>Natracleanse</i>.</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 1 mark</b></p> <p><b>One mark for a correct identification plus a further one mark for an explanation in context.</b></p> <ul style="list-style-type: none"> <li>• good working conditions (ethical employer)</li> <li>• good rate of pay (ethical employer)</li> <li>• high quality product (consumers)</li> <li>• natural, pure product (consumers)</li> <li>• no pollution (local community)</li> <li>• availability of work (local community).</li> </ul> <p>Eg Stewart and Mary are ethical employers, therefore, they will treat their workforce well (1). Employees will get a good rate of pay for the job that they do (1).</p> <p>Eg The public will be able to buy organic products with confidence (1) knowing that the natural ingredients have been grown on site (1).</p> <p>Eg <i>Natracleanse</i> will not use aggressive chemicals and polluting processes to make its products (1), therefore, the local community will not have to suffer unpleasant pollution (1).</p>	<b>[2]</b>	<p>Must be benefit to <b>stakeholder</b> not <i>Natracleanse</i>. Do not award benefits to business.</p> <p>The benefit must be <b>explicitly</b> stated to award a mark however the stakeholder group can be <b>implicit</b> and does not have to be named.</p> <p>Accept any plausible development of the identification point for second mark.</p> <p>Do not award more than one benefit, it has to be one benefit plus explanation.</p> <p>'Helping the environment' or 'being ethical' is too vague – no marks.</p> <p>Do not reward candidates for repeating the question - no marks for just stating that they have strong environmental and ethical beliefs. Eg <i>Natracleanse</i> will be an ethical employer (0). The question asks for the <b>benefit to a stakeholder group</b> and the benefit needs to be stated to award marks.</p> <p><b>Do not award drawbacks/disadvantages.</b></p>

Question Number	Expected Answers	Mark	Additional guidance
2 (a)	<p><b>What is meant by the term ‘rate of absenteeism’?</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks for an explanation of absenteeism rate.</b></p> <p>The rate of absenteeism is the proportion of days taken off work by the workforce.</p> <p>Do <b>not</b> award for formula expressed in words, as this is given in the question.</p> <p>Eg Rate of absenteeism concerns the percentage/proportion/fraction/ratio of the number of days that workers do not turn up for work (2).</p> <p>Eg Absenteeism is concerned with people not turning up for work (1).</p> <p>Eg Rate of absenteeism is percentage of work days missed by workers (2).</p> <p>Eg Number of days off in relation to the total number of working days (1)</p> <p>Eg The percentage of workers absent from work (1).</p>	<b>[2]</b>	<p>This question is not about absenteeism <b>level</b> but absenteeism <b>rate</b>.</p> <p>First mark for absenteeism, ie days off.</p> <p>Second mark for ‘rate’ of absence, ie reference to percentage or proportion (NOT time) in context of absence.</p> <p>Allow “number of days off that workers take in a period of time” for ONE mark as this refers to absenteeism level.</p> <p>Do not accept ‘how regularly employees are absent’.</p> <p>‘Absent’ or ‘absences’ can not be used to explain ‘absenteeism’.</p> <p>Do not award for just mentioning percentage/proportion etc, the percentage/proportion must relate to absence for 1 mark, if the meaning of absence is explained then 2 marks.</p>

Question Number	Expected Answers	Mark	Additional guidance
2 (b)(i)	<p>Using the information given in Tables 1 and 2, calculate for <i>Natracleanse</i> in 2009:</p> <p>the rate of labour turnover;</p> <p><b>AO2 – 2 marks</b></p> <p><b>Up to two marks.</b></p> $\frac{\text{Leavers}}{\text{Number of staff}} \times 100$ $\frac{1}{20} \times 100 = 5\%$ <p>2 marks for correct answer (5%) – percentage sign required</p> <p>1 mark for 5 (no percentage sign)</p> <p>1 mark for correct use of formula but incorrect result.</p> <p>Eg 5% (2)</p> <p>Eg 5 (1)</p> <p>Eg 1/20 (1)</p>	<b>[2]</b>	<p>No working required.</p> <p><b>Working should only be marked if the final answer is incorrect.</b></p> <p>No marks for stating formula as this is given.</p> <p>5% = full marks.</p> <p>5 = 1 mark.</p> <p>No marks for percentage sign unless the answer is correct.</p>

Question Number	Expected Answers	Mark	Additional guidance
2 (b)(ii)	<p><b>the rate of absenteeism</b></p> <p><b>AO2 – 2 marks</b></p> <p><b>Up to two marks.</b></p> <p><math>\frac{\text{Absence}}{\text{Number of staff}} \times 100</math></p> <p><math>\frac{69}{20 \times 230} \times 100 = 1.5\%</math></p> <p>2 marks for correct answer (1.5%) – percentage sign required</p> <p>1 mark for 1.5 (no percentage sign)</p> <p>1 mark for correct use of formula but incorrect result.</p> <p>Eg 1½% (2)</p> <p>Eg 1.5 (1)</p> <p>Eg 6900/4600 (1)</p> <p>Eg <math>\frac{69}{4600}</math> (1)</p> <p>Eg <math>\frac{69}{4600}\%</math> (1)</p>	<b>[2]</b>	<p>No working required.</p> <p>Working should only be marked if the final answer is incorrect.</p> <p>No marks for stating formula as this is given.</p> <p>1.5% = full marks</p> <p>1.5 = 1 mark</p> <p>No marks for the percentage sign unless the answer is correct.</p>

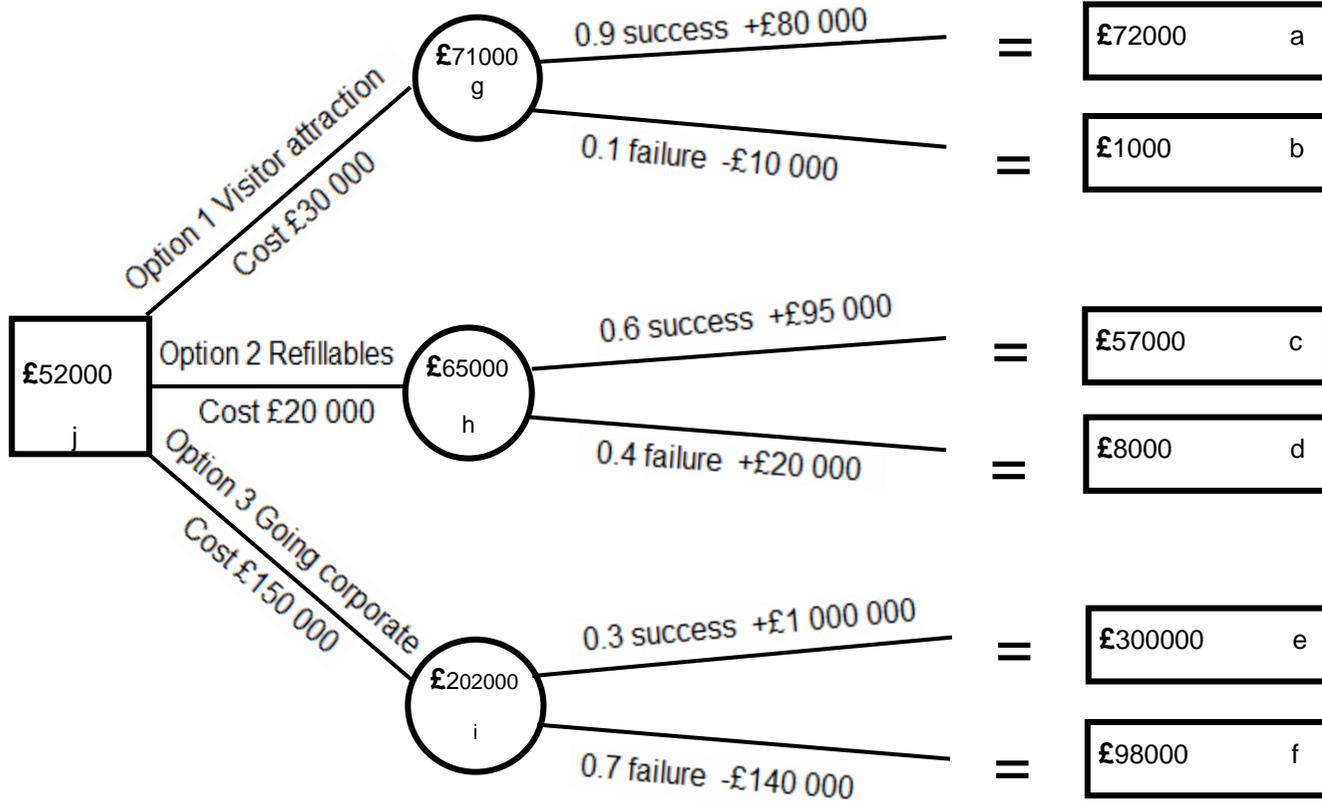
Question Number	Expected Answers	Mark	Additional guidance
2 (c)	<p><b>Explain ONE reason why the labour turnover <u>or</u> absenteeism indicators at <i>Natracleanse</i> are likely to be <u>lower</u> than the national average.</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for a correct reason plus up to a further two marks for an explanation in context.</b></p> <ul style="list-style-type: none"> <li>• good (ethical) employer</li> <li>• strong leadership</li> <li>• motivation</li> <li>• feel valued</li> <li>• empowerment</li> <li>• purpose</li> <li>• strong sense of responsibility.</li> </ul> <p>Eg <i>Natracleanse</i> is a small business, therefore, the management may be able to take the time to deal flexibly with each worker (1). Work rotas can be re-negotiated around an individual's hospital appointments to stop an employee having to take a day off work (1).</p> <p>Eg <i>Natracleanse</i> is a good place to work (1), therefore, employees do not constantly search for new jobs (1) meaning that leaving rates will be low (1).</p> <p>Eg Motivation levels may be higher amongst the workforce (1) as they understand and agree with the aims of the business (1). Committed employees are less likely to take time off work (1).</p>	<b>[3]</b>	<p>Only <b>one</b> reason can be awarded. Mark the one with the best development.</p> <p>Accept any plausible development of the identification point for explanation.</p> <p>Watch out for erroneous arguments regarding a small workforce meaning smaller numbers in the formula.</p> <p>1 mark for reason. 1 mark for development of reason. 1 mark for explaining why it affects the indicators.</p>

Question Number	Expected Answers	Mark	Additional guidance
3 (a)	<p><b>What is the purpose of contingency planning?</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks for an explanation of the purpose of contingency planning.</b></p> <p>Award answers referring to purpose or definition.</p> <p>Contingency planning is a pro-active approach to crisis management. It involves putting plans into place for dealing with difficult circumstances that may crop up. Its main purpose is to help a business cope as well as is possible with a disaster or set of unforeseen circumstances.</p> <p>Eg Contingency planning is planning for an unlikely but possible event (1). Its primary purpose is to have a plan of action ready to implement, if such events occur (1).</p> <p>Eg Contingency planning is used to help the business survive a crisis (1). It does this by planning beforehand what action it should take in a particular set of circumstances (1).</p> <p>Eg Contingency planning gives a business confidence that it can cope with whatever happens (1), such as a sudden downturn in the economy (1).</p> <p>Eg Contingency planning prepares a business for possible negative events (1), such as the arrival of a new competitor (1).</p>	<b>[2]</b>	<p>Example by way of explanation acceptable (Max 1 mark examples).</p> <p>Accept 'plan B', 'backup plan'.</p>

Question Number	Expected Answers	Mark	Additional guidance
3 (b)	<p><b>Explain TWO steps a business such as <i>Natracleanse</i> is likely to have taken in order to produce a comprehensive contingency plan.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two developments.</b></p> <ul style="list-style-type: none"> <li>• carry out a risk assessment/identify potential/possible problems</li> <li>• identify impact of risk on business</li> <li>• identify alternative solutions</li> <li>• create an action plan for dealing with the crisis</li> <li>• establish a training programme if necessary.</li> </ul> <p>Eg Carry out a risk assessment (1) in order to identify the business's greatest risk areas (1).</p> <p>Eg Come up with a range of solutions to an identified risk (1). This will require detailed and thorough research (1).</p> <p>Eg Produce an action plan for dealing with a particular crisis (1) and ensure that all workers are sufficiently trained to implement it, if necessary (1).</p> <p>Eg Does not take into account the risks associated with the options (1)</p>	<b>[4]</b>	<p>Watch out for repetition.</p> <p>Specific reference to <i>Natracleanse</i> is <b>not</b> required.</p> <p>Must be steps in creating a contingency plan and <b>not</b> items of content or examples of contingency plans.</p> <p>Problems have to be those that are not within the business's control e.g. fire, recession, machine breaking down.</p> <p>Do not award examples.</p> <p>Do not accept answers that define contingency planning.</p>

Question Number	Expected Answers	Mark	Additional guidance
4 (a)	<p><b>Complete the decision tree below. You are advised to show your working in the box on page 9 and to enter and clearly show each answer in the appropriate boxes and nodes on the decision tree.</b></p> <p><b>AO1 – 6 marks</b> <b>AO2 – 4 marks</b></p> <p><b>Up to ten marks.</b></p> <p>Full (10) marks for £52,000 in decision square <b>j</b> (irrespective of other figures).</p> <p>Otherwise 1 mark for each/any of the following:</p> <p>a £72,000 b £1,000 (irrespective of sign/brackets) c £57,000 d £8,000 (ignore any bracket) e £300,000 f £98,000 (irrespective of sign/brackets) g £71,000 h £65,000 i £202,000</p> <p>No OFR.</p> <p>Check workings box <b>only</b> if a box or node is <b>empty</b>.</p>	<b>[10]</b>	<p>£52,000 in decision square 10 = full marks irrespective of whether other figures are completed.</p> <p>No OFR.</p> <p>Work from <b>left to right</b> when marking this question ie check decision square <b>j</b> first, if correct award 10 marks, if incorrect move right and check circles <b>g, h and i</b> etc.</p> <p>Only check workings box if box or node is empty. Do not check workings box simply because an answer is incorrect.</p> <p>If a node or box is empty, award marks for correct answers in the working box, if the <b>process</b> is clearly shown. If the working box only gives the correct answer (no process), do <b>not</b> award, unless there is a reference to which box or node it refers.</p>

Question Number	Expected Answers	Mark	Additional guidance
4 (a)			



Question Number	Expected Answers	Mark	Additional guidance
4 (b)	<p><b>State TWO limitations of using a decision tree as a strategic decision-making tool.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>One mark for each correct identification up to a maximum of two.</b></p> <ul style="list-style-type: none"> <li>• probabilities are difficult to judge</li> <li>• numbers look like fact</li> <li>• quantitative only</li> <li>• easy to bias to preferred decision</li> <li>• external factors can make inaccurate eg inflation</li> <li>• only as good as the data used</li> <li>• relies on estimations of costs, returns and chances of success and failure</li> </ul> <p>Eg Probabilities of success and failure are difficult to judge with any degree of accuracy (1).</p> <p>Eg A decision tree shows numbers which may be relied upon as fact (1).</p> <p>Eg It is easy to manipulate the figures to make favourable the option you prefer (1).</p>	<b>[2]</b>	<p>No context required.</p> <p>Look out for two disadvantages being stated in answer space one. If correct, both can be awarded.</p> <p>Watch out for repetition, especially two types of external factor affecting accuracy.</p> <p>Do <b>not</b> award vague answers e.g. 'only as good as the data', this is true for all estimations. Candidates need to refer to estimations, probabilities of success or failure, costs or returns.</p> <p>Do <b>not</b> award advantages.</p>

Question Number	Expected Answers	Mark	Additional guidance																								
5 (a)	<p>Using the discount factors in Table 3, complete the net present value table of <u>Option 3</u> 'Going corporate' for <u>each</u> of Zeeta's chosen discount rates. Complete Table 4 with your answers.</p> <p><b>AO1 – 6 marks</b> <b>AO2 – 2 marks</b></p> <p>4 marks for NPV 5% = <b>£20040</b> (£ sign not required) 4 marks for NPV 10% = <b>£8660</b> (£ sign not required)</p> <p>Otherwise as below: OFR applies to totals. £ signs not required.</p> <table border="1" data-bbox="344 678 1451 981"> <thead> <tr> <th>Year</th> <th>NCF</th> <th>NPV at 5% DCF</th> <th>NPV at 10% DCF</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>(£100,000)</td> <td>(£100,000)</td> <td>(£100,000)</td> </tr> <tr> <td>1</td> <td>£30,000</td> <td><b>£28500</b> (1)</td> <td><b>£27300</b> (1)</td> </tr> <tr> <td>2</td> <td>£42,000</td> <td><b>£38220</b> (1)</td> <td><b>£34860</b> (1)</td> </tr> <tr> <td>3</td> <td>£62,000</td> <td><b>£53320</b> (1)</td> <td><b>£46500</b> (1)</td> </tr> <tr> <td>Net Present Value</td> <td></td> <td><b>£20040</b> (1) <b>OFR</b></td> <td><b>£8660</b> (1) <b>OFR</b></td> </tr> </tbody> </table> <p>Check working box <b>only</b> if a response box is <b>empty</b>.</p>	Year	NCF	NPV at 5% DCF	NPV at 10% DCF	0	(£100,000)	(£100,000)	(£100,000)	1	£30,000	<b>£28500</b> (1)	<b>£27300</b> (1)	2	£42,000	<b>£38220</b> (1)	<b>£34860</b> (1)	3	£62,000	<b>£53320</b> (1)	<b>£46500</b> (1)	Net Present Value		<b>£20040</b> (1) <b>OFR</b>	<b>£8660</b> (1) <b>OFR</b>	[8]	<p>Award 4 marks for NPV 5% = <b>20040</b> even if year boxes are empty/incorrect.</p> <p>Award 4 marks for NPV 10% = <b>8660</b> even if year boxes are empty/incorrect.</p> <p>Only check workings box if box is empty. Do not check workings box simply because an answer is incorrect.</p> <p>If a box is empty award marks for correct answers in the working box if the <b>process</b> is clearly shown. If the workings box only gives the correct answer (no process) do <b>not</b> award, unless there is a reference to which box (or year/%rate) it refers.</p>
Year	NCF	NPV at 5% DCF	NPV at 10% DCF																								
0	(£100,000)	(£100,000)	(£100,000)																								
1	£30,000	<b>£28500</b> (1)	<b>£27300</b> (1)																								
2	£42,000	<b>£38220</b> (1)	<b>£34860</b> (1)																								
3	£62,000	<b>£53320</b> (1)	<b>£46500</b> (1)																								
Net Present Value		<b>£20040</b> (1) <b>OFR</b>	<b>£8660</b> (1) <b>OFR</b>																								

Question Number	Expected Answers	Mark	Additional guidance
5 (b)	<p><b>Assess the extent to which net present value calculations are of use to Zeeta when judging an investment opportunity.</b></p> <p><b>Level 1 (1-2 marks)</b> Candidate demonstrates <b>knowledge</b> of net present value calculations as an investment appraisal technique with <b>no context</b>.</p> <p><b>Level 2 (3-4 marks)</b> Candidate <b>explains</b> the benefit(s)/drawback(s) of net present value calculations as an investment appraisal technique to Zeeta/any venture capitalists.</p> <p><b>Level 3 (5-6 marks)</b> Candidate <b>analyses</b> the benefit(s)/drawback(s) of net present value calculations as an investment appraisal technique to Zeeta/any venture capitalists.</p> <p><b>Level 4 (7-8 marks)</b> Candidate <b>assesses the extent</b> to which net present value calculations are of use to Zeeta/any venture capitalist when judging an investment opportunity.</p> <p>Issues include:</p> <ul style="list-style-type: none"> <li>• takes into account the effect inflation has on the future value of money</li> <li>• more realistic than not discounting</li> <li>• takes into account the timing of cash inflows</li> <li>• allows analysis of the effect of different inflation rates</li> <li>• allows comparisons between potential investments</li> <li>• difficult to decide on discount rate</li> <li>• only as reliable as the data used</li> <li>• should be combined with other investment appraisal methods.</li> <li>• quantitative only.</li> </ul>		<p>This question refers to Zeeta (a venture capitalist) judging an investment opportunity, it does not refer to the opportunity at <b>Natracleanse</b> in particular. This is a 'usefulness of tool' question and nothing to do with the figures in 5(a).</p> <p><b>Context = venture capitalist (Zeeta)</b></p> <p><b>Answers with no context ie that make no reference to venture capitalists/Zeeta must be awarded at level 1.</b></p> <p>Award <b>L1</b> for statements about NPV which are purely <b>theoretical</b> with no reference to Zeeta or venture capitalists. Eg takes inflation into account</p> <p>Award <b>L2</b> for <b>strengths and weaknesses</b> of NPV in context (ie to Zeeta/any venture capitalist). Eg allows a venture capitalist to account for inflation into their calculations</p> <p>Award <b>L3</b> for the <b>analysis</b> of strengths and weaknesses of NPV in context (ie to Zeeta/any venture capitalist).</p>

Question Number	Expected Answers	Mark	Additional guidance
			<p>Eg ... therefore lowering the chance of an investment being overvalued.</p> <p>Award <b>L4</b> for a <b>justified judgement</b> as to the extent of the usefulness of NPV to Zeeta/any venture capitalist e.g. very useful or limited use.</p>
5 (b)	<p>Eg NPV is a quantitative decision making tool (<b>L1</b>). NPV gives Zeeta a quantitative analysis of the likely performance of her investments (<b>L2</b>), its accuracy depends on the accuracy of the data used and should not be relied upon as fact (<b>L3</b>). As Zeeta is a venture capitalist she is probably used to judging investment returns and appropriate discount rates, therefore, the method will be very useful to her (<b>L4</b>).</p> <p>Eg NPV takes into account the future value of money (<b>L1</b>). By using NPV Zeeta will be able to take into account the falling value of money caused by inflation (<b>L2</b>). Discounting future cash inflows lowers the risk of the returns on her potential investment being overstated (<b>L3</b>). Sadly, it is not possible to know in advance the correct discount rate to apply, NPV is therefore only a prediction and not completely accurate (<b>L3</b>); however, it is useful for comparing one investment with another and, as a venture capitalist will need to compare a lot of investments, then NPV is useful for choosing the most likely option to maximise returns (<b>L4</b>).</p>	<b>[8]</b>	<p>NB do <b>not</b> award 'using other tools' as L4</p> <p><b>Level annotation required.</b></p>

Question Number	Expected Answers	Mark	Additional guidance
6 (a)	<p><b>Identify and explain TWO suitable promotional methods Stewart and Mary could use if they decide to take <u>Option 1</u> – ‘Visitor attraction’.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 4 marks</b></p> <p><b>One mark for a correct identification up to a maximum of two identifications plus up to a further two marks for each of two explanations.</b></p> <p>Promotional methods:</p> <ul style="list-style-type: none"> <li>• sales promotion (1) eg entry ticket discounts, vouchers, promotion on packaging, point of sale</li> <li>• sponsorship (1) eg local football team</li> <li>• public relations (1) eg press release, events</li> <li>• advertising (1) eg mailshots, website, Tourist Board, Fair Trade events, posters, radio, newspapers, magazines, product packaging, point of sale.</li> </ul> <p>Eg Stewart and Mary could advertise (1) by launching a website (1). Once set up this would be relatively cheap to maintain (1) and would promote the business, not just locally but nationally and internationally too (1).</p> <p>Eg They could organise a sales promotion (1) by offering vouchers with each soap dispenser (1) which could be redeemed for free child entry to the visitor attraction (1).</p> <p>Eg They could organise a public relations event (1) by inviting the press to their open day (1) hence getting free publicity in the local paper (1).</p>	<b>[6]</b>	<p>Do <b>not</b> accept TV advertising unless qualified. National TV advertising is expensive and unlikely to be squeezed into the £30000 budget for Option 1.</p> <p>Do <b>not</b> accept references to the BBC.</p> <p>Watch out for repetition of promotional methods. Candidates must give 2 different promotional methods.</p> <p>Do <b>not</b> accept “this would encourage visitors” as Option 1 is a visitor attraction.</p> <p>The promotional method must relate to the promotion of the visitor attraction rather than the liquid soap.</p> <p>1 mark for stating promotional method i.e. sales promotion, sponsorship, public relations or advertising. 1 mark for example e.g. radio, vouchers. 1 mark for any development.</p>

Question Number	Expected Answers	Mark	Additional guidance
6 (b)	<p><b>Explain ONE likely impact on <i>Natracleanse's</i> <u>public image</u> if Stewart and Mary decide to take <u>Option 2</u> – ‘Refillables’.</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 1 mark</b></p> <p><b>One mark for a correctly identified impact plus a further one mark for an explanation in context.</b></p> <ul style="list-style-type: none"> <li>• environmentally friendly – encourage reuse</li> <li>• not environmentally friendly – plastic rather than glass</li> <li>• less prestigious product</li> <li>• better value for money product</li> <li>• purity of product – plastic contamination issues?</li> <li>• price/quality relationship.</li> <li>• machines make staff redundant leads to bad publicity</li> </ul> <p>Eg Producing refillables will make it look more environmentally friendly (1) because it is encouraging the re-use of the glass containers (1).</p> <p>Eg Plastic refills will be cheaper (1) and may make consumers think that the product is of lower quality (1).</p> <p>Eg Refillables do not look as impressive on shop shelves (1) and may lower the upmarket nature of the brand (1).</p>	<b>[2]</b>	<p>Must relate to Option 2 Refillables.</p> <p>Must be impact on <b>public</b> image.</p> <p>Impact may be positive or negative.</p> <p>Do <b>not</b> award mark for stating whether their public image is going to go up or go down. Impact identified must be specific e.g. plastic not recyclable so environmentally friendly image lowered.</p>

Question Number	Expected Answers	Mark	Additional guidance
6 (c)*	<p>Evaluate the <b>staffing</b> issues which might arise if Stewart and Mary decide to take <b>Option 3</b> – ‘Going corporate’.</p> <p><b>Level 1 (1-2 marks)</b> Candidate <b>demonstrates knowledge</b> of staffing issues with <b>no context</b>.</p> <p><b>Level 2 (3-5 marks)</b> Candidate <b>applies knowledge</b> and understanding of staffing issues to <i>Natracleanse</i>.</p> <p><b>Level 3 (6-9 marks)</b> Candidate <b>analyses</b> staffing issue(s) which might arise should Stewart and Mary decide to take Option 3.</p> <p><b>Level 4 (10-14 marks)</b> Candidate <b>evaluates</b> staffing issues which might arise should Stewart and Mary decide to take Option 3.</p> <p>Issues include:</p> <ul style="list-style-type: none"> <li>• automation – Redundancies? Skills gap? Retraining?</li> <li>• workload – Working patterns? Shift-work? Longer hours?</li> <li>• training – Time? Cost? Availability? Employee reaction?</li> <li>• skills – Deskilling? Re-skilling? Training? Wage rates?</li> <li>• attitude of workforce – Inertia? Fear? Enthusiasm?</li> <li>• recruitment – Skilled labour? Machine operatives?</li> <li>• motivation and morale</li> <li>• labour turnover and absenteeism rates</li> </ul>		<p>Context = <i>Natracleanse</i> Option 3 staffing issues.</p> <p>Do not award non-staffing issues concerned with Option 3.</p> <p>Answers with no context ie that make no reference to <i>Natracleanse</i> Option 3 staffing issues must be held at max level 1.</p> <p>Award <b>L1</b> for statements about staffing issues which are purely <b>theoretical</b> with no reference to <i>Natracleanse</i>. Eg a business needs to train its staff.</p> <p>Award <b>L2</b> for <b>statements</b> on staffing issues referenced in context (ie to <i>Natracleanse</i> Option 3) Eg staff would need to be trained to operate the new machinery.</p> <p>Award <b>L3</b> for <b>analysis of implications</b> on staffing issues for <i>Natracleanse</i> if they take Option 3. Eg ... the training required would be expensive in terms of time and money.</p> <p>Award <b>L4</b> for a <b>justified conclusion</b> regarding the staffing issues at <i>Natracleanse</i> if it takes Option 3 <b>based on L3 analysis</b>.</p>

Question Number	Expected Answers	Mark	Additional guidance
	<p>Eg When a business automates it may need to lose staff <b>(L1)</b>. <i>Natracleanse</i> will be desperate not to have to lose staff because it cares about its workforce <b>(L2)</b>. Rather than make an employee redundant it may be possible to retrain them <b>(L3)</b>. This would combine the employee's knowledge of the business with the new skills needed <b>(L3)</b>. However, training is expensive and <i>Natracleanse</i> would be taking a two-fold risk – that the employee can successfully complete the training and that the employee still wishes to work for the business after such a fundamental change in the nature of the job <b>(L4)</b>.</p> <p>Eg Increasing the scale of production usually means employing more staff <b>(L1)</b>. In <i>Natracleanse's</i> case the machinery may take the place of extra workers <b>(L2)</b>. The current employees may resent these changes and their motivation levels may drop leading to increased absenteeism in the short term <b>(L3)</b>. However, if <i>Natracleanse</i> can handle its staff sensitively it is possible to get them on their side and in the long run to have an even more productive workforce <b>(L4)</b>. <i>Natracleanse</i> has a greater chance than most of being able to achieve this because of it being a small business with a flexible management structure <b>(L4)</b>.</p>	<p>[14]</p>	<p>The judgement may take any form as long as it is an overall judgement based (and not conflicting with) on previous analysis.</p> <p>L4 judgements include an overall judgement (with reason) as to the extent of the likely staffing problems, a judgment as to which is the greatest staffing problem, the extent of the risk, the likelihood of problems or a short/long run argument or other weighing up from previous L3 analysis.</p> <p>L4 is <b>NOT</b> about whether Option 3 should be chosen but about the likely problems with staffing if Option 3 is chosen.</p>

Question Number	Expected Answers	Mark	Additional guidance
7 (a)	<p><b>Label the FOUR quadrants in the Ansoff's Matrix grid below.</b></p> <p><b>AO1 – 4 marks</b></p> <p><b>One mark for each correct label to a maximum of four.</b></p> <p>1 Market Penetration (1)            2 (New) Product Development (1)            3 Market Development (1)            4 Diversification (1).</p> <p>1 Market Penetration                      2 (New) Product Development            3 Market Development                      4 Diversification</p>	<b>[4]</b>	<p>Do not award 'differentiation' for 'diversification'.</p> <p>Watch out for transposition of labels eg 'market penetration' but in quadrant 3 (no marks).</p>
7 (b)	<p><b>Insert each of the THREE options under consideration at <i>Natracleanse</i> into the correct quadrant.</b></p> <p><b>AO2 – 3 marks</b></p> <p><b>One mark for each correctly place option to a maximum of three.</b></p> <p>Option 1 'Visitor attraction'            Quadrant 4 Diversification from product to service.</p> <p>Option 2 'Refillables'            Quadrant 2 Same market, new product or            Quadrant 1 Same market, same product</p> <p>Option 3 'Going corporate'            Quadrant 3 New market, same product.</p> <p>1 <b>Refillables (Option 2)</b>                      2 <b><u>Refillables (Option 2)</u></b>            3 <b>Going corporate (Option 3)</b>                      4 <b>Visitor attraction (Option 1)</b></p>	<b>[3]</b>	<p>Ignore candidate labelling in 7(a) when marking 7(b). If the option appears in one of the correct quadrants (1 – 4) the mark should be awarded.</p>

Question Number	Expected Answers	Mark	Additional guidance
7 (c)	<p><b>Distinguish between <u>qualitative</u> and <u>quantitative</u> information.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>One mark for qualitative and one mark for quantitative OR one mark for stating a difference and one mark for stating which is which.</b></p> <p>Quantitative information is numerical, statistical or mathematical in nature, capable of being proven/disproven. Qualitative information is non-numerical, and includes descriptions, images and preferences based on opinion.</p> <p>Accept references to data.</p> <p>Eg One presents facts based on numbers/figures, whereas the other relies on opinion and feelings (1).</p> <p>Eg Quantitative is based on numbers/figures whereas qualitative is not (2).</p> <p>Eg Quantitative is based on numbers/figures and seen as fact, whereas qualitative information is based on feelings and is seen as a matter of opinion. (2)</p> <p>Eg Qualitative data is based on opinion, whereas quantitative data is based on maths (2).</p> <p>Eg One can be proven/disproven and one cannot (1).</p>	<b>[2]</b>	<p>Award zero if the terms are confused Eg qualitative is based on numbers and quantitative based on opinion (0).</p> <p>Do <b>not</b> award vague statements such as “qualitative is about quality” or “qualitative is about written data”.</p> <p>Qualitative is <b>not</b> words/written information or facts but opinions.</p> <p>Do <b>not</b> accept ‘quantitative is financial data/information’.</p>

Question Number	Expected Answer	Mark	Additional guidance
7 (d)	<p><b>Using both quantitative and qualitative information, recommend and fully justify which option Stewart and Mary should choose.</b></p> <p><b>Level 1 (1-2 marks)</b> Candidate shows <b>knowledge</b> of strategic decision making with <b>no reference to Natracleanse</b>.</p> <p><b>Level 2 (3-6 marks)</b> Candidate <b>makes statements</b> about one or more of the options under consideration at <i>Natracleanse</i>.</p> <p><b>Level 3 (7-9 marks)</b> Candidate <b>analyses</b> the option(s) Stewart and Mary should take using <b>either</b> quantitative <b>or</b> qualitative information.</p> <p><b>Level 3 (10-12 marks)</b> Candidate <b>analyses</b> the option(s) Stewart and Mary should take using <b>both</b> quantitative <b>and</b> qualitative information.</p> <p><b>Level 4 (13-16 marks)]</b> Candidate <b>recommends and justifies</b> which option Stewart and Mary should take using <b>either</b> quantitative <b>or</b> qualitative evaluative evidence.</p> <p><b>Level 4 (17-20 marks)</b> Candidate <b>recommends and justifies</b> which option Stewart and Mary should take using <b>both</b> quantitative <b>and</b> qualitative evaluative evidence.</p>		<p>Non-contextual answer max level 1.</p> <p><b>L1</b> Statements about strategic decision-making with no context Eg All strategic decision-making involves taking a risk.</p> <p><b>L2</b> Statements about one or more of the options Eg Option 2, refillables is expected to be the cheapest option.</p> <p><b>L3</b> Analysis of one or more of the options Eg Being the cheapest option makes refillables the least risky option in financial terms.</p> <p><b>NB</b> Answers that analyse only one option should be awarded the bottom of the mark band.</p> <p>Award <b>L4</b> to a candidate who chooses an option and backs it up by valid reasoning. NB option chosen must have been analysed (L3 must have been awarded for this option).</p>

Question Number	Expected Answer	Mark	Additional guidance																																
	<p>Issues include:</p> <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td>Visitor Attraction</td> <td>Refillables</td> <td>Corporate</td> </tr> <tr> <td>• decision tree:</td> <td>Opt 1 £41000,</td> <td>Opt 2 £45000,</td> <td>Opt 3 £52000</td> </tr> <tr> <td>• chances of success</td> <td>90%</td> <td>60%</td> <td>30%</td> </tr> <tr> <td>• chances of failure</td> <td>10%</td> <td>40%</td> <td>70%</td> </tr> <tr> <td>• best case pred:</td> <td>Opt 1 £80000,</td> <td>Opt 2 £95000,</td> <td>Opt 3 £1000000</td> </tr> <tr> <td>• Worse case pred:</td> <td>Opt 1 (£10000),</td> <td>Opt 2 20000,</td> <td>Opt 3 (£140000)</td> </tr> <tr> <td>• Cost:</td> <td>Opt 1 £30000,</td> <td>Opt 2 £20000,</td> <td>Opt 3 £150000</td> </tr> <tr> <td>• NPV</td> <td>Option 3 only</td> <td>5% £20040</td> <td>10% £8660</td> </tr> </table> <ul style="list-style-type: none"> <li>• degree of risk</li> <li>• likelihood of success</li> <li>• cost</li> <li>• profitability</li> <li>• market positioning</li> <li>• competitive advantage</li> <li>• impact on business image</li> <li>• owners/business aims</li> <li>• stakeholder conflict</li> <li>• impact on workforce</li> <li>• degree of control</li> <li>• change of status (Ltd) Option 3</li> <li>• knowledge/previous experience of option</li> <li>• wider business environment</li> <li>• social trends</li> <li>• practical and operational matters.</li> </ul> <p>Eg A business that has made good contingency plans is likely to cope better in a crisis than one which has not <b>(L1)</b>. According to the decision tree Option 3 is predicted to have only a 30% chance of success <b>(L2)</b>, a much higher risk of failure than either of the other two options <b>(L3,qual)</b>. The high risk of failure coupled with huge costs and high potential losses may make the prospect daunting to Mary and Stewart <b>(L3,qual)</b>. However, if it were to succeed Option 3 could make a massive £1,000,000, much more than the other two options <b>(L3,quant)</b>.</p>		Visitor Attraction	Refillables	Corporate	• decision tree:	Opt 1 £41000,	Opt 2 £45000,	Opt 3 £52000	• chances of success	90%	60%	30%	• chances of failure	10%	40%	70%	• best case pred:	Opt 1 £80000,	Opt 2 £95000,	Opt 3 £1000000	• Worse case pred:	Opt 1 (£10000),	Opt 2 20000,	Opt 3 (£140000)	• Cost:	Opt 1 £30000,	Opt 2 £20000,	Opt 3 £150000	• NPV	Option 3 only	5% £20040	10% £8660		<p><b>Level annotation required.</b></p>
	Visitor Attraction	Refillables	Corporate																																
• decision tree:	Opt 1 £41000,	Opt 2 £45000,	Opt 3 £52000																																
• chances of success	90%	60%	30%																																
• chances of failure	10%	40%	70%																																
• best case pred:	Opt 1 £80000,	Opt 2 £95000,	Opt 3 £1000000																																
• Worse case pred:	Opt 1 (£10000),	Opt 2 20000,	Opt 3 (£140000)																																
• Cost:	Opt 1 £30000,	Opt 2 £20000,	Opt 3 £150000																																
• NPV	Option 3 only	5% £20040	10% £8660																																

Question Number	Expected Answer	Mark	Additional guidance
	<p>Zeeta is willing to invest £100,000 of her own money in this venture and, as she is used to appraising investments and judges this to be a good one, Mary and Stewart should take confidence from Zeeta's offer and take the risk <b>(L4,qual)</b>.</p> <p>Eg Strategic decisions affect the entire organisation <b>(L1)</b>. Option 2 is expected to cost £20000 <b>(L2)</b>, a little lower than Option 1 and a lot lower than Option 3 <b>(L2)</b>. <i>Natracleanse</i> is using product differentiation to gain competitive advantage and making refillables available may lower the prestige and market positioning of the product <b>(L3)</b>. Its current customer base might switch to another upmarket brand <b>(L3,qual)</b>. However, since Option 2 has relatively modest costs <b>(L3,quant)</b> it may be a risk worth taking as any loss of 'upmarket' customers should be more than compensated for by an increase in 'environmentally friendly' customers seeking a refillable product <b>(L4,qual,quant)</b>.</p>	<b>[20]</b>	

## F256 Business law

Question Number	Expected Answers	Mark	Additional Guidance
1 (a)(i)	<p><b>When the six ex-miners initially set up the company certain documents were required. Explain TWO items that would have been included in:</b></p> <p><b>the Memorandum of Association;</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</b></p> <p>Possible responses may include:  name of company (1)  states Ltd (if this is the case) (1)  registered address (1)  objects clause (1)  liability of members is limited (1)  details of authorised share capital (including names/addresses of founding shareholders) (1)  signatures of shareholders (1)</p> <p>One mark for a statement of a point plus one mark for reference to what MH Ltd might write OR further explanation.</p> <p>Eg The name of the business would be included (1), in this case Mining Heritage Ltd (1).</p> <p>Eg A statement that the liability of the shareholders is limited (1) as a warning to potential suppliers (1).</p>	[4]	<p>Watch out for several answers in response 1.</p> <p>‘Address’ too vague must be registered address. Accept ‘where registered’.</p> <p>Do not accept name of partners.</p> <p>Accept objectives as referring to objects clause.</p>

Question Number	Expected Answers	Mark	Additional Guidance
1 (a)(ii)	<p><b>the Articles of Association.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</b></p> <p>issue and transfer of shares (1) the voting rights of different share types (1) how/when AGMs called (1) payment of dividends (1) names and responsibilities of directors (1) signed declaration (1)</p> <p>One mark for a statement of a point plus one mark for reference to what MH Ltd might write OR further explanation.</p> <p>Eg The voting rights of share types (1). Here MH Ltd has probably only got ordinary shares held by the ex-miners (1).</p> <p>Eg Payment of dividends (1) so that all shareholders know how and when these will be received (1).</p>	<b>[4]</b>	<p>Watch out for several answers in response 1.</p> <p>‘Day to day running’ too vague.</p> <p>‘Rules of business’ too vague.</p>

Question Number	Expected Answers	Mark	Additional Guidance
1 (b)	<p><b>The ex-miners had considered setting up the museum with charitable status. State ONE advantage to the museum of taking this option.</b></p> <p><b>AO1 – 1 mark</b></p> <p><b>Up to one mark.</b></p> <p>tax reasons (corporation tax or VAT) (1)  ability to receive donations (1)  claim government grants (1)  increase public awareness (1)  act as a selling point (1)  improved public image (1)  for marketing purposes (1)</p> <p>Eg It is tax advantageous (1).</p> <p>Eg General public can support the work with gift aid.</p>	[1]	Do not award income tax.

Question Number	Expected Answers	Mark	Additional Guidance
1 (c)(i)	<p><b>What is meant by the term limited liability?</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks for an explanation of the principle of limited liability.</b></p> <p>Limited liability means that shareholders are only liable to meet the debts of the business to the extent of their investment in the business through shares. Personal possessions cannot be claimed to pay off company debts.</p> <p>Accept references to incorporation or separate legal identity as this is the legal foundation to limited liability.</p> <p>Do not award references to being sued, i.e. company sued not shareholders as this relates directly to incorporation rather than limited liability.</p> <p>No context required.</p> <p>Eg The shareholders of MH Ltd have limited liability so any claim on the business will not cost them personally (1). A shareholder's house, car or other possessions are not at risk of being lost if the company gets into financial difficulties (1).</p> <p>Eg If the shares are fully paid up then no further claim can be made on the shareholder (1).</p>	[2]	

Question Number	Expected Answers	Mark	Additional Guidance
1 (c)(ii)	<p><b>Explain why the concept of limited liability is particularly important to MH Ltd as it tries to expand.</b></p> <p><b>AO2 – 4 marks</b></p> <p><b>One mark for each valid explanation, up to a maximum of four.</b></p> <p>Must be in the context of expansion.</p> <p>Expansion may mean:  More finance  More debt  More staff  More buildings  More health and safety issues  More risk  Higher chance of failure</p> <p>Limited Liability may:  Minimise the risk to shareholders  Encourage new investors  Reassure potential investors of the limits to their liability</p> <p>Eg As MH Ltd expands it will need more finance (1) to pay for the various building projects (1). Limited liability will help secure this finance (1) because new potential shareholders, aware of the increased risks, will be reassured that at the very worst they can only lose their original investment (1).</p>	<b>[4]</b>	<p>Must be in the context of expansion.</p> <p>MH Ltd does not have to be mentioned explicitly.</p>

Question Number	Expected Answers	Mark	Additional Guidance
1 (d*)	<p><b>Evaluate the case for and against MH Ltd remaining as a private limited company rather than becoming a public limited company.</b></p> <p><b>Level 1 (1-2 marks)</b> Candidate demonstrates knowledge of ltds and/or plcs with no reference to MH Ltd.</p> <p><b>Level 2 (3-5 marks)</b> Candidate applies knowledge of ltds/plcs to outline advantage(s)/disadvantage(s) of ltds/plcs as appropriate to MH.</p> <p><b>Level 3 (6-9 marks)</b> Candidate analyses advantage(s) and/or disadvantage(s), as appropriate to MH.</p> <p><b>Level 4 (10-14 marks)</b> Candidate makes a valid justification as to whether MH Ltd should remain as an Ltd.</p> <p>Issues include: Ability to raise finance Public issue of shares as opposed to private issue Trading on the Stock Exchange Share price volatility Increased risk of takeover Publication of financial data Media attention, publicity, competition Divorce between ownership and control Diluted control by original shareholders Requirement to hold AGM's for plcs but not for ltds £50,000 minimum share capital for plcs Cost of converting to plc Documentation required to convert</p>	[14]	<p>Evaluation of the decision to remain as a private limited company rather than becoming a public limited company. Essentially advantage(s)/disadvantage(s) of ltd v plc.</p> <p>Candidates whose entire argument is one sided should be held to the bottom of the L4 mark band.</p> <p>Candidates who evaluate in specific context should be rewarded mid to top of mark band. Eg references to the fact that because there are only 6 shareholders the ability to raise additional capital might be crucial.</p> <p>Limited liability is not an issue.</p> <p>Do not award references to size unless clearly referenced to business ownership (plc/ltd) and applied specifically to MH Ltd.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<p>Purpose of business – dividends or heritage?            Eg Plcs can issues shares on the Stock Exchange (L1.) MH would be able to raise finance through selling shares to the public on the Stock Exchange (L2). This means it would be able to raise more money from investors than it would as an ltd and this would aid its expansion plans (L3). However more shareholders would mean weakened control by the original shareholders (L3). Given that the new shareholders may be more interested in their dividends than passing on the industrial heritage the business focus may change. The original shareholders are miners at heart and may prefer to retain control of the museum. They should remain as an ltd and seeking additional funding from the elsewhere (L4).</p> <p>Eg Ltds do not need to publish their financial data (L1). The fact that MH Ltd is operating as an ltd means that its financial data can remain relatively private (L2). This may be a significant advantage to MH Ltd as it is considering undertaking a major expansion plan and will not wish to alert the competition to its planned activities (L3). However, becoming a Plc would make it much easier to raise the money for the planned expansion (L3). I think that MH Ltd should become a plc in order to raise the money for the expansion that it desperately needs, the increased media interest from having to publish its financial affairs may not be a bad thing as it could act as publicity, raising public awareness and attracting more members of the public to the site (L4).</p>		

Question Number	Expected Answers	Mark	Additional Guidance
2 (a)	<p><b>MH Ltd employs Zara to run the gift shop. Explain what impact the Minimum Wage Act is likely to have on MH Ltd.</b></p> <p><b>AO1 – 1 mark</b> <b>AO2 – 3 marks</b></p> <p><b>One mark for a correct identification up to a maximum of one, plus a further three marks for explanation.</b></p> <p>MH Ltd must pay Zara at least the national minimum wage. The actual rate of pay depends on Zara's age.</p> <p>Eg MH Ltd must pay Zara at least the national minimum wage (1). This may mean they have to pay her more than they otherwise would (1), increasing costs (1) and lowering profits (1).</p> <p>Eg MH Ltd will be in legal trouble (1) if they do not pay Zara enough (1). Paying wages under the NMW could result not only in a fine (1) but also negative media coverage for the museum (1).</p>	<b>[4]</b>	<p>Must be impact on MH Ltd, not on Zara.</p> <p>Breaking the law is too vague.</p> <p>Do not award motivation arguments.</p>

Question Number	Expected Answers	Mark	Additional Guidance
2 (b)	<p><b>Describe THREE elements needed to make the contract between MH Ltd and CC Ltd legally enforceable.</b></p> <p><b>AO1 – 3 marks</b> <b>AO2 – 3 marks</b></p> <p><b>One mark for each correct element identified up to a maximum of three identifications, plus a further one mark for each of three developments.</b></p> <p>Offer (1) – a statement without misrepresentation (1)  Acceptance (1) – unconditional consent to all terms (1)  Consideration (1) – some sense of mutual exchange of value (1)  Intention (1) – both parties intending to be legally bound by the contract (1)  Capacity (1) – ability/authority to make a contract (1)  Legality (1) – within legal parameters (1)</p> <p>Allow 1 mark for signing the contract (as an indication of acceptance).</p> <p>The development mark can be an explanation (as above) or be an example from the case (MH Ltd and CC Ltd).</p> <p>Eg Offer (1), CC Ltd will make an offer to MH Ltd which is a statement without representation (1).</p> <p>Eg Consideration (1) both parties must offer something in exchange (1).</p> <p>Eg Consideration (1) CC Ltd supplies sweets made to original recipes in return for payment by MH Ltd (1).</p>	[6]	<p>Do not award the term 'agreement' as a replacement for the term 'acceptance'.  Can be awarded for expansion.</p>

Question Number	Expected Answers	Mark	Additional Guidance
2 (c)(i)	<p><b>Contracts rely upon express and implied terms.</b></p> <p><b>State ONE express term likely to be in the contract between MH Ltd and CC Ltd.</b></p> <p><b>AO1 – 1 mark</b></p> <p><b>One mark for a valid term.</b></p> <p>Product (or sweets)  Packaging (or tin)  Quantity  Price  Delivery Date</p> <p>Accept specific examples OR generic terms eg sweets OR product.</p> <p>Eg An express term would be the number of tins MH Ltd wishes to order (1).</p> <p>Eg The delivery date (1).</p>		

Question Number	Expected Answers	Mark	Additional Guidance
2 (c)(ii)	<p><b>State ONE implied term that the Sale and Supply of Goods Act would impose on a contract like the one between MH Ltd and CC Ltd.</b></p> <p><b>AO1 – 1 mark</b></p> <p><b>One mark for a correct identification.</b></p> <p>Satisfactory quality            Fitness for purpose            Matching description            Entitled to replacement / repair / refund</p> <p>Accept specific examples OR generic references eg sweets not broken OR satisfactory quality.</p> <p>Eg All goods supplied must be fit for purpose (1).</p> <p>Eg The sweets must not be mouldy (1).</p> <p>Eg Products should match their description (1).</p> <p>Eg The sweets should be made to the original recipe (1).</p>	[1]	<p>Do not accept 'safe' as safety is covered by the Consumer Protection Act.</p> <p>Do not accept 'reasonable time, skill and care' as these clauses refer to the Supply of Goods and Services Act.</p> <p>Do not accept 'good condition'.</p>

Question Number	Expected Answers	Mark	Additional Guidance
2 (d)	<p><b>The Sale and Supply of Goods Act is an example of an Act of Parliament. Explain THREE stages involved in the creation of an Act of Parliament.</b></p> <p><b>AO1 – 6 marks</b></p> <p>One mark for each correct identification up to a maximum of three identifications, plus a further one mark for each of three explanations.</p> <p>Either:</p> <p>Green Paper White Paper Bill Drawn up House of Commons House of Lords Royal Assent</p> <p>OR</p> <p>First Reading Second Reading Committee Stage Report State Third Reading House of Lords Royal Assent</p> <p>Eg White paper (1). This is where the proposal from the original green paper is firmed up (1).</p> <p>Eg Royal assent (1). This is the final stage of the process (1).</p>	[6]	<p>Identifications must be the exact terms but can be a mix from both lists.</p> <p>Do not award explanation if the identification of the stage is incorrect.</p>

Question Number	Expected Answers	Mark	Additional Guidance
2 (e)	<p><b>Evaluate to what extent MH Ltd might be in breach of consumer protection legislation.</b></p> <p>Legislation includes:</p> <ul style="list-style-type: none"> <li>• SSGA – satisfactory quality, fit for purpose, matching description</li> <li>• TDA – as described</li> <li>• CPA – safety/harm</li> <li>• WMA – metric labelling, gross/net weight</li> </ul> <p>Lots of issues :</p> <p>Sweets broken - satisfactory quality? Who broke them?  Sweets contained glass? Evidence? Unsafe? Harm? Not fit for purpose?  Original recipe? Preservative acceptable? As described?  Labelled in ounces. Weight of tin included?  Safety of paint?  Sign? Suitable for all the family? Young children? Whose responsibility?  Age of son? Responsibility of mother  Displayed out of reach  Correct procedures followed – high shelf, immediate removal from sale  Contract with retailer rather than manufacturer  Manufacturer duty of care, responsibly for safety.</p> <p><b>Level 1 (1-2 marks)</b>  Candidate shows knowledge of consumer protection legislation.</p> <p><b>Level 2 (3-5 marks)</b>  Candidate describes possible breaches in consumer protection legislation at MH Ltd's gift shop.</p> <p><b>Level 3 (6-9 marks)</b>  Candidate analyses MH Ltd's position with regards to consumer protection legislation.</p>	[14]	<p><b>L1</b> statements about consumer protection legislation with no context  Eg goods must be as described.</p> <p><b>L2</b> breaches of consumer protection legislation at the gift shop  Eg the sweets harmed the boy.</p> <p><b>L3</b> analysis of MH Ltd's legal position  Eg they sold the sweet therefore they are to blame</p> <p><b>L4</b> Overall decision as to the extent which MH Ltd might be in breach, weighing up both sides of the argument building upon previous analysis.</p> <p>Do not award references to court action/remedies/effects on public image as these do not answer the question.</p> <p>Do not award HASAW Act.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<p><b>Level 4 (10-14 marks)</b> Candidate evaluates the extent to which MH Ltd might be in breach of consumer protection legislation, reaching a reasoned conclusion based on the weighing up of evidence.</p> <p>Eg The WMA states that weights must be labelled in metric <b>(L1)</b> therefore the tins should be labelled in grams <b>(L2)</b>. The customer's contract is with MH Ltd and MH Ltd cannot blame its supplier, it is MH Ltd's responsibility to ensure that the tins are labelled in accordance with current regulations <b>(L3)</b>. On the other hand the museum was only attempting to make the sweets look authentic. A compromise might be to label the sweets in metric and imperial units. MH Ltd needs to rewrite its contract with CC Ltd <b>(L4)</b>.</p> <p>Eg The Consumer Protection Act says that goods supplied to customers must be safe and not cause harm <b>(L1)</b>. MH Ltd sold a tin of sweets that cut a boy's gum <b>(L2)</b>. If the tin contained glass then strict liability would apply and MH Ltd would be liable to pay compensation <b>(L3)</b>. However there is no evidence of a piece of glass existing. The sweets may have been broken on the journey home and a sharp piece of sweet may have cut the boy's gum <b>(L4)</b>. This is a likely explanation if no other complaints were received. With no further complaints and no evidence of glass MH Ltd is unlikely to be held responsible <b>(L4)</b>.</p>		

Question Number	Expected Answers	Mark	Additional Guidance
3 (a)(i)	<p><b>Employers and employees must perform their common law duties.</b></p> <p><b>Explain TWO common law duties MH Ltd has as an employer.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for each duty correctly identified up to a maximum of two, plus a further one mark for each of two explanations.</b></p> <p>Pay as agreed in contract Provide safe working conditions Provide necessary training Not undermine trust and confidence Not to be negligent</p> <p>Award the development mark for explanation or context.</p> <p>Eg Must provide a safe working environment (1). If an employee alerts them to a dangerous machine the employer must take action to minimise the risk (1).</p> <p>Eg MH Ltd must pay the guides (1) no employee should be expected to work for free (1).</p>	<b>[4]</b>	<p>Must be under common law.</p> <p>Breaks are a statutory requirement therefore do not award.</p>

Question Number	Expected Answers	Mark	Additional Guidance
3 (a)(ii)	<p><b>Explain TWO common law duties the guides have as employees.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for each duty correctly identified up to a maximum of two, plus a further one mark for each of two explanations.</b></p> <p>Carry out their work with reasonable skill Obey reasonable orders Act in good faith Work safely taking reasonable care</p> <p>Award the development mark for explanation or context.</p> <p>Eg Employees should obey all reasonable instructions from their employers (1). An order is not reasonable if it is likely to endanger the employee's safety (1).</p> <p>Eg A guide must take reasonable care when giving the tour (1) they must be fully concentrating on the job at all times (1).</p>	<b>[4]</b>	<p>Must be under common law.</p> <p>Abiding by contract of employment is contract law therefore do not award.</p>

Question Number	Expected Answers	Mark	Additional Guidance
3 (b)	<p><b>State THREE actions a business such as <i>MH Ltd</i> must take in order to meet the requirements of the Health and Safety at Work Act.</b></p> <p><b>AO1 – 3 marks</b></p> <p><b>One mark for a correct identification, up to a maximum of three identifications.</b></p> <p>Provide a safe plant            Safe use, handling, storage and transportation of items            Regular safety inspections            Keeping an accident book            Safety signs            Fire procedures            Provision of first aid kits            Trained first aiders            Provide training</p> <p>Eg A business must carry out risk assessments on all new procedures (1).</p> <p>Eg Fire exits must be kept clear at all times (1).</p>	[3]	<p>Watch out for repetition. Several examples of the same point count as repetition eg the provision of safety equipment including hard hats, safety gloves and ear protection max 1 mark.</p> <p>Must be under HASAW Act.</p> <p>Must be specific actions.</p> <p>Must be from business perspective, not what an employee has to do.</p> <p>No context required.</p>

Question Number	Expected Answers	Mark	Additional Guidance
3 (c)	<p><b>Evaluate the benefits and drawbacks to MH Ltd of making health and safety a priority.</b></p> <p>Benefits/drawbacks include:            Fewer accidents to staff, less time off work, known as good employer            Fewer accidents to members of the public, avoidance of media attention and bad publicity            Cost of providing H&amp;S equipment, money could be spent on other things eg advertising of the gift shop and drift mine            Time spent on inspection and training            Cost of training            Avoidance of long drawn out court action            Short run increase in costs, long run saved from expensive compensation claims            Avoidance of legal fees            Unwanted H&amp;SE attention</p> <p><b>Level 1 (1-2 marks)</b>            Candidate demonstrates knowledge of health and safety legislation with no reference to MH Ltd.</p> <p><b>Level 2 (3-5 marks)</b>            Candidate applies knowledge of health and safety legislation to MH Ltd, describing actions/procedures that should/should not be followed.</p> <p><b>Level 3 (6-9 marks)</b>            Candidate analyses the advantages and/or disadvantages to MH Ltd of making health and safety a priority.</p> <p><b>Level 4 (10-14 marks)</b>            Candidate evaluates the advantages and disadvantages to MH Ltd of making health and safety a priority.</p>	[14]	<p><b>L1</b> statements about health and safety legislation with no context            Eg employers are responsible for the safety of their staff</p> <p><b>L2</b> benefits/drawbacks of obeying H&amp;S legislation            Eg staff will need to be trained</p> <p><b>L3</b> analysis of MH Ltd's position            Eg training will cost time and money which could be spent on producing more displays in the museum.</p> <p><b>L4</b> Overall judgement regarding making H&amp;S a priority which matches previous analysis.</p> <p>Candidates who evaluate in specific context should be rewarded mid to top of mark band. Eg references to this concept being more important to MH Ltd than most because it relies on tourists who will not visit if they believe the museum is dangerous.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<p>Eg A business must provide safety equipment where necessary <b>(L1)</b>. In this case MH Ltd must provide hard hats for use underground <b>(L2)</b>. The hard hats cost money and will add to business costs and reduce profits <b>(L3)</b>, but if there were ever a serious accident they might well save someone's life, or at the very least allow MH Ltd to prove in court that it had not been negligent. The purchase price of a hat is therefore a small price to pay <b>(L4)</b>.</p> <p>Eg If a business breaks H&amp;S legislation it may face a fine or be closed down <b>(L1)</b>. MH Ltd must meet the standards laid down by the H&amp;SE if it wishes to remain open to the public <b>(L2)</b>. Providing all of the necessary training will take up vast amounts of time and the training needs to be repeated at regular intervals <b>(L3)</b>. Not providing the training would be a big risk to the museum for even if they committed a relatively minor offence and were not shut down the media attention is likely to cause the public to stay away in large numbers <b>(L4)</b>.</p>		

Question Number	Expected Answers	Mark	Additional Guidance
4 (a)	<p><b>Explain why the shareholders may prefer to put MH Ltd into administration rather than into voluntary liquidation.</b></p> <p><b>Level 1 (1-2 marks)</b> A description of the difference between administration and liquidation with no context.</p> <p><b>Level 2 (3-4 marks)</b> An explanation of the reasons why the shareholders of MH Ltd would prefer administration.</p> <p>Solvency is not an issue.</p> <p>Eg Administration attempts to help the company survive <b>(L1)</b> whereas liquidation simply winds up the firm for the benefit of creditors <b>(L1)</b>.</p> <p>Eg Administration attempts to keep the firm trading <b>(L1)</b>. Having put so much time and effort into the museum the miners would not want to see it close <b>(L2)</b>.</p>	<b>[4]</b>	<p>Candidate must be referring to administration rather than liquidation. Administration attempts to keep the business trading as a going concern, liquidation makes no attempt to save the firm.</p> <p>NB A candidate does not need to achieve level 1 before being awarded a level 2. At level 2 the difference between administration and liquidation may be explicit or implicit. See examples below:</p> <p>Eg The drift mine has proved very successful and it would be a great shame to close it now <b>(L2)</b> which is exactly what would have to happen if the company was liquidated, hence the shareholders preference for administration <b>(L2)</b>.</p> <p>(Understanding of the difference between administration and liquidation explicitly expressed).</p> <p>Eg The shareholders are ex-miners with a passion for mining they would be desperate for the museum to be saved <b>(L2)</b> in order that mining heritage can be passed on to future generations <b>(L2)</b>.</p> <p>(Implicit understanding that administration attempts to save the firm whereas liquidation does not).</p>

Question Number	Expected Answers	Mark	Additional Guidance
4 (b)	<p><b>Explain how the provisions of the Insolvency Act would benefit the creditors of MH Ltd if the company went into administration.</b></p> <p><b>Level 1 (1-2 marks)</b> The provisions of the Insolvency Act are explained with no reference to MH Ltd's creditors.</p> <p><b>Level 2 (3-4 marks)</b> Candidate explains the benefits of the provisions of the Insolvency Act to the creditors of MH Ltd.</p> <p>Eg The Insolvency Act demands that an administrator is qualified <b>(L1)</b>. Only a qualified insolvency practitioner can act as an Administrator to ensure that affairs are handled correctly <b>(L1)</b>.</p> <p>Eg MH Ltd must appoint a suitably qualified insolvency practitioner to act as administrator <b>(L2)</b>. This means that creditors can be reassured that the company is in competent hands <b>(L2)</b>.</p> <p>Eg The Insolvency Act lays down specific rules for companies in administration. <b>(L1)</b>. This Act safeguards MH Ltd's creditors because the company must follow these rules or be faced with a court order <b>(L2)</b>.</p> <p>Eg The Insolvency Act applies to all companies whether they can pay their debts or not <b>(L1)</b>. In this case MH Ltd can probably pay their debts and just need the company straightening out a little <b>(L2)</b>. The creditors, such as CC Ltd, would be kept informed of the status of the debts and the likely timing of payments <b>(L2)</b>.</p>	[4]	<p>Must be benefit to the creditors.</p> <p>The Insolvency Act is the main piece of legislation controlling the dissolution of businesses. It applies to solvent as well as insolvent businesses. It addresses the qualification and appointment of insolvency practitioners, including administrators. It controls the way a business can dissolve – specifically in this context the procedures for administration. It also lays out rules for dealing and communicating with creditors and creates an order of preference for paying them. Strict rules are laid down for all procedures concerning a company in administration.</p>

Question Number	Expected Answers	Mark	Additional Guidance
4 (c)	<p><b>Outline THREE steps involved in putting a company such as MH Ltd into administration.</b></p> <p><b>AO1 – 3 marks</b> <b>AO2 – 3 marks</b></p> <p><b>One mark for each valid step identified up to a maximum of three identifications plus a further one mark for each of three developments.</b></p> <p>Administration orders (1) – made by court, shareholders or creditors (1)  Appointment of administrator (1) who must be an insolvency practitioner (1)  Administrator manages company's affairs (1) for the benefit of creditors (1)  Notice of administration order and appointment of administrator (1) placed in The London Gazette (1) and one local newspaper (1), sent to Companies House (1), sent to all creditors (1) and shareholders (1)  Suspension of any winding up orders currently in place (1) to give the administrator time to rescue the company as a going concern (1)  Business documents to include name of administrator (1) to indicate to all who have dealings with the company that it is in administration (1)  Statement of company affairs produced (1)  Statement of rescue proposals (1) (or admission that rescue not possible) within 8 weeks (1) sent to all shareholders (1) and creditors (1)  Creditors meeting held (1), if felt necessary by the administrator (1)  Necessary remedial measures taken in an attempt to save the firm (1)  Initial 1 year deadline (1) but can be extended by consent of creditors (1) or order of court (1)  If the rescue remedy succeeds return power to directors (1) If the rescue remedy fails put the company into liquidation (1)</p> <p>Eg The company letterhead must be changed (1). The name of the administrator in charge of the company's affairs must be clearly shown (1).</p> <p>Eg An attempt will be made to rescue the firm (1). The administrator is responsible for drawing up this proposal and seeing that it is followed (1).</p>	[6]	<p>Response must be steps involved in <b>administration</b> rather than liquidation or receivership.</p> <p>Do not accept liquidator or receiver. Accept administrator or insolvency practitioner.</p> <p>Do not award references to insolvency/liquidation ie selling assets/ paying back creditors in order of priority/redundancy.</p>

## F257 Managing risk in the workplace

Question Number	Expected Answers	Mark	Additional Guidance
1 (a)	<p><b>In the context of health and safety, define the term “hazard”.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>Up to two marks</b></p> <p>A hazard is something with the capacity to do harm (1) and may be the cause of injury (1).</p> <ul style="list-style-type: none"> <li>• A hazard is something which could cause harm to someone (1) and may injure them (1)</li> <li>• A hazard is something which could potentially hurt someone (1) and they could be injured as a result of it (1).</li> </ul>	<b>[2]</b>	<p>Award examples for development.</p> <p>Do <b>not</b> award for answers which <b>only</b> give examples of hazards.</p>
1 (b)	<p><b>Outline TWO hazards which the workers at <i>Pit Stop Autos</i> may be exposed to when working in the workshop.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>AO2 – 2 marks</b></p> <p><b>One mark for the correct identification of each hazard up to a maximum of two identifications plus a further one mark for each of two developments.</b></p> <p>Two from:</p> <p>Electric shock (1) from electrical equipment (1)</p> <p>Poor house keeping (1) may lead to dangerous conditions, such as oil on the floor (1)</p> <p>Poor handling of machinery (1) may lead to broken bones/death/burns (1)</p> <p>Inhalation of too many car fumes (1) could cause respiratory problems (1)</p> <p>Spillages (1).</p>	<b>[4]</b>	<p>Be aware of and <b>do not</b> award repetition.</p> <p>Development <b>must be</b> specific to the hazard.</p> <p>e.g. “the harm could increase” is viewed as too vague.</p>

Question Number	Expected Answers	Mark	Additional Guidance
1 (c)	<p><b>Andrew and Julia both attended basic health and safety courses. List THREE features of the Health and Safety at Work Act that businesses have to comply with.</b></p> <p><b>AO1 – 3 marks</b></p> <p><b>One mark for each correct identification up to a maximum of three identifications.</b></p> <p>Three from:</p> <ul style="list-style-type: none"> <li>Providing correct training for employees (1)</li> <li>Providing appropriate protective clothing (1)</li> <li>Ensuring equipment and/or machinery has appropriate guards (1)</li> <li>Ensuring satisfactory emergency procedures are present (1).</li> </ul> <ul style="list-style-type: none"> <li>• adequate breaks (1)</li> <li>• head gear (1)</li> <li>• tests (1).</li> </ul>	<b>[3]</b>	<p>Be aware of and <b>do not</b> award repetition.</p> <p>Specific identification is required.</p> <p>e.g. “highlight the hazard” is not sufficient.</p> <p>No context required. Does <b>not</b> have to be related to Pit Stop Autos.</p>
1 (d)	<p><b>Explain TWO ways in which on-the-job training could be provided for an apprentice motor engineer at Pit Stop Autos.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 4 marks</b></p> <p><b>One mark for each correct identification up to a maximum of two identifications, plus up to a further two marks for each of two explanations.</b></p> <ul style="list-style-type: none"> <li>• Shadowing</li> <li>• Mentoring</li> <li>• Observations</li> <li>• Video.</li> </ul>	<b>[6]</b>	<p>Do not award for benefits or drawbacks of on-the-job training.</p> <p>Focus must apply to on-the-job training.</p> <p>The two developments must relate to the method in the context of Pit Stop Autos.</p> <p>Do <b>not</b> award for further explanation if responses are about any business.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<ul style="list-style-type: none"> <li>• an apprentice could work with an experienced employee (1). For example, Andrew could show David how to properly lift up an engine (1) which is a two person operation needing someone to steady the engine while the other operates a machine to lift it out of a car (1)</li> <li>• an apprentice could watch an introductory video (1). For example David could watch a video which shows the correct handling of machinery (1). By watching someone do it on TV it is easy to see how to handle machinery such as the car jack (1).</li> </ul>		
1 (e)	<p><b>Explain TWO problems Andrew and Julia could encounter if they did <u>not</u> attempt to minimise risks at Pit Stop Autos.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 4 marks</b></p> <p><b>One mark for each correct identification of a problem plus up to two marks for each of two developments (two).</b></p> <ul style="list-style-type: none"> <li>• injury</li> <li>• decrease in employee motivation</li> <li>• customer complaints</li> <li>• lack of duty of care</li> <li>• increased accidents</li> <li>• random HSE inspections.</li> <li>• Andrew and Julia may get complaints from customers (1) these could be verbal complaints (1) or letter from a solicitor (1)</li> <li>• A random HSE inspection (1) where they check for unsuitable conditions (1) and produce a report (1)</li> <li>• the partners may be in breach of their duty of care (1) employers would be required to ensure a safe working environment (1) such as appropriate policies and procedures being produced (1).</li> </ul>	<b>[6]</b>	<p>Do <b>not</b> award in repetition.</p> <p>Do <b>not</b> award for consequences.</p> <p>1 mark for generic development.</p> <p>2 marks for development specific to the problem identified in the response.</p>

Question Number	Expected Answers	Mark	Additional Guidance
2 (a)	<p><b>Explain a <u>different</u> responsibility that <u>each</u> of the following stakeholders of Pit Stop Autos has to minimise risk. Owner; Employee; Customer.</b></p> <p><b>AO1 – 3 marks</b> <b>AO2 – 6 marks</b></p> <p><b>One mark for each issue identified, plus up to a further two marks for each of three developments.</b></p> <p>Three could be taken from the following:</p> <ul style="list-style-type: none"> <li>• duty of care</li> <li>• following procedures</li> <li>• provide adequate training</li> <li>• provide protective clothing.</li> </ul> <ul style="list-style-type: none"> <li>• Owners: the partners have a duty of care for their staff (1). This means that the partners must ensure the workshop is safe for employees (1) and must make the employees aware of potential risks (1).</li> <li>• Employees: the employee has a duty of care to themselves and to each other (1). This means they must abide by the advice given in training/signs and procedures in the workshop (1) and wear protective clothing provided (1).</li> <li>• Customers: the customer has a duty of care for themselves (1). This means they must ensure that they abide by the health and safety notices provided by the owners (1) such as keeping to walkways/ wearing protective clothing (1).</li> </ul>	[9]	<p>Do not accept consequences of not fulfilling responsibilities.</p> <p>Do not accept consequences to the stakeholder.</p> <p>Do <b>not</b> accept repeats of “duty of care” if unqualified.</p> <p>Full marks (3 out of 3) must be in specific context to Pit Stop Autos.</p>

Question Number	Expected Answers	Mark	Additional Guidance
2 (b)(i)	<p><b>Andrew should have carried out a risk assessment before the car jack was used. What is meant by a 'risk assessment'?</b></p> <p><b>AO1 – 2 marks</b></p> <p>A tool used by owners and/or managers (1) in order to prevent/lower risks from occurring (1).</p> <ul style="list-style-type: none"> <li>• A tool used by managers (1) to lower risks (1)</li> <li>• An examination of potential risks (1)</li> <li>• A method to identify and analyse risks (1)</li> <li>• Process used to manage (1)</li> </ul>	[2]	<p>Do not accept answers for:</p> <ul style="list-style-type: none"> <li>• Identify</li> <li>• Assessment of risk</li> </ul> <p>Accept components of the five stages as examples.</p> <p>A definition is not required for full marks but is accepted.</p>
2 b(ii)	<p><b>State THREE benefits to a business of undertaking a risk assessment.</b></p> <p><b>AO1 – 3 marks</b></p> <ul style="list-style-type: none"> <li>• Making equipment safer (1)</li> <li>• Decrease in harm/injuries/hurt (1)</li> <li>• Lower insurance (1)</li> <li>• Increased motivation (1)</li> <li>• Improved reputation (1)</li> <li>• Better comments from HSE (1)</li> <li>• Less risk fines/closure (1)</li> <li>• Removal/reduction in hazards (1)</li> </ul>	[3]	Do not accept repetition.

Question Number	Expected Answers	Mark	Additional Guidance
2 b(iii)	<p><b>Explain TWO actions a risk assessment might have identified which should have prevented Hazel's accident.</b></p> <p><b>AO1 – 2 marks</b> <b>AO2 – 2 marks</b></p> <p><b>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</b></p> <p>Two from:</p> <ul style="list-style-type: none"> <li>• maximum weight</li> <li>• quality of car jack</li> <li>• age of car jack</li> <li>• appropriate instruction manuals attached</li> <li>• leakage.</li> </ul> <ul style="list-style-type: none"> <li>• the partners would have been able to identify the maximum weight lifting capacity of the car jack for newer cars (1). With this information they could have ensured that all the members of staff put the right type of car on the jack each time (1)</li> <li>• the quality of the jack could have been checked (1). Any loose pipes/faulty parts may have been identified as potential hazards and necessary repairs may have been made (1)</li> <li>• age of car jack (1) could have been checked. Any worn parts could have been identified as potential hazards and necessary maintenance could have been undertaken (1).</li> </ul>	[4]	Spillage is only accepted as a development of the identification of the leak.

Question Number	Expected Answers	Mark	Additional Guidance
2 (c)	<p><b>Discuss the extent to which contingency planning might help the partners to avoid any future problems like Hazel’s accident.</b></p> <p><b>Level 1 (1-2 marks)</b> Candidate states what is meant by the term contingency plan OR identifies relevant issue(s) relating to contingency planning.</p> <p><b>Level 2 (3-5 marks)</b> Candidate applies knowledge and understanding of contingency planning to <i>Pit Stop Autos</i>.</p> <p><b>Level 3 (6-9 marks)</b> Candidate analyses how the adoption of contingency planning might help Andrew and Julia avoid future problems in the running of <i>Pit Stop Autos</i>.</p> <p><b>Level 4 (10-14 marks)</b> Candidate assesses/evaluates the extent to which the adoption of contingency planning might help the partners avoid future problems in the running of <i>Pit Stop Autos</i>.</p> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• problems/risks are actively sought</li> <li>• fall back position can be established</li> <li>• likely problem(s)/risk(s) can be identified and dealt with.</li> </ul> <p><b>Problems:</b></p> <ul style="list-style-type: none"> <li>• unforeseen events can still occur</li> <li>• additional costs in time and resources</li> <li>• identified problem(s)/risk(s) may be outside the business’ control.</li> </ul>	[14]	<p>The reverse argument is acceptable but cannot progress beyond level 3.</p> <p>“Partners” is acceptable for context.</p> <p>The higher evaluative marks will be awarded for supported judgement taken by a well-reasoned, detailed two-sided analysis.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<p>Contingency planning offers a fallback alternative in the event of changes to market conditions affecting the achievement of the strategic plan <b>(L1)</b>. Contingency planning will offer benefits to <i>Pit Stop Autos</i> as the formal planning process will aid in identifying potential problems such as the car weight limit/age of jack/condition of the equipment <b>(L2)</b>. As risks are actively sought, these areas can be highlighted, increasing awareness by staff who use the equipment and load cars on to it <b>(L3)</b>. However, although there are benefits from the prediction of foreseeable events, unexpected circumstances may still not be dealt with by a contingency planning process <b>(L4)</b>. Furthermore, it would be advisable for a business such as <i>PSA</i> to use this process in conjunction with other aids (ie. seeking advice from the Health and Safety Executive) <b>(L4)</b>.</p> <p>Contingency planning aids a business when trying to cope with changes in its external conditions, which in turn will affect it achieving its strategic plan <b>(L1)</b>. Contingency planning could help <i>PSA</i> identify potential problems such as the car jack weight limit or condition of the equipment <b>(L2)</b>. Once these problems have been highlighted, plans can be put in place to minimise them, such as improving staff awareness of the risks <b>(L3)</b>.</p> <p>This may cause the partners to spend time on the planning process, which may have been utilised for something else (such as working on a job). Furthermore, this could cost the business money in terms of time wasting <b>(L3)</b>. In the short term, whilst this may be an expense the business cannot afford, in the long term it could save it money as it could avoid potential accidents which could prove costly to the business <b>(L4)</b>. On balance, therefore, it would appear that contingency planning would be an aid to helping minimise risk at <i>PSA</i>. However, it should not be used in isolation, as things could still go wrong <b>(L4)</b>. Possible use alongside other aids such as seeking advice from the Health and Safety Executive may minimise risk further <b>(L4)</b>.</p>		

Question Number	Expected Answers	Mark	Additional Guidance
3 (a)	<p><b>State TWO examples of strategic risk.</b></p> <p><b>AO1 – 2 marks</b></p> <p><b>One mark for each of two correct identifications.</b></p> <ul style="list-style-type: none"> <li>• a business should expand its operations (1)</li> <li>• a new product range should be launched (1)</li> <li>• a business should update its technology (1)</li> <li>• fewer or more workers should be employed (1)</li> <li>• the business should look to change its form of ownership (1)</li> <li>• personal risk/bankruptcy (1).</li> </ul>	<b>[2]</b>	<p>“Financial risk” is viewed as too vague.</p> <p>The example must relate to <b>strategic risk</b> not just risk.</p>
3 (b)*	<p><b>Evaluate the extent to which the proposed diversification may create a risk for <i>Pit Stop Autos</i>.</b></p> <p><b>Level 1 (1-2 marks)</b> Candidate identifies the issues relating to diversification for the business.</p> <p><b>Level 2 (3-5 marks)</b> Candidate applies knowledge and understanding of risk relating to diversification for the business.</p> <p><b>Level 3 (6-9 marks)</b> Candidate analyses likely risk relating to diversification for the business.</p> <p><b>Level 4 (10-14 marks)</b> Candidate evaluates the significance or risks relating to diversification for the business.</p>	<b>[14]</b>	<p>Level 4 answers are expected to reach a judgement on the degree of risk to Pit Stop Autos.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<p><b>Potential Risks:</b></p> <ul style="list-style-type: none"> <li>• offering a new service to a new market</li> <li>• more customers, therefore, increased revenue</li> <li>• may keep business activity going even when other aspects of the garage may have lower sales</li> <li>• increased gearing/financial pressure for the business</li> <li>• problems of running a business with more services</li> <li>• personal risk/bankruptcy</li> <li>• motivation of staff</li> <li>• coordination of staff</li> <li>• training of staff means more costs</li> <li>• unlimited liability.</li> </ul> <p>Diversification into a new market is likely to carry a degree of risk due to lack of knowledge <b>(L1)</b>. In this case the partners of <i>Pit Stop Autos</i> are considering offering the new service of a motorway recovery for broken down vehicles. This is still part of the car repair industry, therefore, not that dissimilar to their current activities so the risk is limited <b>(L2)</b>. As the partners have the opportunity to have a monopoly on recovery/be the sole recovery business for that stretch of motorway, the new service is likely to bring in more custom <b>(L3)</b>. Therefore, the short term financial costs are likely to be outweighed by the long term financial gain <b>(L4)</b>.</p>		

Question Number	Expected Answers	Mark	Additional Guidance
	<p>Entry into a new market could pose a risk for any business as it will not have the knowledge or expertise to cope with the changes placed upon it <b>(L1)</b>. In the case of <i>Pit Stop Autos</i>, is this a consideration of entry into the market of motorway breakdown recovery. Although this is a new market and hence carries a degree of risk, it could be limited as it is still in the automotive repair industry <b>(L2)</b>. Some changes (such as the partners needing to get trained on the recovery vehicles) would prove costly and, if not successful, the business could lose a lot of money <b>(L3)</b>. However, since it is likely to hold a monopoly position on that stretch of motorway, the costs could be recouped by the custom it is likely to bring <b>(L3)</b>. In the short term, where costs could be high and awareness of the business could be low, the risks could be great as the partners stand to lose everything (with unlimited liability). However, this could be outweighed by the significant rise in demand that a position of monopoly power could bring. With that in mind, the partners would need to consider raising things such as new customer awareness in order to achieve significant demand increases in the short as well as long term <b>(L4)</b>.</p>		

Question Number	Expected Answers	Mark	Additional Guidance
4 (a)	<p><b>What is meant by the term ‘overtime ban’?</b></p> <p><b>AO1 – 2 marks</b></p> <p>An overtime ban is where employees limit their working time (1) to the hours specified in their contracts (1).</p> <p>Will not work extra hours (1) outside of their contract (1).</p> <p>Do not accept any overtime (1).</p>	<b>[2]</b>	<p>Do <b>not</b> award marks for “it is a form of industrial action” as this is given in 4c.</p> <p>A mark can be awarded for just stating “not working outside contract”.</p>
4 (b)	<p><b>Explain TWO ways in which an overtime ban might affect the running of Pit Stop Autos.</b></p> <p><b>AO1-2</b> <b>AO2-4</b></p> <p><b>One mark for each correct identification (no context is required) up to a maximum of two identifications, plus up to a further two marks for each of two explanations.</b></p> <p>Two from:</p> <ul style="list-style-type: none"> <li>• staffing levels decline (1)</li> <li>• quality of the service is reduced (1)</li> <li>• productivity is reduced (1)</li> <li>• flexibility is reduced (1)</li> <li>• may save on cost of overtime (1)</li> <li>• may increase efficiency (1)</li> </ul> <ul style="list-style-type: none"> <li>• staff refuse to work any overtime if it is required (1). This means that if <i>Pit Stop Autos</i> has any increase in demand beyond the usual amount it cannot be done (1). This may lead to a backlog in orders, causing delays and dissatisfied customers.</li> <li>• quality of service may decline (1). If the staff refuse to work overtime, then orders for car repair may be backlogged leading it to rush through orders (1). If the orders are rushed then mistakes may be made leading to a poorer quality of service (1).</li> </ul>	<b>[6]</b>	<p>Accept positive and/or negative response.</p> <p>The development marks must be about running Pit Stop Autos.</p> <p>Full marks (3 out of 3) must be in specific context to Pit Stop Autos.</p>

Question Number	Expected Answers	Mark	Additional Guidance
4 (c)	<p><b>Apart from an overtime ban, state THREE other forms of industrial action which employees could take.</b></p> <p><b>AO1 – 3 marks</b></p> <p><b>One mark for each of three correct identifications.</b></p> <ul style="list-style-type: none"> <li>• Strikes/picketing</li> <li>• Work-to-rule</li> <li>• Go-slows</li> <li>• Sit-ins/work-ins.</li> </ul>	<b>[3]</b>	Do <b>not</b> award for industrial action or overtime ban.
4 (d)	<p><b>Apart from industrial action, explain THREE consequences to Pit Stop Autos of <u>not</u> managing risk effectively.</b></p> <p><b>AO1 – 3 marks</b> <b>AO2 – 3 marks</b></p> <p><b>One mark for each correct identification up to a maximum of three identifications (no context is required) plus a further one mark for each of three explanations (context is required).</b></p> <ul style="list-style-type: none"> <li>• Decline in staff motivation</li> <li>• Increased labour turnover</li> <li>• Increase in sickness days</li> <li>• Staff doing their job badly</li> <li>• Increase in accidents</li> <li>• Complaints from customers</li> <li>• Court action/fines</li> <li>• Closure</li> <li>• Loss of earnings/livelihood for partners.</li> </ul> <ul style="list-style-type: none"> <li>• there could be a decline in staff motivation (1) as workers feel like their needs are not being met by the partners (1)</li> </ul>	<b>[6]</b>	<p>Do <b>not</b> award for repetition or for industrial action.</p> <p>Award marks if there is a development but no identification given.</p>

Question Number	Expected Answers	Mark	Additional Guidance
	<ul style="list-style-type: none"> <li>• staff could start leaving the business (1) if they do not feel as if they are valued by the business (1)</li> <li>• court action could be placed upon the business (1) which could mean that the partners could stand to lose their livelihoods (1).</li> </ul>		
4 (e)	<p><b>Evaluate the extent to which better organisation of the workforce would benefit Pit Stop Autos.</b></p> <p><b>Level 1 (1-2 marks)</b> Candidate identifies the benefit(s) relating to staffing changes or workforce planning.</p> <p><b>Level 2 (3-5 marks)</b> Candidate applies knowledge and understanding of the benefit(s) relating to staffing changes or workforce planning.</p> <p><b>Level 3 (6-9 marks)</b> Candidate analyses knowledge and understanding of the benefit(s) relating to staffing changes or workforce planning.</p> <p><b>Level 4 (10-14 marks)</b> Candidate evaluates knowledge and understanding of the benefit(s) relating to staffing changes or workforce planning.</p> <p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• the needs of workers are easily identified</li> <li>• recruiting the right people for the job</li> <li>• specific training is planned for the workers</li> <li>• increases the skills of the workforce</li> </ul>	[14]	

Question Number	Expected Answers	Mark	Additional Guidance
	<ul style="list-style-type: none"> <li>• workers can do their job better</li> <li>• workers feel more motivated</li> <li>• increased flexibility of the workforce</li> <li>• efficiency of the business increases</li> <li>• lowers costs</li> <li>• lowers risks of accidents/dissatisfied customers/court action/complaints/fines</li> <li>• increases reputation</li> <li>• increases demand/sales profit (don't award for repetition here).</li> </ul> <p><b>Drawbacks:</b></p> <ul style="list-style-type: none"> <li>• costs may increase</li> <li>• may require more planning</li> <li>• takes time</li> <li>• other jobs could be done in the mean time</li> <li>• accidents can still happen.</li> </ul> <p>Better organisation of the workforce for a business may mean either taking on or training more workers which is likely to increase its costs <b>(L1)</b> as the additional service offered by <i>Pit Stop Autos</i> has meant more orders and the existing staff cannot cope <b>(L2)</b>. This means that the partners could train the existing staff to operate the tow truck in order that the workforce is more flexible instead of taking on more workers to cope with the demand which costs money <b>(L3)</b>. Although in the short term this may increase costs for the business, this may be exceeded by the increased revenue generated by the orders of the motorway service. In addition, if staff are trained properly, they may in turn become more motivated and hence more productive <b>(L4)</b>.</p> <p>Better organisation of the workforce for a business may mean planning to make sure the needs of the workforce are met <b>(L1)</b>.</p>		

Question Number	Expected Answers	Mark	Additional Guidance
	<p>Given that <i>Pit Stop Autos</i> is offering an additional service, this may mean that the staff will need additional training to cope with the increased orders <b>(L2)</b>. This means that the partners could review whether the employees need additional training to operate the tow truck which would allow them to increase their flexibility and, hence, cope with the rise in demand <b>(L3)</b>. However, this may take time to do and the partners may not be able to take time out from their activities in order to do this. If they did, it could mean that they lose money <b>(L3)</b>. Although, this may only cost them in the short term, in the long term it may mean that the business becomes more efficient (from increased flexibility/staff retention/better service) and the potential profit gained could outweigh any costs <b>(L4)</b>.</p>		

# Grade Thresholds

Applied GCE Applied Business H026/H226/H426/H626  
January 2010 Examination Series

## Coursework Unit Threshold Marks

Unit (AS)		Maximum Mark	A	B	C	D	E	U
F240	Raw	50	43	38	33	28	23	0
	UMS	100	80	70	60	50	40	0
F241	Raw	50	43	38	33	28	23	0
	UMS	100	80	70	60	50	40	0
F244	Raw	50	43	38	33	28	23	0
	UMS	100	80	70	60	50	40	0
F245	Raw	50	43	38	33	28	23	0
	UMS	100	80	70	60	50	40	0
F246	Raw	50	43	38	33	28	23	0
	UMS	100	80	70	60	50	40	0
F247	Raw	50	43	38	33	28	23	0
	UMS	100	80	70	60	50	40	0
F249	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0
F250	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0
F251	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0
F252	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0
F253	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0
F254	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0
F255	Raw	50	43	38	33	28	24	0
	UMS	100	80	70	60	50	40	0

## Examined Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F242 (AS)	Raw	100	75	67	59	51	43	0
	UMS	100	80	70	60	50	40	0
F243 (AS)	Raw	100	83	75	67	59	52	0
	UMS	100	80	70	60	50	40	0
F248 (A2)	Raw	100	83	75	68	61	54	0
	UMS	100	80	70	60	50	40	0
F256 (A2)	Raw	100	76	68	60	53	46	0
	UMS	100	80	70	60	50	40	0
F257 (A2)	Raw	100	72	67	63	59	55	0
	UMS	100	80	70	60	50	40	0

## Specification Aggregation Results

Uniform marks correspond to overall grades as follows.

Advanced Subsidiary GCE (H026):

Overall Grade	A	B	C	D	E
UMS (max 300)	240	210	180	150	120

Advanced Subsidiary GCE (Double Award) (H226):

Overall Grade	AA	AB	BB	BC	CC	CD	DD	DE	EE
UMS (max 600)	480	450	420	390	360	330	300	270	240

Advanced GCE (H426):

Overall Grade	A	B	C	D	E
UMS (max 600)	480	420	360	300	240

Advanced GCE (Double Award) (H626):

Overall Grade	AA	AB	BB	BC	CC	CD	DD	DE	EE
UMS (max 1200)	960	900	840	780	720	660	600	540	480

### Cumulative Percentage in Grade

Advanced Subsidiary GCE (H026):

**229 candidates were entered for aggregation this series**

A	B	C	D	E
4.37	26.70	50.97	78.64	99.03

Advanced Subsidiary GCE (Double Award) (H226):

**28 candidates were entered for aggregation this series**

AA	AB	BB	BC	CC	CD	DD	DE	EE
4.00	16.00	28.00	44.00	56.00	80.00	88.00	100.00	100.00

Advanced GCE (H426):

**20 candidates were entered for aggregation this series**

A	B	C	D	E
11.77	23.53	52.94	82.35	94.12

Advanced GCE (Double Award) (H626):

**11 candidates were entered for aggregation this series**

AA	AB	BB	BC	CC	CD	DD	DE	EE
0	12.50	12.50	12.50	12.50	37.50	62.50	62.50	75.00

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.

**OCR (Oxford Cambridge and RSA Examinations)**  
**1 Hills Road**  
**Cambridge**  
**CB1 2EU**

**OCR Customer Contact Centre**

**14 – 19 Qualifications (General)**

Telephone: 01223 553998

Facsimile: 01223 552627

Email: [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

**Oxford Cambridge and RSA Examinations**  
**is a Company Limited by Guarantee**  
**Registered in England**  
**Registered Office; 1 Hills Road, Cambridge, CB1 2EU**  
**Registered Company Number: 3484466**  
**OCR is an exempt Charity**



**OCR (Oxford Cambridge and RSA Examinations)**  
**Head office**  
**Telephone: 01223 552552**  
**Facsimile: 01223 552553**