

Applied Business

Advanced GCE F248

Strategic Decision Making

Mark Scheme for June 2010

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Question	Expected Answer	Mark	Additional Guidance
1 (a)	<p>What is meant by the term ‘stakeholder’? Up to two marks.</p> <p>No context required.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Has an interest in the business/is interested in the business/is affected by the business • Might influence business decisions/may affect the running of the business • Internal and external groups • Examples – employees, customers, suppliers, local communities, owners, investors, government, financial institutions, pressure groups (max 1) <p>NB Allow one mark for an example (do not award multiple examples).</p> <p>Eg A stakeholder is anyone with an interest in a business (1), for example, local residents (1).</p> <p>Eg A stakeholder is someone whose views should be taken into account when a business makes decisions (1) they can be internal or external to the business (1).</p> <p>Eg Shareholders are stakeholders of a company (1) because they are affected by the financial performance of the business (1).</p> <p>Eg Customers, employees and shareholders are all stakeholders of a business (1 max).</p> <p>Eg A stakeholder is someone who has an interest in a business (1) or who is affected by its decisions (rep).</p> <p>Eg A stakeholder is someone who has an interest in a business (1) and may affect the business (rep).</p>	<p>[2] AO1</p>	<p>Accept ‘affected by’ or ‘have an interest in’ but do not award both as this would be repetition.</p> <p>Do not accept ‘have a stake in the business’.</p> <p>Accept ‘may affect business decisions’ but do not accept ‘affects business decisions’ since not all stakeholders can influence business decisions.</p>

Question	Expected Answer	Mark	Additional Guidance
(b)	<p>Identify and explain two issues about which different stakeholder groups at <i>Bevan Ltd</i> are likely to hold conflicting views.</p> <p>One mark for each correct identification of an issue up to a maximum of two identifications, plus up to two further marks for each of two explanations.</p> <p>Explanation must give the stakeholder group and its interest to gain a mark.</p> <p>Possible issues include:</p> <ul style="list-style-type: none"> • price of product • quality • wages • working conditions • pollution • congestion • price of supplies • employees' feelings e.g. overworked, underpaid, undervalued • strategic decisions e.g. expansion • staffing <p>Eg Issue: Wages (1) The workforce will be very concerned about wages and want pay above the minimum wage (1), whereas the owners want to keep wage costs down (1).</p> <p>Eg Issue: Price of product (1) Customers want prices as low as possible to get the best value for their money (1); however, the owners wish to sell at as high a price as possible (1).</p> <p>Eg Issue: Noise pollution (1) The local people might want the factory to operate as quietly as possible (1). The managers, however, want the factory busy (1).</p>	<p>[2] AO1</p> <p>[4] AO2</p>	<p>1st mark - Issue 2nd mark - Stakeholder group 1 and viewpoint 3rd mark - Stakeholder group 2 and viewpoint</p> <p>The issue must be an area on which conflict could arise and not a stakeholder group.</p> <p>If the issue identified is not an issue award 0.</p> <p>For award of an explanation mark the stakeholder group and its viewpoint must be explicitly stated.</p> <p>Conflict described must be between different stakeholder groups.</p>

Question	Expected Answer	Mark	Additional Guidance
(c)	<p>Describe <u>two</u> advantages to a company such as <i>Bevan Ltd</i> of having a mission statement</p> <p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two developments.</p> <p>No context required.</p> <p>Possible responses include:</p> <ul style="list-style-type: none"> • sense of direction • sense of purpose e.g. what business is about • motivation • branding/image • focus • united action • inform stakeholders of business philosophy/culture/intentions/values/priorities • allows/includes/shows aims/objectives • helps to obtain finance • allows targets to be set <p>Eg A mission statement gives a company a sense of direction (1) and helps all stakeholders to work towards a common goal (1).</p> <p>Eg A mission statement projects a brand image to consumers (1) so that they know what the company stands for (1).</p> <p>Eg A mission statement can be used when making strategic decisions (1) to ensure that the options chosen fit with the company's goals (1).</p> <p>Eg A mission statement shows a business's priorities (1) which will encourage like-minded customers to use the business (1).</p>	<p>[4] AO1</p>	<p>Watch out for repetition.</p> <p>To obtain full marks the benefit of having a mission statement (rather than just facts about mission statements) must be given.</p> <p>Do not accept 'professionalism', 'allows business to work out what needs to be done'.</p>

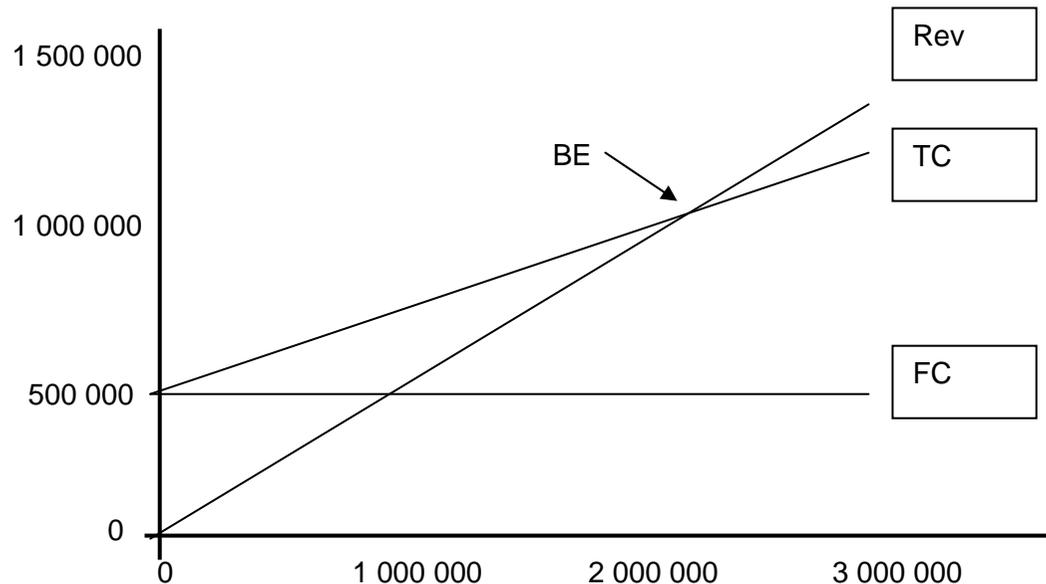
Question	Expected Answer	Mark	Additional Guidance
2 (a)	<p>Calculate the labour turnover rate for <i>Bevan Ltd's</i> production staff in <u>2009</u>. Up to two marks.</p> <p>$\frac{\text{Leavers}}{\text{Number of staff}} \times 100$</p> <p>$\frac{14}{20} \times 100 = 70\%$</p> <p>No workings required. Award full marks for the correct answer (70).</p> <p>Workings should only be marked if the final answer is incorrect. In which case award one mark for the correct formula or correct calculation, if seen.</p> <p>Eg 70 (2)</p> <p>Eg $\frac{14}{20}(1)$</p> <p>Eg $\frac{\text{Leavers}}{\text{Number of staff}} \times 100$ (1)</p>	<p>[1] AO1</p> <p>[1] AO2</p>	Award 1 mark if answer incorrect but 0.7 is seen.

Question	Expected Answer	Mark	Additional Guidance
(b)	<p>Evaluate likely problems which <i>Bevan Ltd</i> could face as a result of high labour turnover amongst its production staff.</p> <p>Level 1: (1-2 marks) Candidate identifies problem(s) of high labour turnover with no context.</p> <p>Level 2: (3-4 marks) Candidate explains the problem(s) which high labour turnover might cause Bevan Ltd.</p> <p>Level 3: (5-6 marks) Candidate analyses the likely problem(s) which Bevan Ltd could face as a result of high labour turnover amongst its production staff.</p> <p>Level 4: (7-8 marks) Candidate evaluates the likely problem(s) which Bevan Ltd could face as a result of high labour turnover amongst its production staff, based on previous analysis.</p> <p>Candidates must show analytical skills at L3 to access L4 marks.</p> <p>Possible responses include:</p> <ul style="list-style-type: none"> • lots of staff leaving • being short of staff • unfulfilled orders • recruitment and training costs • poor image • effects on remaining staff e.g. low morale, absenteeism, overworked • effects on sales/profit/break-even <p>Eg Firms which experience high labour turnover will spend a lot of time recruiting new staff (L1). Bevan Ltd will have to spend a lot of time interviewing for new production staff as 70% is very</p>		<p>Do not accept solely naming the business/product/Jill etc as context. Details taken from the case study must have relevance or be used.</p> <p>To achieve context (L2), candidate must go beyond the working given in the question e.g. use information from case study, current economic climate and social trends.</p> <p>NB – question relates to problems, not causes or solutions.</p> <p>Non-contextual answers max level 1.</p> <p>Do not award benefits as the question only asks about problems.</p> <p>L1 – problems identified but with no context. [1 mark] – 1 problem identified with no context. [2 marks] – 2 or more problems identified with no context.</p> <p>L2 – problems identified with context [3 marks] - 1 problem identified with context [4 marks] - 2 or more problems identified with context.</p> <p>L3 – analysis (consequences) of problem in context [5 marks] – 1 analytical point made. [6 marks] – 2 or more analytical points made</p> <p>L4 – overall judgement as to which is the most serious problem or the severity of the problem overall based on L3 analysis.</p>

Question	Expected Answer	Mark	Additional Guidance
	<p>high (L2). The money that is spent by Bevan Ltd recruiting new production staff will increase costs and lower profits (L3). However, as the production workers are low skilled, recruiting new staff should not be too time consuming and costly for the firm as suitable workers will be numerous (L4).</p> <p>Eg Companies which have lots of staff leaving tend to get a reputation for being poor employers (L1). With such a high labour turnover rate, Bevan Ltd may well get tarred with a poor image (L2). This poor image could lead Bevan Ltd to receive bad publicity in the local press which may affect future sales of BBB 'shake and make' mix (L3). As the company only sells one product, a drop in sales of BBB 'shake and make' mix would have a drastic impact on company profits and may threaten the future viability of the business (L4).</p> <p>Eg The remaining staff at Bevan Ltd will have to cover for the staff who have left (L2) so that output levels can be maintained (L3). This may mean having to pay overtime which will affect profits and may, therefore, affect future dividends and investment (L4).</p>	<p>[2] AO1</p> <p>[2] AO2</p> <p>[2] AO3</p> <p>[2] AO4</p>	<p>L4 can only be awarded if L3 present.</p> <p>[7 marks] - judgement that is based on an argument that applies to Bevan Ltd and many other businesses eg extra costs will affect its ability to expand.</p> <p>[8 marks] - judgement that is based on an argument that applies specifically to Bevan Ltd eg since Jill is particularly bad at human resource management</p>

Question	Expected Answer	Mark	Additional Guidance
(c)	<p>If labour turnover continues to rise, crisis management may be required. What is meant by the term ‘crisis management’?</p> <p>Up to two marks.</p> <p>No context required.</p> <p>Crisis management is a deliberate attempt by an organisation to sort out a problem that threatens the very survival of the organisation. It is a reactive response to a crisis that has actually occurred.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Reactive • Firefighting • Dealing with problems • Help business survive/recover <p>Eg Crisis management aims to sort out a serious problem in an organisation (1) and, therefore, restore order and functionality (1).</p> <p>Eg Crisis management is concerned with ‘firefighting’ (1) in order to save a firm from impending disaster (1).</p> <p>Eg When a major problem crops up crisis management is used to help the business recover (1).</p>	<p>[2] AO1</p>	<p>Do not award answers relating to avoiding or resolving a crisis as these relate to contingency planning eg DNA planning, contingency, backup plan, proactive.</p> <p>Do not award ‘possible crisis’ or ‘unforeseen circumstances’.</p>

Question	Expected Answer	Mark	Additional Guidance
<p>3 (a)</p>	<p>On the grid provided below, draw a break-even graph for Bevan Ltd's current situation. Up to seven marks.</p> <p>1 mark for any horizontal line labelled fixed cost/FC. 1 mark for any upward sloping line which begins at fixed cost level labelled total cost/TC. 1 mark for any upward sloping diagonal line that goes through the origin labelled sales revenue/ revenue/turnover/sales/total revenue/TR/SR. 1 mark for intersection of Rev and TC lines labelled Breakeven/BEP.</p> <p>1 mark for correctly drawn fixed cost line. 1 mark for correctly drawn total cost line. 1 mark for correctly drawn revenue line.</p> <p>See overlay for correct line positions.</p>	<p>[4] AO1 [3] AO2</p>	<p>4 marks for labels – FC, TC, TR, BE 3 marks for lines FC,TC, TR</p> <p>See overlay for lines, this can be turned on and off using the toggle button.</p> <p>Mark the 4 labels first (OFR applies to breakeven label) then turn on the overlay for accuracy of lines.</p> <p>Allow a tolerance of plus or minus one small square on the grid.</p>



Question	Expected Answer	Mark	Additional Guidance
(b) (i)	<p>Calculate: using the formula, the break-even point for <i>Bevan Ltd's</i> current situation. Up to three marks.</p> <p>Formula: Break-even = $\frac{FC}{Price - VC}$ or $\frac{FC}{Contribution\ per\ unit}$</p> <p>Calculation: $\frac{500,000}{0.45 - 0.22}$ or $\frac{500,000}{0.23}$ or $\frac{£500,000}{23p}$</p> <p>Correct answer: 2,173,913 or 2,173,914.</p> <p>No workings required.</p> <p>Award 3 marks for correct answer OR Award 2 marks for correct calculation OR Award 1 mark for formula</p> <p>NB $\frac{500,000}{23}$ is an incorrect calculation</p>	<p>[1] AO1</p> <p>[2] AO2</p>	<p>If candidate has divided 500,000 by 23 (or 45-22) rather than 0.23 award max 1 mark (no further marks for stating formula).</p> <p>If the answer to the above is shown (21739/21740) without workings award max 1 mark for implied use of formula (no further marks for stating formula).</p>

Question	Expected Answer	Mark	Additional Guidance
(b) (ii)	<p>Calculate: the margin of safety if <i>Bevan Ltd</i> sells 3 000 000 containers of <i>BBB 'shake and make' mix</i> this year. Up to three marks.</p> <p>Margin of safety = Operating level – Break-even level</p> <p>3,000,000 - 2,173,913 = 826,087 containers or 3,000,000 – 2,173,914 = 826,086 containers</p> <p>OFR applies – please annotate.</p> <p>No workings required. Award full marks (3) for the correct answer (826,087 or 826,086 or OFR).</p> <p>Workings should only be marked if the final answer is incorrect. In which case award two marks for the correct calculation or one mark for the correct formula, if seen.</p> <p>Eg 826,087 (3)</p> <p>Eg 0.826087 m (3)</p> <p>Eg 3,000,000 – 2173 (BE OFR) = 2997827 (3) OFR</p> <p>Eg 3,000,000 - 2,173,913 (2)</p> <p>Eg Margin of safety = Operating level – Break-even level (1)</p>	<p>[1] [AO1] [2] [AO2]</p>	<p>OFR applies please check Candidate response to 3bi.</p> <p>If 3bi = 21740 OFR MOS = 2978260 (3 mks)</p> <p>If 3bi = 21739 OFR MOS = 2978261 (3 mks)</p>

Question	Expected Answer	Mark	Additional Guidance
(b) (iii)	<p>Calculate: The profit made if <i>Bevan Ltd</i> sells 3 000 000 containers of <i>BBB</i> 'shake and make' mix this year Up to three marks.</p> <p>Either $P = R - C$ Revenue = £1,350,000 (1) Cost = £1,160,000 (1) Profit = £190,000</p> <p>Or using marginal revenue costing MOS x contribution 826,086 (OFR) x £0.23 (2) Profit = £190,000</p> <p>OFR applies to the MOS figure if the contribution method is used.</p> <p>No workings required. Award full marks (3) for the correct answer (190,000)</p> <p>Workings should only be marked if the final answer is incorrect. In which case award up to two marks for the correct calculation or a mark for the correct formula, if seen.</p> <p>Eg 190,000 (3)</p> <p>Eg Revenue (£0.45 x 3,000,000) (1)</p> <p>Eg Revenue (£0.45 x 3,000,000) (1) Cost (£500,000 + (£0.22 x 3,000,000)) (1)</p> <p>Eg MOS x contribution (1)</p>	<p>[1] AO1</p> <p>[2] AO2</p>	OFR only applies to contribution method.

Question	Expected Answer	Mark	Additional Guidance
(c)	<p>Describe <u>two</u> limitations of using break-even analysis as a decision-making tool</p> <p>One mark for each correct identification to a maximum of two identifications, plus a further one mark for each of two descriptions.</p> <p>No context required.</p> <p>Possible responses include:</p> <ul style="list-style-type: none"> • assumes that everything produced is sold • assumes fixed costs remain constant • assumes price is constant • assumes that costs can be accurately forecast • assumes that costs can be split into fixed and variable • appropriate only to a single product line • ignores the changing value of money • quantitative only • ignores changes in economic indicators/external factors • does not take into account time scales <p>Eg Break-even assumes that firms can categorise their costs into fixed and variable (1), in reality many costs are semi-variable (1).</p> <p>Eg Break-even ignores the changing value of money (1). This is not reflected in the analysis, rendering the figures almost useless (1).</p> <p>Eg Break-even assumes that all BBB 'shake and make' mix is sold each year (1). In practice Bevan Ltd will have stocks which carry over from one year to the next (1).</p>	<p>[4] AO1</p>	<p>Do not award more than two limitations as the question only asks for two.</p> <p>Limitation must be specific to break-even analysis rather than applicable to all tools.</p> <p>Do not award 'only as good as the data' as this applies to all decision making tools.</p> <p>Do not award 'useless if data changes' as this applies to all decision making tools.</p> <p>Do not award 'does not account for the unforeseen'.</p> <p>Do not award 'it is only a forecast/estimation'.</p>

Question	Expected Answer	Mark	Additional Guidance
(d)	<p>Jill is currently negotiating for <i>Bevan Ltd</i>'s first contract with a leading supermarket chain. The supermarket chain has offered to purchase 1 000 000 containers of <i>BBB 'shake and make' mix</i>, over the coming year, at a price of 30p per container. Explain whether or not Jill should accept this offer.</p> <p>Level 1: [1-2 marks] Candidate demonstrates knowledge with no context.</p> <p>Level 2: [3-4 marks] Candidate applies knowledge to the case study to give reason(s) for or against <i>Bevan Ltd</i> accepting this special order.</p> <p>Possible issues include:</p> <ul style="list-style-type: none"> • 8p contribution to fixed costs • any contribution better than none? • price too low? • large quantity • guaranteed? • production capacity • gain publicity and brand awareness • may be able to raise price in future • use contract as a lever • other supermarkets may follow suit • gain repeat/future/regular orders • establish new customers <p>Eg Selling price is not the only consideration when a business is deciding whether to accept a contract to supply (L1). Other considerations such as production capacity need to be considered (L1). In the case of <i>Bevan Ltd</i>, 1 000 000 is a large order that will guarantee an annual income of £300 000 (L2); however, if this takes up all the free production capacity at the factory it should reject the offer and look for a better deal elsewhere (L2).</p>		<p>Context = specifics from the case – costs, pancakes, factory, BBB, mix, supermarket, 8p contribution etc.</p> <p>Do not award Jill, or <i>Bevan Ltd</i> as context.</p> <p>Do not accept 'it will take longer to breakeven' as this is an additional order and will contribute a little to fixed cost, therefore allowing the business to breakeven faster.</p>

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	<p>Eg Ideally a business should not accept orders below their normal selling price as this may cause other buyers to demand lower prices (L1).</p> <p>Eg Although contribution to fixed costs will only be 8p a container (L2), the offer is worth taking because once the product is in one major supermarket other supermarkets will surely follow (L2).</p>	<p>[2] AO1 [2] AO2</p>	

Question	Expected Answer	Mark	Additional Guidance
4 (a)	<p>Calculate, showing your workings, the Payback Period for each of the options Up to two marks for each option.</p> <p>Option 1 = £100,000 + £225,000 + £275,000 + £300,000 = 4 years.</p> <p>Option 2 = £30,000 + £60,000 + £70,000 + £90,000 + £100,000 + £50,000/£150,000 = 5 years 4 months or 5.33 years (accept 5 years and 17.3 weeks).</p> <p>No workings required. For each option award full marks for the correct answer: Option 1 = 4 years Option 2 = 5 years 4 months.</p> <p>Workings should only be marked if the final answer is incorrect. In each case award one mark if the correct calculation is seen.</p> <p>Eg Option 1: 4 years (2)</p> <p>Eg Option 1: 100,000 + 225,000 + 275,000 + 300,000 (1)</p> <p>Eg Option 2: 5 1/3 years (2)</p> <p>Eg Option 2: £30,000 + £60,000 + £70,000 + £90,000 + £100,000 + £50,000 (1)</p>	<p>[2] AO1</p> <p>[2] AO2</p>	<p>Option 2 – do not accept 5.3 years but award marks for correct workings if shown.</p> <p>Accept 5 years and 112-124 days, 5 years 17 or 18 weeks.</p>

Question	Expected Answer	Mark	Additional Guidance
(b)	<p>Calculate, showing your workings, the ARR (accounting (average) rate of return) for <u>each</u> of the options. Up to three marks for each option.</p> <p>Option 1 Total cash inflow £2,475,000 Minus cost £900,000 Total NCF = £1,575,000</p> <p>£1,575,000 divided by 7 years = £225,000 per annum (1)</p> <p>$\frac{£225,000}{£900,000} \times 100 = 25\%$</p> <p>Or £1,575,000 divided by £900,000 = 1.75 (1)</p> <p>$\frac{1.75}{7 \text{ years}} \times 100 = 25\%$</p> <p>Option 2 Total cash inflow £750,000 Minus cost £400,000 Total NCF = £350,000</p> <p>£350,000 divided by 7 years = £50,000 per annum (1)</p> <p>$\frac{£50,000}{£400,000} \times 100 = 12.5\%$</p> <p>Or £350,000 divided by £400,000 = 0.875 (1)</p> <p>$\frac{0.875}{7 \text{ years}} \times 100 = 12.5\%$</p> <p>No workings required.</p>		<p>Percentage signs required for full marks.</p> <p>Do not give marks for the percentage sign unless the answer is correct eg 25 or 12.5.</p> <p>Option 1 award 1 mark for 225,000 or 1.75 if seen.</p> <p>Option 2 award 1 mark for 50,000 or 0.875 if seen.</p>

Question	Expected Answer	Mark	Additional Guidance
5*	<p>Evaluate likely <u>staffing</u> issues which might arise if <i>Bevan Ltd's</i> shareholders decide to take Option 2 - Corporate contracts.</p> <p>Level 1 (1 – 2 marks) Candidate demonstrates knowledge of staffing issue(s) with no context.</p> <p>Level 2 (3 - 5 marks) Candidate describes likely staffing issues to Bevan Ltd.</p> <p>Level 3 (6 - 9 marks) Candidate analyses staffing issue(s) which might arise for Bevan Ltd should they decide to take Option 2 – Corporate contracts.</p> <p>Level 4 (10 -14 marks) Candidate evaluates staffing issues which might arise should Bevan Ltd decide to take Option 2 – Corporate contracts.</p> <p>Candidates must show analytical skills at L3 to access L4 marks.</p> <p>Issues include:</p> <ul style="list-style-type: none"> • location of new factory – Transport? Willingness to travel? • automation – Redundancies? Skills gap? Retraining? • workload – Working patterns? Shift-work? Longer hours? • training – Time? Cost? Availability? Employee reaction? • skills – Deskillling? Re-skilling? Training? Wage rates? • attitude of workforce – Inertia? Fear? Enthusiasm? • recruitment – Skilled labour? Machine operatives? Two sales representatives • motivation and morale – Loyalty? Dedication? • increased labour turnover • industrial strife – Workforce not happy? • minimum wage – Wage rise? 		<p>Do not accept solely naming the business/product/Jill etc as context. Details taken from the case study must have relevance or be used.</p> <p>To achieve context (L2), candidate must go beyond the working given in the question e.g. use information from case study, current economic climate and social trends.</p> <p>Non-contextual answers max level 1.</p> <p>L1 – issues identified but with no context. [1 mark] – 1 issue identified with no context. [2 marks] – 2 or more issues identified with no context.</p> <p>L2 – issues identified with context [3 marks] - 1 issue identified with context [4 - 5 marks] - 2 or more issues identified with context.</p> <p>L3 – analysis (consequences) of issues in context [6 marks] – 1 analytical point made. [7 – 9 marks] – 2 or more analytical points made NB – analysis must be from the company's perspective.</p> <p>L4 – overall judgement as to which is the most serious issue, the severity of the problem overall, or a short-run/long-run argument based on L3 analysis.</p> <p>L4 can only be awarded if L3 present.</p> <p>[10 marks] – a weak but valid judgment is made.</p>

Question	Expected Answer	Mark	Additional Guidance
	<ul style="list-style-type: none"> • industrial action – Threatened or actual • low skilled workforce – Easy to recruit? <p>Eg Increasing the scale of production usually means employing more staff (L1). In Bevan Ltd's case the machinery may take the place of extra workers (L2). The current employees may resent these changes and their motivation levels may drop even further leading to increased absenteeism as well as higher labour turnover (L3). However, if Bevan Ltd can handle its staff sensitively, it is possible to get them on side and in the long run to have an even more productive workforce (L4). Given Bevan Ltd's past record of poor personnel management and low morale amongst employees, the chances of achieving this look slim (L4).</p> <p>Eg When a factory is relocated not all employees are willing or able to move with it (L1). In this case the production staff, being low paid workers, are likely to live very close to the current factory and are unlikely to want to move to the new factory as their meagre wages would be spent financing the extended travel (L2). If this is the case, Bevan Ltd will experience even higher labour turnover than normal (L3) which will lead to an even greater need for recruitment and training (L3). That said, this may not be a bad thing as at least Bevan Ltd will be able to select new employees with the appropriate skills for the automated factory (L4) and with hopefully higher commitment levels than the current staff (L4).</p> <p>Eg Having to retrain existing staff to operate the new machinery will cost Bevan Ltd a great deal of time (L3) and money (L3).</p>	<p>[2] AO1</p> <p>[3] AO2</p> <p>[4] A03</p> <p>[5] AO4</p>	<p>[11 - 12 marks] – fully justified but one-sided judgement.</p> <p>[13-14 marks] – fully justified two-sided judgement.</p>

Question	Expected Answer	Mark	Additional Guidance
6 (a)	<p>Identify two factors in the external environment which a company such as <i>Bevan Ltd</i> should take into account when making strategic decisions.</p> <p>One mark for each correct identification to a maximum of two factors.</p> <p>No context required.</p> <p>Possible responses include:</p> <ul style="list-style-type: none"> • economic growth (GDP) • interest rates • availability of credit • exchange rates • inflation • employment levels • tax rules • public spending • legislation • specific social trends eg obesity, green • specific consumer spending habits, eg convenience food, healthy eating, eating out, more environmentally friendly • global warming <p>Eg Interest rates (1)</p> <p>Eg Whether the economy is booming or in recession (1)</p> <p>Eg Increased spending on eating out (1) and convenience food (1)</p>	<p>[2] AO1</p>	<p>Must be external.</p> <p>Do not accept references to external stakeholders e.g. competitors, this question is about the wider business environment.</p> <p>Accept 'the state of the economy' or 'economic climate' but do not award 'economic factors', 'economy decrease' or 'the economy' as these are too vague.</p> <p>Do not accept 'economical' for 'economic' as it has a different meaning.</p> <p>Do not accept 'external environment' as that is in the question.</p> <p>Do not accept 'social trends' unless specified.</p> <p>Do not accept 'changes in consumer spending' unless specified e.g. DNA 'buying patterns likely to change'.</p> <p>Identifications may be found in the same frame.</p>

Question	Expected Answer	Mark	Additional Guidance
(b)	<p>At their meeting the shareholders reject both options and agree to concentrate their efforts on increasing the sales of BBB 'shake and make' mix to shops and supermarkets. Evaluate this decision using both quantitative and qualitative information.</p> <p>Level 1: (1-2 marks) Candidate shows knowledge of strategic decision-making with no reference to Bevan Ltd.</p> <p>Level 2: (3-6 marks) Candidate compares the options or states the advantage(s)/disadvantage(s) of the options (1, 2 or do neither).</p> <p>Level 3a: (7-9 marks) Candidate analyses the options (1,2 or do neither) or the advantage(s)/disadvantage(s) of the options using quantitative or qualitative information.</p> <p>Level 3b: (10-12 marks) Candidate analyses the options (1,2 or do neither) or the advantage(s)/disadvantage(s) of the options using quantitative and qualitative information.</p> <p>Level 4a: (13-16 marks) Candidate draws reasoned and fully justified conclusions on whether Bevan Ltd's shareholders have made the correct decision to reject both options in the light of their quantitative or qualitative analysis.</p> <p>Level 4b: (17-20 marks) Candidate draws reasoned and fully justified conclusions on whether Bevan Ltd's shareholders have made the correct decision to reject both options in the light of their quantitative and qualitative analysis.</p>		<p>Do not accept solely naming the business/product/Jill etc as context. Details taken from the case study must have relevance or be used.</p> <p>To achieve context (L2), candidate must go beyond the working given in the question e.g. use information from case study, current economic climate and social trends.</p> <p>Non-contextual answers max level 1.</p> <p>L1 – non-contextual response [1 mark] – 1 valid point made with no context. [2 marks] – 2 or more valid points made with no context.</p> <p>L2 – comparisons/ advantages/disadvantages/ of options 1, 2 or do neither [3 marks] - 1 valid point with context [4 - 6 marks] - 2 or more valid points made with context.</p> <p>L3a – analysis of comparisons/ advantages/disadvantages in context using quantitative or qualitative information. [7 marks] – 1 analytical point made. [8 – 9 marks] – 2 or more analytical points made using quantitative or qualitative arguments.</p> <p>L3b – analysis of comparisons/ advantages/disadvantages in context using quantitative and qualitative [10 marks] – 2 analytical points made – one from quantitative and one from qualitative argument. [11-12 marks] – 3 or more analytical points made</p>

Question	Expected Answer	Mark	Additional Guidance
	<p>Issues include:</p> <ul style="list-style-type: none"> • sufficiency of current orders • possible new contracts with supermarkets • current staffing problems • high labour turnover • workforce loyalty/motivation • human resource management • readiness/timing • degree of risk • likelihood of success • cost • financing the options • profitability/return on investment • break-even • payback period • average rate of return • market positioning • competitive advantage • security of contracts • impact on business image • company aims/mission statement • stakeholder conflict • impact on workforce • degree of control • ability to secure contracts • wider business environment • social trends – greater emphasis on healthy eating • trends in consumer buying habits – eating out, convenience food • practical and operational matters <p>Cost: Opt 1 £900,000 Opt 2 £400000 Payback period Opt 1 4 years Opt 2 5 years 4 months ARR Opt 1 25% Opt 2 12.5%</p>		<p>using both quantitative and qualitative argument.</p> <p>L4a – overall judgement on the decision made by the shareholders to reject both options based on L3 analysis (quantitative or qualitative). [13 marks] – a decision with weak, but valid, justification is made. [14 - 16 marks] – a decision is made backed by a fully justified argument based on qualitative or quantitative analysis</p> <p>L4b – overall judgement on the decision made by the shareholders to reject both options based on L3 analysis (quantitative and qualitative). [17 marks] – a decision is made with valid justification based on qualitative and quantitative analysis. [18 – 20 marks] - a decision is made backed by a fully justified argument based on qualitative and quantitative analysis.</p> <p>Award towards top of mark band to candidates who use arguments that apply specifically to Bevan Ltd rather than to most businesses.</p> <p>L4 can only be awarded if L3 present.</p>

Question	Expected Answer	Mark	Additional Guidance
	<p>Breakeven Do neither 2.173913 million containers pa Fixed costs Do neither £500,000 pa Contribution 23p per container</p> <p>Eg Strategic decisions affect the entire organisation (L1). Option 2 is expected to cost £400,000 (L2), a lot lower than Option 1 but still high enough to use up virtually all of the company's reserves (L3 quants). Ansoff's Matrix also shows Option 2 to be less risky than Option 1 as it is supplying the same product to a new market rather than a new product to a new market (L3 qual). Although Option 2 appears better than Option 1 the shareholders were right not to take either option as at the moment there are too many staffing issues which need sorting out and human resource management is hardly Jill's strong point (L4 qual). Furthermore with a break-even point of just over 2.17 million containers they would be better off concentrating on getting more large supermarket orders to ensure future profitability (L4 quants).</p> <p>Eg The pancake parlour option is estimated to cost £900,000 (L2), this is very high but the payback period is short at 4 years (L3 quants) and the average rate of return is double that of Option 2 (L3 quants). Managing a chain of pancake parlours is totally different to managing a factory and Jill may not have the skills for this (L3 qual). However, 25% return is too much to turn down and Bevan Ltd's shareholders are wrong to reject the option (L4 quants), if necessary they can employ a specialist manager to ensure the smooth running of the pancake parlour chain (L4qual). In the short run this appointment will add slightly to expenses but in the long run should reap dividends as success would be more likely (L4).</p>	<p>[2] AO1 [4] AO2 [6] AO3 [8] AO4</p>	

Question	Expected Answer	Mark	Additional Guidance
7	<p>Other than <u>place</u>, describe <u>three</u> elements of the marketing mix which <i>Bevan Ltd</i> might use to increase the sales of <i>BBB 'shake and make' mix</i> in shops and supermarkets.</p> <p>One mark for each correct identification to a maximum of three elements, plus a further one mark for each of three developments.</p> <p>Development must be in context.</p> <p>Possible responses include:</p> <ul style="list-style-type: none"> • Product – convenience 'shake and make', health benefits, quality, new flavour • Price – penetration, skimming, cost plus • Promotion – TV, radio, billboard, posters, point of sale, vouchers, 2 for 1, leaflets, direct mail, try for free • Packaging - labelling • Image – delicious, healthy, easy, fun, convenient? <p>Eg A suitable price needs to be set (1). As Bevan Ltd is trying to secure contracts with major supermarkets it may have to accept low prices, at least initially (1).</p> <p>Eg The pancake mix should be promoted (1), possibly on billboards up and down the country if it can afford it so that lots more people hear about the product (0 – no context).</p> <p>Eg All advertising should have bright colours (1) to show how fun and exciting this product is (0 - no context).</p> <p>Eg The packaging of the product (1) should stress the healthy nature of these pancakes to encourage sales (1).</p>	<p>[3] AO1</p> <p>[3] AO2</p>	<p>The description must relate to increase shop sales (not sales in other locations) pancake mix sales (not readymade pancakes) as per the question.</p> <p>Development must apply specifically to Bevan Ltd selling pancake mix.</p> <p>Developments must match the element identified.</p> <p>Do not award place.</p>

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