

Cambridge National
Business and Enterprise

Unit **R061/01**: Introduction to Business

Cambridge National Level 1/2 Award/Certificate

Mark Scheme for June 2014

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

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

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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

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Annotations used in the detailed Mark Scheme.

Annotation	Meaning
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.
	Unclear
	Benefit of doubt
	Context
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Repeat
	Repetition
	Point has been noted, but no credit has been given (big)
	Tick
	Too vague

Question		Answer	Mark	Guidance
1	a	A public limited company <i>trades its shares on the stock exchange.</i>	1	For one mark – this must be annotated on script with a tick. NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.
1	b	<p>Indicative content:</p> <p>Benefits might include:</p> <ul style="list-style-type: none"> • trading shares on the stock exchange to raise finance • limited liability • economies of scale (gain from being bigger) • availability of capital • accounts published • lots of shareholders • increased status (well-known, reputation) <p>Exemplar response:</p> <p>Ykale plc can trade its shares on the stock exchange (1) as a plc and raise more money (1).</p> <p>Drawbacks might include:</p> <ul style="list-style-type: none"> • shareholders have little influence on day to day running • strictly controlled by the law • may grow too large and experience diseconomies of scale • expensive to run • danger hostile takeover • bureaucracy <p>Ykale plc may suffer from being too big (1) and be unable to manage all its different centres and staff (1).</p>	4	<p>One mark for the correct identification of a benefit. One mark for the correct identification of a drawback Plus a further one mark for each of two explanations (max 2)</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Not allowing – 2x benefits and 2x drawbacks (as list)</p> <p>Benefits/drawbacks can relate to either owners or shareholders.</p> <p>Do not allow harder to set up as PLC is already set up.</p>

Question		Answer	Mark	Guidance
2	a	<p>Indicative content (do not accept others):</p> <ul style="list-style-type: none"> • market share • sales • provide service to the public (eg customer service) • survival • growth (eg plant production) • relocation • environmentally friendly • break even • reputation <p>Exemplar response:</p> <p>Another objective for Ykale plc is to increase sales (1) and, therefore, gain more revenue. Growing and selling organically produced plants should give more revenue (1) to pay for the increased costs of growing the plants (1).</p> <p>Objective: Increase in market share (1) Explanation: Ykale might want to be the leading business in their market (1) and they would want to get more customers than any of their competitors in their local area (1)</p>	3	<p>One mark for a correct identification, plus up to a further two marks for an explanation.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Do not accept profit/benefit society as objective.</p> <p>Explanation can be how and/or why but must link to the objective.</p>
2	b	<p>Indicative content:</p> <ul style="list-style-type: none"> • changes in fashion • external factors such as changes in economy, legislation etc. • changes in the market – awareness of environmental concerns, organic farming, etc • to satisfy shareholders and other stakeholders • to increase market share • to compete • to ensure survival • to ensure growth • objectives completed • not achieving objectives • motivation 	7	<p>Level 4 – Evaluation (6 -7 marks) A justified recommendation on the importance of changing objectives over time in the context of Ykale/other research. Max 6 marks – no local research.</p> <p>Level 3 – Analysis (4-5 marks) Analysis of the implications of changing/not changing objectives over time. Max 4 marks with no other research.</p>

Question	Answer	Mark	Guidance
	<p>Exemplar response:</p> <p>As a business grows and develops, objectives should change in order to meet the needs of both a changing market and the changing nature of the business itself (Level 1). A business in its initial stages will have simple objectives such as breaking even, survival and building a base of loyal customers and regular sales (Level 2).</p> <p>Ykale is a plc and will have achieved many of these objectives but every business must move with the times. Some businesses, such as Tesco in our area, still have to continually change their product and pricing in order to compete in the food market. Small garden centres and local farms in my area are also showing that, on a much smaller scale, they can meet the needs of local people in terms of both plants and maintenance services (Level 3). However, it is important that even these businesses are aware of the changing needs of customers and adjust their objectives accordingly.</p> <p>In particular, the repercussions to a business of failing to change marketing and production objectives over time are significant. It may result in a fall in sales, increased costs and falling profit (Level 3), but, it also depends on the ability of the business to change (Level 4).</p>		<p>Level 2 – Application (2-3 marks) Knowledge and application about why objectives should change. Up to 2 marks why businesses change objectives over time 3 marks if applied to YKale or other local garden centre. (This must be more than just saying “Garden centre” or “name”).</p> <p>Level 1 – Knowledge (1 mark) Knowledge/ simple identification of one or more reasons for changing objectives. Knowledge of why you would have objectives.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Please note: if candidate’s name drop eg “Dobbies” in their script but do not use this to inform their analysis or evaluation then this is insufficient to achieve the higher mark in each band.</p>

Question	Answer	Mark	Guidance
3	<p>Indicative content (why does profit change):</p> <ul style="list-style-type: none"> • increase costs of research, production • increased prices to reflect increased costs leading to a fall in sales • increased marketing costs to advertise new products • new market segments achieved leading to increased sales • ethical products leading to increase in sales <p>Exemplar response:</p> <p>Increased social responsibility might result in increased costs of marketing the new plants (1), design, production and investment. This will decrease profit (1) in the short term if sales do not increase (1).</p> <p>Organically produced plants have to be put in certain conditions to be produced the way they are (0). This costs money (1) as a result it is more costly to buy organically produced plants (1). This means that they have to work harder towards revenue to get a profit (1).</p> <p>If candidate states “expensive” only one mark as need to explain the effect this has on profit.</p> <p>Sales increase (1), Sales decrease (1). Sales on own = 0 marks. Costs increase (1), Costs increase (1). Costs on own = 0 marks.</p>	3	<p>One mark for the correct identification, plus up to a further two marks for an explanation.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Do not award marks for growing organically produced plants. We are testing that increase costs or sales etc (financial related).</p> <p>To get max 3 marks – candidates have to show an effect on profit (increased/decreased) explained</p>

Question			Answer	Mark	Guidance									
4	a		<table border="1"> <thead> <tr> <th>Pricing method</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>Penetration</td> <td></td> </tr> <tr> <td>Psychological</td> <td></td> </tr> <tr> <td>Skimming</td> <td>✓</td> </tr> </tbody> </table>		Pricing method	Tick (✓)	Penetration		Psychological		Skimming	✓	1	<p>For one mark.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>If candidate ticks three boxes or two boxes then mark first box eg penetration.</p>
			Pricing method	Tick (✓)										
			Penetration											
			Psychological											
Skimming	✓													
4	b	i	<p>Indicative content:</p> <ul style="list-style-type: none"> • people with gardens • older age groups • traders • families • gardeners • specific groups (eg ladies that lunch, local schools) 	1	<p>For one mark.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Do not accept supermarkets.</p>									

Question			Answer	Mark	Guidance
4	b	ii	<p>Indicative content:</p> <ul style="list-style-type: none"> • reduce costs • smaller amount of research needed • reduce time • sampling <p>Exemplar response:</p> <p>Market segmentation allows Janice to identify specific groups (1) which are most likely to or do come to the garden centre and buy the products (1). This means that she only needs to carry out research on these segments and not the whole market, therefore, reducing time taken for research (1).</p> <p>Market segmentation could help Janice conduct her market research effectively because it helps reduce the amount of research she has to do (1) because she knows the segments most likely to be interested in (1) the products produced by Ykale plc (1).</p>	3	<p>One mark for the correct identification, plus up to a further two marks for an explanation of an appropriate method.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
4	c		<p>Primary research is the gathering of <i>first hand</i> (1) data. This can be conducted through <i>field work</i> (1).</p> <p>Secondary research is the gathering of <i>second hand</i> (1) data such as <i>government statistics</i> (1).</p>	4	<p>One mark for each of four correct identifications.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

Question		Answer	Mark	Guidance
4	d	<p>Indicative content: Product – organically grown plants Price – price skimming, penetration, competitive, cost plus, etc Place – Distribution, direct selling, etc (not physical location) Promotion – in store, local/national media, above and below the line</p> <p>Exemplar response:</p> <p>A marketing mix consists of product, price, place and promotion (Level 1). It is a combination of strategies to increase sales and reduce the risk of failure. For a business to market organic products of any kind it needs to promote an image by giving information to the market through informative advertising (Level 2). In the case of a (large) garden centre I have found that it is generally more expensive than other small farm and garden shops. Also there is quite a lot of competition in our area from local people who grow plants and sell them at local retail outlets.</p> <p>Therefore, (large) garden centres need to identify the specific market segments which it needs to target and produce a variety of plants which have demand. Pricing may need to be high to initially cover the increased costs and traditionally organic products are priced higher than others. I have seen this in my local supermarket (Level 3). If Ykale plc is to sell to local councils and other organisations it is important that it also maintains the direct selling which gives more information and personal service to the customer. A large business will be able to afford greater advertising and so might use local radio and retailers to promote the new products. A combination of the mix which highlights the social responsibility and changing fashion will be the most effective, especially when external factors such as the economy may have a bearing on its success (Level 4).</p>	10	<p>Level 4 – Evaluation (8-10 marks) A justified recommendation of each element (at least one element which is the most important) based on analysis of valid research. Max 8 marks – no local research (one or more elements) Max 9 marks – at least one element and some local research Max 10 marks – at least two elements and some local research.</p> <p>Level 3 – Analysis (5-7 marks) An analysis of elements of the marketing mix likely to attract customers to buy organically grown plants. Max 5 marks – no local research (one or more elements) Max 6 marks – at least one element and some local research Max 7 marks – at least two elements and some local research</p> <p>Level 2 –Application (3-4 marks) Application of knowledge of the marketing mix for a garden centre or similar business, eg farm shops using examples and/or local area research. Max 3 marks – generic explanation Max 4 marks – explanation specifically to YKale or garden centres.</p> <p>Level 1 – Knowledge (1-2 marks) Knowledge of the marketing mix. NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

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				Please note: if candidate's name drop eg "Dobbies" in their script but do not use this to inform their analysis or evaluation then this is insufficient to achieve the higher mark in each band.
5	a	<p>Indicative content:</p> <ul style="list-style-type: none"> • reduced training eg already trained • knowledge of staff (Janice and staff) • good communication • reduced recruitment time • reduced cost • know customers <p>Exemplar response:</p> <p>Janice might prefer to keep the existing staff in order to save costs on lengthy recruitment processes (1) such as advertising and interviewing (1). The costs of retraining could also be saved (1).</p> <p>Janice would want to retain staff because it costs (1) money to advertise to get new staff to fill a vacancy (1). Moreover, it costs money to conduct interviews and train new staff (1).</p>	3	<p>One mark for a correct identification, plus up to a further two marks for an explanation.</p> <p>Beware of answers based on retraining rather than retaining.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Only mark first reason if more than one reason is given.</p>

Question		Answer	Mark	Guidance
5	b	<p>Indicative content:</p> <ul style="list-style-type: none"> • in the contract • legal requirements • to retain staff • to increase motivation • to reduce absenteeism • ethical reasons • to prevent accidents • go on strike • business reputation <p>Exemplar response:</p> <p>Good working conditions such as the correct clothing and correct temperature might be very important when working in a garden centre where it is necessary to go in and out (1). Consideration of this will lead to a happier workforce (1) and may reduce the possibility of staff leaving or taking time off (1).</p> <p>Good working conditions are a good think to have because it will help retain staff. Because a good environment (1) keeps staff happy (1) and this means that they work harder (1) and stay with the company.</p>	3	<p>One mark for a correct identification, plus up to a further two marks for an explanation.</p> <p>Max 1 mark for knowledge of working conditions eg good environment if no further response as per the indicative content.</p> <p>Also allow negative aspects to responses. Candidate can answer from three angles, business, staff and Janice.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>

Question		Answer	Mark	Guidance
5	c	<p>Indicative content:</p> <ul style="list-style-type: none"> • professional development • customer service • reputation/image • repeat sales • motivation/morale • feedback from employees <p>Exemplar response:</p> <p>Managing staff performance is vital to a business such as Ykale plc where customer service is important throughout the business (Level 1). Performance management also allows Ykale plc to retrain and ensure that the staff are up to date with the knowledge they need to give information to customers (Level 2). This service is often the reason that the best advertising is through word of mouth as repeat sales are made and, perhaps, higher profit in the long run. This type of performance management also motivates staff to develop professionally and to take advantage of opportunities for promotion. The business, in turn, benefits from greater commitment amongst its staff (Level 3).</p>	5	<p>Level 3 – Analysis (4-5 marks) An analysis (in the context Ykale/or other) of the implications of performance management on staff and business.</p> <p>Max 4 marks – generic analysis Max 5 marks – analysis context of the garden centre</p> <p>Level 2 – Application (2-3 marks) An understanding of performance management on staff and the business (Ykale /or other). Max 2 marks – generic explanation Max 3 marks – explanation specifically to YKale or garden centres.</p> <p>Level 1 (1 mark) Generic knowledge of a performance management.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Allow negative responses.</p> <p>Please note: if candidate’s name drop eg “Dobbies” in their script but do not use this to inform their analysis or evaluation then this is insufficient to achieve the higher mark in each band.</p>

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6		<table border="1"> <thead> <tr> <th>Examples</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>Increasing prices to make more profit</td> <td></td> </tr> <tr> <td>Making sure customers are safe</td> <td>✓</td> </tr> <tr> <td>Paying staff the lowest wage possible</td> <td></td> </tr> <tr> <td>Employing staff with a disability</td> <td>✓</td> </tr> </tbody> </table>	Examples	Tick (✓)	Increasing prices to make more profit		Making sure customers are safe	✓	Paying staff the lowest wage possible		Employing staff with a disability	✓	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>If more than 2 ticks, mark top down.</p> <p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p>
Examples	Tick (✓)													
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Employing staff with a disability	✓													

Question	Answer	Mark	Guidance
7	<p>Indicative content (evaluation means greatest impact):</p> <ul style="list-style-type: none"> • technological - changes in the development of organically grown plants and fertilisers, new ways of maintaining plants, payment systems, creation of website (social media etc) • environmental - fertiliser contamination, carbon footprint, noise, congestion, weather (natural disaster), sustainability , allow location if related to green environment • legal - consumer protection, employment law, accessibility, Equality Act, minimum wage, safe working conditions, sale of goods act <p>Do not accept taxes, working environment (internal)</p> <p>Exemplar response:</p> <p>As a business changes and develops new strategies and product lines it is important that the latest up to date technology is used in order to cut costs and to conform to legal requirements (Level 1). This technology could be used in the development of new ways of growing plants avoiding the use of harmful insecticides. In our area we have several small farm shops which grow organic plants and have to pay for the technology to do so (Level 2). Large businesses such as Ykale plc often have their own scientists to research new methods. This will save some costs for Ykale plc which may impact on profit in the future (Level 3).</p> <p>A reduction in the use of insecticides and the use of wholesalers thus lowering the carbon footprint will impact on the environment. However, these environmental considerations may result in higher costs for Ykale plc.</p>	10	<p>Level 4 – Evaluation (8-10 marks) An evaluation of the impact based on an analysis of all three external factors using own research. Max 8 marks – evaluation of the impact based on the analysis of at least two external factors with no research Max 9 marks – evaluation of the impact based on the analysis of at least two external factors with research Max 10 marks – evaluation based on all three analysed with local research</p> <p>Level 3 – Analysis (5-7 marks) An analysis of one or more of the external factors using own research. Max 5 marks – analysis of one or more factors with no research Max 6 marks – analysis of one external factor with local research Max 7 marks – analysis of at least two external factors with local research</p> <p>Level 2 –Application (3-4 marks) Application of knowledge of one or more of the external factors in the context of the garden centre. Max 3 marks – generic explanation Max 4 marks – explanation specifically to YKale or garden centres.</p> <p>Level 1 – Knowledge (1-2 marks) Knowledge of external factors</p> <p>Emphasis should be on the effects on the business itself of external factors</p>

Question	Answer	Mark	Guidance
	<p>The development and sale of organic plants is costly as is using wholesalers; therefore, concern for the environment is often a long term strategy. However, Ykale plc could use this in its advertising which may result in higher sales among certain segments, especially through the marketing of its new image of social responsibility.</p> <p>Ykale plc could use its new image in its marketing but it must be aware of legislation in terms of consumer protection and misrepresentation in its advertising. Ykale plc must also be aware of many aspects of legislation which may prevent the development of the new products.</p> <p>It is difficult to assess the greatest impact on the business. Legal requirements are the same for many such businesses but the extent to which environmental and technological factors impact on Ykale plc is <i>greater</i>. As the business is developing new organically grown plants it may be that environmental and technological factors are interrelated, and therefore, as a combined force have the greatest impact (Level 4).</p>		<p>NR must be given where there is no response; 0 marks should be given for a response which is worthy of no credit.</p> <p>Please note: if candidate's name drop eg "Dobbies" in their script but do not use this to inform their analysis or evaluation then this is insufficient to achieve the higher mark in each band.</p>

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