

Applied Business

Advanced Subsidiary GCE

Unit **F242**: Understanding the Business Environment

Mark Scheme for January 2011

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	Tick
	Cross
	Benefit of doubt
	Unclear
	Repeat
	Level 1
	Level 2
	Level 3
	Level 4
	Own figure rule
	Accepted as context
	Not answering question
	Candidate's response seen

Question	Expected Answer	AO	Mark	Additional Guidance																																																																																															
1 (a)	<p>Using the information provided in the box below, complete the un-shaded boxes of the cash-flow forecast for Food 4 Thought Ltd (F4T).</p> <p><i>One mark for each answer.</i></p> <p>All figures in £</p> <table border="1"> <thead> <tr> <th></th> <th>January</th> <th>February</th> <th>March</th> <th>April</th> </tr> </thead> <tbody> <tr> <td>Cash Inflow</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales Revenue</td> <td>(1) 15 000</td> <td>15900</td> <td>15990</td> <td>21000</td> </tr> <tr> <td>Total Cash Inflow</td> <td></td> <td>15900</td> <td>15990</td> <td>21000</td> </tr> <tr> <td>Cash Outflow</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Mortgage repayments</td> <td>1 500</td> <td>1 500</td> <td>1 500</td> <td>1 500</td> </tr> <tr> <td>Building costs</td> <td>30 000</td> <td>10000</td> <td>10000</td> <td>5 150</td> </tr> <tr> <td>Website development</td> <td>1 500</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>Computer hardware/software</td> <td>0</td> <td>0</td> <td>2 500</td> <td>0</td> </tr> <tr> <td>Tills</td> <td>0</td> <td>0</td> <td>0</td> <td>150</td> </tr> <tr> <td>Stock</td> <td>5 000</td> <td>5 300</td> <td>(1) 5 330</td> <td>7 000</td> </tr> <tr> <td>Wages</td> <td>1100</td> <td>1 100</td> <td>1 100</td> <td>3 400</td> </tr> <tr> <td>Salaries</td> <td>2 000</td> <td>2 000</td> <td>2 000</td> <td>2 000</td> </tr> <tr> <td>Insurance</td> <td>400</td> <td>400</td> <td>400</td> <td>800</td> </tr> <tr> <td>Overheads</td> <td>800</td> <td>800</td> <td>800</td> <td>1 500</td> </tr> <tr> <td>Total Cash Outflow</td> <td>42 300</td> <td>21 100</td> <td>23 630</td> <td>(1) 21 500</td> </tr> <tr> <td>Net Cash-Flow</td> <td>-27 300</td> <td>-5 200</td> <td>(1) -7 640</td> <td>-500</td> </tr> <tr> <td>Opening Balance</td> <td>10000</td> <td>(1) -17 300</td> <td>-22 500</td> <td>-30140</td> </tr> <tr> <td>Closing Balance</td> <td>(1) -17 300</td> <td>-22 500</td> <td>-30140</td> <td>(1) -30640</td> </tr> </tbody> </table>		January	February	March	April	Cash Inflow					Sales Revenue	(1) 15 000	15900	15990	21000	Total Cash Inflow		15900	15990	21000	Cash Outflow					Mortgage repayments	1 500	1 500	1 500	1 500	Building costs	30 000	10000	10000	5 150	Website development	1 500	0	0	0	Computer hardware/software	0	0	2 500	0	Tills	0	0	0	150	Stock	5 000	5 300	(1) 5 330	7 000	Wages	1100	1 100	1 100	3 400	Salaries	2 000	2 000	2 000	2 000	Insurance	400	400	400	800	Overheads	800	800	800	1 500	Total Cash Outflow	42 300	21 100	23 630	(1) 21 500	Net Cash-Flow	-27 300	-5 200	(1) -7 640	-500	Opening Balance	10000	(1) -17 300	-22 500	-30140	Closing Balance	(1) -17 300	-22 500	-30140	(1) -30640	AO1 4 AO2 3	7	<p>Acceptable annotation is ✓</p> <p>1 mark for each correct answer.</p> <p>OFR applies to Jan. closing balance, Feb opening balance, April closing balance</p>
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Question	Expected Answer	AO	Mark	Additional Guidance
1 (b)	<p>Evaluate the sources of finance Jeremy could use to raise the additional funds needed for the expansion of F4T.</p> <p><i>Use level of response criteria.</i></p> <p>Level 1 (1–3 marks) Candidate states ways of raising funds.</p> <p>Level 2 (4–6 marks) Candidate explains advantage(s) and/or disadvantage(s) of ways of raising funds. .</p> <p>Level 3 (7–9 marks) Candidate analyses advantage(s) and/or disadvantage(s) of ways of raising funds.</p> <p>Level 4 (10–12 marks) Candidate recommends the most suitable source(s) of funds using previous analysis with context.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Retained profit • Mortgage • Bank loan • Friends and family • Sell shares • Venture capitalist • Leasing • Hire Purchase • Sale of assets • Government grants 	AO1 3 AO2 3 AO3 3 AO4 3	12	<p>Acceptable annotation is</p> <p>AO1 L1 AO2 L2 AO3 L3 AO4 L4</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>L1: [1–3 marks] [1 mark] candidate states one source. [2–3 marks] candidate states more than one source.</p> <p>Accept sponsors</p> <p>L2: [4–6 marks] [4 marks] candidate explains advantage(s) and/or disadvantage(s) of one source of finance in generic context. [5–6 marks] candidate explains advantage(s) and/or disadvantage(s) of more than one source of finance in generic context.</p> <p>L3: [7–9 marks] [7 marks] candidate analyses advantage(s) and/or disadvantage(s) of one source of finance in generic or specific context. [8–9 marks] candidate analyses advantage(s) and/or disadvantage(s) of more than one source of finance in generic or specific context.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
1 (b) Cont.	<p>Exemplar responses:</p> <p>A business can get a bank loan to avoid running out of cash (L1). There is retained profit in F4T which Jeremy can use or he can get a bank loan to pay for the building costs (L2). The advantage of using retained profit is that there is no interest to pay and therefore reduces the cost to the business (L3). However, Jeremy might not have such a lump sum in retained profit so he would have to get a bank loan in order to avoid negative cash-flow. A combination of these two methods is recommended to keep costs at a minimum while making sure that there is enough to cover the costs of expansion (L4).</p> <p>Jeremy could opt for long-term sources eg bank loans and mortgages (L1). However, in the current economic climate, these sources are hard to come by (L2). Even though there is interest to pay, with the current interest rates at an all-time low (L2) bank loans are a cheap way of raising funds.(L3)</p>			<p>L4: [10–12 marks] [10 marks] candidate recommends the source(s) most suitable for F4T, having compared with other source(s), with weak justification in specific context. [11–12 marks] candidate recommends the source(s) most suitable for F4T, having compared with other source(s), with full justification in specific context.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
2 (a)	<p>State two types of budgeting. For each type of budgeting, state one advantage and one disadvantage.</p> <p><i>One mark for each identification up to a maximum of two identifications, plus one mark for each advantage up to a maximum of two advantages and one mark for each disadvantage identified, up to a maximum of two disadvantages.</i></p> <p>Historic budgeting (1) Advantages: Easy to construct because it is based on past performance (1). Likely to be more realistic and attainable because it is based on figures from previous years (1). Disadvantages: Unexpected events would render it unachievable (1) eg a sharp rise in interest rates (1). Assumes that there are no major changes from one year to another (1).</p> <p>Zero-based budgeting (1) Advantages: As it is based on needs and benefits allocation of resources tends to be more efficient (1). Drives managers to find cost effective ways to improve operations (1). Useful for service departments where the output is difficult to identify (1). Increases staff motivation by providing greater initiative and responsibility in decision-making (1). Increases communication and coordination within the organisation (1). Forces cost centres to identify their mission and their relationship to overall goals (1) Disadvantages: It is time-consuming because decision makers are forced to justify every detail related to expenditure (1). Honesty of the managers must be reliable and uniform (1).</p>	AO1	6	<p>Acceptable annotation is √</p> <p>Do NOT award marks for 'easy to construct', 'more realistic and reliable', 'time-consuming' without explanation.</p> <p>Award marks for advantages and disadvantages of each type of budgeting, no marks for definitions.</p> <p>Accept also</p> <ul style="list-style-type: none"> • Top down • Bottom up <p>Do not award 'loose', 'strict', 'tight' budgets</p>

Question	Expected Answer	AO	Mark	Additional Guidance
2 (a) Cont.	<p>Incremental budgeting (1)</p> <p>Advantages: The budget is stable and change is gradual (1). Managers can operate their departments on a consistent basis (1). The system is relatively simple to operate and easy to understand (1). Co-ordination between budgets is easier to achieve (1). The impact of change can be seen quickly (1).</p> <p>Disadvantages: Assumes activities and methods of working will continue in the same way (1). No incentive for developing new ideas (1). No incentives to reduce costs (1). Encourages spending up to the budget so that the budget is maintained next year (1). The budget may become out of date and no longer relate to the level of activity or type of work being carried out (1). The priority for resources may have changed since the budgets were set originally (1).</p>			

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2 (b)	<p>The budgeted figure below is extracted from the cast-flow forecast in Question 1(a). Complete the un-shaded boxes within the table below.</p> <p><i>One mark for each correct answer.</i></p> <table border="1"> <thead> <tr> <th>Item</th> <th>Budget</th> <th>Actual</th> <th colspan="2">Variance (£) (%)</th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="6">Cash Inflow</td> </tr> <tr> <td>Sales (April 2011)</td> <td>21000</td> <td>17850</td> <td>(1) 3150</td> <td>(1) 15</td> <td>Adverse (1)</td> </tr> <tr> <td colspan="6">Cash Outflow</td> </tr> <tr> <td>Website development (January 2011)</td> <td>1500</td> <td>2000</td> <td>(1) 500</td> <td>(1) 33.3 Or 33</td> <td>Adverse (1)</td> </tr> <tr> <td>Computer hardware/software (March 2011)</td> <td>2500</td> <td>(1) 2375</td> <td>(1) 125</td> <td>5</td> <td>Favourable</td> </tr> <tr> <td>Mortgage repayment (monthly)</td> <td>1500</td> <td>(1) 1560</td> <td>(1) 60</td> <td>4</td> <td>Adverse</td> </tr> </tbody> </table>	Item	Budget	Actual	Variance (£) (%)			Cash Inflow						Sales (April 2011)	21000	17850	(1) 3150	(1) 15	Adverse (1)	Cash Outflow						Website development (January 2011)	1500	2000	(1) 500	(1) 33.3 Or 33	Adverse (1)	Computer hardware/software (March 2011)	2500	(1) 2375	(1) 125	5	Favourable	Mortgage repayment (monthly)	1500	(1) 1560	(1) 60	4	Adverse	AO1 5 AO2 5	10	<p>Acceptable annotation is ✓</p> <p>Ignore signs or brackets for variance in £.</p> <p>No OFR</p>
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2 (c)	<p>Identify one possible reason for an increase in F4T's mortgage repayment. Explain the likely impact it may have on Jeremy's expansion plan.</p> <p><i>One mark for correct reason identified up to a maximum of one mark plus up to two marks for impact on F4T.</i></p> <p>Responses include: Bank of England increases interest rate (1) Interest rate (1) The amount of mortgage has increased (1) Jeremy has decided to increase his repayment (1)</p> <p>Impacts include: Jeremy will find it more difficult to maintain a positive cash-flow (1) He might have to cut down on other expenses (1). Jeremy might have to increase his prices to cover the higher cost (1). As the cost of borrowing increases the expansion plan becomes more expensive to implement (2). Jeremy might have to compromise on the materials used for the extension as he has less money to spend (2).</p>	AO1 1 AO2 2	1 2	<p>Acceptable annotation is ✓</p> <p>Award two marks for impact if it is specific to F4T's expansion plan, otherwise one mark.</p> <p>If reason incorrect then impact cannot be correct.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (a)	<p>Other than providing an online shopping service, identify three other examples of business activities which Jeremy could computerise in the running of F4T.</p> <p><i>One mark for each example.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • Stock control • (Employee) database, payroll • (Supplier) database • (Customer) database • Ordering supplies • Banking • Advertise, website • EPOS/FPOS • Email, skype, social networking website • Questionnaire, research • Self service checkouts • Job application • Accounts • Forecasting • Budgeting • Security/alarm systems 	AO2	3	<p>Acceptable annotation is ✓</p> <p>No marks for 'provide online shopping' or 'e-commerce' because it is in the question</p> <p>Allow different answers from same category eg Profit and Loss a/c and Balance Sheet – 1 mark each</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (b)	<p>According to Jeremy's calculations, the monthly costs of running an online shopping service are as follows:</p> <p>Running/maintenance of website £500 Premises £200 Wages £2000 Overheads £80 Average sales revenue per transaction £60 The cost of sales is one third of sales revenue. Calculate the number of transactions F4T needs to break-even each month.</p> <p><i>Up to four marks for calculation.</i></p> <p>Break-even = FC/SP-VC (1) or FC/Unit contribution (1) FC = 500 + 200 + 2000 + 80 (1) or £2780 (1) VC = 60/3 (1) or £20 (1) BE = 2780/60-20 (1) = 70 (1)</p>	AO1 2 AO2 2	4	<p>Award full marks for correct answer if no workings are shown.</p> <p>Award 3 marks for 69.5</p> <p>Acceptable annotation is \checkmark</p>
3 (c)	<p>Calculate the break-even sales revenue.</p> <p><i>Up to 2 marks for calculation.</i></p> <p>70 x £60 (1) = £4200 (1) 69.5 x £60 (1) = £4170 (1)</p> <p>Common OFR £60 x 139 (1) = £8340 (1)</p>	AO1 1 AO2 1	2	<p>Make sure break-even figure is taken from 3b.</p> <p>Acceptable annotation is \checkmark</p> <p>OFR applies to final answer. BE(OFR) x £60 (2) Common OFR £60 x 139 (1) = £8340 (1)</p> <p>If the dotted line has been used this is the final answer you must take</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (d)	<p>Use your results from the break-even analyses carried out in parts (b) and (c), recommend whether or not F4T should provide an online shopping service. Justify your answer.</p> <p><i>Use level of response criteria.</i></p> <p>Level 1 (1–3 marks) Candidate describes break-even analysis and/or provision of online shopping service with no context.</p> <p>Level 2 (4–6 marks) Candidate describes advantages/disadvantages of providing online shopping service with context.</p> <p>Level 3 (7–9 marks) Candidate analyses implications of providing online shopping with context.</p> <p>Level 4 (10–12 marks) Candidate recommends whether F4T should provide online shopping with justification.</p> <p>Indicative content: Advantages – raise awareness of F4T broaden customer base enhance F4T’s reputation makes F4T more competitive Disadvantages – training costs costs of hardware/software, delivery van, etc competitors could copy sales strategies easily</p>	AO1 3 AO2 3 AO3 3 AO4 4	12	<p>Acceptable annotation is</p> <p>AO1 L1 AO2 L2 AO3 L3 AO4 L4</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>Accept OFR break-even figure.</p> <p>L1: [1–3 marks] [1 mark] candidate describes BE or provision of online shopping with no context. [2–3 marks] candidate describes the BE and providing online shopping with no context.</p> <p>L2: [4–6 marks] [4 marks] candidate describes advantage(s) and/or disadvantage(s) of providing online shopping with context, without Break Even [5–6 marks] candidate describes advantage(s) and/or disadvantage(s) of providing online shopping with context, using Break Even from (b) and (c)</p> <p>L3: [7–9 marks] [7 marks] candidate analyses implications of providing online shopping with context, without Break Even [8–9 marks] candidate analyses the implications of providing online shopping with context, using Break Even from (b) and (c)</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (d) Cont.	<p>Exemplar responses:</p> <p>A business can use BE to decide whether it is worthwhile to take up a venture (L1). Jeremy's BE shows that he only needs 69.5/70 transaction a month to break-even. This is a very reasonable figure which will bring in an additional £4170/£4200 a month (L2). This will lead to an increase in sales revenue and therefore profits (L3). However, Jeremy will need to invest in ICT (L2) which will increase the capital he needs to find for the expansion (L3). In the long run, online shopping should be provided as this is a rapidly growing market. It allows Jeremy to expand his customer base and therefore, market share (L4).</p>			<p>L4: [10-12 marks] [10 marks] - candidate recommends whether F4T should provide online shopping without Break Even, with weak justification. [11-12 marks] - candidate recommends whether F4T should provide online shopping using Break Even from (b) and (c) with full justification.</p> <p>Note: F4T could receive orders from around the world is not acceptable as it is not realistic. By providing online shopping will allow F4T to compete with the big four is not realistic either unless correctly qualified.</p> <p>Reward advantages/disadvantages to the business only – not to the customer eg 'will be more convenient'</p>

Question	Expected Answer	AO	Mark	Additional Guidance
4 (a)	<p>Identify three possible disadvantages of becoming a franchisee.</p> <p><i>One mark for each correct identification up to a maximum of three marks.</i></p> <p>Response include:</p> <ul style="list-style-type: none"> • restrictions from franchisor • cost of buying and running a franchise • cannot have full control • affected by franchisor's reputation • pay continual royalties • don't keep all the revenue/profit • geographical expansion is controlled by franchisor 	AO1	3	<p>Candidate does not have to answer with context.</p> <p>Acceptable annotation is ✓</p> <p>Do NOT accept 'unable to control business'.</p> <p>Do NOT accept 'high start-up costs' without explanation.</p> <p>Accept 'high start up fee'.</p>
4 (b)	<p>Identify three possible advantages of becoming a franchisor.</p> <p><i>One mark for each correct identification up to a maximum of three marks.</i></p> <p>Response include:</p> <ul style="list-style-type: none"> • can expand • increase reputation of business • increase profitability of business • increase market share • you are being paid money for your idea • you get a share of the franchisee's profits 	AO1	3	<p>Candidate does not have to answer with context.</p> <p>Acceptable annotation is ✓</p> <p>Watch out for answers which refer to advantages to franchisee not franchisor</p>

Question	Expected Answer	AO	Mark	Additional Guidance
4 (c)	<p>Analyse the benefits and drawbacks to Jeremy of floating <i>F4T</i> on the Stock Exchange.</p> <p><i>Use level of response criteria.</i></p> <p>Level 1 (1–3 marks) Candidate describes ownership – Ltd and/or Plc</p> <p>Level 2 (4–6 marks) Candidate explains advantage(s) and/or disadvantage(s) of being a plc.</p> <p>Level 3 (7–9 marks) Candidate analyses advantage(s) and/or disadvantage(s) of being a plc.</p> <p>Indicative content: Advantages – sell shares on the Stock Exchange enjoy economies of scale can raise huge amount of capital enhance reputation able to expand quickly disadvantages – costs more to set up and run more red tape and regulations to deal with lose control has to publish accounts</p> <p>Exemplar response: A public limited company can sell shares on the Stock Exchange to raise capital (L1). Raising funds for expansion this way is good for Jeremy as he can potentially raise a big sum of money (L2). This will enable him to expand <i>F4T</i> rapidly (L3). However, a plc costs more to run and set up and this will affect the profitability of the business (L3). However, they will be able to achieve economies of scale as well as access to more external funds (L3).</p>	AO1 3 AO2 3 AO3 3	9	<p>Acceptable annotation is</p> <p>AO1 L1 AO2 L2 AO3 L3</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>L1: [1–3 marks] [1 -3 marks] candidate gives statements about a plc and/or ltd</p> <p>L2: [4–6 marks] [4 marks] candidate describes advantage(s) or disadvantage(s) of being a plc . [5–6 marks] candidate describes advantage(s) and disadvantage(s) of being a plc.</p> <p>L3: [7–9 marks] [7 marks] candidate analyses advantage(s) or disadvantage(s) of being a plc. [8–9 marks] candidate analyses advantage(s) and disadvantage(s) of being a plc.</p>

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4 (c) Cont.				Do NOT award for 'more income' or 'more profit' as a result of selling shares – must say 'more capital/funds/finance' Do NOT award for 'shareholders bring more ideas' as this is not the case in a Plc.

Question	Expected Answer	AO	Mark	Additional Guidance
5 (a)	<p>State two external stakeholder groups with an interest in <i>F4T</i>.</p> <p><i>One mark for each identification of stakeholder group up to a maximum of two marks.</i></p> <p>Response include:</p> <ul style="list-style-type: none"> • government/revenue and customs/tax office(1) • Local government/council/parish council (1) • customers (1) • competitors (1) • local community (1) • suppliers (1) • environmentalists/pressure groups (1) • bank (1) • investors (1) • trade unions (1) 	AO1	2	<p>Acceptable annotation is ✓</p> <p>Accept any generic external stakeholder groups.</p> <p>Do NOT accept 'community' on its own Do NOT accept external factors.</p>
5 (b)	<p>For each of the stakeholder group identified in part (a), explain one way in which each group could influence Jeremy's expansion plan for <i>F4T</i>.</p> <p><i>Up to 2 marks for each explanation.</i></p> <ul style="list-style-type: none"> • government may not grant planning permission (1) won't be able to build the annex (1) • customers may shop elsewhere (1) as they fear higher prices or lack of personal service (1) • competitors may lower their prices (1) affect sales/no. of customers (1) • local community may object to the implications of a bigger business (1) might obstruct/delay planning permission. • Suppliers may offer better deals (1) which could encourage Jeremy to expand (1) 	AO2	4	<p>Acceptable annotation is ✓</p> <p>Do NOT reward stakeholder interest, must be influence</p> <p>Look for explanation of how the influence would affect <i>F4T</i></p> <p>Award two marks for influence if it is specific to <i>F4T</i>'s expansion plan, otherwise one mark.</p> <p>Influence explained must match stakeholder groups identified in part (a).</p> <p>If stakeholder stated in (a) is incorrect eg employees you can still reward influence in (b) if it is correct.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
6 (a)	<p>What do the initials in the term PEST analysis stand for?</p> <p><i>One mark for each correct identification up to a maximum of four marks.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none">• Political or politics (1)• Economic (1)• Social (1)• Technological or technology (1).	AO1	4	<p>Acceptable annotation is ✓</p> <p>Do not accept economical. Do not accept technical</p>

Question	Expected Answer	AO	Mark	Additional Guidance
6 (b)	<p>Using a SWOT analysis, evaluate Jeremy's decision to expand F4T.</p> <p><i>Use level of response criteria.</i></p> <p>Level 1 (1–3 marks) Candidate describes SWOT with no context.</p> <p>Level 2 (4–6 marks) Candidate carries out a SWOT analysis on F4T's existing business or F4T's expansion plans</p> <p>Level 3 (7–9 marks) Candidate analyses SWOT in context of expansion</p> <p>Level 4 (10–12 marks) Candidate evaluates the decision to expand</p> <p>Indicative content: Strengths (must be internal) – sales increasing, sells fresh/organic/ethical foods, low overheads, competitive prices, expanding customer base, limited liability.</p> <p>Weaknesses (must be internal) – small premises, limited funds for expansion, lack of ICT skills.</p> <p>Opportunities (must be external) – demand for organic/ethical foods increasing, low interest rates</p> <p>Threats (must be external) – economic downturn, planning permission not granted, local community object to expansion.</p>	AO1 AO2 AO3 AO4	12	<p>Acceptable annotation is</p> <p>AO1 L1 AO2 L2 AO3 L3 AO4 L4</p> <p>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</p> <p>L1: [1–3 marks] [1 mark] candidate identifies the elements of SWOT with no context [2–3 marks] candidate describes SWOT with no context.</p> <p>L2: [4–6 marks] [4 marks] candidate carries out one element of SWOT analysis on F4T's existing business or F4T's expansion plans [5–6 marks] candidate carries out two or more elements of SWOT analysis on F4T's existing business or F4T's expansion plans</p> <p>L3: [7–9 marks] [7 marks] candidate analyses one element of SWOT, in context of Jeremy's decision to expand (advantages and/or disadvantages) [8–9 marks] candidate analyses two or more elements of SWOT in context of Jeremy's decision to expand (advantages and/or disadvantages)</p> <p>L4: [10–12 marks] [10 marks] candidate evaluates expansion with context, with weak justification [11–12 marks] candidate evaluates expansion with context, with full justification</p>

Question	Expected Answer	AO	Mark	Additional Guidance
6 (b) Cont.	<p>Exemplar response: A SWOT analysis examines the internal/external environment a business operates in (L1). One of F4T's strengths is the organic food (L2). One of Jeremy's weaknesses is his lack of ICT skills (L2). F4T will incur training costs to improve his ICT skills (L3). As there is a growing demand for organic food, the expansion will bring in more sales revenue (L3). Overall, it is a good idea for Jeremy to expand because of the increasing concern about global warming and a general change towards how we source our food (L4).</p>			<p>No SWOT, no marks</p> <p>For 6 marks all elements of SWOT must be correct eg opportunities and threats must be external (things they have no control over) and not internal decisions.</p> <p>Do not accept statements such as 'expansion <u>will/would</u> increase customers/revenue' as this is not guaranteed but accept could/might etc</p>

Question	Expected Answer	AO	Mark	Additional Guidance
7 (a)	<p>Give one difference between laws and ethics?</p> <p><i>Up to one mark for stating the difference.</i></p> <p>Laws are legal requirements while ethics are moral obligations.</p>	AO1	1	<p>Acceptable annotation is ✓</p> <p>Candidate does not have to mention both ethics and law to get the mark.</p> <p>Do NOT accept 'rules' on its own – must say 'rules which must be obeyed'</p>
7 (b)	<p>Give one example of how Jeremy could ensure that F4T meets its legal obligations.</p> <p><i>Up to one mark for description.</i></p> <p>Responses include:</p> <ul style="list-style-type: none"> • Make sure food on sale is described accurately. • Make sure products on sale are fit for purpose. • Pay at least minimum wage. • Make sure he has correct planning permission • Use a solicitor or legal adviser 	AO2	1	<p>Acceptable annotation is ✓</p> <p>Examples must be specific – eg 'having good knowledge', 'keeping up to date with legislation' are too vague</p>

Question	Expected Answer	AO	Mark	Additional Guidance
7 (c)	<p>Identify and explain one benefit to <i>F4T</i> of acting in an ethical manner.</p> <p><i>One mark for identification up to a maximum of one identification plus a further one mark for development.</i></p> <p>Response include:</p> <p>It will enhance the image of the business (1). This will bring in more customers and increase sales (1).</p> <p>This gives the business the competitive edge (1) which is vital in the retail industry for attracting and retaining customers (1).</p> <p>The business will be able to fulfil the changing customer need for ethical food (1) which is likely to improve sales and customer numbers (1).</p> <p>Workforce will be more motivated (1) so productivity will be higher (1)</p>	AO1 1 AO2 1	2	<p>Acceptable annotation is ✓</p> <p>Accept any development eg an explanation of why the benefit has occurred or the knock on effect of the benefit.</p>

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