

Applied Business

Advanced GCE A2 H426/H626

Advanced Subsidiary GCE AS H026/H226

Mark Schemes for the Units

June 2007

H026/H226/MS/R/07

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

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

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

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Mark Scheme F242
June 2007

INSTRUCTIONS ON MARKING SCRIPTS

All page references relate to the Instructions to Examiner booklet (revised June 2006)

For many question papers there will also be subject or paper specific instructions which supplement these general instructions. The paper specific instructions follow these generic ones.

1 Before the Standardisation Meeting

Before the Standardisation Meeting you must mark a selection of at least 10 scripts. The selection should be drawn from several Centres. The preliminary marking should be carried out **in pencil** in strict accordance with the mark scheme. In order to help identify any marking issues which might subsequently be encountered in carrying out your duties, **the marked scripts must be brought to the meeting.** (*Section 5c, page 6*)

2 After the Standardisation Meeting

- a) Scripts must be marked in **red**, including those initially marked in pencil for the Standardisation Meeting.
- b) All scripts must be marked in accordance with the version of the mark scheme agreed at the Standardisation Meeting.
- c) **Annotation of scripts**

The purpose of annotation is to enable examiners to indicate clearly where a mark is earned or why it has not been awarded. Annotation can, therefore, help examiners, checkers, and those remarking scripts to understand how the script has been marked.

Annotation consists of:

- the use of ticks and crosses against responses to show where marks have been earned or not earned;
- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (eg indicate an omission);
- the use of standard abbreviations eg for follow through, special case etc.

Scripts may be returned to Centres. Therefore, any comments should be kept to a minimum and should always be specifically related to the award of a mark or marks and be taken (if appropriate) from statements in the mark scheme. General comments on a candidate's work must be avoided.

Where annotations are put onto the candidates' script evidence, it should normally be recorded in the body of the answer or in the margin immediately adjacent to the point where the decision is made to award or not award the mark.

d) Recording of marking: the scripts

- i) Marked scripts must give a clear indication of how marks have been awarded, as instructed in the mark scheme.
- ii) All numerical marks for responses to part questions should be recorded unringed in the right-hand margin. The total for each question (or, in specified cases, for each page) should be shown as a single ringed mark in the right-hand margin at the end of each question.
- iii) The ringed totals should be transferred to the front page of the script, where they should be totalled.
- iv) Every page of a script on which the candidate has made a response should show evidence that the work has been seen.
- v) Every blank page should be crossed through to indicate that it has been seen. (*Section 8a – d, page 8*)

e) Handling of unexpected answers

The Standardisation Meeting will include a discussion of marking issues, including:

- a full consideration of the mark scheme in the context of achieving a clear and common understanding of the range of acceptable responses and the marks appropriate to them, and comparable marking standards for optional questions;
- the handling of unexpected, yet acceptable answers. (*Section 6a, bullet point 5, page 6*)

There will be times when you may not be clear how the mark scheme should be applied to a particular response. In these circumstances, a telephone call to the Team Leader should produce a speedy resolution to the problem. (*Appendix 5, para 17, page 26*)

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 4b which is a levels of response question and carries 12 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 4b.

Level 4:

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

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

Level 3:

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

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

Level 2:

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

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

Level 1:

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

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

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Q		AO	Marks
1 (a)	<p>Bob had always run his business, Starsailor Fashions Ltd, as a sole trader to avoid what he saw as unnecessary paperwork, whereas Board Stupid is a private limited company.</p> <p>Describe two disadvantages of each of these types of business ownership.</p>	AO1	8 (4*2)
✓	<p><i>Up to two marks for each disadvantage. One mark for identification and a further mark for an explanation.</i></p> <p><i>e.g. sole trader has limited sources of funds (1) thus making expansion difficult (1).</i></p> <p>Sole Trader Possible disadvantages may include:</p> <ul style="list-style-type: none"> • limited sources of finance (1) • absence of continuity of existence (1) • unlimited liability (1) • pressure of work on the owner-manager(1) • only one source of ideas (1) • income tax payable on profits (1) • any other valid suggestion <p>Private Limited Company Possible disadvantages may include:</p> <ul style="list-style-type: none"> • cost of registration (1) • on going administrative costs (1) • sharing of profits(1) • need to consult with shareholders (1) • need to comply with regulations relating to company status (1) • possible loss of control (1) • disclosure in terms of annual report and accounts (1) • any other valid suggestion. 		

(b)	<p>Bob decided that if he were to enter into an agreement with Board Stupid plc he would need to obtain some finance to acquire the new machinery.</p> <p>Other than a bank loan, identify four possible sources of finance for the acquisition.</p>	AO1 AO2	4 (4*1)
✓	<p><i>This question relates to Bob and Starsailor Fashions- not to Board Stupid.</i></p> <p><i>One mark for each identification of a potential source of finance for either a sole trader or a private limited company up to a maximum of four identifications.</i></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Conversion to a partnership to raise funds from partners (1) • Retained profits (1) • Lease the machines (1) • Hire purchase (1) • Share issue (1) • Sale of unwanted assets (1) • Sale and leaseback (1) • Personal savings (1) • Government grant (1) • Venture capitalists (1) • Debt factoring (1) • Loan from other than a bank (!) • Mortgage/re-mortgage (1) • Business angel (1) • Overdraft (1) • Any other valid suggestion. <p>Note: This question asks candidates to identify potential sources - the appropriateness of the source can be argued in 1(c).</p>		

1 (c)	Discuss which of the sources of finance, identified in part b , might be most appropriate to Starsailor Fashions Ltd in the acquisition of the new machinery.	AO1 AO2 AO3 AO4	9 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-2 marks] Candidate describes sources of finance.</p> <p>Level 2: [3-4 marks] Candidate describes sources of finance with reference to the issues of the case.</p> <p>Level 3: [5-6 marks] Candidate analyses the advantages and disadvantages of at least one source of finance identified in 1(b).</p> <p>Level 4: [7-9 marks] Candidate evaluates at least one source of finance with a judgement as to the appropriateness of the source for the acquisition of new machinery.</p> <p><i>This question relates to an evaluation of one or more of <u>five</u> possible sources of finance - the four identified by the candidate and bank loans identified in the question.</i></p> <p>Possible responses may include:</p> <p>Leasing is a source of finance by which Starsailor may fund the acquisition of their new machines without taking over the ownership of the asset (L1). Leasing the equipment may be the most appropriate finance option for them as it would not involve a high initial outlay of funds but rather lease the machines for a monthly payment. This will spread the cost over a long period (L2). The advantages of leasing the equipment may be not having to make a large lump sum payment in the short term thus improving the firm's cash flow (L2) and perhaps just as important, Starsailor would not be responsible for the maintenance and depreciation of the machines in the long term (L2). But a leased asset is not available for sale or as security for a further loan and it represents an ongoing cost (L3). Bob needs to consider the advantage of spreading payment for assets over a long period with the continuing cost involved. If he is finding it difficult to raise funds then leasing is a way of obtaining the assets without an excessive initial cost - but it might prove more costly than, say, a bank loan in the long run. (L4). Any other valid suggestion.</p>		

1 (d)	Using evidence from the case, explain possible conflicts which might occur between stakeholders if Bob decides to acquire the new machinery.	AO1 AO2	6 Levels
✓ ✓+	<p>Level 1: [1-2 marks] Candidate identifies the interests of one stakeholder and implies a conflict with at least one other stakeholder.</p> <p>Level 2: [3-6 marks] Candidate explains the interests of more than one stakeholder in Starsailor Fashion in terms of a conflict of interests.</p> <p>Possible responses may include: Stakeholders have different and often conflicting interests. Bob as owner manager of Starsailor has an interest in business prosperity, growth and profits. He proposes to introduce labour saving equipment which will lead to job losses. (L1). Bob will have identified the cost-saving advantages that the new machinery may bring. However the part of the workforce will be made redundant and others will experience a reduction in job security. Managers and owners have an interest in profits and growth and this sometimes clashes with workers concern over wages and job security. (L2).</p> <p>Note –this question is not confined to a clash between owner/manager and the workforce. There can be a clash of interests between the owner/manager and other stakeholders.</p> <p>Any other valid suggestion.</p>		

2	(a)	What is meant by the term budget?	AO1	2 (2*1)
✓		<p><i>Up to two marks. One mark for a vague definition on the right lines - two marks for a more precise definition.</i></p> <p>Possible responses may include: A budget is a short term (1) financial plan (1) or a plan expressed in terms of money (2).</p> <p>Any other valid suggestion.</p>		
	(b)	Identify and explain two benefits to Starsailor Fashions Ltd of the use of budgetary control.	AO1 AO2	6 (1+2)*2
✓		<p><i>One mark for each identification up to a maximum of two identifications plus up to a further two marks for each of two explanations.</i></p> <p>Possible responses may include: Control of expenditure (1) by imposing a limit on spending on particular items senior managers can control costs, increase efficiency, improve profits (up to 2)</p> <p>Identification of variance (1). By comparing actual with budget figures, managers can identify causes of unsatisfactory performance in order to make improvements for the future (up to 2).</p> <p>Control waste(1) -avoid unnecessary production and excessive waste in the system (up to 2)</p> <p>Monitoring of performance against targets (1) - to provide feedback on performance and to motivate (up to 2)</p> <p>Any other valid suggestion.</p>		

(c)	<p>Bob has prepared the following cash budget variance analysis to help him identify current costs before making his decision on the new machinery.</p> <p>Complete the unshaded boxes in the budget statement below.</p>	AO1 AO2	5 (5*1)																																																								
✓	<p><i>One mark for each identification up to a maximum of five marks.</i></p> <p><i>A correct identification means reference to both size and direction of the variance. Positive and negative when correctly applied are acceptable alternatives to favourable and adverse respectively. If candidate correctly calculates the size of the variances but fails to identify direction then two “benefit of the doubt” marks (i.e. for sales and miscellaneous) can be awarded.</i></p>																																																										
	<table border="1" data-bbox="357 846 1134 1370"> <thead> <tr> <th>Income</th> <th>Budget</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td>110 000</td> <td>135 000</td> <td>25 000F</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Expenditure</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Staffing</td> <td>42 250</td> <td>55 750</td> <td>13 500A</td> </tr> <tr> <td>Materials</td> <td>11 600</td> <td>21 240</td> <td>9 640A</td> </tr> <tr> <td>Maintenance</td> <td>3 400</td> <td>4 600</td> <td>1 200A</td> </tr> <tr> <td>Heating and Lighting</td> <td>1 200</td> <td>1 200</td> <td>0</td> </tr> <tr> <td>Insurance</td> <td>1 140</td> <td>1 140</td> <td>0</td> </tr> <tr> <td>Transport</td> <td>11 780</td> <td>14 450</td> <td>2 670A</td> </tr> <tr> <td>Marketing</td> <td>1 430</td> <td>1 500</td> <td>70A</td> </tr> <tr> <td>Miscellaneous</td> <td>800</td> <td>780</td> <td>20F</td> </tr> </tbody> </table>	Income	Budget	Actual	Variance					Sales	110 000	135 000	25 000F									Expenditure				Staffing	42 250	55 750	13 500A	Materials	11 600	21 240	9 640A	Maintenance	3 400	4 600	1 200A	Heating and Lighting	1 200	1 200	0	Insurance	1 140	1 140	0	Transport	11 780	14 450	2 670A	Marketing	1 430	1 500	70A	Miscellaneous	800	780	20F		
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(d)	<p>Refer to the financial information in the budget statement in part c.</p> <p>Discuss the possible causes for the variances identified and any implications for the future of Starsailor Fashions Ltd.</p>	AO1 AO2 AO3 AO4	9 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-2 marks] Candidate identifies possible causes or implications of variances of variances with no reference to the case study.</p> <p>Level 2: [3-4 marks] Candidate explains causes or implications of variances with evidence from the case study.</p> <p>Level 3: [5-6 marks] Candidate analyses the possible causes and implications of the variances in the case study.</p> <p>Level 4: [7-9 marks] Candidate evaluates the possible causes and implications of the variances and the possible impacts on Starsailor Fashions Ltd.</p> <p>Possible responses may include: An adverse cost variance is the result of greater than expected expenditure on the item (L1). A favourable sales variance is the result of higher than expected sales (L1). There may be a number of reasons for the variances in the budget for Starsailor Fashions. The most likely would appear to be linked to an increase in demand (because of fashion trends) for the brand . The knock on effect of this could be that as a particularly labour intensive business, there was a need for more staff and also more raw materials for production (L2). The variances which are negative in the expenditure section partly reflect a positive situation for the business although in this case the adverse cost variances exceed the favourable sales variance (L3) This suggests expansion of output was coupled with a disproportionate rise in costs. However in general the variances reflect expansion of the business beyond the forecasts on which the budget was based. (L4). Any other valid suggestion.</p>		

3	(a)	Define the term break-even point.	AO1	2 (2*1)															
✓		<p><i>Up to two marks. One mark for a vague definition on the right lines. Two marks for a precise definition.</i></p> <p>Possible responses may include: The break even point is where the business is neither making a profit (1) or a loss (1) Or it is the level of output and sales where total cost equals total revenue. (2) Or the level of output where total contribution equals fixed costs (2) Any other valid suggestion.</p>																	
	(b)	<p>Bob identified the following financial costs of the business decision to enter the agreement with Board Stupid plc and modernise the production systems at Starsailor Fashions Ltd.</p> <p>Complete the following table stating whether each is a fixed cost or a variable cost.</p>	AO1 AO2	2 (1+1)															
✓		<p><i>One mark for each identification up to a maximum of two identifications as indicated below. Two correct identifications mean two marks</i></p>																	
		<table border="1"> <thead> <tr> <th></th> <th>£</th> <th>Fixed/Variable</th> </tr> </thead> <tbody> <tr> <td>Machinery</td> <td>125 000</td> <td>Fixed</td> </tr> <tr> <td>Redundancy Payments</td> <td>43 000</td> <td>Fixed</td> </tr> <tr> <td>Labour cost per garment</td> <td>5.00</td> <td>Variable</td> </tr> <tr> <td>Materials cost per garment</td> <td>4.50</td> <td>Variable</td> </tr> </tbody> </table>		£	Fixed/Variable	Machinery	125 000	Fixed	Redundancy Payments	43 000	Fixed	Labour cost per garment	5.00	Variable	Materials cost per garment	4.50	Variable		
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	(c)	<p>The average selling price per garment is £22.</p> <p>Calculate the break even level of output for Starsailor Fashions Ltd using the information in part b.</p>	AO1 AO2	3 (3*1)															
✓		<p><i>Full 3 marks for correct answer but in the case of incorrect answer award one mark for the formula and one mark for inserting figures correctly.</i></p> <p><i>Break even output = Fixed costs/contribution per unit (1)</i></p> <p>168 000/(22-9.50) (1) = 13 440 units (1) or 125 000/(22-9.50) (1) =10 000 units (1)</p>																	

(d)	Define the term margin of safety.	AO1	2 (2*1)
✓	<p><i>Up to two marks .One mark for vague definition on the right lines. Two for a precise definition</i></p> <p>Possible responses may include: The margin of safety is the difference (1) between the break even level of output and the actual level of production (1). Or it is production and sales in excess of that require to break even.(2) Any other valid suggestion.</p>		
(e)	<p>Bob estimated that the order from Board Stupid plc would be for 20 000 garments in the first year.</p> <p>Calculate the margin of safety for Starsailor Fashions Ltd if this estimate was to be accurate.</p>	AO1 AO2	3 (3*1)
✓	<p><i>Full 3 marks for correct answer. In the case of incorrect answer award one mark for the correct formula and one mark for inserting figures correctly.</i></p> <p><i>Margin of safety= actual output and sales minus break even level of output and sales (1)</i></p> <p>20 000-13 440 (1)= 6 560 units (1) or 20 000-10 000 (1) =10 000 units (1) Own figure rule applies.</p> <p>Candidates who express margin of safety in terms of percentage of actual output and sales (i.e. 32.8% and 50% respectively) should be given full marks.</p>		
(f)	<p>Calculate the projected profit for Starsailor Fashions Ltd on the order from Board Stupid plc in the first year, if Bob's estimate proves to be accurate.</p>	AO1 AO2	3 (3*1)
✓	<p><i>Full 3 marks for correct answer but in the case of incorrect answer award one mark for the correct formula and one mark for inserting correct figures.</i></p> <p><i>Profit = margin of safety x contribution per unit (1)</i></p> <p>Margin of safety =6560 Profit = 6560 * £12.5 (1) = £82,000 (1) Or 10,000 * 12.5 (1) = £125,000 (1) Own figure rule applies.</p> <p>Candidates who obtain a correct answer in terms of total revenue minus total costs must be given full marks.</p>		

(g)	Evaluate the usefulness of break-even analysis to Starsailor Fashions Ltd in deciding whether to accept the order from Board Stupid plc.	AO1 AO2 AO3 AO4	10 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] Candidate shows knowledge of break even as a decision making technique</p> <p>Level 2: [4-6 marks] Candidate applies knowledge to the case study and explains how Bob may use break even to make a decision</p> <p>Level 3: [7-8 marks] Candidate analyses the strengths and weaknesses of break even analysis as a tool for decision making.</p> <p>Level 4: [9-10 marks] Candidate evaluates the usefulness of break even analysis as a tool for Bob's decision making.</p> <p>Possible responses may include: Break-even analysis may prove to be useful to decision makers as it will indicate to them the point at which the business is no longer making a loss and is thus beginning to be profitable (L1). This may be particularly useful to Bob as he is trying to decide upon the viability of the new venture. The effect of being able to predict the break-even point for the venture would mean that Bob could more accurately plan for the implementation of the proposed project (L2). However, we should remember that this is only a prediction of the future and thus nothing is certain. Any number of external factors such as fashions, wage levels or interest rate changes could affect the financial viability of the project. And thus the validity of the break even analysis that Bob conducted. Break even analysis is also based on a number of other assumptions such as standardised product, linear relationships (L3). Break even analysis can indicate the level of output and sales needed to break even but does not tell us whether it is possible to achieve that level of sales. As with other decision making tools it should be used in conjunction with other techniques (L4). Any other valid suggestion.</p>		

4 (a)	Using evidence from the case study, complete a PEST analysis for Starsailor Fashions Ltd. Write your answers into the grid below.	AO1 AO2 AO3	8 (8*1)																
✓	<p><i>Pest analysis concerns factors in the external environment which impact on the firm in question.</i></p> <p><i>One mark for each element of the PEST analysis as indicated below. The identification must be placed in the correct box. In a limited number of cases the change in the environment could justifiably be placed in two separate boxes - e.g. taxation in political or in economic but do not credit the same point twice</i></p> <p>In all cases credit any other valid suggestion.</p>																		
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Valid responses	Use of technology in terms of on line sales (1), computer aided design, computer aiding manufacturing, accounting, database marketing communications technology.																		

(b*)	<p>Discuss the possible social and economic impacts that may occur if Starsailor Fashions Ltd enters into a large scale production agreement with Board Stupid plc.</p> <p>This is the QWC question. See instructions at front of mark scheme.</p>	AO1 AO2 AO3 AO4	12 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] Candidate shows knowledge of possible social and/or economic impacts of the business decision.</p> <p>Level 2: [4-6 marks] Candidate explains possible the social and/or economic impacts of the business decision in the context of the case study.</p> <p>Level 3: [7-9 marks] Candidate analyses social and economic impacts of the business decision in the context of the case study.</p> <p>Level 4: [10-12 marks] Candidate evaluates the social and economic impacts of the business decision in the context of the case study.</p> <p>Possible responses may include: One possible impact of the change in production for the large scale order may be on the local economy and community (L1). The fact that many of Bob's workers would lose their jobs in what is already a high unemployment region may have several implications for the economy and society of the South West – decline in local demand, social hardship (L2). The expansion of Starsailor might be coupled with a fall in disposable incomes thus reducing the demand for the products from other businesses within the area. So Bob's decisions could have a knock effect on other businesses (L3). This may contribute to longer term downward spiral in the local economy as jobs are lost in unrelated local business. But it should be remembered that Starsailor is a relatively small employer and therefore the impact will be relatively small. In any case any negative impact should be balanced against the benefits of a successful and expanding business in the area. (L4). Any other valid suggestion.</p>		

(c)	Identify and explain three possible issues which Starsailor Fashions Ltd may face as a result of the introduction of the new machines.	AO1 AO2	6 (1+1) *3
✓	<p><i>One mark for each identification up to a maximum of three identifications plus up to a further one mark for each of three explanations.</i></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Identification: redundancies for established and loyal workers(1) • Explanation: this may bring about negative publicity and therefore negative brand image (1). <p>Other points include:</p> <ul style="list-style-type: none"> • Cost of redundancies(1) • Impact on morale (1) • Maintenance costs (1) • Cost of disposing of redundant machines (1). • More effective stock management (1). • Greater capacity to meet demand (1). • More efficient production processes (1). • Lower average unit costs (1). • High initial outlays for asset purchase (1). <p>In each case an explanation is required for the second mark.</p> <p>Any other valid suggestion.</p>		

**Mark Scheme F243
June 2007**

INSTRUCTIONS ON MARKING SCRIPTS

All page references relate to the Instructions to Examiner booklet (revised June 2006)

For many question papers there will also be subject or paper specific instructions which supplement these general instructions. The paper specific instructions follow these generic ones.

1 Before the Standardisation Meeting

Before the Standardisation Meeting you must mark a selection of at least 10 scripts. The selection should be drawn from several Centres. The preliminary marking should be carried out **in pencil** in strict accordance with the mark scheme. In order to help identify any marking issues which might subsequently be encountered in carrying out your duties, **the marked scripts must be brought to the meeting.** (*Section 5c, page 4*)

2 After the standardisation meeting

- a) Scripts must be marked in **red**, including those initially marked in pencil for the Standardisation Meeting.
- b) All scripts must be marked in accordance with the version of the mark scheme agreed at the Standardisation Meeting.
- d) **Annotation of scripts**

The purpose of annotation is to enable examiners to indicate clearly where a mark is earned or why it has not been awarded. Annotation can, therefore, help examiners, checkers, and those remarking scripts to understand how the script has been marked.

Annotation consists of:

- the use of ticks and crosses against responses to show where marks have been earned or not earned;
- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (eg indicate an omission);
- the use of standard abbreviations eg for follow through, special case etc.

Scripts may be returned to Centres. Therefore, any comments should be kept to a minimum and should always be specifically related to the award of a mark or marks and be taken (if appropriate) from statements in the mark scheme. General comments on a candidate's work must be avoided.

Where annotations are put onto the candidates' script evidence, it should normally be recorded in the body of the answer or in the margin immediately adjacent to the point where the decision is made to award or not award the mark.

d) Recording of marking: the scripts

- i) Marked scripts must give a clear indication of how marks have been awarded, as instructed in the mark scheme.
- ii) All numerical marks for responses to part questions should be recorded unringed in the right-hand margin. The total for each question (or, in specified cases, for each page) should be shown as a single ringed mark in the right-hand margin at the end of each question.
- iii) The ringed totals should be transferred to the front page of the script, where they should be totalled.
- iv) Every page of a script on which the candidate has made a response should show evidence that the work has been seen.
- v) Every blank page should be crossed through to indicate that it has been seen. (*Section 8a – d, page 6*)

e) Handling of unexpected answers

The standardisation meeting will include a discussion of marking issues, including:

- a full consideration of the mark scheme in the context of achieving a clear and common understanding of the range of acceptable responses and the marks appropriate to them, and comparable marking standards for optional questions;
- the handling of unexpected, yet acceptable answers. (*Section 6a, bullet point 5, page 4*)

There will be times when you may not be clear how the mark scheme should be applied to a particular response. In these circumstances, a telephone call to the Team Leader should produce a speedy resolution to the problem. (*Appendix 5, para 17, page 25*)

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 4c which is a levels of response question and carries 12 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 4c.

Level 4:

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

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

Level 3:

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

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

Level 2:

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

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

Level 1:

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

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

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Q		AO	Marks
1	(a)	AO1	6 (1+1)*3
✓	<p><i>One mark for each correct identification up to a maximum of three identifications plus up to a further one mark for each of three developments of points.</i></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Good customer service is important to any business to encourage repeat business (1) which enables a business to grow and gain in market share based on customer loyalty (1). • It will enhance a business's reputation (1) which could make people want to visit for the first time (1). • It can give a business an edge over its competitors (1) so that customers will use that firm over another (1) • Increases profit. • Any other valid suggestion. 		
1	(b)	AO1	4 (4*1)
✓	<p><i>One mark for definition of an internal customer, one mark for definition of an external customer. Up to two further marks for suitable examples for each.</i></p> <p><i>Possible responses may include:</i> An internal customer is someone from within the organisation for which you are working (1) such as someone in a different department or at a different branch (1), whereas an external customer is someone from outside the organisation who you deal with (1), such as a member of the public or another business (1). Any other valid suggestion.</p>		
1	(c)	AO2	4 (4*1)
✓	<p>One mark for each correct identification up to a maximum of four identifications.</p> <p>Possible responses may include:</p> <p>Internal:</p> <ul style="list-style-type: none"> • Adam (1). • Samantha (1). • Casey (1). • Ben (1). <p>External:</p> <ul style="list-style-type: none"> • Justin/Greavsey's Surf Shop (1). • Wave Nation (1). • Dave Botterill (1). 		

2 (a)	State and explain two benefits and two drawbacks to SW of the delivery drivers initiating 'informal chats' with the retailers to find out their feelings on SW wetsuits.	AO1 AO2	12 (1+2)*4
✓	<p><i>One mark for each correct identification up to a maximum of four identifications plus up to a further two marks for each of four explanations.</i></p> <p>Possible responses may include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • The drivers are speaking directly to the retailer themselves what they think (1) so hopefully the information they give should be more truthful and helpful (1) which should give Ben something to work on (1). • The delivery drivers can get the retailers to elaborate on their answers (1) if they feel strongly about something (1) so more helpful information (possibly not thought of before) could be given (1). • The retailers may feel that SW is genuinely concerned about letting their customers down (1) and is keen to improve by asking for suggestions (1) which shows SW in a positive light (1). • Any other valid suggestion. <p>Drawbacks:</p> <ul style="list-style-type: none"> • The delivery drivers are unlikely to be trained in interview techniques (1) so may not be good at getting answers out of the retailers (1) so the exercise may be a waste of time and effort on Session's behalf (1). • The retailers may be very busy (1) so may not answer the questions properly, if at all (1) so the information gathered may be weak (1). • There are no actual structured questions to ask (1) which may make it difficult to collate the data afterwards (1) so Ben may struggle to work out exactly what the problems are (1). • Any other valid suggestion. 		
2 (b)	Identify and describe three ways, other than a face to face conversation, in which a firm could find out how its customers feel about it.	AO1	6 (1+1)*3
✓	<p><i>One mark for each correct identification up to a maximum of three identifications plus up to a further one mark for each of three descriptions. NB – explanation must be specific to that method.</i></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • A telephone survey (1) where the retailer is phoned up at their place of work and asked questions (1). • Email survey (1). • Postal survey (1). • Freephone number (1). • Focus groups (1). • Any other valid suggestion. 		

2 (c)	Discuss the importance to SW of becoming more focused on customer service.	AO1 AO2 AO3 AO4	12 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] Candidate identifies the possible reasons for any business focusing on customer service.</p> <p>Level 2: [4-6 marks] Candidate identifies the possible reasons for SW becoming more focused on customer service.</p> <p>Level 3: [7-9 marks] Candidate analyses the possible reasons for SW becoming more focused on customer service.</p> <p>Level 4: [10-12 marks] Candidate evaluates the possible reasons for SW becoming more focused on customer service.</p> <p>Possible answers could include: It is important for firms to focus on customer service if they are to stay in business (L1). SW is in a highly competitive market (L2) and so if they do not offer their customers a decent service then they will acquire their wetsuits from another firm (L3) and so will lose money (L3). SW also need to encourage retailers to keep buying their gear as currently they are unhappy about the quality and standard of service they are receiving (L2) and so may stop purchasing from the firm altogether (L3), giving SW a bad reputation (L3). SW must give the customers what they want (L2) so that they buy from them again and again (L3) which will ultimately generate more profit for the firm (L4); in the long term, if retailers are not kept happy then the future of SW is at stake (L4). Any other valid suggestion.</p>		

3	Identify and explain two benefits and two drawbacks to SW of providing a 'custom made' wetsuit service.	AO1 AO2	12 (1+2)*4
✓ ✓+	<p><i>One mark for each correct identification up to a maximum of four identifications plus up to a further two marks for each of four explanations.</i></p> <p>Possible responses may include:</p> <p>Benefits:</p> <ul style="list-style-type: none"> • They would be the only wetsuit manufacturers in the area offering this service (1) which makes them attractive to retailers (1) who are more likely to want to deal with them (1). • The custom made wetsuits are more expensive than normal ones (1) which will increase the profits of Session (1) as well as the retailers who get a percentage (1). • They are providing the public with a product that is unique and tailor made to their requirements (1) which is excellent customer service (1) and is enhancing the reputation of the firm (1). • Any other valid suggestion. <p>Drawbacks:</p> <ul style="list-style-type: none"> • It would cost a lot more to produce a custom made wetsuit in terms of labour and time (1) and they wouldn't be able to benefit from mass production (1) so they may not actually benefit financially by providing this service (1). • Currently SW is struggling to produce normal wetsuits (1) so may find that taking on the extra work slows things down even more (1) and could have a knock on effect on production as a whole (1). • Session is relying on the retailers to provide them with exact measurements (1) so if they do not get the correct information then Session could produce a wetsuit that does not fit the purchaser (1) through no fault of their own (1). • Any other valid suggestion. 		

4 (a)	Identify three acts or regulations that would protect customers of businesses such as SW.	AO1	3 (3*1)
✓	<p><i>One mark for each correct identification up to a maximum of three identifications.</i></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Sales and Supply of Goods (1979/94) (1). • Trades Descriptions Act (1968) (1). • Consumer Credit Act (1974) (1). • Weights and Measures Act (1985) (1). • Data Protection Act (1984/98) (1). • Any other valid suggestion. 		
4 (b)	Justin Greaves tells Ben that some of the goods SW is supplying are not 'fit for purpose'. Explain in context what he means.	AO2	3 (3*1)
✓	<p><i>Up to three marks.</i></p> <p>Possible responses may include:</p> <p>Justin means that the goods he has bought from SW would not do the job they were designed for (1). The wetsuits would not be able to be used in the sea (1) as they are faulty (1). They are not fit to be either used or sold on to the customer as such (1).</p> <p>Any other valid suggestion.</p>		

4 (c*)	<p>Discuss the implications for SW if the quality of its products does not improve.</p> <p>This is the QWC question. See instructions at front of mark scheme.</p>	AO1 AO2 AO3 AO4	12 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] <i>Candidate identifies the implications on any firm if their quality is poor.</i></p> <p>Level 2: [4-6 marks] <i>Candidate identifies the implications to SW if their quality does not improve.</i></p> <p>Level 3: [7-9 marks] <i>Candidate analyses the implications of poor quality products on SW. [7-9 marks]</i></p> <p>Level 4: [10-12 marks] <i>Candidate discusses the long term implications of poor quality on SW.</i></p> <p>Possible answers could include: If the product that a firm produces is of a bad quality then it can cause a lot of problems for them (L1). They may lose customers as no one wants to purchase their products (L1). If Session do not improve their quality soon then it is likely to upset both the public who purchase Session products and the retailers who buy the products to sell on (L2). The retailers may feel that their own reputation is being soiled by selling inferior goods on to their customers (L2) and therefore decide not to stock Session products (L3). If Session get a reputation for producing wetsuits that are not 'fit for purpose' then the public will see them as a waste of money (L3) and refuse to buy them in case they let them down (L3). The surfer Dave Botterill may not wish to be associated with shoddy workmanship (L2) and so may turn down future offers of sponsorship (L3) which will deny Session valuable exposure (L3). In the long term, if Session do not sort their quality issues out then they could find that sales will drop dramatically (L4) which could put them out of business altogether (L4). Any other valid suggestion.</p>		

5 (a)	Describe what Ben means by an organisation having a 'high staff turnover'.	AO1	2 (2*1)
✓	<p><i>Up to two marks.</i></p> <p>Possible responses may include: The staff turnover of a firm is the number of people who leave over a certain period of time (1). If staff turnover is 'high' this means that a considerable percentage of employees have left the firm (1). Any other valid suggestion.</p>		
5 (b)	State three ways the customer service of any firm could be affected by a high staff turnover.	AO1	3 (3*1)
✓	<p><i>One mark for each correct identification up to a maximum of three identifications.</i></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> • Orders could be lost (1). • Different staff member dealt with every time (1). • Poor quality goods produced (1). • Slow to deal with customer enquiries (1). • Closing of outlets due to lack of staff (1). • Overworked staff being rude (1). • Any other valid suggestion. 		

5 (c)	Analyse the likely effects on SW of having an untrained member of staff, such as Adam, dealing directly with customers.	AO1 AO2 AO3	9 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p>	<p>Level 1: [1-3 marks] Candidate identifies the implications of having untrained staff dealing with customers.</p> <p>Level 2: [4-6 marks] Candidate identifies the implications on SW of having untrained staff dealing with customers.</p> <p>Level 3: [7-9 marks] Candidate analyses the implications for SW of having untrained staff dealing with customers.</p> <p>Possible responses may include: An untrained member of staff could have a bad effect on a business (L1) as they won't know what they're doing (L1). Adam is no good at speaking to customers on the phone (L2) and often gets information wrong (L2) or does not pass on important details which can hinder the operation of the rest of the firm (L2) which means that the retailers do not get what they ordered (L3) and receive a very poor impression of SW (L3). It may get so bad that they decide to stop doing business with Session altogether (L3). Adam also has very weak computer skills which means that his actions may affect whether retailers get billed for the goods they have ordered (L2) which could mean that retailers get undercharged, losing session money (L3). Any other valid suggestion.</p>		

5 (d)	Evaluate whether or not the appointment of a Customer Service Manager would improve customer service at SW.	AO1 AO2 AO3 AO4	12 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] Candidate describes the effects of having a Customer Service Manager on any business.</p> <p>Level 2: [4-6 marks] Candidate describes the effects of having a Customer Service Manager on SW.</p> <p>Level 3: [7-9 marks] Candidate analyses the effects of having a Customer Service Manager on SW.</p> <p>Level 4: [10-12 marks] Candidate makes judgements as to whether having a Customer Service Manager on SW would improve customer service.</p> <p>Possible responses may include: A Customer Service Manager would be responsible for making sure that the service given to customers is of a high standard (L1). SW would benefit from having one as their customer service is currently poor (L2). The Manager could keep up to date with any new legislation, issues etc (L2) and then feed this back to the workforce at SW, keeping them informed of new practices (L3). They could also work as a link between retailers and the firm (L2) improving relationships and sorting out any problems (L3). However, some workers at SW may take offence to being told what to do by someone who doesn't actually do their job (L2) leading to de-motivation and drop in standards (L3). A Customer Service Manager is likely to improve customer service in the short term certainly, as long as they are experienced and have the support of the other workers (L4). Realistically though, the firm must realise that customer service is the responsibility of everyone who works there (L4) if it is to improve in the long term (L4). Any other valid suggestion.</p>		

**Mark Scheme F248
June 2007**

INSTRUCTIONS ON MARKING SCRIPTS

All page references relate to the Instructions to Examiner booklet (revised June 2006)

For many question papers there will also be subject or paper specific instructions which supplement these general instructions. The paper specific instructions follow these generic ones.

1 Before the Standardisation Meeting

Before the Standardisation Meeting you must mark a selection of at least 10 scripts. The selection should be drawn from several Centres. The preliminary marking should be carried out **in pencil** in strict accordance with the mark scheme. In order to help identify any marking issues which might subsequently be encountered in carrying out your duties, **the marked scripts must be brought to the meeting.** (*Section 5c, page 6*)

2 After the Standardisation Meeting

- a) Scripts must be marked in **red**, including those initially marked in pencil for the Standardisation Meeting.
- b) All scripts must be marked in accordance with the version of the mark scheme agreed at the Standardisation Meeting.
- e) **Annotation of scripts**

The purpose of annotation is to enable examiners to indicate clearly where a mark is earned or why it has not been awarded. Annotation can, therefore, help examiners, checkers, and those remarking scripts to understand how the script has been marked.

Annotation consists of:

- the use of ticks and crosses against responses to show where marks have been earned or not earned;
- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (eg indicate an omission);
- the use of standard abbreviations eg for follow through, special case etc.

Scripts may be returned to Centres. Therefore, any comments should be kept to a minimum and should always be specifically related to the award of a mark or marks and be taken (if appropriate) from statements in the mark scheme. General comments on a candidate's work must be avoided.

Where annotations are put onto the candidates' script evidence, it should normally be recorded in the body of the answer or in the margin immediately adjacent to the point where the decision is made to award or not award the mark.

d) Recording of marking: the scripts

- i) Marked scripts must give a clear indication of how marks have been awarded, as instructed in the mark scheme.
- ii) All numerical marks for responses to part questions should be recorded unringed in the right-hand margin. The total for each question (or, in specified cases, for each page) should be shown as a single ringed mark in the right-hand margin at the end of each question.
- iii) The ringed totals should be transferred to the front page of the script, where they should be totalled.
- iv) Every page of a script on which the candidate has made a response should show evidence that the work has been seen.
- v) Every blank page should be crossed through to indicate that it has been seen. (*Section 8a – d, page 8*)

e) Handling of unexpected answers

The Standardisation Meeting will include a discussion of marking issues, including:

- a full consideration of the mark scheme in the context of achieving a clear and common understanding of the range of acceptable responses and the marks appropriate to them, and comparable marking standards for optional questions;
- the handling of unexpected, yet acceptable answers. (*Section 6a, bullet point 5, page 6*)

There will be times when you may not be clear how the mark scheme should be applied to a particular response. In these circumstances, a telephone call to the Team Leader should produce a speedy resolution to the problem. (*Appendix 5, para 17, page 26*)

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 5 which is a levels of response question and carries 15 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 5.

Level 4:

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

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

Level 3:

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

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

Level 2:

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

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

Level 1:

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

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

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Q		AO	Marks
1 (a)	What is meant by the term 'business objective'?	AO1	2 (2*1)
✓	<p><i>Up to two marks.</i></p> <p>Possible responses may include: An objective is a statement of intention to provide a business with a clear sense of direction, a target (1). It should be specific, measurable, achievable, realistic and time specific (1). Any other valid suggestion [Do not accept examples].</p>		
(b)	<p>Identify one possible strategic objective for Michael's new business for:</p> <p>Option 1 – The Fun House Option 2 – The Red Lion Hotel Option 3 – The Red Lion Carvery</p>	A02	3 (3*1)
✓	<p><i>One mark for each correct identification up to a maximum of three identifications.</i></p> <p>Possible responses may include: Option 1 – successfully enter a new market, gain market share locally, break even. Option 2 – Cover the conversion costs, gain reputation. Option 3 – target level of profit, get good culinary reputation Any other valid suggestion [Do not accept measures/action the firm takes].</p>		
(c)	Identify one advantage to Michael of formulating business objectives.	A02	1 (1)
✓	<p><i>One mark for correct identification</i></p> <p>Possible responses may include: Sets targets for him to gauge success. Clarity of thinking/planning. Enable him to raise finance. Any other valid suggestion.</p>		

Q		AO	Marks
(d)	Evaluate the usefulness of Porter's Work to Michael when making strategic decisions for The Red Lion Inn.	A01 A02 A03 A04	2 2 3 3 Levels
✓ ✓+ ✓An ✓Ev	<p>Level 1: [1-2 marks] Candidate demonstrates knowledge of Porter's Work.</p> <p>Level 2: [3-4 marks] Candidate applies knowledge to case study of Porter's Work.</p> <p>Level 3: [5-7 marks] Candidate analyses issues surrounding the usefulness of Porter's Work to The Red Lion Inn.</p> <p>Level 4: [8-10 marks] Candidate evaluates the extent to which Porter's Work may be useful to The Red Lion Inn.</p> <p>Possible responses may include: Can look at five forces, differentiation or low cost producer. Porter's Work may prove to be useful to a business such as The Red Lion Ltd as it looks to develop a new strategy for the future. Following Porter's Work (L1) would allow the business to focus their marketing efforts on what would ensure their most likely areas for success, this would be particularly important in the highly competitive pub/restaurant industry (L2). The achievement of this would ensure that the business was able to gain sales and therefore market share and ultimately, prosper (L3). There is, however, the consideration that this alone would not ensure success, as the size of the marketing budget and the conditions of external factors may prove at least as influential (L4). Any other valid suggestion.</p>		
2 (ai)	What is meant by the term 'labour turnover'?	A01	2 (2*1)
✓	<p>Up to two marks.</p> <p>Possible responses may include: Labour turnover is the figure associated with the number of staff leaving a business (1). This is calculated for a given period which is usually a year (1). Any other valid suggestion [No marks for copying the formula].</p>		
(aii)	What is meant by the term 'labour productivity'?	A01	2 (2*1)
✓	<p>Up to two marks.</p> <p>Possible responses may include: Labour productivity is the level of output per worker (1) over a period of time (1). Any other valid suggestion [No marks for copying the formula].</p>		

Q		AO	Marks
(b)	Using the information in the table opposite and Fig.2 in the case study, calculate the missing measures of personnel effectiveness.	A01 A02	5 5 (5*2)
✓	<p><i>One mark for each correct identification up to a maximum of five identifications.</i></p> <p><i>Two marks for correct answer – one mark for correct workings only.</i></p> <p>Labour Turnover – 40% (2). 4/10 * 100 (1). Absenteeism – 2.6% (2). 95/[10*365] * 100 (1). Labour Productivity – 420 (2). 4200/10 (1). Waste Levels – 3.33% (2). 140/4200 * 100 (1). Health and Safety – 0.33% (2). 12/[10*365] * 100 (1).</p>		
(c)	Evaluate the possible reasons for the differences in personnel effectiveness between the bar staff and kitchen staff at The Red Lion Inn.	A01 A02 A03 A04	2 2 3 3 Levels
✓ ✓+ ✓An ✓Ev	<p>Level 1: [1-2 marks] <i>Candidate demonstrates</i> knowledge of the meanings of the personnel performance indicators.</p> <p>Level 2: [3-4 marks] <i>Candidate applies</i> knowledge of the issues surrounding the performance figures for The Red Lion Inn (description).</p> <p>Level 3: [5-7 marks] <i>Candidate analyses</i> the possible causes of the personnel figures of The Red Lion Inn.</p> <p>Level 4: [8-10 marks] <i>Candidate evaluates</i> the possible causes of the personnel figures of The Red Lion Inn.</p> <p>Possible responses may include: The key issues that appear to be present in the indicators for The Red Lion appear to surround the labour turnover and absenteeism in the kitchen section of the business (L1). This may not be uncommon in this type of business (L2) although the causes should be identified and eradicated if success is to be achieved. The more likely causes of the situation are perhaps to do with pay or working conditions within this area of the business with the knock on effect being that people leave the business or are more likely to be absent (L3). However, there is no evidence to suggest working conditions in the kitchen are worse than in the bar and it could be that the sole cause of differing performance is due to poor morale following complaints (L4). Any other valid suggestion.</p>		

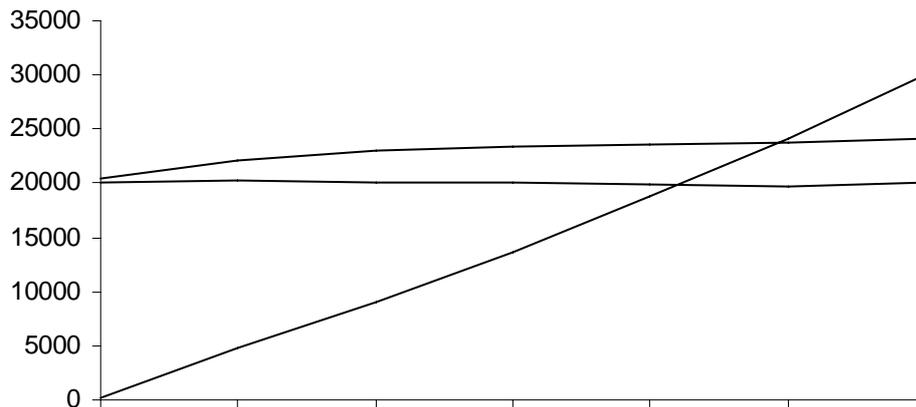
Q		AO	Marks
3 (a)	Complete the decision tree below to calculate the expected values of each of three options identified by Michael.	A01 A02	6 3 (9*1)
✓	<p><i>Up to nine marks.</i></p> <p><i>i.e.</i> One mark for pair of probability moderated outcomes. One mark for adding together. OFR applies. One mark for deducting cost. Three times. Three marks for 10000 only on diagram.</p>		

+10000 (3)				0.8		£40000 = 32000	(1)
-16000 (3)							
-6000 (3)							
	Option 1 (£20000)	£30000 (2)		0.2		(£10000) = (2000)	
				0.5		£48000 = 24000	(1)
£10000				0.5		(£20000) = (10000)	
	Option 2	£14000 (2)		0.6		(£20000) = 12000	(1)
	Option 3 (£14000)	£8000 (2)		0.4		(£10000) = (4000)	

3 (b)	Identify the best option as recommended by the decision tree.	A04	1 (1)
✓	<p><i>For one mark:</i></p> <p>Option 1 (1).</p>		

Q		AO	Marks
3 (c)	Assess the extent to which a decision tree is useful in strategic decision-making at The Red Lion Inn.	A01 A02 A03 A04	2 2 3 3 Levels
✓	Level 1: [1-2 marks] Candidate describes how decision trees may be used to aid decision making.		
✓+	Level 2: [3-4 marks] Candidate applies knowledge of decision trees to the case study.		
✓An	Level 3: [5-7 marks] Candidate analyses the possible uses of decision trees and the usefulness of them to The Red Lion Inn. 5 marks max for non-contextual analytical/evaluative answer.		
✓Ev	Level 4: [8-10 marks] Candidate evaluates the extent to which decision trees may be useful to The Red Lion Inn. Possible responses may include: Enables clear pathways to be assessed. Quantitative answer/data. Assesses risk through probability. Good for familiar situation. Example response: Decision trees give a numerical outcome (L1). Michael can easily compare the relative outcomes from his three options and make a decision (L2). The disadvantage is that he is dealing with a lot of unknowns and guesswork with the end outcomes and probabilities as the three situations facing him are not what he has done before and so where is he getting the data from? (L3). However, he might reason that, with a little research, he has made a good guess at the chances of success as he is broadly familiar with the three options in the sense that they are linked to the pub trade (L4). Any other valid suggestion.		

Q		AO	Marks
4 (a)	On the grid below, draw a break-even graph for this option.	A01 A02	4 3 (7*1)
✓	<p><i>Up to seven marks.</i></p> <p>Revenue (50000) (2) 1 mark for line 1 mark for label. Total Costs (27500) (2) 1 mark for line 1 mark for label. Fixed Costs (20000) (2) 1 mark for line 1 mark for label. Break Even Point (8889) 1 mark for label.</p>		



4 (b)	Using the break-even formula, calculate the break-even point for The Fun House.	A01 A02	2 1 (3*1)
✓	<p><i>For three marks.</i></p> <p>Break even = $FC / (\text{price} - VC)$ (1) $20,000 / (3.00 - 0.75)$ (1) 8,889 customers (1) Three marks for correct answer only.</p>		
4 (ci)	Calculate the margin of safety if Michael attracts 11 000 customers per annum.	A01 A02	1 1 (2*1)
✓	<p><i>For two marks.</i></p> <p>$11,000 - 8,889$ (1) $= 2,111$ customers (1) OFR applies.</p>		

Q		AO	Marks
4 (cii)	Calculate the profit made by this option if Michael attracts 11 000 customers per annum.	A01 A02	2 1 (3*1)
✓	<p><i>For three marks.</i></p> <p>Either</p> $P = R - C$ <p>Revenue (£3 x 11,000) (1) Costs (£20,000 + (£0.75 x 11,000) = £28,250 (1) = £4,750 (1)</p> <p>Or using marginal revenue costing MOS x contribution 2,111 (1) x £2.25 (1) = £4,749.75 (1)</p> <p>3 marks for correct answer only</p>		
4 (d)	Discuss whether Michael should accept this proposal from Let's Party.	A01 A02 A03 A04	2 2 3 3 Levels
✓	<p>Level 1: [1-2 marks] Candidate shows knowledge of contribution as a decision making technique.</p> <p>✓+</p> <p>Level 2: [3-4 marks] Candidate applies knowledge to the case study to make a decision.</p> <p>✓An</p> <p>Level 3: [5-7 marks] Candidate analyses issues including quantitative and/or qualitative factors</p> <p>✓Ev</p> <p>Level 4: [8-10 marks] Candidate evaluates the issues surrounding the decision making looking at judgements of the importance of the qualitative and/or quantitative information available to ensure success for the project.</p> <p>Possible responses may include: Contribution analysis is the process of identifying the point at which a business such as this one ceases to make a loss and starts to make a profit (L1). This may be vitally important to a small business such as The Red Lion when deciding on whether or not to accept the order from Let's Party (L2). It appears that the price Let's Party is offering is lower than Michael's predicted normal price and therefore on the face of it should be rejected. It would however, bring in guaranteed regular business and would also make a contribution to the coverage of his fixed costs (L3). It is however, unwise to centre all of the planning for the business around the results of contribution analysis as it makes many assumptions and does not take into account the dynamic business environment (L4). Any other valid suggestion.</p>		

Q		AO	Marks
5*	Recommend and justify which of the three strategic options Michael should choose for the future development of The Red Lion Inn. QWC assessed here – please follow instructions at start of mark scheme.	A01 A02 A03 A04	3 4 4 4 Levels
✓ ✓+ ✓An ✓Ev	<p>Level 1: [1-3 marks] Candidate shows knowledge or makes a decision without any justification</p> <p>Level 2: [4-7 marks] Candidate applies knowledge, uses basic arguments, lists of reasons, quotes data for Option 1 (break even, decision tree)</p> <p>Level 3: [8-11marks] Candidate analyses issues, referring to quantitative and qualitative factors</p> <p>Level 4: [12-15 marks] Candidate evaluates the best option</p> <p>Possible responses may include: Option 1 is good for a number of reasons (L1). The decision tree shows that it is comfortably more profitable than the next best alternative (L2). However, it may be that becoming a children's 'fun pub' actually puts customers off as it is mixing two market segments (L3). However, Michael can take option one without it disturbing anyone else and at a cost of £20,000 it is £10,000 cheaper than the hotel option and available to a far wider market at any one time – making it by far the best. Option 3 he could do at any time (L4). Any other valid suggestion.</p>		

**Mark Scheme F256
June 2007**

INSTRUCTIONS ON MARKING SCRIPTS

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1 Before the Standardisation Meeting

Before the Standardisation Meeting you must mark a selection of at least 10 scripts. The selection should be drawn from several Centres. The preliminary marking should be carried out **in pencil** in strict accordance with the mark scheme. In order to help identify any marking issues which might subsequently be encountered in carrying out your duties, **the marked scripts must be brought to the meeting.** (*Section 5c, page 6*)

2 After the Standardisation Meeting

- a) Scripts must be marked in **red**, including those initially marked in pencil for the Standardisation Meeting.
- b) All scripts must be marked in accordance with the version of the mark scheme agreed at the Standardisation Meeting.

f) Annotation of scripts

The purpose of annotation is to enable examiners to indicate clearly where a mark is earned or why it has not been awarded. Annotation can, therefore, help examiners, checkers, and those remarking scripts to understand how the script has been marked.

Annotation consists of:

- the use of ticks and crosses against responses to show where marks have been earned or not earned;
- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (eg indicate an omission);
- the use of standard abbreviations eg for follow through, special case etc.

Scripts may be returned to Centres. Therefore, any comments should be kept to a minimum and should always be specifically related to the award of a mark or marks and be taken (if appropriate) from statements in the mark scheme. General comments on a candidate's work must be avoided.

Where annotations are put onto the candidates' script evidence, it should normally be recorded in the body of the answer or in the margin immediately adjacent to the point where the decision is made to award or not award the mark.

d) Recording of marking: the scripts

- i) Marked scripts must give a clear indication of how marks have been awarded, as instructed in the mark scheme.
- ii) All numerical marks for responses to part questions should be recorded unringed in the right-hand margin. The total for each question (or, in specified cases, for each page) should be shown as a single ringed mark in the right-hand margin at the end of each question.
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The Standardisation Meeting will include a discussion of marking issues, including:

- a full consideration of the mark scheme in the context of achieving a clear and common understanding of the range of acceptable responses and the marks appropriate to them, and comparable marking standards for optional questions;
- the handling of unexpected, yet acceptable answers. (*Section 6a, bullet point 5, page 6*)

There will be times when you may not be clear how the mark scheme should be applied to a particular response. In these circumstances, a telephone call to the Team Leader should produce a speedy resolution to the problem. (*Appendix 5, para 17, page 26*)

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 1c which is a levels of response question and carries 15 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 1c.

Level 4:

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

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

Level 3:

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

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

Level 2:

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

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

Level 1:

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

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

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Q		AO	Marks
1 (ai)	Outline the main legal provisions of the Partnership Act (1890).	A01	4 (4*1) OR (2+2)
✓	<p><i>One mark for each correct identification up to a maximum of four identification OR</i> <i>One mark for each correct identification up to a maximum of two identifications plus up to a further one mark for each of two developments.</i></p> <p>Possible responses may include: All profits or losses to be shared equally (1). No capital withdrawal allowed (1). If a partner leaves or dies, the partnership must be dissolved (1). No partner can be paid a salary (1). Sick pay cannot be paid (1). All partners are jointly and severally liable for the debts of the partnership (1). Each partner is an agent of the firm making decisions on behalf of all other partners (1). The partners must be carrying on in business (1). The partners must be trying to make a profit (1). Provision is made to share profit (1). No interest is payable on capital (1). Partners can be indemnified for expenses (1).</p> <p>OR</p> <p>All partners are jointly liable for debts (1). This means that responsibility is shared equally for any loss the partnership experiences (1). Any other valid suggestion.</p>		

(a ii)	Outline the main legal provisions of the Companies Acts.	A01	4 (4*1) OR (2+2)
✓	<p><i>One mark for each correct identification up to a maximum of four identification OR</i></p> <p><i>One mark for each correct identification up to a maximum of two identifications plus up to a further one mark for each of two developments.</i></p> <p>Possible responses may include: Memorandum of Association and all it includes. Articles of Association. AGM. 2006 Companies Act codified common law duties of directors – so award marks for this. Company names ending in Ltd/PLC. Company names published on all letters/notices, cheques, receipts and place of business. Publish accounts each year. £50,000 of authorised share capital OR This Act includes the compulsory drawing up of a Memorandum of Association (1) which includes The Name, objectives etc (1). Any other valid suggestion.</p>		

(b)	Mike and Antonia drew up a Deed of Partnership. Explain four legal statements that should be included in their Deed of Partnership.	AO1 AO2	4 4 (4*2)
✓	<p><i>Up to two marks for each of four explanations.</i></p> <p>Possible responses may include: Share of profit and losses (1). If capital can be withdrawn (1). Sick pay and sick leave etc (1). Duties and responsibilities of partners (1). If salary is to be paid to anyone (1). Arrangements in case of dissolution (1). Identity of partners (1). Business name (1). Duration (1). Signatures (1).</p> <p>The Deed will state whether or not one or all of the partners is entitled to withdraw any of their capital at any stage within the partnership. (1) It will specify whether it is Mike or Antonia, under what circumstances and how much or state a % (1). Any other valid suggestion.</p>		

(c*)	<p>After a highly successful first month of flights, Mike and Antonia decided that MintAir should become a private limited company. Evaluate the factors which may have affected this decision.</p> <p>This is the QWC question – see instruction at the front of mark scheme.</p>	A01 A02 A03 A04	3 3 4 5 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] <i>Statement of some issues without explanation.</i></p> <p>Level 2: [4-6 marks] <i>Explanation of issues without contextual analysis.</i></p> <p>Level 3 [7-10 marks] <i>Analysis of decision (e.g. advantage/disadvantages of being a ltd/partnership. Advantages and disadvantages to get to the top of Level 3.</i></p> <p>Level 4 [11-15 marks] <i>Evaluation of decision (either comparison or other), may look at long term.</i></p> <p>Possible responses may include: Evaluation of the decision to become a ltd (as opposed to remaining a partnership - although this comparison is not essential, i.e. it is possible to compare to another form of ownership). Partnership: Taxed on share of profits. No start-up requirements. Unlimited liability. No published accounts. Governed by PA 1890. Jointly and severally liable. Keep profits. Keep ownership.</p> <p>Limited Company: Corporation Tax. Many legal requirements. Limited liability. Must publish accounts. Governed by CAs. Separate legal entity. Pay dividends/share profit. May dilute ownership.</p> <p>Private limited companies have liability (L1). This means that Mike and Anton would not end up losing their possessions (L2). This is important given the risk of running an airline (L3). However, they may find initially this is not an issue and that the burden of the extra administrative costs far outweighs this (L4). Any other valid suggestion.</p>		

2 (a)	Explain two differences between criminal law and civil law.	A01	4 [2+2]
✓	<p><i>Up to two marks for each of two explanations.</i> One mark for identification, one mark for difference.</p> <p>Possible responses may include:</p> <p>Criminal law: Regulates dangerous behaviour. State can take action against offenders (generally the police). Usually victim plays no part in action. Magistrates' or Crown Court. Aim is to punish the criminal. Standard or burden of proof 'beyond all reasonable doubt'</p> <p>Civil law: Legal rights to individuals to govern relationships with each other. Action taken by the person who has been wronged. May not go to trial – most settled out of court. County or High Court. Aim is to compensate the victim. Standard or burden of proof 'on the balance of probabilities' Civil law cases are dealt with by county courts (1) whereas criminal law cases are taken to a magistrates' court (1). Any other valid suggestion.</p> <p>Evidence in two parts can be cross-referred.</p>		
(b)	Explain three ways in which MintAir Ltd breached its statutory duties to its employees.	A02	6 (3*2)
✓	<p><i>Up to two marks for each of three explanations.</i></p> <p>Possible responses may include: Undermined trust/confidence of the employee. Lack of safe working conditions. Pay the employee as stated in contract. Allow 'not paid minimum wage'. Allow rest periods</p> <p>Mint Air had agreed to pay a bonus in the contract (1). Everyone except Joe was paid the bonus and thus MintAir Ltd is in breach of its statutory duty (1).</p> <p>Accept common law duties which have been codified into statute law. E.g. Creating a healthy and safe environment</p> <p>Any other valid suggestion.</p>		

(c)	Mike wondered if MintAir Ltd was vicariously liable for Joe's actions on 2 February 2006. Explain why the issue of vicarious liability might be unclear in relation to Jo.	A01 A02	3 5 Levels
✓ ✓+	<p>Level 1: [1-3 marks] <i>Knowledge/explanation of the of the principle with no context.</i></p> <p>Level 2: [4-8 marks] <i>Explanation of the issues in context.</i></p> <p>Vicarious liability - the principle of an employer being responsible for an employee's actions - only during the course of their employment.</p> <p>The issue here - was Joe acting in the course of employment? Opening the locker was not allowed during the flight. Was he on a 'frolic of his own'? ie was it a designated duty? Or should MintAir be liable?</p> <p>Possible responses may include: Vicarious liability is when an employer is responsible for the actions of an employee (L1). In this case Joe, clearly an employee, was carrying out his duty by opening the locker (L2). However, there is some debate as to the degree of disobedience regarding opening during the flight. This complicates the issue (L2). Any other valid suggestion.</p>		
(di)	Outline what is meant by constructive dismissal.	A01	2 (2*1)
✓	<p><i>Up to two marks.</i></p> <p>Possible responses may include: This is where the employee resigns claiming the employer made it possible to stay (1). Breach of the employer's duty of not undermining trust and confidence is often the ground for such a claim (1). Any other valid suggestion.</p>		

(dii)	Evaluate Joe's claim for constructive dismissal.	A01 A02 A03 A04	3 3 4 5 Levels
<p>✓</p> <p>✓+</p> <p>✓An</p> <p>✓Ev</p>	<p>Level 1: [1-3 marks] <i>Brief reference to constructive dismissal/vague reference to the case.</i></p> <p>Level 2: [4-6 marks] <i>Explanation of issue(s) in relation to the dismissal.</i></p> <p>Level 3: [7-10 marks] <i>Analysis of the factors or good arguments for and against constructive dismissal.</i></p> <p>Level 4: [11-15 marks] <i>Evaluation of the evidence and a justified conclusion.</i></p> <p>Possible responses may include: Issues that have forced his resignation: Excessive hours without a break Lack of adequate training. Pay below National Minimum Wage & no bonus when everyone else had one. Mike and Antonia seem to be against him - reckon his actions were deliberate.</p> <p>Joe has been victimised here (L1) as he was not paid a bonus when the others were (L2). To treat an employee very differently and less favourably than others would suggest that he has a claim for constructive dismissal (L3). However, it could be argued that Joe brought about his own situation by disobeying reasonable instructions and causing damage to a customer's possessions - hence he made a nuisance of himself and cannot blame the employer (L4). Any other valid suggestion.</p>		
3 (ai)	Identify two main principles of the Trade Descriptions Act (1968).	A01	2 (2*1)
✓	<p><i>One mark for each correct identification up to a maximum of two identifications.</i></p> <p>Possible responses may include: Can relate to goods OR services False descriptions of goods - quantity, size, method of manufacture, composition, fitness for purpose (strength etc), other physical characteristics, testing by any person, approval, place/date of manufacture, person by whom goods manufactured. False description of services - covers accommodation, facilities, services, timing of service, nature of personnel, approval by authorised body, location and amenities.</p> <p>The TDA relates to false descriptions. This includes the false description of accommodation (1). Any other valid suggestion.</p>		

3 (aii)	Explain how MintAir Ltd might be in breach of this Act.	A01 A02	1 2 [3*1]
✓ ✓+	<p>Level 1: [1 mark] Knowledge of TDA.</p> <p>Level 2: [2-3 marks] Explanation of how MintAir is in breach of TDA.</p> <p>Possible responses may include: MintAir's advertising slogan 'Quicker than any road or rail' is the problem. Is it actually breaking the TDA?</p> <p>The TDA is concerned with false descriptions of services (L1). Stating that it is quicker than road or rail is breaking the TDA (L2). This is because the timing of the service (length of the flight) is NOT quicker when there is a delay (L2). Any other valid suggestion.</p>		
(b)	To what extent is Airservice Ltd liable to pay MintAir Ltd compensation.	A01 A02 A03 A04	3 3 4 5 Levels
✓ ✓+ ✓An ✓Ev	<p>Level 1: [1-3 marks] Statements relating to the issue and/or reference to the SGSA without context.</p> <p>Level 2: [4-6 marks] Explanation of the factors.</p> <p>Level 3: [7-10 marks] Analysis of evidence.</p> <p>Level 4 [11-15 marks] Evaluates the evidence and reaches balanced conclusion of liability.</p> <p>Possible responses may include: Need to examine the evidence from the case relating to 3 main issues from SGSA:</p> <ul style="list-style-type: none"> • Reasonable care and skill - same problem again - was it repaired properly first time? • Reasonable time? delayed take off first time costing the firm money • Reasonable price? - £3,000 then another £2,500 - is this fair when it is the same problem? <p>The SGSA states that a reasonable price must be charged (L1). Airservice Ltd charged an excessive £5,500 in total (L2). This does not seem reasonable for a small aircraft, particularly when it is the same problem again (L3). However, it may well be that the second fuel pump problem was entirely different (maybe a different engine) and that Airservice Ltd is not charging excessively for their highly specialised service (L4).</p>		

4 (a)	Explain three issues that appear to be in breach of the Data Protection Act (1998).	A01 A02	3 3 (1+1)*3
✓	<p><i>One mark for each correct identification up to a maximum of three identifications plus up to a further one mark for each of three explanations.</i></p> <p>Possible responses may include: Principles of DPA: Data obtained & processed lawfully. Kept only for the purposes of the register. Not disclosed/used for any purpose other than that intended. Adequate, relevant and not excessive. Accurate and kept up to date. Not kept longer than necessary. Reasonable access to correct and erase. Obligation to protect security.</p> <p>Data should not be excessive (1). It appears that MintAir had personal data relating to this man that could be excessive for its purpose (1). Any other valid suggestion.</p>		
4 (b)	Outline four steps involved in winding up a limited company such as MintAir Ltd.	A01 A02	4 4 (4*2)
✓	<p><i>Up to two marks for each explanation.</i></p> <p>Possible responses may include: Procedure for compulsory liquidation. Directors dismissed. Liquidator appointed - takes over director's powers. Employees' contracts terminated (unless liquidator decides to re-employ them). Liquidator realises firm's assets. Pay creditors in order of preference. No attempt to save the firm. Can refer to voluntary liquidation (special resolution must be passed, liquidator appointed (they choose), only possible if directors can declare solvency).</p> <p>A special resolution must be passed (1). This is where Mike and Antonia (presumably the only shareholders) make a special agreement to liquidate the company (1). Any other valid suggestion.</p>		

**Mark Scheme F257
June 2007**

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Testing of QWC

In this external assessment the assessment of QWC will take place in Question 3b which is a levels of response question and carries 15 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 3b.

Level 4:

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

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

Level 3:

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

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

Level 2:

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

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

Level 1:

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

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

Please note answers which are assessed as a L1, L2, L3, L4 from the individual unit mark scheme criteria may be awarded an additional mark for the quality of written communication if the standard is above the embedded criteria for the quality of written communication.

Q		AO	Marks
1 (a)	In the context of health and safety define the term hazard.	AO1-2	[2] (1 + 1)
✓	A hazard is something with the capacity to do harm (1) and may be the cause of injury (1).		
1 (b)	Outline three hazards to which Karen may be exposed when working in a kitchen environment.	AO1-3 AO2-3	[3] 1+1*3
✓	<p>One mark for correct identification of hazard plus one mark for development (three times).</p> <p>Three from: Burns (1) from hot oil in the fryer (1) Biological agents (1) in kitchen cleaning products (1) Gas (1) from the cooker (1) Poor house keeping (1) may lead to dangerous conditions such as grease on the floor (1)</p> <p>Any other valid suggestion</p>		
1 (c)	Explain three problems Wendy might encounter if she did <i>not</i> attempt to minimise risks at <i>Wendy's House</i> .	AO1-3 AO2-6	[9] (1+2)*3
✓	<p>One mark for measure outlined in brief plus up to two marks for development (three times)</p> <p>Three from: Wendy may be in breach of her duty of care (1). If a child had an accident Wendy may be liable (1). This may be financially problematic for a small business such as <i>Wendy's House</i> (1). Complaints from customers (1) leading to a poor reputation (1) and a loss of trade (1). If inspected and conditions may be considered unsuitable (1) leading to a risk of closure (1) Staff injury (1)</p> <p>Any other valid suggestion</p>		

2 (a)	As an employer, explain two responsibilities which Wendy has in minimising risk.	AO1-2 AO2-4	[6] (1+2)*2
✓	<p>One mark for issue identified in brief plus up to two marks for development (two times)</p> <p>Wendy has a duty of care to her staff (1). This means that Wendy must ensure the work area is safe for employees (1). Wendy must make employees aware of potential risks (1). Wendy should provide correct training for employees (1) so that they are all aware of potential risks (1) thus lessening the likelihood of an employee being injured (1). Protective equipment (1) Provision of on-site medical personnel (1)</p> <p>Any other valid suggestion</p>		
2 (b) (i)	Identify the five stages of risk assessment.	AO1-5	[5]
✓	<p>Stage 1 – look for hazards (1) Stage 2 – decide who might be harmed and how (1) Stage 3 – evaluate the risks (1) Stage 4 – record findings and make recommendations (1) Stage 5 – review the assessment procedures and revise as and when necessary (1)</p> <p>Any other valid suggestion</p>		
2 (b) (ii)	Wendy should have undertaken a risk assessment of the use of the trampoline.	AO1-2 AO2-2	[4] (1+1)*2
✓	<p>Explain two actions this risk assessment may have identified which might have prevented the trampoline accident.</p> <p>Possible answers may include:</p> <ul style="list-style-type: none"> Wendy could have been able to identify the maximum number of people that should be on the trampoline at one time (1). With this information she could have ensured a member of staff kept the number of children on the trampoline to keep within this limit (1). The quality of fabric could have been checked (1). Rips may have been identified as potential hazards and repairs made (1). <p>Any other valid suggestion</p>		

2 (c)	Discuss the extent to which a contingency plan may have helped in dealing with the trampoline accident.	AO1-3 AO1-3 AO3-4 AO3-4	[15] Levels
✓	<p>Level 1: [1-3 marks] Candidate identifies issues relating to contingency plans</p>		
✓+	<p>Level 2: [4-6 marks] Candidate applies knowledge and understanding of risk relating to contingency plans</p>		
✓An	<p>Level 3: [7-10 marks] Candidate analyses likely implications of risk relating to contingency plans</p>		
✓Ev	<p>Level 4: [11-15 marks] Candidate evaluates the significance or risks relating to contingency plans for the business</p> <p>Benefits</p> <ul style="list-style-type: none"> • Problems/risks are actively sought • Fall back position is established • Likely problems/risks can be identified and dealt with. <p>Problems</p> <ul style="list-style-type: none"> • Unforeseen events can still occur • Additional costs in time and resources • Identified problems/risks may be outside the businesses control. <p>Possible responses may include:</p> <p>Contingency planning offers a fallback alternative in the event of changes to market conditions affecting the achievement of the strategic plan (L1). Contingency planning will offer benefits to <i>Wendy's House</i> as the formal planning process will aid in identifying potential problems such as the person limit on the trampoline (L2). As risks are actively sought these areas can be highlighted, increasing awareness amongst those staffing the play area (L3). However, although there are clear benefits from the prediction of foreseeable events, unexpected circumstances may still not be dealt with meaning <i>Wendy's House</i> may still gain additional benefit from the contingency planning process (L4)</p> <p>Any other valid suggestion</p>		

3 (a)	In the context of business strategy define the term 'risk'.	AO2-2	[2]
✓	A risky strategy may have a limited chance of success (1). When making a strategic decision the business will need to consider the risk against the cost of carrying out the activity and the reward from success (1).		
3 (b*)	Evaluate the extent to which Wendy's proposed expansion may create a risk for <i>Wendy's House</i> . Quality of language will be assessed as part of this question. See instruction at the front of mark scheme.	AO1-3 AO1-3 AO3-4 AO3-4	[15] Levels
✓	<p>Level 1: [1-3 marks] Candidate identifies issue(s) or risk relating to expansion for the business</p> <p>✓+ Level 2: [4-6 marks] Candidate applies knowledge and understanding of risk relating to expansion for the business</p> <p>✓An Level 3: [7-10 marks] Candidate analyses likely implications of risk relating to expansion for the business</p> <p>✓Ev Level 4: [11-15 marks] Candidate evaluates the significance of risks relating to expansion for the business</p> <p>Problems: Increased gearing or financial pressure to the company Problems of running a larger business:</p> <ul style="list-style-type: none"> • communication with staff • coordination of staff • motivation of staff <p>Poor employer/employee relationship</p> <p>Benefits: Economies of scale Product development attracting more custom Relieve problems of overcrowding indoors during the summer months May offer a unique selling point</p> <p>Possible responses may include: Expansion into a new area of business is likely to contain an element of risk due to lack of knowledge (L1). In this case, Wendy is considering developing an outdoor play area. This is not dissimilar to her current business activity. Therefore the risk level is limited (L2). As <i>Wendy's House</i> is already in high demand during the summer the new play area is likely to be used and may bring new custom (L3). Therefore, short-term financial costs are likely to be outweighed by long-term financial gain (L4).</p> <p>Any other valid suggestion</p>		

3 (c)	Explain three legal responsibilities which employers such as Tim have for their employees.	AO1-3 AO2-6	[9] (1+2)*3
✓	<p>One mark for responsibility identified plus up to two marks for development (three times)</p> <p>Provision of protective clothing (1) such as gloves for pulling out weeds (1). This would also reduce the dangers of exposure to toxins such as weed killer (1).</p> <p>Provision of training on mechanical equipment (1). This will allow workers to operate machinery safely reducing the chance of injury (1). By doing so Tim is fulfilling his duty of care to his employees (1).</p> <p>Provision of breaks where appropriate (1). This will ensure workers are not tired when operating machinery (1). Thus reducing the risk of a hazard able to cause serious injury (1)</p> <p>Ensure a safe working environment (1)</p> <p>Accident books (1)</p> <p>Any other valid suggestion</p>		
4 (a)	Explain two possible risks for <i>Wendy's House</i> should Wendy not respond to the request for a 'goodwill payout'.	AO1-2 AO2-4	[6] (1+2)*2
✓	<p>The parents take legal action (1). This may lead to additional costs for <i>Wendy's House</i> at a time when finances appear to be relatively tight (1). If the parents win the case for compensation <i>Wendy's House</i> may incur costs higher than £15 000 (1).</p> <p>The parent group may discourage others from visiting <i>Wendy's House</i> (1). As trade is likely to be from a local area this could seriously affect trade at <i>Wendy's House</i> (1).</p> <p>The parents inform the press of the accident (1).</p> <p>Any other valid suggestion</p>		
4 (b)	Outline three types of industrial action the staff of <i>Wendy's House</i> may carry out.	AO1-3 AO2-3	[6] (1+1)*3
✓	<p>One mark for identification of industrial action plus one mark for development (three times)</p> <p>Wendy's staff may take strike action (1). A picket at the entrance of <i>Wendy's House</i> may deter customers (1).</p> <p>Overtime ban (1). Wendy will not have enough staff to supervise the children (1).</p> <p>Work-to-rule or go-slows (1). May affect the quality of service (1).</p> <p>Sit-ins and work-ins (1).</p> <p>Any other valid suggestion</p>		

4 (c)	Evaluate the extent to which improved human resource management would benefit <i>Wendy's House</i> .	AO1-3 AO2-3 AO3-4 AO4-5	[15] Levels
✓	<p>Level 1: [1-3 marks] Candidate identifies benefit(s) relating to staffing changes or workforce planning</p>		
✓+	<p>Level 2: [4-6 marks] Candidate applies knowledge and understanding of benefit(s) relating to staffing changes or workforce planning</p>		
✓An	<p>Level 3: [7-10 marks] Candidate analyses knowledge and understanding of benefit(s) relating to staffing changes or workforce planning</p>		
✓Ev	<p>Level 4: [11-15 marks] Candidate evaluates knowledge and understanding of benefit(s) relating to staffing changes or workforce planning</p> <p>Increasing staffing levels is likely to increase costs for a business (L1) as the outdoor play area is likely to be more popular during the summer months or in good weather (L2). Rather than employ a full time permanent member of staff, Wendy would manage the additional costs to the business better by employing staff on a seasonal basis to staff this area (L3). Although this would increase the business costs this would only be at a time when revenue seems to be high, therefore the cost generated from staffing the outdoor play area is likely to be exceeded by the additional revenue from fully utilising the plot of land upon which the business sits (L4).</p> <p>Any other valid suggestion</p>		

**Applied GCE (Business) (H026/H226/H426/H626)
June 2007 Assessment Series**

Coursework Unit Threshold Marks

Unit		Maximum Mark	a	b	c	d	e	u
F240	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F241	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F244	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F245	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F246	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F247	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F249	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F250	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F251	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F252	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F253	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F254	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0
F255	Raw	50	42	37	32	27	22	0
	UMS	100	80	70	60	50	40	0

Examined Unit Threshold Marks

Unit		Maximum Mark	a	b	c	d	e	u
F242	Raw	100	78	68	59	50	41	0
	UMS	100	80	70	60	50	40	0
F243	Raw	100	79	72	65	58	52	0
	UMS	100	80	70	60	50	40	0
F248	Raw	100	79	70	62	54	46	0
	UMS	100	80	70	60	50	40	0
F256	Raw	100	74	66	58	50	43	0
	UMS	100	80	70	60	50	40	0
F257	Raw	100	76	70	64	58	53	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)

A	B	C	D	E	U
3.5	16.3	37.2	59.7	80.3	100

There were 2449 candidates aggregating in June 2007

Advanced Subsidiary GCE (Double Award) (H226)

AA	AB	BB	BC	CC	CD	DD	DE	EE	U
3.3	6.7	10.6	17.9	28.9	42.7	56.5	71.5	84.4	100

There were 630 candidates aggregating in June 2007

Advanced GCE (H426)

A	B	C	D	E	U
4.3	20	44.9	72	91.2	100

There were 716 candidates aggregating in June 2007

Advanced Subsidiary GCE (Double Award) (H626)

AA	AB	BB	BC	CC	CD	DD	DE	EE	U
1.9	5.6	10.3	21.4	36.4	49.3	62.2	75.6	89.2	100

There were 717 candidates aggregating in June 2007

For a description of how UMS marks are calculated see;
http://www.ocr.org.uk/exam_system/understand_ums.html

Statistics are correct at the time of publication.

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