

Business Studies

Advanced Subsidiary GCE **F291**

An Introduction to Business

Mark Scheme for June 2010

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

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Question	Expected Answers	Marks	Additional Guidance
1 (a)	<p>State <u>two</u> characteristics of an 'entrepreneur' (line 7).</p> <p>Any reasonable answer eg s/he:</p> <ul style="list-style-type: none"> • Sets up a business • Runs a (successful/growing) business • Creates jobs • Generates wealth • Takes a risk • Hopes to make/makes a profit • Employs people • Sells products • Meets customer/peoples'/stakeholders' needs • Creates/designs new product(s)/services • Sells new product(s)/services • Coordinates the (whole) business/factors of production • Takes business/market share away from another firm • Etc. <p>Level 1: 2 x 1 mark (2)</p>	[2]	<p>Allow any reference to an entrepreneur – both starting out (eg “has little capital/money/funds” or “hopes to make a profit”) and a “successful/established entrepreneur” (eg “has made lots of money” and “is successful”).</p> <p>Allow “has an idea”.</p> <p>Do not accept allow “shareholder” or “unlimited liability” since the business could be a company or a sole trader.</p> <p>Do not accept “wealthy” or “good communicator”.</p>
(b)	<p>Identify <u>two</u> examples of complementary products that WZ is likely to sell.</p> <p>Any reasonable answer ie food, sweets, drink, guide book, photographs (of visitors with animals), film, souvenirs, gifts, umbrellas, rain coats, sponsorship of animals, etc.</p> <p>Level 1: 2 x 1 mark (2)</p>	[2]	<p>Do not accept two types of food or drink for two marks. Eg burger and crisps would be 1 mark</p>

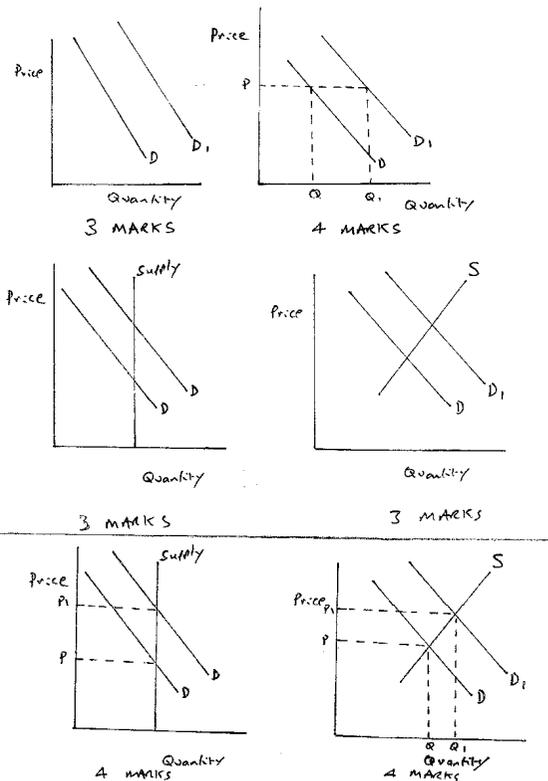
Question	Expected Answers	Marks	Additional Guidance
(c)	<p>WZ was aware that making an investment in ‘Cheetah Rock’ involved taking a risk (line 18).</p> <p>Outline the likely relationship between risk and reward.</p> <p>NB Answers do NOT have to be in the context of WZ. Definitions are L1 and any valid link should be L2. (Level 1) Accept definitions along the lines of:</p> <p>Risk: “WZ/a business/a person/an entrepreneur takes a chance/gamble/ makes an investment”, etc.”. “With a risk something ‘bad’/‘out of their control’ etc could happen”.</p> <p>Reward: “What you get back”/the return you get”/”the money revenue/profit you get (from the risk)”, etc.</p> <p>Linking the two: the candidate gives the likely relationship through statement such as “When you/WZ/ a business/an entrepreneur takes a (big/small) risk/makes an investment it expects a (large/small) reward (3).</p> <p><i>The fourth mark is for recognition that taking a risk does not necessarily / automatically gain a reward. Not an inevitable.result would gain the fourth mark.(4)</i></p> <p><i>Statements such as “If WZ makes a large investment it hopes to make a big profit” are, therefore, worth 4 marks; whereas statements such as “If WZ takes a big risk it will get a big profit” are only worth 3 marks.</i></p> <p>Level 2: Relationship outlined. (4-3) Level 1: Risk and/or reward defined/exemplified. (2-1)</p>	[4]	<p>What about -</p> <p>Allow consideration of the relationship from the opposite point of view ie “If you/WZ don’t take a risk you/they won’t get a reward” (3)</p>

2

Analyse the likely effect of a rise in consumers' income on WZ.

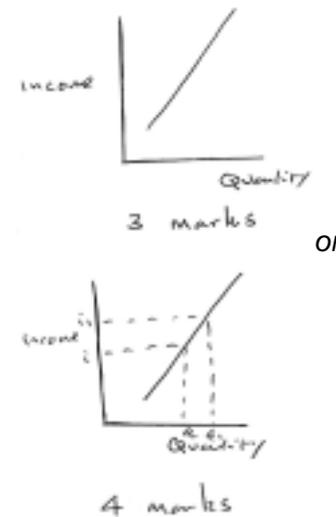
You may draw a diagram as part of your answer, but it is not necessary to do so in order to gain full marks.

On a demand & supply diagram an increase in income will change the conditions of demand (**NB technical terms are not necessary**). This is shown by a shift of the demand curve to the right which increases the number of visitors to WZ.



If the diagram is wrong but is showing the right sort of effect – ie, a rise in quantity then reward at Level 1 – 1 mark

If the diagram shows an increase in income on an appropriate diagram, then credit at level 2. eg



Also accept axes the other way round. It could be argued that WZ is an inferior good (demand falls when income rises), so reward references/diagrams to a leftward shift of the demand curve IN THIS CONTEXT. Eg “If demand for WZ is inferior, demand (for tickets/visits) will fall” (3) If a comment such as “because families will now spend income on other leisure visits” is added, this will be 4 marks.

Comments linking this to the likely effect on WZ's revenue/profit etc should be rewarded at Level 3.

Question	Expected Answers	Marks	Additional Guidance
	<p>Level 2 If there is no diagram accept comments such as “The demand for (trips/days out to) WZ will go up” (3 marks) If a comment such as “because consumers/people/families have more income/spending power/money” is added this will be 4 marks”.</p> <p>Level 3. Award the level for simple statements, <i>accompanying a diagram or not</i>, of <u>the effect on, implication of, or reaction by WZ such as:</u></p> <p>“As people have more income/money spending power more tickets will be sold (at a higher price) and this will increase WZ’s revenue/income/turnover” (5). If the wording is “could/may increase revenue/income/turnover”, award 6 marks. And if costs stay the same/low/are kept down this will mean more profit” (6).</p> <p>“As people have more income/money spending power WZ can now increase its share of the family day out (line 6)/ leisure market” (5) “If it takes the right (marketing) decisions”. (6)</p> <p>Comments about the extent (and/or likely duration) of the income/demand change are also valid. “If the income rise is small it won’t affect the demand for tickets much” is Level 3.</p> <p>Level 3: Some analysis of the effect(s) on WZ. (6-5) Level 2: Understanding demonstrated of concepts involved. (4-3) Level 1: Appropriate concepts (supply/demand/price) identified.(2-1)</p>		<p>Candidates might use an increase in charitable donations as a consequence of increased consumer incomes. This is acceptable and should be rewarded at the appropriate level.</p>

Question	Expected Answers	Marks	Additional Guidance
3	<p>The monitoring of income and spending demographics and other social trends is, therefore very important (line 10).</p> <p>Discuss how these social trends might affect WZ.</p> <p>Income and spending. <i>Allow to be used as a social trend.</i> Macroeconomic factors are no longer on the AS but “how people spend their money” is clearly a social trend. Therefore, allow references to what might happen to spending on zoo visits if income changes but be aware that explicit reference to the economic cycle (also recession, boom, etc) is no longer necessary. More able candidates may point out that even if income rises, visits may not rise very much because of other social trends – see below.</p> <p>Demographic changes. A larger population means more spending. However, WZ is not interested in (because it is not influenced by) the demographics of the whole of the UK, merely its surrounding ‘target’ area.</p> <p>Apart from considering the figure for the ‘local’ population, WZ will need to be aware of other demographic changes as well. These include any shift in the <i>age structure of the population</i> because young people tend to get taken/like to go to zoos. The <i>gender ratio</i> (men to women) is unlikely to have much effect.</p> <p>Other social trends. Is it still the case that children want to visit zoos ‘like parents did’? Is a visit to the zoo still ‘a family day out’? What are the implications for WZ if the trend is now for families to visit ‘white knuckle’ theme parks instead? More marketing? NB detailed knowledge not required on F291.</p>		<p>For analysis, look for comments on the effect on, implication of or reaction by WZ.</p>

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	<p>Do people view zoos as ethical? The case refers to zoos doing much more than simply displaying animals; they play a vital role in education and conservation, through breeding species at risk of extinction in the wild. If people now do not like to see “caged animals” then more ‘natural’/open areas like Cheetah Rock must be developed – what are the financial, opportunity cost, marketing implications of this for WZ? People will not sponsor animals if they are unhappy with the conditions in which they exist.</p> <p>The same argument applies to corporate donations and sponsorship (the terms do not have to be used); if keeping wild animals captive is seen as unethical, then private businesses will seek undertakings from WZ that the animals are ‘housed’/treated/looked after well or they will/may not offer financial support.</p> <p>Seeing WZ as playing ‘a vital role in education’ is significant as a social trend. Provision has to be made for school visits, ie developing tours, talks, building ‘lecture/interactive areas, training staff to deal with children, altering the website to publicise this, etc.</p> <p>The same applies to conservation and breeding species at risk of extinction in the wild. There are resources implications to this. If WZ does not ‘keep up’ it may lose its ‘international reputation’.</p> <table border="1" data-bbox="353 1110 1191 1385"> <tbody> <tr> <td data-bbox="362 1110 506 1177">Level 4:</td> <td data-bbox="515 1110 1052 1177">Some evaluation of the effect(s) of social trends on WZ.</td> <td data-bbox="1061 1110 1182 1177">(14-11)</td> </tr> <tr> <td data-bbox="362 1184 506 1251">Level 3:</td> <td data-bbox="515 1184 1052 1251">Some analysis of social trend(s) in context.</td> <td data-bbox="1061 1184 1182 1251">(10-7)</td> </tr> <tr> <td data-bbox="362 1257 506 1324">Level 2:</td> <td data-bbox="515 1257 1052 1324">Some understanding/application of social trend(s).</td> <td data-bbox="1061 1257 1182 1324">(6-4)</td> </tr> <tr> <td data-bbox="362 1331 506 1385">Level 1:</td> <td data-bbox="515 1331 1052 1385">Knowledge of social trends stated.</td> <td data-bbox="1061 1331 1182 1385">(3-1)</td> </tr> </tbody> </table>	Level 4:	Some evaluation of the effect(s) of social trends on WZ.	(14-11)	Level 3:	Some analysis of social trend(s) in context.	(10-7)	Level 2:	Some understanding/application of social trend(s).	(6-4)	Level 1:	Knowledge of social trends stated.	(3-1)	[14]	
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4 (a)	<p>Analyse how the concept of opportunity cost could be used by WZ to decide which part of the zoo to develop next.</p> <p>Level 1 answers will simply define the concept. An accurate definition would be “the next best alternative foregone when a consumption/production decision is made” but accept answers along the lines of “It’s what WZ/you have to give up (when you buy/do something)”/It’s the real cost of what you do” etc. For Level 1, answers do not have to be in context.</p> <p>Level 2 answers will usually exemplify the concept for WZ by the use of one or more examples. ie “Now it has built the new area/when it builds a new area like this then it will not have the funds for another one – eg (say) a penguin pool/elephant enclosure.</p> <p>Level 3 answers will recognise the benefits/implications of using the concept eg “This means the management must make a decision to develop/build the area/exhibit which brings the most benefit to WZ”. This benefit could be in terms of increased visitors/revenue/profit, etc or in terms of animal welfare, WZ’s (international) ‘standing’, etc.</p> <table border="1" data-bbox="353 963 1160 1206"> <tbody> <tr> <td data-bbox="353 963 495 1034">Level 3:</td> <td data-bbox="506 963 1048 1034">Some analysis of use of concept to WZ.</td> <td data-bbox="1059 963 1160 1034">(10-7)</td> </tr> <tr> <td data-bbox="353 1034 495 1136">Level 2:</td> <td data-bbox="506 1034 1048 1136">Some understanding of issue(s) shown through use of example(s) ie of choices and benefits gained/foregone.</td> <td data-bbox="1059 1034 1160 1136">(6-4)</td> </tr> <tr> <td data-bbox="353 1136 495 1206">Level 1:</td> <td data-bbox="506 1136 1048 1206">Simple knowledge statement of concept of opportunity cost.</td> <td data-bbox="1059 1136 1160 1206">(3-1)</td> </tr> </tbody> </table>	Level 3:	Some analysis of use of concept to WZ.	(10-7)	Level 2:	Some understanding of issue(s) shown through use of example(s) ie of choices and benefits gained/foregone.	(6-4)	Level 1:	Simple knowledge statement of concept of opportunity cost.	(3-1)	[10]	Candidates who highlight the limitations of opportunity cost (eg it doesn’t show the financial viability of each alternative) should also be rewarded.
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Level 1:	Simple knowledge statement of concept of opportunity cost.	(3-1)										

Question	Expected Answers	Marks	Additional Guidance
4 (b)	<p>Senior Keepers have a management role at WZ.</p> <p>Outline <u>two</u> factors that can affect the span of control of a manager. Answers do NOT have to be in the context of WZ.</p> <p>The span of control is the number of employees for whom a manager/superior is responsible. A wide span means that s/he is responsible for more employees – and vice versa.</p> <p>“How many people are in the department” is Level 1. No marks for reference to ‘the size of the department’.</p> <p>The italics indicate the sort of outline that will access level 2.</p> <p>The width of the span depends on factors such as:</p> <ul style="list-style-type: none"> • The skill of the manager – <i>more able managers can ‘cope with’ a wider span.</i> • The nature of the work being supervised. <i>Routine work (which is unlikely to generate problems) means a wider span is likely.</i> • The skills of the employees. <i>More able employees mean that less problems will be generated and the span is likely to be wider.</i> • Cost/finance available. <i>If the firm cannot afford ‘a lot of managers’, then spans will be wider.</i> • If the business’ objectives are clear – <i>employees who ‘know what they are supposed to do’, will need less supervision and the span is likely to be wider.</i> • If the employees are well trained <i>they will need less supervision and the span is likely to be wider.</i> • Delegation – <i>the ability to delegate within the corporate structure will widen the span of control.</i> • Level of responsibility <i>Greater responsibility means/implies/is often associated with a smaller span of control.</i> • Nature of hierarchy “ <i>If there is a long chain of command then there is a likelihood/possibility that the Span of Control will be smaller/narrower.</i> 	[4]	<p>If only one difference is outlined this is worth 3 marks since a level 2 skill has been demonstrated.</p> <p>If more than two factors are stated then the maximum mark is 2 since it is only a level 1 skill that has been demonstrated.</p> <p>Accept also comments such as “the higher up the hierarchy the narrower the span of control.”</p>

Question	Expected Answers	Marks	Additional Guidance
	<p>Accept any other valid factor.</p> <p>Level 2: Factor(s) outlined. (4-3)</p> <p>Level 1: Span of control defined/factor(s) stated. (2-1)</p>		

Question	Expected Answers	Marks	Additional Guidance
5 *	<p>WZ is a successful zoo. Evaluate how the stakeholders in WZ might benefit from its success. (18) Candidates could consider current and future success.</p> <p>Do not accept shareholders as stakeholders. However, references to “profit” or “surplus” are acceptable.</p> <p>WZ is a charity (line 8) – candidates do NOT need to understand how a charity is owned/managed, so accept references to ‘the owners’ and/or ‘those running it’. They will benefit in the sense that more funds are available for development of the zoo, which will make their lives easier. It could be argued that they might benefit from enhanced remuneration for their services but do NOT credit references to how they might benefit from ‘increased dividends’.</p> <p>Employees – want job security, pay rises, and want the best conditions for their animals and themselves. If there are increases in the number of visitors and the purchase of complementary products this will provide income for WZ to be able to provide these. Senior Keepers and managers (indeed all employees) may feel proud that the zoo/‘their area’ of WZ is successful; this could motivate them.</p> <p>Customers/visitors – more visitors means more income and, therefore, better/nicer/newer areas to visit therefore a better ‘day out’ which in turn attracts more visitors. A virtuous circle can develop (the term does not have to be used!).</p> <p>Suppliers – allow references to food, equipment, medicine, etc. Accept answers along the lines that “a more successful zoo will mean more orders” and that success means greater security (of revenue/profit for them). BUT better candidates will recognise that a zoo cannot (usually) ‘grow’ in the way a business can and so this may not be the case. Also as some areas, ie Cheetah Rock expand, this may mean others ‘shrink’, so not all suppliers may benefit equally.</p>		<p>References must be to the benefits to the stakeholders and not to WZ/the zoo/the charity.</p> <p>For level 3 marks there needs to be a sequential link. eg “WZ success leads to more income for the zoo and therefore pay rises/job security for employees.” or “Success of the zoo leads to a pay rise which will improve motivation and leads to more job satisfaction.”</p> <p>Simply stating “In conclusion, all stakeholders will benefit from the success of the zoo” should not be rewarded at level 4. There needs to some supporting argument (eg short term effects contrasted with long term effects) or weighing up of the extent of the benefit for the different stakeholder groups. Evaluation can also be achieved by a judgment on the contrasting benefits and costs for one stakeholder. Similarly, analysis can be achieved by looking at the benefits and disadvantages/costs of success for one stakeholder.</p>

	<p>Lenders – any loans made to WZ will presumably be more secure</p> <p>‘The local community’ - jobs may be created at the zoo and local suppliers will benefit creating a ‘local multiplier effect’ on income, spending and jobs. How extensive will this be?</p> <p>Presumably the government will be ‘happy’, as it will get more tax revenue (VAT on sales of products) from WZ. Charities do not normally pay corporation tax but allow references to ‘more tax’ generally.</p> <p>Competitors - Effects on these could be positive or negative.</p> <ul style="list-style-type: none">• Other zoos – can be considered as stakeholders and WZ can have a positive effect on them because of breeding programmes/exchanges of animals. This benefits all zoos. Similar reasoning can be applied to pressure groups.• Other zoos and “family-days-out” could be negatively affected because visitors prefer to visit WZ instead of them		
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	<p>Level 4:</p>	<p>Some evaluation ie supported judgment concerning the success of on WZ's stakeholder(s). Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p>	<p>(18-14)</p>	<p>[18]</p>	
<p>Level 3:</p>	<p>Some analysis of the impact of growth on WZ's stakeholder(s). Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p>	<p>(13-9)</p>			
<p>Level 2:</p>	<p>Some understanding of the issues(s). Some simple ideas about stakeholders have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p>	<p>(8-5)</p>			
<p>Level 1:</p>	<p>Knowledge recalled about stakeholders. Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p>	<p>(4-1)</p>			

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