

# OCR

Oxford Cambridge and RSA

Wednesday 13 June 2018

**Level 4 Certificate in Management Consulting 10331**

**UNIT 4** Business Environment

**MARK SCHEME**

**Duration:** 2 hours 30 minutes

**MAXIMUM MARK 90**

Mark Schemes have been issued on the basis of **one** copy per Assistant examiner and **two** copies per Team Leader.

**This document consists of 10 printed pages.**

Q	Answer	Marks	Guidance	sle f o esR
1	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• for profit</li> <li>• provision of goods/services.</li> </ul>	2	<p><b>One</b> mark for a correct identification to a maximum of <b>two</b> identifications.</p>	
2	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• presence of private and public sectors</li> <li>• private sector allocates resources by market forces</li> <li>• public sector resources are allocated by the government.</li> </ul> <p><b>Exemplar response:</b></p> <p>In a mixed economy there are private and public sector organisations <b>(1)</b>. Whilst resources in the private sector are allocated by market forces <b>(1)</b>, the government decides how resources are allocated in the public sector <b>(1)</b>.</p>	3	<p><b>One</b> mark for each point of explanation up to a maximum of <b>three</b> marks. Allow development.</p>	

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3	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• in a contestable market firms have low market power; whereas in a monopoly market firms have high market power.</li> <li>• in a contestable market firms can make pricing or output decisions but not both; whereas a monopoly can control both.</li> <li>• pricing in a contestable market is likely to be competitive; in a monopoly market prices can be set to profit maximise.</li> <li>• in a contestable market firms are limited as to how much output they can sell in accordance with their market share, in a monopoly market the firm can supply the entire market</li> <li>• due to the existence of competition, firms in a contestable market earn normal profit; in a monopoly market firms can makes supernormal profit.</li> </ul> <p><b>Exemplar response:</b></p> <p>A business in a contestable market tends to use competitive pricing <b>(1)</b> while a monopoly has the ability to set a high price <b>(1)</b>. Therefore, a business in a contestable market produce at a level that earns normal profits <b>(1)</b> while a monopoly produces at a level that maximises profit <b>(1)</b>.</p>	4	<p><b>One</b> mark for each point of explanation up to a maximum of four marks. Allow development.</p> <p>Award full marks only if the difference is clearly shown.</p>	
4(a)	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• recycle</li> <li>• reduce waste</li> <li>• reduce pollution.</li> </ul> <p><b>Exemplar response:</b></p> <p>Noreen should provide bins for her customers <b>(1)</b> to keep the environment clean <b>(1)</b>.</p>	2	<p><b>One</b> mark for identification plus <b>one</b> mark for explanation.</p>	

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4(b)	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• fair pricing policy</li> <li>• reduce fat content in her dishes</li> <li>• reduce salt</li> <li>• reduce sugar.</li> </ul> <p><b>Exemplar response:</b></p> <p>Noreen should use less fat in the preparation of the food <b>(1)</b> because low fat food has health benefits <b>(1)</b> .</p>	<b>2</b>	<b>One</b> mark for identification plus <b>one</b> mark for explanation.	
5	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• opportunity cost - loss of next best alternative, the cost of foregoing the next best option.</li> <li>• scarcity - limited resources to meet unlimited wants, shortage in supply, insufficient natural resources, insufficient suppliers</li> <li>• market equilibrium - supply equals demand, neither surplus nor shortage, status quo, no propensity to change.</li> </ul> <p><b>Exemplar response:</b></p> <p>Opportunity cost is the value of something that is lost <b>(1)</b> because an alternative has been chosen <b>(1)</b>.</p> <p>Scarcity means a shortage in supply <b>(1)</b> which could be due to an insufficient number of suppliers <b>(1)</b>.</p> <p>Market equilibrium is reached when supply equals demand <b>(1)</b> , there is neither surplus or shortage in the market <b>(1)</b>.</p>	<b>6</b>	Up to <b>two</b> marks for each of <b>three</b> correct explanations.	

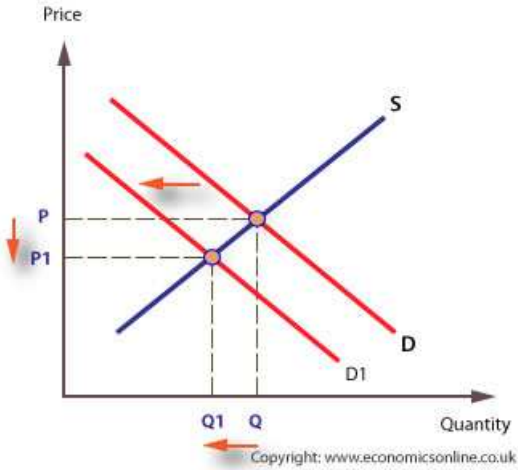
Q	Answer	Marks	Guidance	sled f o esR
6	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• trading licence</li> <li>• food safety</li> <li>• health and hygiene</li> <li>• safety of equipment and appliances.</li> </ul> <p><b>Exemplar response:</b></p> <p>The Food Safety Regulations require Noreen to be trained before handling food <b>(1)</b> to reduce the change of food poisoning <b>(1)</b>.</p>	4	<p><b>One</b> mark for a correct identification up to a maximum of <b>two</b> identifications plus a further <b>one</b> mark for each of <b>two</b> developments.</p>	
7	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• trade restrictions - barriers to free trade, protectionism, restore/maintain international peace, imposed by government.</li> <li>• exogenous shocks - unexpected/unpredictable events, dramatic impact</li> <li>• regulatory capture - government failure, failure to act in public interest, public body advances the interests of commercial groups.</li> </ul> <p><b>Exemplar response:</b></p> <p>Trade restrictions are barriers to free trade <b>(1)</b> imposed by national governments <b>(1)</b>.</p> <p>Exogenous shocks are unexpected/unpredictable events <b>(1)</b> that can have a major affect on a business' future <b>(1)</b>.</p> <p>Regulatory capture is a form of government failure <b>(1)</b> when a regulatory body advances the interests of certain commercial groups <b>(1)</b>.</p>	6	<p>Up to <b>two</b> marks for each of <b>three</b> correct explanations.</p>	

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8	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• not available locally</li> <li>• cheaper overseas</li> <li>• better quality.</li> </ul> <p><b>Exemplar response:</b></p> <p>Some ingredients that Simply Orient uses might not be available in the UK <b>(1)</b> due to local climate being unsuitable for growing the ingredients <b>(1)</b>.</p>	4	<p><b>One</b> mark for identification to a maximum of <b>two</b> identifications, plus <b>one</b> mark for each of <b>two</b> explanations.</p>	
9	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• requirement for knowledge</li> <li>• requirement for expertise</li> <li>• capital cost</li> <li>• revenue expenditure</li> <li>• training</li> <li>• ongoing updates</li> <li>• lower marketing costs</li> <li>• be left behind by competitors if ignored.</li> </ul> <p><b>Exemplar response:</b></p> <p>Simply Orient must exploit social media <b>(1)</b> as the mobile food industry relies heavily on this technology to gain exposure <b>(1)</b>. Without this Simply Orient may lose out to the competition <b>(1)</b>.</p>	9	<p><b>One</b> mark for a correct identification up to a maximum of <b>three</b> identifications plus a further <b>one</b> mark for each of <b>three</b> explanations, plus a further one mark for each of three analyses.</p> <p>Impact can be positive or negative.</p>	

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10	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• customer pressure</li> </ul> <p>media pressure groups celebrity culture ethical consumerism healthy food reduce food wastes fair trade food miles.</p> <p><b>Exemplar response:</b></p> <p>Consumers demand healthy food nowadays <b>(L1)</b>, Simply Orient should make sure that fresh, natural ingredients are used as far as possible <b>(L2)</b>. Whilst this satisfies customer needs, profit margins might suffer <b>(L3)</b>.</p> <p>Reducing food waste is another hot topic that Simply Orient cannot ignore <b>(L1)</b>. This could be achieved by careful management of stock and ensuring that portion sizes are not too big <b>(L2)</b>. Reducing food waste can serve to increase profit margins <b>(L3)</b>.</p> <p>Simply Orient should reduce food miles <b>(L1)</b> by sourcing its ingredients locally <b>(L2)</b>. However, this might not be possible as it is serving exotic dishes that require imported products <b>(L3)</b>.</p> <p>Overall, it is vitally important that Simply Orient serves what its customers want to eat. Therefore the serving of healthy food is likely to have the greatest impact on Simply Orient's operations. However, serving good quality, healthy food alone does not guarantee the success of Simply Orient; Noreen must consider the full</p>	20	<p><b>Levels of response</b></p> <p><b>Level 4: (16-20 marks)</b></p> <p>Candidate evaluates possible impacts of external cultural environment on Simply Orient with justification.</p> <p><b>Level 3: (11-15 marks)</b></p> <p>Candidate analyses possible impact(s) of external cultural environment on Simply Orient.</p> <p><b>Level 2: (6-10 marks)</b></p> <p>Candidate explains possible impact(s) of external cultural environment on Simply Orient.</p> <p><b>Level 1: (1-5 marks)</b></p> <p>Candidate identifies possible impact(s) of external cultural environment on Simply Orient.</p>	

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	range of issues that are important to her customers if the business is to survive (L4).			
11	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• low cost of borrowing</li> <li>• more disposable income</li> <li>• greater spending power</li> <li>• favourable taxation.</li> </ul> <p><b>Exemplar response:</b></p> <p>If interest rates remain low, loans are more affordable (L1). This means low loan repayments (L2) enabling Simply Orient to expand more easily (L3). Lower interest rates also means greater spending power for consumers (L2) increasing potential turnover for Simply Orient (L3).</p> <p>A favourable fiscal policy could mean that income tax is likely to remain the same or remain low (L1). This gives consumers more disposable income (L2) which could lead to more sales for Simply Orient (L3).</p> <p>Overall a favourable fiscal policy is more beneficial to Simply Orient in the long run as it not only increases consumers' disposable income, it also boosts confidence in the market leading to economic stability (L4). Businesses such as Simply Orient are also likely to have more retained profit to invest in the future (L4).</p>	12	<p><b>Levels of response</b></p> <p><b>Level 4: (10-12 marks)</b></p> <p>Candidate evaluates which factor is more beneficial to Simply Orient with justification.</p> <p><b>Level 3: (7-9 marks)</b></p> <p>Candidate analyses factor(s) which are beneficial to Simply Orient.</p> <p><b>Level 2: (4-6 marks)</b></p> <p>Candidate explains factor(s) which are beneficial to Simply Orient.</p> <p><b>Level 1: (1-3 marks)</b></p> <p>Candidate identifies factor(s) which are beneficial to Simply Orient.</p>	



Q	Answer	Marks	Guidance
12(a)		7	<p><b>Up to seven marks for a diagram. Award as follows:</b></p> <ul style="list-style-type: none"> <li>1 mark for original demand line correctly drawn and labelled.</li> <li>1 mark for original supply line correctly drawn and labelled.</li> <li>1 mark for second demand line shifted left.</li> <li>1 mark for indicating a decrease in equilibrium price (also accept a textual explanation).</li> <li>1 mark for indicating a decrease in equilibrium quantity (also accept a textual explanation).</li> <li>1 mark for labelling the x-axis correctly.</li> <li>1 mark for labelling the y-axis correctly.</li> </ul>

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Q	Answer	Marks	Guidance	sle f o esR
12(b)	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• reduce prices</li> <li>• improve services</li> <li>• increase range of services</li> <li>• increase marketing</li> <li>• change location</li> <li>• change market</li> <li>• diversify</li> <li>• exit the market.</li> </ul> <p><b>Exemplar response:</b></p> <p>The downturn in demand means that Simply Orient needs to attract customers <b>(1)</b>. Simply Orient could reduce prices <b>(1)</b> to maintain customer numbers. However, this leads to a smaller profit margin <b>(1)</b>.</p> <p>Simply Orient could increase its spending on marketing <b>(1)</b> to entice customers <b>(1)</b>. As businesses in this market relies heavily on social media printing and distributing more leaflets might not be cost effective <b>(1)</b>.</p> <p>A change of location to a shop <b>(1)</b> should be considered if eating outdoors becomes unpopular. However, this would require a substantial capital which Simply Orient might struggle to raise <b>(1)</b>.</p>	<b>9</b>	<p><b>One</b> mark for identification to a maximum of <b>three</b> identifications, plus up to <b>two</b> further marks for each of <b>three</b> explanations.</p>	
[Total: 90]				