

Cambridge Technicals Business

Unit 1: The Business Environment

Level 3 Cambridge Technical in Business
05834 - 05837

Mark Scheme for January 2020

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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.

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Annotations

Annotation	Meaning
Tick	Valid point, mark awarded
Cross	Incorrect
Question mark	Response unclear
BOD	Benefit of doubt (mark awarded)
TV	Too vague (mark not awarded)
REP	Repetition (no additional marks awarded)
NAQ	Not answered question (incorrect focus)
L1	Level 1 response (identification)
L2	Level 2 response (explanation)
L3	Level 3 response (analysis)
L4	Level 4 response (evaluation)
CONT	Context (required for high L4 award only)

Subject-specific marking instructions

For Level of Response marked questions marked over 4 levels, the candidate can access at L1 or L2. In either case, they can analyse the point made and proceed directly to L3.

L3 analysis is required before L4 can be accessed.

SECTION A			
Question	Answer	Marks	Guidance
1	Indicative content: A	1	For one mark.
2	Indicative content: B	1	For one mark.
3	Indicative content: B	1	For one mark.
4	Indicative content: B	1	For one mark.
5	Indicative content: A	1	For one mark.
6	Indicative content: C	1	For one mark.
7	Indicative content: B	1	For one mark.
8	Indicative content: C	1	For one mark.
9	Indicative content: C	1	For one mark.
10	Indicative content: B	1	For one mark.
11	Indicative content: B	1	For one mark.
12	Indicative content: B	1	For one mark.
13	Indicative content: D	1	For one mark.
14	Indicative content: A	1	For one mark.
15	Indicative content: B	1	For one mark.
16	Indicative content: D	1	For one mark.
17	Indicative content: C	1	For one mark.
18	Indicative content: D	1	For one mark.
19	Indicative content: B	1	For one mark.
20	Indicative content: B	1	For one mark.

SECTION B			
Question	Answer	Marks	Guidance
21	<p>Responses include:</p> <ul style="list-style-type: none"> • <u>limit of 48 hours work per week</u> (on average) • <u>under 18s limit of 40 hours a week</u> • minimum right to <u>one day off per week</u> • minimum <u>11 hours off</u> between work periods • minimum in-work <u>break of 20 minutes every 6 hours</u> • <u>breaks</u> given must be <u>uninterrupted</u> • <u>breaks</u> must be given during work period, <u>not at end</u> of work period • maximum <u>8-hour shift</u> for <u>night shift/at risk workers</u> • <u>additional breaks</u> for <u>night shift/at risk workers</u> • give <u>paid holiday</u> entitlement • a minimum of <u>5.6 weeks holiday per year</u> • require workers' <u>permission/signature</u> to <u>opt-out</u>. 	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>NB This question tests the legal requirements of the Working Time Directive. Do not award vague answers e.g. frequent breaks, sufficient breaks, limit on working hours, etc.</p> <p>The question asks how a business complies with the Working Time Directive, so answers must meet (or surpass) the law's minimum requirements.</p> <p>NB Where numerical details are needed, these must be accurate i.e. either by meeting the minimum legal requirement <u>or</u> surpassing it.</p> <p>E.g. 5.6 weeks holiday per year (1) (meets the legal requirement); 8 weeks holiday per year (1) (surpasses, and therefore meets the legal requirement); 3 weeks holiday per year (0) (does not meet the legal requirement).</p> <p>No context required.</p>

Question	Answer	Marks	Guidance
22	<p>Responses include:</p> <ul style="list-style-type: none"> • benefit e.g. do not need to save up, can obtain asset instantly/sooner than, no need to pay a large sum up front, only an initial deposit required, can afford up-to-date equipment, payments by instalments, pay monthly, spread payment, easy to budget, once final payment made the business will own the asset. • drawback e.g. interest charges, more expensive than purchasing outright, committed to a repayment contract, monthly outgoings increase, not own the asset until final payment made, payment default risks repossession. <p>Exemplar responses:</p> <p>Name of business: Wilter's Recruitment Activity of business: Recruitment Agency</p> <p>One benefit of using hire purchase is that Wilter's Recruitment can obtain a state-of-the-art photocopier immediately (1), by paying for it in instalments (1).</p> <p>One disadvantage of using hire purchase is that interest is charged (1), making the overall cost more expensive (1).</p>	4	<p>One mark for identification of a benefit, plus a further one mark for explanation. One mark for identification of a drawback, plus a further one mark for explanation.</p> <p>Accept positive/negative features of HP as benefits/drawbacks.</p> <p>NB Benefits/drawbacks do not need to be specific to HP. For example, interest is charged on overdrafts and loans as well as HP, but it is still an awardable answer. Do not award benefits/drawbacks of hiring/leasing. Unlike hiring/leasing, HP does not usually come with a maintenance contract or an offer of upgrades nor does it require the equipment to be returned once payment is made.</p> <p>Ignore references to what has been obtained by HP (even if what is obtained is inappropriate e.g. supplies (usually trade credit) or property (usually a mortgage)).</p> <p>No context required.</p>

Question	Answer	Marks	Guidance
23	<p>Responses include:</p> <ul style="list-style-type: none"> • manufacture/make goods/assemble parts/transform raw materials into finished goods (not 'produce') • maintenance/repair • quality control/product checking/testing • monitoring stock levels of (raw) materials • handling movement of (raw) materials • packaging • storage/warehousing • distribution • plan/schedule manufacturing • liaises with other functions for specific purpose e.g. procurement/finance to order more (raw) materials. <p>Exemplar responses:</p> <p>Name of business: Carl's confectionery Activity of business: Sweets manufacturer</p> <p>One task performed by the production function is to make the fillings for the chocolates (CONT) (2).</p> <p>One task performed by the production function is packaging the products (1) (NO CONTEXT).</p>	4	<p>In each case, award: Two marks for a contextual task. ✓✓ CONT One mark for a non-contextual task. ✓</p> <p>Must be the production function, do not award R&D functions, innovation or ideas for improvement.</p> <p>Accept a specific example e.g. for 'manufacture goods' accept any task involved e.g. 'work on production line', 'control robots', 'add ingredients', 'sew', 'grow', etc.</p> <p>Maximum one answer per bullet point.</p> <p>'Produce goods' is insufficient for the mark as it repeats the stem of the noun in 'production function'. 'Stock control' or 'order stock' is too vague, needs to refer to materials (or similar) i.e. rules out the ordering of stationery etc.</p> <p>Test for CONTEXT = product/service/industry only. Look for industry specific terms.</p> <p>Answer should relate to the business which the learner has researched.</p>

Question	Answer	Marks	Guidance
24	<p>Responses include:</p> <ul style="list-style-type: none"> • advantage e.g. no mass media broadcasting fee to pay, reach global audience, algorithms directly target specific customer profiles, self-perpetuating, can use audio, can include moving images/clips/footage, no paper required, no printing, no production crew required, potential customer interaction, intrusive notifications direct to potential customers' mobiles/tablets. • disadvantage e.g. content difficult to control, may need to attract followers, need to employ social media experts, need to pay influencers, reliance on technology. <p>Exemplar response:</p> <p>Name of business: Cakes by Mandy Activity of business: Bakery</p> <p>One advantage to Mandy of using social media to promote her business is that she can target a specific group of customers (1). This enables her to communicate effectively with her target audience (1+), increasing sales (1An).</p> <p>One disadvantage to Mandy of using social media to promote her business is that it is difficult to control the content of the media promotion (1). If a customer posts a negative comment (1+) it could significantly damage the reputation of the business (1An).</p>	6	<p>In each case, award: One mark for an advantage/disadvantage <u>to the business</u> ✓ PLUS one mark for explanation, if seen ✓+ AND/OR one mark for analysis, if seen ✓A.</p> <p>In each case:</p> <p>The ✓ mark must be for an advantage/disadvantage of promotion using social media (as opposed to a generic advantage of promotion).</p> <p>The ✓+ mark can be any form of explanation (including description, development or analysis).</p> <p>The ✓A mark must be analytical i.e. impact on the business of social media advantage/disadvantage identified.</p> <p>The analysis may well be generic to any promotional method (e.g. more profit, higher revenue, increased cost, increased awareness, appeals to customers, more sales, etc) but must link to the social media specific.</p> <p>NB An advantage/disadvantage of promotion using <u>social media</u> (as opposed to a generic advantage/disadvantage of promotion) is required to award marks. Look for this first.</p> <p>No context required.</p>

Question	Answer	Marks	Guidance
25	<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • brain storming/mind/thought showering • attends industry conferences • asks employees • commissions inventors • market research • laboratory research • accidental discovery • relies on R&D function. <p>Exemplar responses:</p> <p>Name of business: Nissan Activity of business: Car Manufacturer The business uses kaizen. On a daily basis a random selection of workers are called to a meeting to discuss how the company could improve the way it makes the cars (CONT ∴ L2) (DEVELOPED ANSWER). 4 marks</p> <p>Name of business: Nissan Activity of business: Car Manufacturer The business uses kaizen to help find ways to improve the way it makes the cars (CONT ∴ L2) (SINGULAR STATEMENT). 3 marks</p> <p>Name of business: Nissan Activity of business: Car Manufacturer The business uses kaizen. On a daily basis a random selection of workers is called to a meeting to discuss ways to further improve the business (NO CONTEXT ∴ L1) (DEVELOPED ANSWER). 2 marks</p>	4	<p>Levels of response</p> <p>Level 2 (3 - 4 marks) (CONT annotation required) Candidate gives a contextual explanation of how a business develops its ideas.</p> <p>Level 1 (1 - 2 marks) Candidate gives a non-contextual explanation of how a business develops its ideas.</p> <p>Award bottom of the appropriate level for a singular statement of <u>HOW</u>.</p> <p>Award top of the appropriate level for multiple statements e.g. two 'hows' or a developed answer of <u>HOW</u>.</p> <p>Test for CONTEXT = product/service/industry only. Look for industry specific terms. Accept any reasonable suggestion.</p> <p>'Research' too vague, please annotate TV. How they research is required e.g. 'internet research', 'competitor research', etc. 'Innovation' too vague, please annotate TV. How they innovate is required e.g. 'thought showers', 'kaizen', etc.</p> <p>NB Question asks HOW a business develops its ideas. Do not award answers that <u>only</u> explain WHAT has been developed i.e. a business idea. HOW is required.</p> <p>Answer should relate to the business which the learner has researched.</p>

Question	Answer	Marks	Guidance
	Name of business: Nissan Activity of business: Car Manufacturer The business uses kaizen. (NO CONTEXT ∴ L1) (SINGULAR STATEMENT). 1 mark		

SECTION C				
Question		Answer	Marks	Guidance
26		<p>Indicative content:</p> <ul style="list-style-type: none"> • Business sector: Private. • Activity type: Primary. 	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>The contradictory response rule (see mark scheme preamble) applies independently to business sector and activity type. For example, if a candidate has circled two business sectors then 0 must be awarded for identifying the business sector, however the candidate can still gain a mark for circling 'primary' as the activity.</p>
27	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • shareholder(s)/people who have shares. 	1	<p>For one mark.</p> <p>The contradictory response rule (see mark scheme preamble) applies. If multiple answers given e.g. 'shareholders and directors', please annotate SEEN and award 0.</p> <p>Do not award founders (the business was founded in 1919). Do not award directors.</p>
27	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • Type of liability: limited (1) • Explanation: can only lose amount invested in the business; personal possessions not at risk; only money put into the business is at risk; only the business assets are at risk (1). <p>Exemplar responses:</p> <p>Limited (1). Owners cannot be required to use personal possession to pay off the company's debts (1).</p>	2	<p>One mark for "limited"; plus One mark for explanation of meaning.</p> <p>Type of liability must be correct for the explanatory mark to be awarded.</p> <p>NB If type of liability is missing or incorrect, please award a total mark of zero and annotate any explanation as SEEN.</p> <p>Do not award answers which relate solely to incorporation i.e. separate legal identity. Answer must address liability.</p>

SECTION C			
Question	Answer	Marks	Guidance
	<p>Limited liability (1). Personal possessions safe (1).</p> <p>Limited (1). Only company assets can be taken (1).</p>		
28	<p>Indicative content:</p> <p>Revenue: 3.4 million barrels x £60 = £204 million Costs: £16 million x 12 months = <u>£192 million</u> Profit: = <u>£12 million</u></p> <p>e.g. £12,000,000 or £12m (3)</p> <p>e.g. 12,000,000 or 12m (2) - no pound sign</p> <p>e.g. 12,000,000 barrels or 12m barrels (2) - incorrect units</p> <p>e.g. £204m (1) - £192m (1) = £12 (0) – incorrect, not in millions</p>	3	<p>Up to three marks.</p> <p>Award three marks for correct profit figure, irrespective of workings. Pound sign and m/000,000 required.</p> <p>Else award: Two marks for 12,000,000 or 12m (without pound sign or with incorrect units e.g. barrels)</p> <p>or</p> <p>One mark for correct revenue figure '204m (or 204,000,000)' if seen <u>and/or</u> One mark for correct cost figure '192m (or 192,000,000)' if seen.</p> <p>NB No marks for power of ten errors i.e. figures with incorrect number of zeros (or omitting the 'm').</p>

Question		Answer	Marks	Guidance
29	(a)	<p>Responses include:</p> <ul style="list-style-type: none"> • cost saving/saves money • increased profits • improved cash flow • improved communication (faster/better/easier) • improved decision-making (faster/better/easier). 	2	<p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Benefits required i.e. do not award statements such as fewer layers, fewer managers, wider span of control, shorter chain of command, fewer employees, unless the benefit is clearly stated.</p> <p>Do not accept vague answers e.g. faster actions, less time to wait for a response, communication to flow, improved supervision, harmonising decisions, greater motivation, etc.</p> <p>NB items on the same bullet point are deemed to be repetition e.g. faster communication and better communication are deemed to be one answer (max one mark).</p> <p>Benefits must be to the business, rather than solely to the employee or customer.</p>
29	(b)	<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • use a trade union • collective bargaining • withdraw goodwill • take industrial action e.g. work to rule, sit-in, work-in, overtime ban, strike, picket, etc • communicate e.g. send a letter/email, hold a meeting, threaten to leave, explain <u>to</u>, reason <u>with</u>, complain <u>to</u>, etc • use the power of the media. 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates ways employees at <i>BOSCO plc</i>'s head office could try and stop the proposed restructure from going ahead.</p> <p>Level 3 (7 - 9 marks) Candidate analyses way(s) employees at <i>BOSCO plc</i>'s head office could try and stop the proposed restructure from going ahead.</p> <p>Level 2 (4 – 6 marks) Candidate explains way(s) employees at <i>BOSCO plc</i>'s head office could try and stop the proposed restructure from going ahead.</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p>Head office employees could meet together (L1) to come up with a different way to improve the performance of the company (L2). This may cause the directors to re-evaluate their decision (L3).</p> <p>Alternatively, employees could choose to go on strike (L1). They could withdraw their labour on specific days (L2). This would mean that important tasks would not be done, and senior management would be inclined to listen to their point of view for fear of losing profits (L3).</p> <p>Ordinarily I would suggest the first method would be better because it shows the employees are not averse to change and are committed to the company. However, given the importance this company places on maximising returns to shareholders (CONT), going on strike may achieve better results because it affects their bottom line almost instantly (L4).</p>		<p>Level 1 (1 – 3 marks) Candidate identifies way(s) employees at <i>BOSCO plc</i>'s head office could try and stop the proposed restructure from going ahead.</p> <p>L1 – an appropriate method i.e. HOW.</p> <p>Do not award boycott, petition, public protest, pressure group, involve the government, take to court, as these are not appropriate for solving this employer-employee dispute.</p> <p>Only accept communication verbs as methods (e.g. 'explain', 'discuss', 'tell', 'show', 'complain' etc) if the recipient of the communication is <u>clearly stated (and appropriate)</u>. E.g. 'Explain to the directors (L1)', else annotate TV. 'Explain to the Government (0)', 'Explain that ... (TV).</p> <p>NB 'influence', 'pressure' too vague, 'how' required.</p> <p>Do not award 'attend AGM' as head office employees cannot attend the AGM.</p> <p>L2 – any development of suggested method, including description/explanation.</p> <p>L3 – analysis – why the method works i.e. how the method might help stop the proposed restructure e.g. may cause directors to think again/re-evaluate/change mind, may make them listen, may realise they are mistaken, etc or how the method might not stop the restructure e.g. this may annoy the directors, reduce director sympathies, etc, or benefits/drawbacks of method to business e.g. negative reputation, reduced output, reduced efficiency, lower sales, lower profits, etc; or benefits/drawbacks of method to employee e.g. may lose pay, may be dismissed, time consuming, stressful, etc.</p>

Question	Answer	Marks	Guidance
			<p>Analysis includes impacts on the business or its stakeholders e.g. employees. Max one L3 per L1/L2 point.</p> <p>L4 – evaluation – an overall judgement as to the effectiveness of one or more methods. Award 10 marks for a non-contextual justification of the effectiveness of the method(s) (with no context). Award 11 marks for a contextual justification of the effectiveness of the method(s) (with context). Award 12 marks for a contextual justification of the most effective method(s), which includes why another method is less effective (with context).</p> <p>Context list e.g. 92, oil, Middlesbrough, 230, 420. 3.8%, 6.1%, off-shore workers, shareholders, shares etc.</p> <p>NB this question is about METHODS that employees can use to try and change business behaviour. Do not award arguments which solely discuss whether the business should restructure or the benefits/drawbacks of doing so. Please annotate NAQ.</p>

Question		Answer	Marks	Guidance
30	(a)	<p>A pressure group is group of people/an organisation which <u>tries to change</u> how businesses/governments/general public/countries/economies, etc, behave.</p> <p>Exemplar responses: A group of like-minded people who want to make a change (1).</p> <p>People who come together to alter government behaviour (1).</p>	1	<p>For one mark.</p> <p>To award the mark, the response must include an attempt/desire TO CHANGE e.g. to alter, to influence, to affect, to be more ..., to stop ... etc.</p> <p>Protest, campaign, complain, analyse, etc, are insufficient for the mark (these are methods which the pressure group may use, but they do not answer the question). Please annotate TV. The concept of <u>trying to change</u> something is required for the mark.</p> <p>Do not award 'have an influence' but do award 'try to influence'.</p> <p>Condone answers that refer to a specific group of people e.g. customers or employees so long as the answer refers to change. E.g. Customers who form a group to try and change a firm's behaviour (1).</p>
30	(b)	<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • donate to charity/support a charity/charity work • humanitarian aid • community health and welfare schemes e.g. free fruit for children, self-help groups, play parks, build hospitals, offer work experience, etc • sports activities/events e.g. football coaching • educational activities/event e.g. literacy classes • cultural activities/events e.g. festivals. 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates corporate social responsibility activities that <i>BOSCO plc</i> could introduce.</p> <p>Level 3 (7 - 9 marks) Candidate analyses one or more corporate social responsibility activities that <i>BOSCO plc</i> could introduce.</p> <p>Level 2 (4 – 6 marks) Candidate explains one or more corporate social responsibility activities that <i>BOSCO plc</i> could introduce.</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response:</p> <p><i>BOSCO plc</i> could donate a significant sum of money to charity (L1) for example an environmental charity (L2). Giving to charity also has its tax advantages, which may be particularly beneficial in an industry which is so heavily taxed (L3).</p> <p>Alternatively, the company could run some educational classes (L1) to improve adult literacy in Middlesbrough (L2). This is likely to improve the reputation of the business (L3), at least in the area near head office.</p> <p>Finally, the company could organise a national cultural event (L1) such as a 'picnic in the park' type music event (L2). If a celebrity musician is booked, then it may create a large amount of positive media publicity (L3).</p> <p>Like donating to charity, organising a national music event which showcases a known celebrity is likely to be expensive. For this reason, I think that the directors should choose to run adult literacy classes in their local area. This activity will benefit local residents without significantly impacting on the company's ability to achieve its 6.1% profit target (CONT) (L4).</p>		<p>Level 1 (1 – 3 marks) Candidate identifies one or more corporate social responsibility activities that <i>BOSCO plc</i> could introduce.</p> <p>L1 – identifies a CSR activity. L2 – explains a CSR activity. L3 – analyses a CSR activity i.e. an impact/consequence to the business of the activity suggested e.g. improved reputation, increased awareness, increased cost, more customers, increased sales, increased revenue, reduced taxation, etc.</p> <p>Do not award 'improving CSR profile' as L3 as that is the question. 'Look ethical' L2 only. Max one L3 per L1/L2 point.</p> <p>L4 – evaluation – a justification as to which one particular activity is best. Award 10 marks for a non-contextual justification of which activity to choose (with no context). Award 11 marks for a contextual justification of which activity to choose (with context). Award 12 marks for a contextual justification of which activity to choose, including why another activity was rejected (with context).</p> <p>Context list e.g. 92, oil, Middlesbrough, 230, 420. 3.8%, 6.1%, off-shore workers, shares, etc.</p> <p>NB Only award activities that are clearly <u>CSR</u> (rather than, say, ethical in general). E.g. Do not award ethical employment, ethical trading, being environmentally friendly or being sustainable. Do not award 'fair trade', 'limiting airmiles', 'avoiding animal cruelty', 'paying the living wage', 'cleaning the ocean', 'planting trees', 'reducing carbon footprint', 'treating workers well', 'minimising sea pollution', 'recycling', etc, as these are not CSR.</p>

Question		Answer	Marks	Guidance
31	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • finance costs • total outflow • net cash flow. 	1	<p>For one mark.</p> <p>NB If candidate makes more than one suggestion, mark first answer only (short answer question rule in mark scheme preamble). Annotate other answers as SEEN.</p>
31	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • No/unlikely (1) • Explanation: closing balance increasing, bank balance always positive, never close to being negative, closing balance positive throughout, money in bank at all times, enough money, money remaining (1). <p>Exemplar response:</p> <p>No (1). They are predicted to have at least £700,000 in the bank at all times (1).</p>	2	<p>One mark for correctly identifying that an overdraft is unlikely to be needed; plus One mark for a reason.</p> <p>Candidate must correctly conclude that no overdraft is required for the explanatory mark to be awarded.</p> <p>NB Award a total mark of zero if no decision is made.</p> <p>NB Award a total mark of zero if candidate suggests an overdraft is likely to be required.</p> <p>To be awardable the reason must relate to the bank balance (opening/closing). E.g. 'sales revenue increasing' or 'inflows always greater than outflows' are not valid arguments for whether an overdraft is required.</p>
32		<p>Use level of response criteria.</p> <p>Responses include:</p> <ul style="list-style-type: none"> • Fig. 1 – impacts of rising wage rates include: <ul style="list-style-type: none"> ○ increased wages, demand for pay rises, increased costs, worsening cash flow, increased motivation, etc ○ higher disposable income, increased demand, increased revenue, etc 	12	<p>Levels of response</p> <p>Level 4 (10 - 12 marks) Candidate evaluates how the long-term future success of <i>BOSCO plc</i> may be affected by the changes predicted in Figs. 1 & 2.</p> <p>Level 3 (7 - 9 marks) Candidate analyses one or more consequences on a business of the change(s) predicted in Figs. 1 & 2.</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • Fig. 2 – impacts of rising interest rates include: <ul style="list-style-type: none"> ○ higher <u>finance</u> costs, increased charges for <u>borrowing</u>, etc ○ higher reward for <u>saving</u>, additional income on <u>savings/reserves</u>, etc ○ higher disposable income for net <u>savers</u>, higher demand, etc. ○ lower disposable income (for population overall/net borrowers), lower demand, etc. <p>Exemplar response:</p> <p>One impact of increased wage rates is that wages will increase (L1). This means that consumers will have more disposable income (L2), increasing demand for petrol and, consequently, oil (L3).</p> <p>The predicted change in interest rates would increase <i>BOSCO plc</i>'s <u>finance</u> costs (L1), reducing the dividends it can pay to shareholders (L3). In addition, an increase in interest rates would increase the living costs of most households (L1), reducing the number of holidays that are taken (L2), limiting company profits (L3).</p> <p>Whilst both changes are likely to increase business costs, the overall impact depends on whether demand for oil (CONT) is likely to increase or decrease. Since this market is very sensitive to interest rate changes, due to the luxury nature of non-essential travel, these interest rate changes are likely to lead to an overall reduction in demand, putting at risk the long-term success of <i>Bosco plc</i> (L4).</p>		<p>Level 2 (4 – 6 marks) Candidate explains one or more consequences of the predicted change(s) in Figs. 1 & 2.</p> <p>Level 1 (1 – 3 marks) Candidate identifies one or more consequences of the predicted change(s) shown in Figs. 1 & 2.</p> <p>L1 – a consequence of increased wage rates/interest rates. Accept consequences on the business, its stakeholders, the country, the economy, etc.</p> <p>NB Candidates <u>must</u> make clear whether they are referring to the predicted change in wage rates or interest rates. This is because the changes can have different impacts on the same variable. E.g. the change in wage rates will increase disposable income but the change in interest rates would decrease disposable income.</p> <p>L1 <u>must</u> be consequences. Do <u>not</u> award ‘increased wage rates’ as this repeats what the graph shows, but do award impacts e.g. ‘increased wages’ (L1). Do <u>not</u> award ‘increased interest rates’ but do award impacts e.g. additional cost of borrowing (L1) or additional income from savings (L1).</p> <p>Because of the two-sided nature of the impacts of increased interest rates (depending on whether borrowing or saving), statements such as ‘additional cost’ or ‘additional income’ are insufficient for marks. ‘Additional cost <u>of borrowing</u>’ or ‘Additional income <u>from saving</u>’ required to award the L1.</p> <p>L2 – an explanation (e.g. the cause of the consequence, or any development that stops short of being analytical e.g. a further impact which is non-business facing).</p>

Question	Answer	Marks	Guidance
			<p>L3 – a business facing impact of an L1/L2 consequence e.g. worsening cash flow, increased profit, higher costs, increased revenue, more customers, more sales, reduced demand, motivation, more productively efficiency, etc.</p> <p>Award top of level 3 9 marks only if the impact of both wage rates and interest rates analysed. Max one L3 per L1/L2 point.</p> <p>L4 – evaluation – a summative judgement as to the impact of one or both predicted changes on the <i>BOSCO plc</i>'s success. Award 10 marks for a non-contextual judgement of the impact of one (or both) of the predicted changes (with no context). Award 11 marks for a contextual judgement of the impact of one of the predicted changes (with context). Award 12 marks for a contextual justification of the impact of both predicted changes (with context).</p> <p>NB L4 argument must explicitly link to success e.g. more likely, less likely, more successful, less successful. L4 should not be awarded for solely evaluating the advantages and disadvantages.</p> <p>Do not award causes or solutions. Do not award descriptions of the data trends. Consequences/impacts required.</p>

OCR (Oxford Cambridge and RSA Examinations)
The Triangle Building
Shaftesbury Road
Cambridge
CB2 8EA

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