



Business

AS AND A LEVEL

Business Studies F291

H030/H430

Six Candidate Responses
from May 2014 Examination
Series with Examiner's
Commentary

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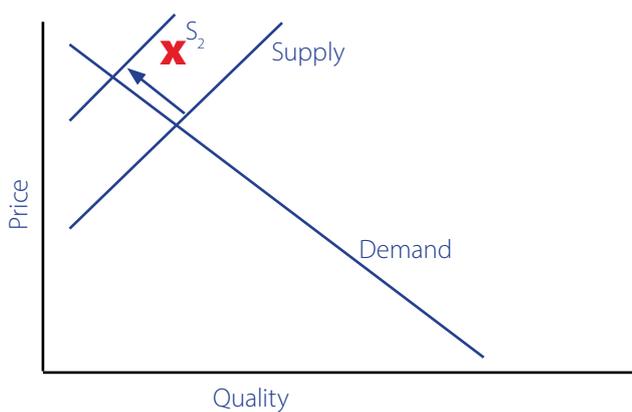
ANSWER ONE

Question 1 (d) Network Rail receives a subsidy from the government (line 9).

Analyse how an increase in this subsidy might affect Network Rail.

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

Answer



An increase in the subsidy would give Network Rail more finance which could be reinvested into the business to introduce new rail lines. TOCs could then pay Network Rail to use these lines, thus increasing NR's revenue.

Commentary

This question allowed the candidate to either complete a diagram showing the impact of an increase in subsidy or to analyse the impact in written form. This candidate chose to do both. In this case the diagram was drawn inaccurately showing the supply curve moving to the left and not to the right. However this answer shows how a relatively simple explanation in context and a subsequent analytical statement can gain full marks. The response explains specifically how the extra money/subsidy might be used to introduce new rail lines and hence to increase Network Rail's revenue. This answer shows how it is possible to gain full marks, with very little explanation. The key issue is the contextual nature of the analysis.

This answer achieved 6/6

ANSWER TWO

Question 3

“Technology” is very important to Network Rail (line 16)

Analyse TWO ways in which changes in technology may affect how Network Rail operates as a business.

Answer

- efficient -
- expensive start up costs
- cheaper - less workers
- outdated
- more expansion eg. website
- expensive repairs + updates
- ahead of comp but monopoly

Technology can make a business run more smoothly + efficiently. As technology is always advancing, this leads to many new + updated versions of it. This may make it expensive for companies such as Network Rail to keep buying each new version, however if they don't, customers may perceive them to be outdated and not modern. This may cause customers to leave, however this is very unlikely as Network Rail is a monopoly, so decreased customer satisfaction is more likely.

By improving their technology, Network Rail may find it has to increase its prices to cover expensive start up costs. This may also cause its customers to also install new technology to keep up with Network Rail meaning constant communication between both companies will likely be necessary.

Network Rail may find they are able to operate with less workers. By replacing them with machines it provides for a quicker, more efficient system for its customers and also is cheaper in the long run, leading to more money for expansion (eg a new website). This will live workers without jobs however, which isn't favourable with the government, which effectively controls the business, as they want the money from income taxes off of jobs. Overall it depends on the rate of technological change. If its too fast, it may cause both Network Rail, its customers + the government to loose money.

Commentary

This is a standard question on this paper asking for the candidates to analyse two factors, ways, etc. that a business is affected by a business decision. The three important points here are:

- What is the context?
- How is Network Rail affected, positively or negatively?
- What might be the implication of this decision to Network Rail?

In order to achieve the highest reward on this question it is necessary to reference at least one of the specific technological changes which are mentioned in the text, automatic ticket barriers for example. General statements about how changes in technology affect a business will only achieve Level 2. It is also important to emphasise that this question is talking about the impact on Network rail and not to other stakeholders.

This response is a good Level 2 answer. In both cases the candidate has explained the general effects of an increase in technology on a business. The candidate refers to 'versions' of technology but is not specific in terms of Network Rail. The candidate also talks about needing fewer workers. This is correct in terms of new technology but why is it specifically an implication to Network rail? The candidate also states that new technology would increase costs but does not explain how this would happen specifically to Network Rail.

Due to the lack of reference to and use of the text the candidate has only achieved 6/10.

ANSWER THREE

Question 3

“Technology” is very important to Network Rail (line 16)

Analyse TWO ways in which changes in technology may affect how Network Rail operates as a business.

Answer

As tracking technology is improved with new, more advanced trains, Network Rail may wish to invest in new, faster computers to handle this location data. This would improve the safety of the network as potential collisions could be identified and routes could be corrected faster than is currently possible. This would increase costs in the short term, though it would improve NR’s reputation, thus new TOCs may offer higher fees.

Improvements in technology have led to many manned ticket offices shutting down. This has greatly reduced NR’s labour costs, thereby potentially increasing profit margins. As automated machinery improves, other departments such as tracking and course correction could also be automated, reducing labour costs even further. This would give them an unfavourable reputation, however, as many workers would be laid off, thus increasing unemployment rates.

Commentary

This is a standard question on this paper asking for the candidates to analyse two factors, ways, etc. that a business is affected by a business decision. The three important points here are:

- What is the context?
- How is Network Rail affected, positively or negatively?
- What might be the implication of this decision on Network Rail?

In order to achieve the highest reward on this question it is necessary to reference at least one of the specific technological changes which are mentioned in the text, automatic ticket barriers for example. General statements about how changes in technology affect a business will only achieve Level 2. It is also important to emphasise that this question is talking about the impact on Network rail and not to other stakeholders.

This response shows a straightforward and effective approach to answering the question. It is focussed on two examples of specific technology which Network Rail might use. In the first paragraph the candidate explains that more advanced trains and faster computers would improve safety and could prevent collisions. The candidate then goes on to analyse the implications in terms of possible increased costs in the short term against an improved reputation in the long term. In the second paragraph the candidate explains that a reduction in manned ticket offices would reduce labour costs, and that other specific improvements in technology such as automated tracking and course direction would also reduce costs. However this could be at the expense of Network Rail’s reputation because of the resulting increase in unemployment.

This is an excellent contextual analysis which achieved 10/10.

ANSWER FOUR

Question 4

Network Rail “moved its Head Office from London to Milton Keynes in 2012” (line 16-17)

Discuss the likely human resource implications to Network Rail of this move.

Answer

Human resources affects everyone in a business it can relate to the employees, finance and customers.

A clear implication of relocating to the new location would be on the businesses employees, as stated in the case study anyone living outside 75 minutes of the new location would loose their job, overall 150 people have lost their jobs, this could result in conflicts amongst the employers and managers and could reduce reputation so the local community looking for jobs may be put off from the job and this would also mean previous employees living near the previous location now must travel far to get to the new workplace resulting in an increase in emissions and the carbon footprint, this would also lower the companies reputation.

The relocation could also have negative impact on its customers as customers wanting to contact the head office will have to travel further unless they lived nearer to the relocated destination, this could result in conflicts and arguments amongst the company and customers as the head office is harder to get in touch with.

To conclude by relocating to Milton Keys this would affect the companies employees as they may loose jobs which would result in a bad reputation, this would also mean the company would have to recrout new employees who would affect the financing of the company. It would also affet the organisation of the company as it would be a new area and it would be harder to contact officials.

Commentary

This question required candidates to look at the likely human resource implications to Network Rail of the move from London to Milton Keynes. The context of this question is based on the ‘75 minute rule’ and the resulting impact on the human resources department at Network Rail NOT on the employees themselves.

This response recognises that the answer centres on this 75 minute rule. However the answer tends to lose focus on HRM and rather talks about a potential conflict between employees and management. This may in fact be the case but the answer needs to analyse the implications of such a conflict on Network Rail. There was some reference to loss of jobs but this was not developed in terms of how HRM might deal with this. Hence this could only achieve a Level 2 reward. The candidate needed to analyse the problems of future recruitment and problems due to the loss of key workers through such a policy. How would relocation take place, would HRM have to relocate workers? How much would be the redundancy payments, could Network Rail afford the cost? Evaluation might have been achieved by comparing any positive implications such as relatively lower wage payments in the long term through moving from London to Milton Keynes.

The second paragraph does not answer the question as it centres on the impact on the employees not Network Rail. However the candidate does make reference in the last sentence to the difficulties which might be caused by the move in terms of communications. This was also given a level 2 reward.

This answer achieved the top of Level 2, 6/14.

ANSWER FIVE

Question 5

Evaluate whether stakeholders of Network Rail would benefit from the HS2 project.

Answer

- customers
- owners
- local people
- employees

One stakeholder that would be effected by the project would be customers who would use the service. This would benefit their customers because it allows them to get to another place much faster than normal. This may also result in them re-using this train link more which would then generate greater revenue for the Network Rail.

Another stakeholder that could benefit from this project would be their owners or members. If the project was successful then the owners are likely to generate greater profits due to an increase in revenue, however costs may also increase as HS2 is a multi-million pound project. If it was successful stakeholders would recieve their profits in the form of higher dividends. One way that stakeholders may not benefit would be if the project was not successful. If it wasn't a success then the high levels of investment and indirect costs may result in profit margins becoming significantly lower and could possibly cause owners to not recieve any return on their investment, this would also affect the time in the long run [***TEXT UNCLEAR***] would be released to the public which may cause costs of shares to plummet.

Employees may benefit from this project as it offers long term work for employees as the link would take a lengthy amount o time to be constructed. This level of job security would help employees to work more efficiently, it may also decrease Network Rails workforce turnover and less employees are likely to call in 'sick'. This would result in employees knowing that they will definately be paid and are likely to work more productively.

Local people in the area may or may not benefit from the HS2 link because they may feel that the link is very close to their homes which would mean that the construction and the trains may cause them disturbances because it makes loud noises. They may also argue that the creation of the HS2 does not benefit them in any way. This is because the trains do not stop and allow the local people to use the service, they may also argue that it is their own income tax that is being used to fund the HS2 link without them seeing any long term benefit. HS2 will also be built along greenfield sites and farm land, this would then affect local businesses e.g farmers as their land is being used for the HS2 link. This may then force them to seize trading because they cannot afford new land.

Commentary

The important issue with this question is that the analysis is from the viewpoint of the stakeholders and not that of Network Rail.

This response took a traditional approach and looked at a number of stakeholders, customers, shareholders and the local community, one at a time and the impact of the HS2 project on them.

The second paragraph in particular shows how an answer can reach the highest level by explaining that the HS2 project would not only increase revenue but will also increase costs. The candidate also recognises that the 'shareholders' in this business are 'members'. This may have a positive or negative effect on the dividends which will be received by the shareholders/member/owners. This analysis pre-empted the evaluation at the end of the paragraph where the candidate compares the likely success of the project using the term 'significantly' and 'possibly' in terms of the receipt of dividends. The candidate also looks at the possible long term effects of the investment on the shareholders. Evaluation is usually shown in this way by using an implication but qualifying it through the use of terms such as 'depends on', showing that one way is not always the only way forward.

At the end of the answer the candidate looks at the effect on local people of the project and analyses the fact that there are limited stations at which the train would stop. The candidate also notes that the money used for the development is publicly funded and therefore the public should gain some benefit rather than losing farmland and greenfield sites in the local areas. Although the candidate has looked at a limited number of stakeholders they have shown a real insight into the effects of this change both internally and externally. Within each analysis there is an understanding of the consequences of the project both positively and negatively.

This answer achieved 17/18.

ANSWER SIX

Question 5

Evaluate whether stakeholders of Network Rail would benefit from the HS2 project.

Answer

Some stakeholders of Network Rail would benefit from the HS2 project however not all. Those it will benefit are shareholders, the government and some customers however it will not benefit local communities.

Shareholders would benefit from the HS2 project because if the business is operating well and Network Rail gain a lot of profit, this means that their shares in the business increase. However, although they do mainly benefit from this project, they could also not. If the HS2 project does not operate properly, this mean that Network Rail lose a lot of profit and shareholders are affected because it was their decision to take the risk. This can affect Network rail as the HS2 project can be successful or not and money will either come into Network Rail or go out.

This could also benefit the government as it makes the journey for people quicker and with the profit being made, the tax goes to them to help the country. Others who could also benefit from this project are workers who actually build the Railway. This increase job availability so workers get money. Also, other workers (employees) could benefit from this because there is more jobs and maybe higher wages.

With those whom it will benefit, it could also benefit some customers. For example, not everyone goes to Birmingham so it will only benefit those who do go. This is good for the customers because it is quicker and it keeps the customers more satisfied. This could also gain more customers as it is worth the money.

However, although many stakeholders do benefit from this HS2 project, local communities won't. This is because having to build the Railway makes a lot of noise so areas near would have to hear it and put up with it. Not only that, it will also ruin areas of natural beauty. This could not be good as some local people may love to go there. This shows that they will not benefit from the HS2 project. Also, if it is not successful, the natural beauty would have been ruined for no reason but risk take.

To conclude, those who gain money from the HS2 project will benefit from this and those customers who will use it. However, local communities will not benefit anything from this.

Commentary

The important issue with this question is that the analysis is from the viewpoint of the stakeholders and not that of Network Rail.

This is a good Level 3 answer which shows how the context can be used to achieve high analysis marks. However the answer does not start well because it fails to understand the distinction between 'members and shareholders'. This means that most of the first page of the answer did not answer the question set and did not achieve any reward. Candidates must be careful to be accurate when referring to stakeholders as not all types of organisations have the same ones.

On the second page the candidate looks at the workers and achieves level 3 by explaining that an increase in jobs may result in an increase in wages. This candidate also explains that the government may benefit through the improvement in employment figures and through this increase in employment a consequent increase in tax revenue. This is good level 3 analysis.

The candidate goes on to give some sophisticated insight into the possible effect on the customers of Network Rail. The candidate recognises that this train only goes to Birmingham and therefore the benefit to some customers is limited both in terms of the destination and the limited number of stops. Once again this is good level 3 analysis. The candidate could have improved the answer by making some evaluative judgements at the end of the answer in terms of which stakeholder might be affected the most and what factors might be more important than others to the stakeholders.

This answer achieved 12/18.

APPENDIX

Network Rail

Case Study from Exam Paper

Network Rail plays a major part in the UK's railway industry. Network Rail owns most of the UK's railway tracks, signals, tunnels, level crossings and over 2500 stations. It has a monopoly in the provision of the rail network.

Network Rail is a private company, however, it is different from other companies in a number of ways:

- its owners are not shareholders but are known as "members"
- its corporate objective is not to maximise profits
- all of its profits are reinvested
- it receives a subsidy (known as "the network grant") from the government
- the government guarantees to cover any losses made by Network Rail

All of this means that, although Network Rail is a private company, it is, in effect, controlled by the government.

Network rail does not own or operate any trains. Trains are run by a number of train operating companies (TOCs), many of which are public limited companies. These companies are Network Rail's customers and they pay a fee to Network Rail for using the rail network.

Technology is very important to Network rail. It moved its Head Office from London to Milton Keynes in 2012 and the new office has the latest information technology for communicating within the business. Network Rail also uses technology in a variety of other ways, such as a system designed to locate exactly where trains are on the tracks, and also automatic ticket barriers.

However, there were difficulties with relocation to Milton Keynes. It was reported that staff were told that they must live within 75 minutes travelling time of the new office and that anyone unable to do so could lose their job. Network Rail claimed that only 150 people were affected and said that it was working hard with these individuals to encourage their relocation.

Also in 2012, Network Rail produced a report supporting the controversial high speed rail link (HS2) from London to Birmingham. This would cut journey times considerably, and ensure that the predicted growth of traffic on the railways could be achieved. Critics have said that the HS2 line will ruin areas of natural beauty. They have also questioned the likely benefits of the whole project.

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Telephone 01223 553998

Facsimile 01223 552627

Email general.qualifications@ocr.org.uk

