

Applied Business

Advanced GCE

Unit **F248**: Strategic Decision Making

Mark Scheme for June 2011

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

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

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

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

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

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

© OCR 2011

Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

General advice to Assistant Examiners on the procedure to be used

YOU WILL BE REQUIRED TO MARK PRACTICE AND STANDARDISATION SCRIPTS BEFORE STARTING TO MARK LIVE SCRIPTS.

- 1 The schedule of dates for the marking of this paper is very important. It is vital that you meet these requirements. If you experience problems then you must contact your Team Leader (Supervisor) without delay.
- 2 An element of professional judgement is required in the marking of any written paper. Candidates often do not use the exact words which appear in the detailed sheets which follow. If you are in doubt about the validity of any answer then consult your Team Leader (Supervisor) by phone, the messaging system within scoris, or e-mail.
- 3 Correct answers to calculations always gain full credit, even if no working is shown (The "Show your working" instruction is to help candidates, who may then gain credit even if their final answer is not correct.)
- 4 Some questions may have a 'Level of Response' mark scheme. Any details about these will be in the Additional Guidance.
- 5 **Crossed out answers**
 - (i) Where a candidate crosses out an answer and provides an alternative response the crossed out response should not be marked and gains no marks.
 - (ii) Where a candidate crosses out an answer to a whole question, but makes no second attempt, you should attempt to mark the crossed out response and award marks appropriately.
- 6 **Duplicated answers**
 - (i) normally all responses are marked and the highest mark given
 - (ii) where the candidate provides contradictory responses, no mark should be awarded (for example: the candidate writes a statement such as 'water freezes at 0oC this means it is a liquid at -10oC'). The candidate, here, does not seem to understand the context of the 'question'
 - (iii) where the candidate has providing multiple answers to a single response question, no mark should be awarded.
- 7 In addition to the award of 0 marks there is a NR (No Response) option in scoris.














Award 0 marks

- if there is any attempt that earns no credit (including copying out the question or some crossed out working)

Award NR (No Response)

- if there is nothing written at all in the answer space
- OR
- if there is any comment which does not in any way relate to the question being asked (e.g. 'can't do', 'don't know')
- OR
- if there is any sort of mark which is not an attempt at the question (E.g. a dash, a question mark).

- 8 Abbreviations, annotations and conventions that are used in this Mark Scheme vary from paper to paper. The following annotations are available for this paper.

	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

Highlighting is also available to highlight any particular points on the script.

- 9 **The Comments box** will be used by your PE to explain their marking of the practice scripts. Please refer to these comments when checking your practice scripts.

Any questions or comments you have for your Team Leader should be communicated by phone, via the scoris messaging system, or e-mail.

- 10 Please send a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period. The Assistant Examiner's Report Form (AERF) can be found on the RM Cambridge Assessment Support Portal.

Your report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

Testing of QWC

In this external assessment the assessment of QWC will take place in Question 6b which is a levels of response question and carries 20 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 6b.

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]

Question	Expected Answer	AO	Mark	Additional Guidance
1 (a)	<p>What is meant by the term 'external stakeholder'?</p> <p><i>Up to two marks.</i></p> <p>An external stakeholder is anyone or anything not actually part of the business which may be affected by the business and its operations. They are said to have a 'stake' or interest in the business and its activities even though they are outside of the business and not directly involved in its operation.</p> <p>E.g. Anyone who has an interest in the business (1) who is not part of that business (1).</p> <p>E.g. An external stakeholder does not work in the business (1) but is still affected by the business (1).</p>	AO1 2	2	<p>No context required.</p> <p>Do not award examples.</p> <p>One mark for 'stakeholder' and one mark for 'external'.</p> <p>Businesses can and do always affect stakeholders but stakeholders may or might affect businesses. So, accept stakeholders 'might have an impact on' but not 'will have an impact on' businesses.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
1 (b)	<p>Identify THREE issues about which two different stakeholder groups of <i>Tysu Ltd</i> might hold conflicting views. Explain why there is a conflict over each issue.</p> <p><i>One mark for each correct identification up to a maximum of three identifications, plus up to a further two marks for each of three explanations.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none"> • noise pollution • road congestion • road safety • wages • working conditions • workload • price of product • price of supplies • profit maximisation • quality • regulations <p>E.g. Wages (1). The workforce will want as high a pay rate as possible (1), but the owners will want to pay the minimum wage, if possible (1).</p> <p>E.g. Noise levels (1). The management will want the site as busy as possible (1). The locals will want peace and quiet and prefer the roads to be less busy with tyre delivery lorries (1).</p> <p>E.g. Price of <i>Safersurface</i> (1). Playground designers will want the product to be as cheap as possible (1), but <i>Tysu Ltd</i> will want to charge the full £180, if possible (1).</p> <p>E.g. Price of tyres (1). The garages will want as much as they can get for each end-of-life tyre (1) but <i>Tysu Ltd</i> will wish to maximise its profits by paying as little as possible (1).</p>	<p>AO1 3 AO2 6</p>	<p>9</p>	<p>First mark for the issue, second for one stakeholder group's view, third for the second stakeholder group's opposing view.</p> <p>Do not award solutions, causes or effects of conflict; only award stakeholder viewpoints. Do not award implied viewpoints, viewpoints must be explicit.</p> <p>Stakeholder group must be explicitly identified along with their viewpoint to award explanation marks. E.g. Issue: wages (1) Employers want to pay low wages (1) whereas employees want high wages (1). Award 3. E.g. Issue: wages (1) high pay versus low pay (0). Award 1.</p> <p>Do not award competition as an issue.</p> <p><i>Tysu Ltd</i> is not a stakeholder group.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
1 (c)	<p>Evaluate the extent to which <i>Tysu Ltd</i> should be concerned about the conflicting views held by its stakeholders.</p> <p>Level 1 (1-2 marks) Candidate identifies impact(s) arising from conflicting stakeholder views with no context.</p> <p>Level 2 (3-4 marks) Candidate applies knowledge and understanding of impact(s) for <i>Tysu Ltd</i> arising from conflicting views held by its stakeholders.</p> <p>Level 3 (5-6 marks) Candidate analyses the likely problem(s) which <i>Tysu Ltd</i> could face as a result of the conflicting views held by its stakeholders.</p> <p>Level 4 (7-8 marks) Candidate evaluates the extent to which <i>Tysu Ltd</i> should be concerned about the conflicting views held by its stakeholders. Indicative content:</p> <ul style="list-style-type: none"> • complaints • leverage • voice • media publicity • potential threats e.g. industrial action, consumer boycott etc • impact on sales/supply • impact on business aims • competition levels • normal/abnormal? • long term damage? • local v national impact <p>E.g. More conflict is likely to lead to more complaints from stakeholders (L1). The number of lorries (CONT) arriving daily at <i>Tysu Ltd</i> with worn out tyres is likely to increase the number of complaints from local residents (L2). These complaints may lead to bad media publicity (L3). Despite <i>Tysu Ltd</i> receiving</p>	<p>AO1 2 AO2 2 AO3 2 AO4 2</p>	8	<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>Context should be annotated every time L2 is awarded with the icon 'CONT'.</p> <p>Non-contextual answer max level 1.</p> <p>Must be impacts on the business.</p> <p>L1 [1-2 marks] [1 mark] candidate identifies one impact with no use of context. [2 marks] candidate identifies more than one impact with no use of context.</p> <p>L2 [3-4 marks] Look for something more than <i>Tysu Ltd/Safersurface</i> – see list below. [3 marks] candidate applies understanding to suggest one possible impact on <i>Tysu Ltd</i>. [4 marks] candidate applies understanding to suggest more than one possible impact on <i>Tysu Ltd</i>.</p> <p>L3 [5-6 marks] [5 marks] candidate makes one analytical comment about impact(s) <i>Tysu Ltd</i> could encounter from conflicting stakeholder views. [6 marks] candidate makes more than one analytical comment about impact(s) <i>Tysu Ltd</i> could encounter from conflicting stakeholder views.</p> <p>L4 [7-8 marks] [7 marks] candidate gives a weak justification as to the extent to which <i>Tysu Ltd</i> should be concerned about the conflicting views of its stakeholders.</p>

	complaints from local residents, it does not have to be too concerned about them. As local residents are not its customers, the company does not depend on local residents' custom for survival (CONT) (L4) .			[8 marks] candidate gives a fully justified argument as to the extent to which <i>Tysu Ltd</i> should be concerned about the conflicting views of its stakeholders. Level annotation required. Specific context required for L2 includes - producing spongy tarmac, the three options, rapid growth, aim to maximise profit, relocation, traffic congestion, noise pollution, child safety, local roads no longer safe, quiet village, manager's attitude towards unhappy staff, overworked/underpaid workforce, workforce threatening industrial action, extension of working hours, customers not local, falling profit margin, factory.
2 (a)	<p>What is meant by the term 'business aim'?</p> <p><i>Up to two marks.</i> Indicative content:</p> <ul style="list-style-type: none"> • goal/target/focus/purpose/direction/mission/strives • for/tries to achieve/vision • long term • general/all encompassing/not SMART/broad/overall • broken down into objectives/steps <p>E.g. A business aim provides focus for all of its activities (1) and is usually broken down into objectives (1).</p> <p>E.g. Business aims give the business a sense of direction (1) and purpose (rep). They are usually long term (1).</p> <p>E.g. A long term (1) goal (1).</p>	AO1 2	2	<p>Do not award examples.</p> <p>Award answers relating to definition or purpose.</p> <p>No context required.</p> <p>Do not accept 'future' as it could be long-term or short-term.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
2 (b)(i)	<p>Calculate the level of output <i>Tysu Ltd</i> needs to achieve in order to break-even this year.</p> <p><i>Up to two marks.</i></p> <p>Break-even = $\frac{\text{FC}}{\text{Price} - \text{VC}}$ or $\frac{\text{FC}}{\text{Contribution per unit}}$</p> <p>$\frac{\pounds 247,000}{\pounds 180 - \pounds 85} = \frac{\pounds 247,000}{\pounds 95} = \mathbf{2600}$ tonnes</p> <p>Ignore units.</p> <p>Award full marks for the correct answer (2,600).</p> <p>E.g. 2600 (2)</p> <p>E.g. $\frac{\pounds 247,000}{\pounds 180 - \pounds 85}$ (1)</p> <p>E.g. Break-even = $\frac{\text{FC}}{\text{Price} - \text{VC}}$ (1)</p>	AO1 1 AO2 1	2	<p>No workings required. Award full (2) marks for 2600.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct formula, if seen, whether in words or numbers.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
2 (b)(ii)	<p>Calculate the profit which <i>Tysu Ltd</i> should make this year if it manages to achieve its target output level of 4 000 tonnes</p> <p><i>Up to three marks.</i></p> <p>Either $P = R - C$ (1) Revenue (£180 x 4,000) = £720,000 Cost (£247,000 + (£85 x 4000) = £587,000 (+1) Profit = £133,000</p> <p>No workings required. Ignore units. Award full marks for the correct answer (133,000)</p> <p>Or using marginal revenue costing MOS x contribution (1) (4000 – 2600*) x £95 (+1) Profit = £133,000</p> <p>*OFR applies to the MOS figure if the contribution method is used: MOS = 4000 – candidate BE level Q2(b)(i).</p> <p>E.g. 133,000 (3)</p> <p>E.g. £720,000 - £587,000 (2)</p> <p>E.g. 1400 x £95 (2) – implied use of formula</p> <p>E.g. MOS x contribution (1)</p>	AO1 1 AO2 2	3	<p>No workings required. Award full (3) marks for 133,000.</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 one mark for the correct formula, if seen.</p> <p>If candidate calculates profit using margin of safety then the candidate's own breakeven level given in Q2(b)(i) must be accepted.</p> <p>OFR annotation required.</p> <p>Do not award marks for calculating MOS.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
2 (c)	<p>Describe TWO limitations to a business of using break-even analysis as a decision-making tool.</p> <p><i>One mark for each correct identification, to a maximum of two identifications, plus one further mark for each of two developments.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none"> • assumes that everything produced is sold • assumes fixed costs remain constant • assumes the same price is charged to all • assumes that costs can be accurately calculated • assumes that costs can be split into fixed and variable • more easily applicable to a single product line • ignores changes in external factors which affect cost/selling price • ignores the changing value of money • quantitative only • gives no indication of time • new analysis will be needed if the data changes. <p>E.g. Breakeven analysis assumes that firms can categorise their costs into fixed and variable (1). In reality many costs are semi-variable making the analysis at best inaccurate and, at worst, misleading (1).</p> <p>E.g. Breakeven ignores the changing value of money (1). The current exchange rate has a large impact on any business which relies on imports/exports and this is not reflected in the analysis, rendering the figures almost useless (1).</p> <p>E.g. Breakeven assumes that all the <i>Safersurface</i> made in a year is sold in the same year (1). In practice, <i>Tysu Ltd</i> will have stocks of different colours which will be carried over from one year to the next (1).</p>	AO1 4	4	<p>Do not award more than two limitations as the question only asks for two.</p> <p>No context required.</p> <p>Do not award generic answers which apply to all decision-making tools. E.g. Do not award 'only as reliable as the data', 'only an estimate', 'not accurate', 'may contain errors'.</p> <p>Reference to not taking into account external factors must relate to changes in costs not level of sales, quantity sold or demand. External factors must cause a shift in one of the lines.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (a)	<p>State TWO benefits to a business of using critical path analysis as a production planning tool.</p> <p><i>One mark for a correct benefit up to a maximum of two benefits.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none"> • order tasks efficiently • avoid bottlenecks • work out the minimum time for project completion • more accurate monitoring of progress • identify the critical path to give it extra attention • can put additional resources on the critical path • enables firms to change priorities • appropriate resources at appropriate time (JIT) • alerts to the need to re-allocate resources • calculate slack time • better usage of slack time • clear visual tool • works even with complicated production processes, especially if computer programmed • allows alternative scenarios to be modelled • allows multi-tasking <p>E.g. CPA allows resources to be prioritised to minimise potential bottlenecks (1).</p> <p>E.g. Allows the management to monitor progress effectively(1).</p> <p>E.g. Can avoid late completion charges by being notified early that a project is due to overrun (1).</p>	AO1 2	2	<p>Do not award generic answers which apply to all planning tools, e.g. it helps the business to get organised.</p> <p>Do not award drawbacks.</p> <p>No context required.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (b)	<p>Assuming production goes to plan, how many HOURS does it take <i>Tysu Ltd</i> to make this 16 tonne batch of <i>Safersurface</i>?</p> <p><i>Up to two marks.</i></p> <p>480 minutes</p> <p>$480/60 = \mathbf{8 \text{ hours.}}$</p> <p>Award full marks for the correct answer: 8 hours.</p> <p>Award max one mark for 480.</p> <p>E.g. 8 (2)</p> <p>E.g. 480 (1)</p>	AO1 1 AO2 1	2	<p>NB The question asks for the answer in hours.</p> <p>Award full marks (2) for 8.</p> <p>Award one mark for 480.</p>
3 (c)	<p>What is the sequence of activities on the critical path?</p> <p><i>Up to two marks.</i></p> <p>Sequence of activities on critical path: B – C – D – E – G – H</p> <p>Award one mark for correct activities but incorrect sequence.</p> <p>E.g. B C D E G H (2)</p> <p>E.g. B D G C E H (1)</p> <p>e.g. H G E D C B (2)</p>	AO1 1 AO2 1	2	<p>Correct activities must be in sequence to award full marks.</p> <p>Award two marks for correctly identified activities in sequence.</p> <p>Award one mark for correctly identified activities but out of sequence.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
3 (d)	<p>Calculate the total float for activity A.</p> <p><i>Up to two marks.</i></p> <p>Total float = LFT at end - duration - EST at start (1)</p> <p>200 - 60 - 0 = 140 minutes (+1)</p> <p>NB 140 minutes = 2 hour 20 minutes</p> <p>Units not required.</p> <p>Award full marks for correct answer: 140 minutes (or 2 hours 20 minutes).</p> <p>E.g. 140 (2)</p> <p>E.g. 2 hours 20 minutes (2)</p> <p>E.g. Total float = LFT at end - duration - EST at start (1)</p> <p>E.g. 200 - 0 - 60 (1)</p>	<p>AO1 1</p> <p>AO2 1</p>	2	<p>2 hours 20 minutes = full (2) marks</p> <p>140 = full (2) marks</p>

Question	Expected Answer	AO	Mark	Additional Guidance
4 (a)	<p>What is meant by the term 'rate of labour turnover'?</p> <p><i>Up to two marks.</i></p> <p>Labour turnover rate is the proportion of staff leaving a business. This is calculated as a percentage of the total workforce.</p> <p>E.g. The proportion of the total workforce (1) who leave their jobs (1).</p> <p>E.g. Labour turnover refers to the number of employees leaving the business (1) and is shown as a percentage (1).</p>	AO1 2	2	<p>NB this question refers to rate of labour turnover rather than level of labour turnover.</p> <p>First mark for 'staff leaving' plus an additional mark for 'rate' (rather than level).</p> <p>Award two marks to responses that include 'staff leaving' and 'proportion'.</p> <p>Award one mark to responses that refer to 'staff leaving' with no reference to proportion.</p> <p>Accept percentage/fraction/comparison/ratio (but not rate) for proportion.</p> <p>Do not award references to time/years.</p> <p>No marks for stating the formula.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
4 (b)	<p>Calculate the rate of labour turnover for <i>Tysu Ltd's</i> production staff in 2010. Give your answer correct to ONE decimal place.</p> <p><i>Up to two marks.</i></p> $\frac{\text{Leavers}}{\text{Number of staff}} \times 100$ $\frac{3}{8} \times 100 = 37.5\% \text{ to 1 dp}$ <p>No workings required. For full marks the answer must be to 1 dp. Award full marks for the correct answer (37.5).</p> <p>E.g. 37.5 (2)</p> <p>E.g. 38 (1)</p> <p>E.g. $\frac{3}{8} \times 100$ (1)</p> <p>E.g. $\frac{\text{Leavers}}{\text{Staff employed}} \times 100$ (1)</p>	<p>AO1 1 AO2 1</p>	<p>2</p>	<p>No workings required award full marks for 37.5.</p> <p>Answer required to 1 dp. Award max one mark if 37 or 38 given.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award max one mark for the correct formula or correct calculation, if seen.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
4 (c)	<p>Explain ONE possible reason why the rate of labour turnover at <i>Tysu Ltd</i> is <u>increasing</u>.</p> <p><i>One mark for a reason, plus one further mark for a development.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none"> • better employment prospects in the area • increased number of accidents • increasing workload • declining working conditions • new competition in the area offering better pay <p>E.g. The employees have finally had enough of the poor working conditions (1) and are therefore finding it increasingly difficult to work for <i>Tysu</i> (1).</p> <p>E.g. A new business may have come into the area (1) offering similar jobs with better rates of pay (1).</p> <p>E.g. <i>Tysu Ltd</i> keeps getting busier (1) and the workers are sick of having to work harder and harder (1).</p>	<p>AO1 1 AO2 1</p>	<p>2</p>	<p>Do not award for 'because more staff are leaving' the question asks why.</p> <p>Do not award minimum wage.</p> <p>Do not award two reasons.</p> <p>Do not award reasons for high labour turnover but increasing labour turnover.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
4 (d)	<p>Explain ONE problem which <i>Tysu Ltd</i> could face as a result of a high rate of labour turnover amongst its production staff.</p> <p><i>One mark for a problem identified, plus one further mark for explanation.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none"> • being short of staff • reduced output • unfulfilled orders • recruitment costs • training costs • reduce profits • poor image • higher workload on remaining staff • lower staff morale <p>E.g. New staff will need to be recruited (1) and this takes up a lot of management time (1). E.g. The money spent on training new staff (1) will increase costs and lower profits (1).</p> <p>E.g. Companies which have lots of staff leaving tend to get a reputation for being poor employers (1). This poor image could lead <i>Tysu Ltd</i> to receive bad publicity which may affect the future sales of <i>Safersurface</i> (1).</p> <p>E.g. The remaining staff at <i>Tysu Ltd</i> will have to cover for the staff who have left so that output levels can be maintained (1). This may mean having to pay overtime rates to workers (1).</p>	AO1 1 AO2 1	2	Do not award benefits.

Question	Expected Answer	AO	Mark	Additional Guidance																								
5 (a)	<p>Using the discount factors given above, complete the net present value table for all three of the options under consideration.</p> <p><i>Up to three marks for each option.</i></p> <p>Full marks for correct NPV irrespective of whether other boxes are completed: Opt 1 £297,000 Opt 2 £461,000 Opt 3 £363,000</p> <p>Otherwise 1 mark for each correct pair of answers (Year 1 and Year 2) and (Year 3 and Year 4).</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Option 1</th> <th>Option 2</th> <th>Option 3</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>54 600</td> <td>45 500</td> <td>91 000</td> </tr> <tr> <td>2</td> <td>199 200</td> <td>124 500</td> <td>166 000</td> </tr> <tr> <td>3</td> <td>180 000</td> <td>675 000</td> <td>300 000</td> </tr> <tr> <td>4</td> <td>163 200</td> <td>816 000</td> <td>306 000</td> </tr> <tr> <td>NPV</td> <td>297 000</td> <td>461 000</td> <td>363 000</td> </tr> </tbody> </table>	Year	Option 1	Option 2	Option 3	1	54 600	45 500	91 000	2	199 200	124 500	166 000	3	180 000	675 000	300 000	4	163 200	816 000	306 000	NPV	297 000	461 000	363 000	AO1 3 AO2 6	9	<p>Full marks for correct answer for each option even if other boxes are left empty.</p> <p>Do not award for Year 0 as it is given on the question paper.</p> <p>Pairs must be Years 1 & 2, Years 3 & 4 NOT Years 2 & 3 or any other combination.</p>
Year	Option 1	Option 2	Option 3																									
1	54 600	45 500	91 000																									
2	199 200	124 500	166 000																									
3	180 000	675 000	300 000																									
4	163 200	816 000	306 000																									
NPV	297 000	461 000	363 000																									

Question	Expected Answer	AO	Mark	Additional Guidance
5 (b)	<p>Explain TWO changes in external economic conditions which might affect the accuracy of <i>Tysu Ltd's</i> cash-flow predictions.</p> <p><i>One mark for each correct identification, to a maximum of two identifications, plus one further mark for each of two explanations.</i></p> <p>Indicative content: External economic conditions include:</p> <ul style="list-style-type: none"> • interest rates • exchange rates • inflation/deflation • tax changes • unemployment levels • recession/boom • aggregate demand • availability of credit • UK government policy e.g. euro • public sector spending • foreign government policy • changes in public spending, such as recycling grants • changes in legislation <p>Impacts:</p> <ul style="list-style-type: none"> • inflows/sales revenue • outflows/costs/fixe and variable costs/expenses <p>E.g. Interest rates (1). If they were to rise then Option 3, where the company needed to borrow money, would cost more than predicted (1).</p> <p>E.g. A global recession (1) would mean demand decreases and, therefore, revenue would be lower than expected (1).</p>	<p>AO1 2 AO2 2</p>	<p>4</p>	<p>First mark for the condition, second mark for impact.</p> <p>Must be impacts on the business's cash flow.</p> <p>Conditions must be external. Take a broad view of 'economic', i.e. include government policy, if suggested.</p> <p>Do not award economic climate.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
6 (a)	<p>Tysu Ltd needs to decide which option to take. Explain how Ansoff's Matrix could help Tysu Ltd with its strategic decision-making.</p> <p>Level 1 (1–2 marks) Candidate shows knowledge of Ansoff's Matrix but with no application to the three options under consideration at <i>Tysu Ltd</i>.</p> <p>Level 2 (3–4 marks) Candidate explains how Ansoff's Matrix could help <i>Tysu Ltd</i> with its strategic decision-making.</p> <p>Ansoff's Matrix is used to assess risk. The matrix is split into four quadrants - market penetration, product development, market development and diversification. It enables a firm to determine which quadrant a planned venture fits into according to the 'newness' of the market and the product. This then enables an assessment of the risk to be made depending on how much of the venture is 'unknown'. Diversification being the most risky option.</p> <p>Option 1 - Target Europe – same product, new market -market development Option 2 - India's roads – new product, new market - diversification Option 3 – Artificial grass – new product, same market - product development</p> <p>E.g. Ansoff's Matrix can tell you how risky an option is (L1). Option 2, India's roads fits into the diversification quadrant of Ansoff's Matrix (L2) and according to Ansoff is the most risky option to choose (L2).</p> <p>E.g. It can be used to find out to which quadrant a proposal belongs (L1). Market penetration is the least risky type of option (L1). Diversification is the most risky (L1).</p>	AO1 2 AO2 2	4	<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>Do not award answers referring to decision-making tools in general. E.g. Do not accept 'helps a firm make a decision'.</p> <p>Do not award limitations/drawbacks because the question asks how Ansoff's Matrix can <i>help</i>.</p> <p>No matter how accurate/detailed a candidate's explanation of Ansoff's Matrix is, if it is not applied to <i>Tysu Ltd's</i> three options it must be awarded L1 and a maximum of 2 marks.</p> <p>A candidate who has given a simple, but accurate, explanation applied to <i>Tysu Ltd's</i> three options must be awarded L2 and a minimum of 3 marks.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
6 (b*)	<p>Using both quantitative and qualitative information, recommend and fully justify which of the three options <i>Tysu Ltd</i> should choose.</p> <p>NB This question is assessed for QWC.</p> <p>Level 1 (1-2 marks) Candidate identifies one factor involved in strategic decision-making with no context</p> <p>Level 2 (3-6 marks) Candidate applies knowledge and understanding to one or more of the options under consideration at <i>Tysu Ltd</i>.</p> <p>Level 3a (7-9 marks) Candidate analyses one option available to <i>Tysu Ltd</i>.</p> <p>Level 3b (10-12 marks) Candidate analyses more than one option available to <i>Tysu Ltd</i>.</p> <p>Level 4a (13-16 marks) Candidate evaluates which option <i>Tysu Ltd</i> should take, drawing out reasoned and fully justified conclusions using quantitative or qualitative information.</p> <p>Level 4b (17-20 marks) Candidate evaluates which option <i>Tysu Ltd</i> should take, drawing out reasoned and fully justified conclusions using quantitative and qualitative information.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • degree of risk – Ansoff’s Matrix • likelihood of success • cost • profitability • returns on investment 	<p>AO1 2 AO2 4 AO3 6 AO4 8</p>	20	<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>Context should be annotated every time L2 is awarded with the icon ‘CONT’</p> <p>‘Safer’ must be qualified eg. Ansoff or level of cost.</p> <p>Non-contextual answer max level 1.</p> <p>L1 [1-2 marks] [1 mark] candidate identifies one factor with no use of context. [2 marks] candidate identifies more than one factor with no use of context.</p> <p>L2 [3-6 marks] Look for something more than <i>Tysu Ltd/Safersurface</i>. [3 marks] candidate applies understanding to one option at <i>Tysu Ltd</i>. [4 marks] candidate applies understanding to two options at <i>Tysu Ltd</i>. [5-6 marks] candidate applies understanding to three options at <i>Tysu Ltd</i>.</p> <p>L3a [7-9 marks] [7 marks] Candidate makes one analytical comment on an option. [8-9 marks] Candidate makes two or more analytical comments on the same option.</p>

	<ul style="list-style-type: none"> • NPV/ARR/Payback • market positioning • competitive advantage • impact on business image • owners/business aims • stakeholder conflict • current industrial unrest • impact on workforce • financing the options • Equity funding Option 2 –control and gearing • Indian labour market (cheap labour) Option 2 • borrowing requirement Option 3 • knowledge/previous experience of option • demand • competition • wider business environment • economic stability • economic conditions – exchange, interest, inflation rates • government policy – UK, European, Indian • Euro policy • social trends • changes in legislation • practical and operational matters E.g. foreign language, currency <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Opt 1</th> <th style="text-align: center;">Opt 2</th> <th style="text-align: center;">Opt 3</th> </tr> <tr> <th></th> <th style="text-align: center;">EU</th> <th style="text-align: center;">India</th> <th style="text-align: center;">Art. Grass</th> </tr> <tr> <th></th> <th style="text-align: center;">Market Dv</th> <th style="text-align: center;">Diversification</th> <th style="text-align: center;">Product Dv</th> </tr> </thead> <tbody> <tr> <td>Cost:</td> <td style="text-align: center;">£300,000</td> <td style="text-align: center;">£1,200,000</td> <td style="text-align: center;">£500,000</td> </tr> <tr> <td>Payback:</td> <td style="text-align: center;">24 months</td> <td style="text-align: center;">37 months</td> <td style="text-align: center;">30 months</td> </tr> <tr> <td>NPV :</td> <td style="text-align: center;">£297,000</td> <td style="text-align: center;">£461,000</td> <td style="text-align: center;">£363,000</td> </tr> <tr> <td>ARR:</td> <td style="text-align: center;">40%</td> <td style="text-align: center;">22.92%</td> <td style="text-align: center;">32.5%</td> </tr> </tbody> </table> <p>E.g. Location is an important factor in strategic decision making (L1). Situated near the Port of Dover (CONT) <i>Tysu Ltd</i> is ideally situated to take advantage of the Western European market (L2).</p>		Opt 1	Opt 2	Opt 3		EU	India	Art. Grass		Market Dv	Diversification	Product Dv	Cost:	£300,000	£1,200,000	£500,000	Payback:	24 months	37 months	30 months	NPV :	£297,000	£461,000	£363,000	ARR:	40%	22.92%	32.5%		<p>L3b [10-12 marks] [10 marks] Candidate makes two analytical points covering different options. [11-12 marks] Candidate makes three or more analytical comment covering different options.</p> <p>L4a [13-16 marks] [13-14 marks] Candidate gives a weak justification for their choice of option using qualitative or quantitative argument. [15-16 marks] Candidate gives a full justification for their choice of option using qualitative or quantitative argument.</p> <p>L4b [17-20 marks] [17-18 marks] Candidate gives a weak justification for their choice of option using qualitative and quantitative argument. [19-20 marks] Candidate gives a full justification for their choice of option using qualitative and quantitative argument.</p> <p>Level annotation required.</p>
	Opt 1	Opt 2	Opt 3																												
	EU	India	Art. Grass																												
	Market Dv	Diversification	Product Dv																												
Cost:	£300,000	£1,200,000	£500,000																												
Payback:	24 months	37 months	30 months																												
NPV :	£297,000	£461,000	£363,000																												
ARR:	40%	22.92%	32.5%																												

	<p>Targeting Europe is expected to cost £300,000 (CONT). This is a little cheaper (L2) than the artificial grass option and, therefore, risks a lower amount of funds (L3). However, the success of targeting Europe depends heavily on the prevailing pound/euro exchange rate and because of recent volatility this increases the risk of this option (L3). Since the company has no history in dealing with foreign currencies (CONT), Options 1 and 2 are too big a risk given the unpredictability of the current economic climate and <i>Tysu Ltd</i> would be safer choosing Opt 3 (L4, qual), even if the NPV is slightly lower (L4, quant).</p> <p>E.g. The strategic choice made may be dependent on the aims set by the owners of the business (L1). <i>Tysu Ltd's</i> owners want to expand aggressively (CONT). If this is the case they are likely to take Option 2 as, although it has the highest set up costs (CONT) (L2), it also has the highest NPV (CONT) (L2). However, Option 2 is a diversification (L2) option and is therefore deemed by Ansoff to be high risk (L2); if this option were to fail, the survival of the business would be threatened (L3). The directors would be better advised to choose an option where at least one of these variables (product or market) is known. If <i>Tysu Ltd</i> looks closely at Option 1 it will find that it actually has a better ARR (L2) than the other two options and a shorter payback period (L2). For these reasons I advise them to choose this option as it would give it a much better return on its investment (L4, quant) and would not involve them in having to dilute its ownership and control of the company by taking on a venture capitalist (CONT) (L4, qual).</p>			
--	---	--	--	--

Question	Expected Answer	AO	Mark	Additional Guidance
7 (a)	<p>What is contingency planning?</p> <p><i>One mark for a basic statement plus up to two further marks for development.</i></p> <p>Indicative content:</p> <ul style="list-style-type: none"> • What if?/Plan B/back up plan/alternative courses • planning for the unforeseen/unexpected • helps deal with crises more effectively • helps deal with crises more quickly • proactive • scenario modelling • staff training required <p>E.g. Contingency planning is creating a 'plan b' (1) in case of a sudden change in, say, interest rates (1). If interest rates rose sharply the management would then be able to put its plan into action immediately, minimising any loss caused by a delayed response (1).</p> <p>E.g. It is planning for the unexpected (1). <i>Tysu Ltd</i> should have a plan in case another accident, which this time may stop production, was to occur at the tyre crumb processing plant (1). In such a case the plan would have made arrangements for production to be done elsewhere or at the very least for downtime to be minimised (1).</p> <p>E.g. Contingency planning is a proactive approach to crisis management (1). Its purpose is to minimise loss in the event of such a crisis occurring (1). E.g. a strategy is put in place to deal with the breakdown of a mixer lorry on the way to a delivery site, probably through membership of a breakdown organisation (1).</p>	AO1 3	3	<p>Do not award answers that relate to planning in general rather than contingency planning e.g. do not accept 'helps you to get organised'.</p> <p>NB Do not award suggestions that problems will be avoided or solved. Contingency planning does not stop the problem from happening it just aids the dealing with the problem once it has occurred.</p> <p>Max one mark for examples.</p> <p>No context required.</p>

Question	Expected Answer	AO	Mark	Additional Guidance
7 (b)	<p>Evaluate the benefits and drawbacks to <i>Tysu Ltd</i> of making contingency planning a priority.</p> <p>Essentially an evaluation of the advantages and disadvantages of contingency planning.</p> <p>Level 1 (1–2 marks) Candidate identifies the benefit(s)/drawback(s) of contingency planning with no context.</p> <p>Level 2 (3–5 marks) Candidate applies knowledge and understanding of the benefit(s)/drawback(s) of contingency planning to <i>Tysu Ltd</i>.</p> <p>Level 3 (6–9 marks) Candidate analyses the benefit(s) and/or drawbacks of contingency planning to <i>Tysu Ltd</i>.</p> <p>Level 4 (10–14 marks) Candidate evaluates the benefits and/or drawbacks to <i>Tysu Ltd</i> of making contingency planning a priority.</p> <p>Issues include:</p> <ul style="list-style-type: none"> • react faster in a crisis • take more appropriate action if pre-prepared • minimise risk • minimise loss • alternative course of action • maintain production • fulfil orders • maximise profits • survival • avoid legal action • increase confidence • no benefit if not followed in time of crisis 	AO1 2 AO2 3 AO3 4 AO4 5	14	<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>Context should be annotated every time L2 is awarded with the icon ‘CONT’.</p> <p>Non-contextual answer max level 1.</p> <p>Must be benefits/drawbacks to the business. Do not award definitions or purposes of contingency planning since these were tested in 7(a).</p> <p>Do not award benefits/drawbacks of planning in general, answer must relate to contingency planning.</p> <p>L1 [1-2 marks] [1 mark] candidate identifies one benefit/drawback of contingency planning with no use of context. [2 marks] candidate identifies more than one benefit/drawback of contingency planning with no use of context.</p> <p>L2 [3-5 marks] Look for something more than <i>Tysu Ltd/Safersurface</i>. [3 marks] candidate applies understanding of one benefit/drawback of contingency planning to <i>Tysu Ltd</i>. [4-5 marks] candidate applies understanding of more than one benefit/drawback of contingency planning to <i>Tysu Ltd</i>.</p>

	<ul style="list-style-type: none"> • no benefit if event does not happen • time • cost • opportunity cost • divert concentration/focus <p>E.g. Contingency planning gives a business confidence that it can cope with whatever happens (L1). <i>Tysu Ltd</i> needs to have a plan of action for a breakdown in its tyre crumb (CONT) processor to stop production being halted (L2). Without such a plan, orders would be delivered late, leading to a loss of future sales (L3). Given that <i>Tysu Ltd</i> is planning to enter new markets (CONT), making contingency planning a priority is essential since it will not have built up a good reputation with customers in these markets to help overcome any difficulties in fulfilling orders (L4).</p> <p>E.g. Every business should have a plan for dealing with a fire on site (L1). It is especially important for <i>Tysu Ltd</i> because the site contains a lot of rubber (CONT) which when burnt would give off toxic fumes. Without a contingency plan, the amount of damage due to the fire would be high (L2), staff would be endangered (L2) which would ultimately lead to a costly prosecution (L3). In the short run it will require time and effort to put such plans in place, time which could be spent on other uses, perhaps, improving the working practices which are presently chaotic (CONT), however in the long run it could save the business from facing legal action for negligence if yet another worker is injured (L4).</p>		<p>L3 [6-9 marks] [6-7 marks] candidate analyses the benefit(s) or drawback(s) of contingency planning to <i>Tysu Ltd</i>. [8-9 marks] candidate analyses the benefit(s) and drawback(s) of contingency planning to <i>Tysu Ltd</i>.</p> <p>L4 [10-14 marks] [10 marks] candidate gives a weak judgement regarding making contingency planning a priority at <i>Tysu Ltd</i>. [11-12 marks] candidate gives a justified judgement regarding making contingency planning a priority at <i>Tysu Ltd</i>. [13-14 marks] candidate gives a fully justified judgement regarding making contingency planning a priority at <i>Tysu Ltd</i>.</p> <p>Level annotation required.</p>
--	--	--	--

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

OCR Customer Contact Centre

14 – 19 Qualifications (General)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

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

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



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

© OCR 2011