

**Wednesday 15 June 2016**

**Level 4 Certificate in Management Consulting 10331**

**Unit 4 Business Environment**

**MARK SCHEME**

**Duration: 2 hour 30 minutes**

**MAXIMUM MARK 90**

**POST AMEC**  
Version: **6** Last updated: **05/04/2016**  
**(FOR OFFICE USE ONLY)**

For answers marked by levels of response:

- a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer.
- b. **To determine the mark within the level**, consider the following:

| Descriptor  | Award mark  |
|---|---|
| On the borderline of this level and the one below     | At bottom of level  |
| Just enough achievement on balance for this level     | Above bottom and either below middle or at middle of level (depending on number of marks available)       |
| Meets the criteria but with some slight inconsistency | Above middle and either below top of level or at middle of level (depending on number of marks available) |
| Consistently meets the criteria for this level        | At top of level   |


| Question | Answer/Indicative Content   | Marks | Guidance  |
|----------|---|-------|---|
| 1        | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>•</li> <li>• to provide employment for Levi and Joshua</li> <li>• to make a profit</li> <li>• to fulfil human needs and wants</li> <li>• to provide a service.</li> </ul> <p><b>Exemplar response:</b><br/>One business purpose of <i>MMS Ltd</i> is that it is a provider of car repair and diagnostic services <b>(1)</b>.</p>   | 1     | <p><b>One</b> mark for correctly identifying a business purpose of <i>MMS Ltd</i>.</p>  |
| 2        | <p><b>Indicative content:</b></p> <p>Levi's objectives might be:</p> <ul style="list-style-type: none"> <li>• to secure a cash injection for <i>MMS Ltd</i></li> <li>• to borrow at minimal interest</li> <li>• to safeguard the livelihood of employees</li> <li>• to maintain his and Joshua's 'Immigration by Investment' visa status.</li> </ul> <p>Local bank objectives might be:</p> <ul style="list-style-type: none"> <li>• to lend at minimal risk</li> <li>• to lend at maximum interest</li> <li>• to provide business advice and support</li> <li>• to accrue interest on money loaned.</li> </ul> <p><b>Exemplar response:</b><br/>Levi's objective as the owner of <i>MMS Ltd</i> is to secure an injection of funds to improve the business <b>(1)</b>. On the one hand, the bank's objective is to lend to businesses which are performing well <b>(1)</b>. <i>MMS Ltd</i> was trading at a loss in 2012 so the bank rejected its loan application <b>(1)</b>.</p> | 3     | <p><b>One</b> mark for <i>MMS Ltd</i> objective.</p> <p><b>One</b> mark for bank objective.</p> <p><b>One</b> mark for difference.</p> <p>Difference required for full marks.</p> |

| Question | Answer/Indicative Content  | Marks | Guidance   |
|----------|--|-------|--|
| 3        | <p><b>Indicative content:</b></p> <p>Legal responsibilities:</p> <ul style="list-style-type: none"> <li>• compliance with the Paints Directive 2004/42/EC/generic health and safety requirements</li> <li>• repay a loan</li> <li>• meet owner's 'Immigration by Investment' visa obligations</li> <li>• meet VAT obligations</li> <li>• employment law</li> <li>• Companies Act</li> <li>• HMRC.</li> </ul> <p>Stakeholder responsibilities:</p> <ul style="list-style-type: none"> <li>• employee safety</li> <li>• client needs</li> <li>• professional body obligations</li> <li>• employee livelihoods</li> <li>• paying suppliers and creditors on time.</li> </ul> <p><b>Exemplar response:</b><br/> <i>MMS Ltd</i> could meet its legal obligations by ensuring that it complies with the owner's 'Immigration by Investment' obligation'. <b>(1)</b> The owners are required to provide sufficient personal funds to live on <b>(1)</b> until <i>MMS Ltd</i> could break-even <b>(1)</b>.</p> | 6     | Up to <b>three</b> marks for each of <b>two</b> answers. |

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|----------|---|-------|--------------------------|
| 4        | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• government allocates scarce resources</li> <li>• resources are allocated based on political objectives</li> <li>• consumers do not decide on how and what goods and services are produced</li> </ul> <p><b>Exemplar response:</b><br/>           In a command economy central government and not the markets direct the allocation of scarce resources <b>(1)</b>. For example, whether or not to produce more nuclear power and less healthcare is planned and prioritised by government officials <b>(1)</b>. How and what goods and services are produced and by which producers are not, as in free markets, decided by consumers but through government preferences <b>(1)</b>. The command economy thus restricts the autonomy of individual units to the extent that decisions on the use of resources must occur with political objectives set <b>(1)</b>.</p> | 4     | Up to <b>four</b> marks. |

| Question | Answer/Indicative Content   | Marks | Guidance  |
|----------|---|-------|---|
| 5        | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• turnover</li> <li>• tax burden</li> <li>• client base</li> <li>• service provision</li> <li>• physical resources</li> <li>• equilibrium</li> <li>• threat to activities</li> <li>• liquidity</li> <li>• throttling off trading.</li> </ul> <p><b>Exemplar response:</b><br/> A VAT of 20 percent of annual turnover represents a significant tax burden for a small business such as <i>MMS Ltd</i>, especially if its turnover over successive financial years has remained below the fiscal threshold pertaining to those years [L1]. It is likely that all areas of <i>MMS Ltd's</i> activities, including its client base, service provision, physical resources and skills sets will have reached a degree of equilibrium around a lower value of turnover. [L2] So exceeding this threshold annual turnover is likely to pose a significant threat to <i>MMS Ltd's</i> activities [L3]. Particularly if, as with most small businesses, there is insufficient liquidity to defray this tax payment or, as the case study alludes to, the local bank refuses to provide the business with the needed cash injection [L4]. In these circumstances it is not unusual for small businesses to avoid VAT payments by throttling off trading at a level of turnover just below this fiscal threshold [L4].</p> | 8     | <p><b>Levels of response:</b></p> <p><b>Level 4 (7 – 8 marks):</b><br/> Candidate assesses the effects of exceeding threshold on <i>MMS Ltd's</i> activities.</p> <p><b>Level 3 (5 – 6 marks):</b><br/> Candidate analyses the effects of exceeding threshold on <i>MMS Ltd's</i> activities.</p> <p><b>Level 2 (3 – 4 marks):</b><br/> Candidate explains the effects of exceeding threshold on <i>MMS Ltd's</i> activities.</p> <p><b>Level 1 (1 – 2 marks):</b><br/> Candidate describes the effects of exceeding threshold on <i>MMS Ltd's</i> activities.</p> <p><b>NB:</b> allow <b>one</b> mark only for the simple identification of one (or more) effect (s). Also effect (s) can be positive or negative.</p> |
| 6        | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• demand for <i>MMS Ltd's</i> services</li> <li>• revenue and profits</li> <li>• shifts in the balance of service provision</li> </ul>   | 20    | <p><b>Levels of response:</b></p> <p><b>Level 4 (16 – 20 marks):</b><br/> Candidate evaluates likely impacts of City Council's decision on <i>MMS Ltd</i>.</p>  |

| Question | Answer/Indicative Content  | Marks | Guidance   |
|----------|--|-------|--|
|          | <ul style="list-style-type: none"> <li>• pricing policy</li> <li>• skills capability</li> <li>• plant and equipment capability</li> <li>• reputation</li> <li>• physical space</li> <li>• business risk.</li> </ul> <p><b>Exemplar response:</b></p> <p>The immediate impact may be on the client demand patterns for <i>MMS Ltd's</i> repair and diagnostic services [L1]. Having understood from a client survey the relationship between car ownership and the hourly rate at which <i>MMS Ltd</i> should charge its services, this decision by the City Council will have a negative impact on its prestige car service offerings [L2] potentially leading to a decrease in revenue [L3]. However, the impact on demand <i>MMS Ltd's</i> services by high performance car owners might be minimal depending on the rate of the increase on congestion charges [L4]. Likewise, the shift in the balance of <i>MMS Ltd's</i> service provision – whether or not it will need to provide fewer repair services and more diagnostic services, or vice versa – will also not be immediately obvious [L4].</p> |       | <p><b>Level 3 (11 – 15 marks):</b><br/>Candidate analyses likely impacts of the City Council's decision on <i>MMS Ltd</i>.</p> <p><b>Level 2 (6 – 10 marks):</b><br/>Candidate explains likely impacts of the City Council's decision on <i>MMS Ltd</i>.</p> <p><b>Level 1 (1 – 5 marks):</b><br/>Candidate identifies likely impacts of the City Council's decision on <i>MMS Ltd</i>.</p> <p><b>NB:</b> allow <b>one</b> mark only for the simple identification of one (or more) impact (s). Also impact (s) can be positive or negative.</p> |
| 7        | a  | 4     | <p><b>Up to four marks.</b></p> <ul style="list-style-type: none"> <li>• <b>1 mark</b> – lines S and D.</li> <li>• <b>1 mark</b> – S1 line drawn.</li> <li>• <b>1 mark</b> – correct explanation of S1 or right shift arrows (increase in overall supply of auto repair services).</li> </ul>  |

| Question | Answer/Indicative Content  | Marks | Guidance   |
|----------|--|-------|--|
|          |  <p>The graph shows a downward-sloping demand curve (D) and two upward-sloping supply curves (S and S1). S1 is to the right of S, indicating an increase in supply. The initial equilibrium is at the intersection of S and D, with price P and quantity Q. The new equilibrium is at the intersection of S1 and D, with price P1 and quantity Q1. Orange arrows indicate the shift in supply and the resulting changes in price and quantity. Dashed lines connect the equilibrium points to the axes. Copyright: www.economicsonline.co.uk</p> |       | <ul style="list-style-type: none"> <li>1 mark – showing a decrease in price either in word or diagrammatically,</li> </ul> |



| Question |   | Answer/Indicative Content   | Marks | Guidance   |
|----------|---|---|-------|--|
| 7        | b | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• changing services mix</li> <li>• improve productivity</li> <li>• innovating new services</li> <li>• diversifying provision</li> <li>• reduce customer service provision</li> <li>• using marketing intelligence</li> <li>• reduce advertising and promotions</li> <li>• reducing operating costs</li> <li>• laying-off workers..</li> </ul> <p><b>Exemplar response:</b><br/> <i>MMS Ltd</i> could respond to this decrease in price by reducing costs [L1] by advertising less or through a cheaper channel [L2]. This could improve profit margin but could impact negatively on <i>MMS Ltd's</i> customer numbers [L3]. <i>MMS Ltd</i> may focus on improving productivity [L1] by requiring employees to work faster [L2]. Whilst this may improve efficiency it might frustrate employees [L3]. The reduction in price will increase <i>MMS Ltd's</i> break-even point and the company is most likely to respond to it by reducing either fixed or variable costs [L4]. In the longer term <i>MMS Ltd</i> may consider moving to a cheaper premises in order to compete [L4].</p> | 8     | <p><b>Levels of response:</b></p> <p><b>Level 4 (7 – 8 marks):</b><br/>Candidate evaluates ways in which <i>MMS Ltd</i> could respond to decreased price.</p> <p><b>Level 3 (5 – 6 marks):</b><br/>Candidate analyses ways in which <i>MMS Ltd</i> could respond to decreased price.</p> <p><b>Level 2 (3 – 4 marks):</b><br/>Candidate explains ways in which <i>MMS Ltd</i> could respond to decreased price.</p> <p><b>Level 1 (1 – 2 marks):</b><br/>Candidate describes ways in which <i>MMS Ltd</i> could respond to decreased price.</p> <p><b>NB:</b> allow <b>one</b> mark only for the simple identification of one (or more) responses.</p> |

| Question | Answer/Indicative Content   | Marks | Guidance                  |
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| 8        | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• imperfect knowledge</li> <li>• barriers to entry and exit</li> <li>• non-homogenous product</li> <li>• price setting</li> <li>• market power.</li> </ul> <p><b>Exemplar response:</b><br/>           One such departure is when there is a lack of knowledge <b>(1)</b> in the way a particular service should be delivered among firms in the market for car repairs <b>(1)</b>, for example, the lack of expertise in the way an advanced diagnostic technique should be applied <b>(1)</b>.</p> | 3     | Up to <b>three</b> marks. |

| Question | Answer/Indicative Content  | Marks | Guidance   |
|----------|--|-------|--|
| 9        | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• fair pay</li> <li>• equal treatment</li> <li>• fair working conditions</li> <li>• appropriate working environment.</li> </ul> <p><b>Exemplar response:</b><br/>           When managing and planning human resources, <i>MMS Ltd</i> needs to ensure fair treatment [L1]. When recruiting applicants should be chosen according to their skills, qualification and ability rather than their race, age or religious beliefs [L2]. Failure to do so may affect its reputation [L3]. Employees should be provided with appropriate working environment [L1] Employees should be able to work in a clean and comfortable environment [L2]. The most important issue is equal treatment [L4]. Employees should be treated with equal respect and training and promotional opportunities should be offered to all without discrimination [L4].</p> | 8     | <p><b>Levels of response:</b></p> <p><b>Level 4 (7 – 8 marks):</b><br/>           Candidate evaluates the issues about which Levi should be aware in the external cultural environment.</p> <p><b>Level 3 (5 – 6 marks):</b><br/>           Candidate analyses the issues about which Levi should be aware in the external cultural environment.</p> <p><b>Level 2 (3 – 4 marks):</b><br/>           Candidate explains the issues about which Levi should be aware in the external cultural environment.</p> <p><b>Level 1 (1 – 2 marks):</b><br/>           Candidate describes the issues about which Levi should be aware in the external cultural environment.</p> <p><b>NB:</b> allow <b>one</b> mark only for the simple identification of one (or more) issues. Also issues can be positive or negative.</p> |

| Question | Answer/Indicative Content   | Marks | Guidance                  |
|----------|---|-------|---------------------------|
| 10       | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• skills, experience and knowledge</li> <li>• lower wage costs</li> <li>• savings in training and development</li> <li>• accelerated business growth</li> <li>• wider talent pool</li> <li>• work ethic.</li> </ul> <p><b>Exemplar response:</b><br/>Free trade in skilled labour among EU countries can benefit a small business by enabling it to recruit staff with the required skills and knowledge which may not be readily available or accessible within its domestic national market <b>(1)</b>. Recruiting staff in this way means the small business not only benefits from cost savings in training and development, <b>(1)</b> but is also more able to achieve its growth objectives <b>(1)</b>.</p> | 3     | Up to <b>three</b> marks. |

| Question | Answer/Indicative Content   | Marks | Guidance   |
|----------|---|-------|--|
| 11       | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• public transport infrastructure</li> <li>• congestion zones</li> <li>• alternative modes of transport</li> <li>• car ownership</li> <li>• car usage</li> <li>• environmental concerns</li> <li>• competition</li> <li>• general and local economic expansion.</li> </ul> <p><b>Exemplar response:</b><br/> An aging and underdeveloped public transport infrastructure can contribute to an increased car ownership [L1]. This is likely to lead to an increase in demand for car repairs [L2] and therefore an increase in the market size of car repairs [L3]. Likewise, while the establishment of congestion zones is likely to reduce car usage within the congestion zone itself, this may increase car usage in areas which, although located outside the congestion zone, still lie within the city boundaries [L3]. So the combined effect of a poor public transport infrastructure and vehicle congestion outside the city's congestion zone is likely to increase the market for car repairs [L3].</p> | 6     | <p><b>Level 3 (5 – 6 marks):</b><br/> Candidate analyses the factors which may lead to an increase in market size of car repairs..</p> <p><b>Level 2 (3 – 4 marks):</b><br/> Candidate explains the factors which may lead to an increase in market size of car repairs..</p> <p><b>Level 1 (1 – 2 marks):</b><br/> Candidate describes the factors which may lead to an increase in market size of car repairs..</p> <p><b>NB:</b> allow <b>one</b> mark only for the simple identification of one (or more) factors. Also factors can be positive or negative.</p> |

| Question | Answer/Indicative Content   | Marks | Guidance   |
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| 12       | <p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• cost of compliance</li> <li>• administrative burden</li> <li>• safeguarding practices and procedures</li> <li>• verifying and maintaining prescribed levels of isocyanates</li> <li>• skills</li> <li>• commitment</li> <li>• training</li> <li>• responsible Health and Safety Officer</li> <li>• cash flow</li> <li>• productivity</li> <li>• growth</li> <li>• quality of service provision</li> <li>• employee and community health</li> <li>• risk and uncertainty</li> <li>• alternative paint products.</li> </ul> <p><b>Exemplar response:</b><br/>Complying with this particular directive is likely to impact on <i>MMS Ltd's</i> activities in terms of cost and administration [L1]. To ensure compliance with the Directive, the UK Health and Safety Executive will require <i>MMS Ltd</i> to have in place a rigorous set of safeguarding practices and procedures [L2] capable of verifying and maintaining the prescribed limits of isocyanates used in its paint products [L2]. Establishing this system will demand the full commitment of Levi and his employees as well as the training of an employee who will be the designated Health and Safety Officer for <i>MMS Ltd</i> increasing running costs [L3]. As small businesses are particularly vulnerable to cash flow shortages, the burden of administering and successfully navigating a visit from the HSE will be felt acutely, [L3] as will the potential risk to which the small business is naturally exposed during such visits [L3]. While the overall impact of periodic visits such as that by the HSE is arguably necessary in terms of contributing to the general health and wellbeing of <i>MMS Ltd's</i> employees and the local community, the overall costs of compliance against these potential health and well-being benefits are more difficult to justify [L4]. One alternative which <i>MMS Ltd</i> might consider is to</p> | 16    | <p><b>Levels of response:</b></p> <p><b>Level 4 (13 – 16 marks):</b> Candidate evaluates the likely impacts on <i>MMS Ltd</i> of achieving compliance.</p> <p><b>Level 3 (9 – 12 marks):</b> Candidate analyses the likely impacts on <i>MMS Ltd</i> of achieving compliance.</p> <p><b>Level 2 (5 – 8 marks):</b> Candidate explains the likely impacts on <i>MMS Ltd</i> of achieving compliance.</p> <p><b>Level 1 (1 – 4 marks):</b> Candidate describes the likely impacts on <i>MMS Ltd</i> of achieving compliance.</p> <p><b>NB:</b> allow up to <b>two</b> marks only for the simple identification of one (or more) impact(s). Impacts can be positive or negative.</p> <p><b>NB:</b> accept other relevant EU legislation</p> |

| Question | Answer/Indicative Content  | Marks | Guidance |
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|          | investigate the use of other paint products for car repairs which are not limited by the requirements of this particular directive [L4]. |       |          |