

**GCE**

**New Business**

**H431/02: The UK business environment**

A Level

**Mark Scheme for June 2024**

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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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## MARKING INSTRUCTIONS

### PREPARATION FOR MARKING RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 6 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

### MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**  
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

### **Contradictory Responses**

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

**Short Answer Questions** (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

**Short Answer Questions** (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

**Longer Answer Questions** (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
  - there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).


















Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**  
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
  - 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

## 11. Annotations

Annotation	Meaning	Annotation	Meaning
	Blank page (this MUST be used rather than SEEN)		Knowledge
	Tick		Application of knowledge and understanding
	Cross		Analysis
	Highlighting tool		Developed Analysis
	Not answered question (candidate writes irrelevant material)		Evaluation
	Own Figure Rule		Effective evaluation
	Benefit of Doubt (replaces tick in short answer questions)		Unclear
	Repeat (material already rewarded)		Too vague/No use of context
	Noted but no credit given (use where no other annotation is appropriate)		

**EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION**

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read if the paper is printed out in black & white.

[Questions 1-7, & 13(a) should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 8-12 & 13(b).]

**IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.**

## 12. Subject Specific Marking Instructions

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/ Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these marks.

The descriptions in each level of response question in this mark scheme describe a typical response at the top of that level.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Practice scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the practice scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

Question	Answer	Mark	Guidance
1	<p><b>State two external stakeholders of a business.</b></p> <p>1 mark for each external stakeholder, up to a maximum of 2 marks.</p> <p>No reward for internal stakeholders, such as owners/shareholders.</p>	<p><b>2</b> (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• Customers/consumers</li> <li>• Suppliers</li> <li>• Banks/lenders</li> <li>• Local community</li> <li>• The government (local or national)</li> <li>• Regulatory bodies</li> <li>• Trade unions</li> <li>• Pressure groups</li> <li>• Competitors</li> </ul>
2	<p><b>Explain two monetary methods of motivating employees.</b></p> <p>1 mark for each correct answer, plus a further 1 mark for each of two developmental points.</p> <p><b>NB:</b> Ensure that the methods are monetary (e.g., promotion is non-monetary),</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Methods include:</p> <ul style="list-style-type: none"> <li>• Salary/wage/pay (1) – this may be linked to more hours, quality of work or importance of role (1)</li> <li>• Piece rates/commission (1) – linked to making or selling more (1)</li> <li>• Bonuses (1) – a financial reward <u>linked to</u> achieving a personal or business target (1) <ul style="list-style-type: none"> <li>○ Accept example of a Xmas bonus for the explanation.</li> </ul> </li> <li>• Fringe benefits (1) – payments 'in kind' rather than cash (1) [Accept examples for the development mark.]</li> <li>• Performance related pay (1) – extra pay for achieving targets / directly linked to performance of workers (1)</li> <li>• Profit sharing (1) – some of the profits distributed to employees as well as shareholders (1)</li> </ul> <p>No reward for 'paid holidays' as this is a legal requirement.</p> <p>Accept 'discounts on products' sold by the business as a fringe benefit.</p>

Question	Answer	Mark	Guidance
			<b>ARA</b>
<b>3</b>	<p><b>Define the term ‘paternalistic leadership’.</b></p> <p>2 marks for a clear definition</p> <p>1 mark for an answer which has a basic idea of the term (either the consultation <u>or</u> paternalism).</p> <p>Only award the second mark if it is clear that a paternalistic style is not the same as democratic.</p>	<p><b>2</b> (AO1 2)</p>	<p><b>Exemplar responses</b></p> <p>A form of leadership where the leader consults with employees (1) but seeks to persuade them to accept the leader’s views (1)</p> <p>Appears to consult with employees (1) but generally ignores these views (1)</p> <p>The leader is interested in the worker’s welfare (1) making decisions <u>believed to be</u> in the worker’s best interest (1)</p> <p>The leader thinks they know best (1)</p> <p>The leader is seen as a ‘parent’ figure / family approach (1)</p> <p><b>ARA</b></p>
<b>4</b>	<p><b>Calculate the market share of the restaurant with the highest sales revenue. Show your working.</b></p> <p>2 marks for correct answer (with or without working)</p> <p>1 mark for an answer which explicitly or implicitly shows the correct formula</p>	<p><b>2</b> (AO1 1) (AO2 1)</p>	<p>Market share = Sales of business ÷ Total market sales * 100 (1)</p> <p>= £25,200 ÷ £74,000 * 100</p> <p>= <b>34%</b> (1) [Accept 34.05% or 34.1%]</p> <p>Maximum one mark for an answer with incorrect/no units</p>

Question	Answer	Mark	Guidance
5	<p><b>Explain one political and one technological factor which may affect a business.</b></p> <p>1 mark for a political factor, plus a further 1 mark for development of this factor.</p> <p><b>NB:</b> No reward for a factor which is a change in the law/regulations (e.g., changes to Health &amp; Safety or minimum wage).</p> <p><b>NB:</b> Fiscal, monetary &amp; supply-side policies are economic factors but may be used as examples of a change in the government.</p> <p>1 mark for a technological factor, plus a further 1 mark for development of this factor.</p> <p><b>NB:</b> Any technological factor needs to be specific, as opposed to a general increase in technological change (e.g. improved energy consumption or keeping up to date with technology).</p> <p><b>NB:</b> Any problems with technology may be an explanation but must be linked to a specific technological factor.</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Political factors include:</p> <ul style="list-style-type: none"> <li>• Decision to join/leave trade bodies (1) – e.g., leaving the EU may increase import costs (1)</li> <li>• Competition policy (1) – may allow a business to compete more freely (1)</li> <li>• Privatisation/deregulation (1) – may create opportunities for a business to enter a new market (1)</li> <li>• Change in the government (1) – which may change economic policy (1)</li> <li>• War / political disagreements between countries (1) – may affect availability of supplies (1)</li> </ul> <p>Technological factors include:</p> <ul style="list-style-type: none"> <li>• Increased use of automation/robotics (1) – which may lead to lower unit costs (1)</li> <li>• Use of computers in running a business (1) – e.g., as part of the accounts, stock control, or logistics (1)</li> <li>• The digital revolution (1) – e.g., the use of ‘cloud’ computing services or websites/apps for selling (1)</li> <li>• Increased video-conferencing (1) – will affect workers’ work-life balance (1)</li> <li>• Increase in AI (1) – so that less labour is required (1)</li> <li>• CAD/CAM (1) – helping with improving the efficiency (1) of the design or manufacturing process.</li> </ul>

Question	Answer	Mark	Guidance
			<b>ARA</b>
<b>6</b>	<p><b>State two finance objectives a business may set.</b></p> <p>1 mark for each finance objective, up to a maximum of 2 marks.</p> <p><b>NB:</b> Ensure the two objectives are clearly different.</p> <p><b>NB:</b> No reward for objectives which would be classified as marketing (e.g., sales or market share)</p>	<b>2</b> (AO1 2)	<p>Objectives may be linked to the following financial areas:</p> <ul style="list-style-type: none"> <li>• Sources of finance (1)</li> <li>• Applying accounting conventions (1)</li> <li>• Costs (e.g. cost optimisation) (1)</li> <li>• Revenue / Sales <u>turnover</u> (1)</li> <li>• Profit (1)</li> <li>• Break-even (1)</li> <li>• Investment/shareholder returns (1)</li> <li>• Budgeting (1)</li> <li>• Manage/reduce debt (1)</li> <li>• Cash-flow/working capital/liquidity (1)</li> </ul>
<b>7</b>	<p><b>Calculate Heidi's margin of safety last month. Show your working.</b></p> <p>4 marks for correct answer (with or without working)</p> <p>2 marks for an answer of 17 (with or without working)</p> <p>1 mark for each formula (Break-even and margin of safety) shown explicitly or implicitly (by the use of the correct process)</p>	<b>4</b> (AO1 2) (AO2 2)	<p>Break-even = Fixed costs ÷ Unit contribution (1)</p> <p>= £4250 ÷ £250</p> <p>= 17 (1)</p> <p>Margin of safety = Current output - Break-even output (1)</p> <p>= 30 – 17</p> <p>= <b>13</b> (1) <b>[OFR]</b></p> <p><i>Alternative method</i></p> <p><i>TC = £250 x 30 = £7500</i></p> <p><i>Profit = £7500 - £4250 = £3250</i></p> <p><i>Margin of safety = £3250 ÷ £250 = <b>13</b></i></p>

Question	Answer	Mark	Guidance
			<b>NB:</b> A maximum of 3 marks for any answer which has the incorrect units.

Question	Answer	Mark	Guidance
8	<p><b>Analyse one impact on BBL of a change in market forces.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one impact on BBL of changes in market forces.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of one impact on BBL of changes in market forces.</p> <p>(NB – award <b>one</b> mark for a non–contextualised advantage)</p> <p><b>0 marks</b> no response or no response worthy of credit</p> <p>Any impact on BBL may be positive for negative.</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>Changes in market forces include:</p> <ul style="list-style-type: none"> <li>the level of demand (this is <b>K</b>, not <b>AN</b>)</li> <li>the nature of customers/market</li> <li>the behaviour or level of competitors</li> <li>the behaviour/power of customers</li> </ul> <p>Contextual evidence which may be used includes:</p> <ul style="list-style-type: none"> <li>BBL is the best-known brand (luxury)</li> <li>Handmade product and expensive</li> <li>Recent and planned growth of the business</li> <li>Ease of using the bicycle for commuting</li> <li>Different models of bike including electric</li> <li>More younger riders nowadays</li> <li>Recent growth in cycling linked to the pandemic and health concerns</li> <li>Information about competitors.</li> </ul> <p>Possible impacts may include:</p> <ul style="list-style-type: none"> <li>Changes to the price/revenue/profits</li> <li>Changes to the way the product is made</li> <li>Changes to components/costs/workload</li> <li>Changes to the range/design of products</li> <li>Changes to marketing of the product/brand.</li> </ul> <p><b>Exemplar responses:</b> There have been changes in lifestyle (<b>K</b>). With demand for cycling still 50% higher than before the pandemic (<b>APP</b>) this will lead to increased revenue for BBL (<b>AN</b>) as customers may be willing to pay more for the convenience of a folding bicycle (<b>AN</b>).</p>

Question	Answer	Mark	Guidance
			<p>There has been an increase in demand in the market <b>(K)</b> due to the convenience of using a bicycle which folds up to be so small <b>(APP)</b>. This may lead to more advertising on trains and stations <b>(AN)</b> as well as focusing on the ease of folding/unfolding the bicycle when commuting <b>(AN)</b>.</p> <p style="text-align: right;"><b>ARA</b></p>
9	<p><b>Evaluate two benefits for BBL's owners of it continuing to operate as a private limited company.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding <b>(K)</b>, analysis <b>(AN)</b> and evaluation <b>(EVAL/EE)</b> of benefits for BBL's owners of continuing to operate as a private limited company <b>(APP)</b>.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding <b>(K)</b>, analysis <b>(AN)</b> and evaluation <b>(EVAL)</b> of benefits for BBL's owners of continuing to operate as a private limited company <b>(APP)</b>.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding <b>(K)</b> of a private limited company with <b>limited or no</b> analysis <b>(AN)</b> and evaluation <b>(EVAL)</b> of the impact for BBL's owners <b>(APP)</b>.</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>Benefits for the owners of operating as a private limited company include:</p> <ul style="list-style-type: none"> <li>• Control of business cannot be lost to outsiders</li> <li>• Fewer administrative and cost consequences (compared to being a plc)</li> <li>• Potential tax advantages for the owners</li> <li>• Limited liability for owners (compared to being a partnership or sole trader)</li> </ul> <p>Relevant context about BBL includes:</p> <ul style="list-style-type: none"> <li>• BBL is in a strong financial position with £11m cash. The CEO suggests no desire to attract external funding.</li> <li>• There are currently over 160 shareholders but only seven of these each own more than 4% of the shares.</li> <li>• The Board has not considered turning the business into a public limited company.</li> <li>• Significant expansion on the horizon in terms of a large (expensive) factory and higher levels of output.</li> </ul> <p>Evaluation may come from recognising that with turnover close to £100m and growing by 17% per year for the last 20 years that any benefits outweigh the disadvantages. A comparison with any disadvantage may also be evaluative, such as being unable to access as much funding (compared to being a plc) or the difficulty of finding a buyer of an individual's shares</p>

Question	Answer	Mark	Guidance
	<p>(NB – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<b>ARA</b>
<b>10*</b>	<p><b>Evaluate the importance to BBL of using different methods of training for its employees.</b></p> <p><b>Level 3 (11–15 marks)</b> Candidate shows <b>strong</b> knowledge and understanding (<b>K</b>), analysis (<b>AN</b>) and evaluation (<b>EVAL/EE</b>) of how different methods of training are important for BBL (<b>APP</b>).</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10 marks)</b> Candidate shows <b>good</b> knowledge and understanding (<b>K</b>), analysis (<b>AN</b>) and evaluation (<b>EVAL</b>) of how different methods of training are important for BBL (<b>APP</b>).</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5 marks)</b> Candidate shows <b>limited</b> knowledge and understanding (<b>K</b>) of training methods with</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Training methods include:</p> <ul style="list-style-type: none"> <li>On-the-job – may be an engineer learning how to put a bicycle together by ‘shadowing’ an experienced worker and then doing it themselves under supervision.</li> <li>Off-the-job – may include academic studies learning about the engineering process or methods of marketing the product.</li> <li>Induction – introductory training for new employees to find out more about the business and its way of working, as well as getting to know fellow workers and the layout of the factory.</li> <li>Apprenticeship - where the employee learns and gains valuable experiences. Alongside on-the-job training, apprentices spend at least 20% of their working hours completing classroom-based learning with a training provider which leads to a nationally recognised qualification.</li> </ul> <p><b>NB:</b> No credit is possible for an answer which does not at least implicitly mention a training method (or example).</p> <p>Relevant context about BBL includes:</p> <ul style="list-style-type: none"> <li>BBL produces a range of bicycles with 17 million different potential combinations. All bicycles are handmade by highly trained engineers.</li> <li>Brazers take 2 years to train.</li> </ul>

Question	Answer	Mark	Guidance
	<p><b>limited or no</b> analysis (<b>AN</b>) and evaluation (<b>EVAL</b>) of how they are important to BBL (<b>APP</b>).</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> <li>• The finished bicycle needs to still be perfect 15+ years after it has been made.</li> <li>• BBL wants its employees to “make an impact”.</li> <li>• There are a wide range of jobs currently being advertised at BBL. These range from different engineering roles to accountants, marketing staff and sales assistants.</li> <li>• Teamwork is important at BBL.</li> <li>• Employee numbers planned to increase from 600 to 1,500 and output from 100,000 to 200,000.</li> </ul> <p>Better answers are likely to recognise that, given the wide-ranging roles employees fill at BBL, different methods of training will be necessary. For example, apprenticeships for engineers, on-the-job training for sales assistants, off-the-job training for accountants. They may consider what is ‘best’ for different job roles.</p> <p style="text-align: right;"><b>ARA</b></p>

Question	Answer	Mark	Guidance
11	<p><b>With reference to Fig. 2, analyse one way that BBL's Board of Directors may use this SWOT analysis.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one way in which BBL's Board of Directors may use SWOT analysis.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of one way in which BBL's Board of Directors may use SWOT analysis.</p> <p>(NB – award <b>one</b> mark for a non-contextualised answer)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>A SWOT analysis may be used by the Board of Directors in several ways:</p> <ul style="list-style-type: none"> <li>• It can help to identify any necessary changes required</li> <li>• It can assess current market conditions and assess/change the marketing strategy</li> <li>• It can consider how effective the business is relative to its competitive environment</li> <li>• It may be part of an internal or external audit</li> <li>• It may be the start of a strategic planning process</li> <li>• To help develop a contingency plan.</li> </ul> <p>Contextual evidence <b>must</b> be taken from <b>Fig. 2</b> to gain reward for application. This includes:</p> <ul style="list-style-type: none"> <li>• BBL is premium brand and best known in the UK market</li> <li>• BBL is a more neat and compact design compared to Dahon and Hummingbird bicycles</li> <li>• Much quicker to fold or unfold than a Moulton bicycle</li> <li>• More expensive than a Dahon bicycle</li> <li>• Shortages of specialised labour in the UK</li> <li>• Moulton has a much smaller output</li> <li>• Dahon and Hummingbird bicycles are lighter.</li> </ul> <p><b>NB:</b> Knowledge <b>(K)</b> and Application <b>(APP)</b> may be achieved at the same time by making a specific suggestion to change, based on something contained in Fig. 2. For example, introduce a sales promotion to respond to Dahon bikes being cheaper.</p> <p><b>Exemplar response:</b> The business may decide to reduce the weight of the bicycle <b>(K)</b> as two of its competitors have lighter products <b>(APP)</b>. This may</p>

Question	Answer	Mark	Guidance
			help to increase the competitiveness of BBL's bicycles <b>(AN)</b> so that it may see an increase in profit levels <b>(AN)</b> . <b>ARA</b>

Question	Answer	Mark	Guidance
12	<p><b>Evaluate two factors which may affect the choice of production method used at the new factory.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding (<b>K</b>), analysis (<b>AN</b>) and evaluation (<b>EVAL/EE</b>) of factors which may affect the choice of production method at BBL's new factory (<b>APP</b>).</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding (<b>K</b>), analysis (<b>AN</b>) and evaluation (<b>EVAL</b>) of factors which may affect the choice of production method at BBL's new factory (<b>APP</b>).</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding (<b>K</b>) of production methods with <b>limited or no</b> analysis (<b>AN</b>) and evaluation (<b>EVAL</b>) of the factors affecting choice of method (<b>APP</b>).</p> <p>(<b>NB</b> – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>Factors affecting the choice of production method include:</p> <ul style="list-style-type: none"> <li>• The nature of the product – handmade or bespoke products may need job or batch/cell production, rather than standardised products using flow production.</li> <li>• The size of the market – as demand for a product increases, methods such as job or batch may not be able to produce enough product to keep up.</li> <li>• The stage of development (financial situation) of the business – a new business will not be able to afford flow production.</li> <li>• Level of technology – as this advances, new materials, machinery, and methods become available.</li> <li>• The ability or size of the workforce</li> <li>• Cost of the production method</li> <li>• The objectives of the business</li> <li>• The practical ability to use a production method (e.g., space available)</li> <li>• Location of the factory</li> <li>• Business objectives (e.g., ethics, environmental, financial).</li> </ul> <p>Relevant context about BBL includes:</p> <ul style="list-style-type: none"> <li>• BBL produces a range of bicycles with 17 million different potential combinations.</li> <li>• All bicycles are handmade by highly trained engineers.</li> <li>• There has been a large increase in demand for cycling (50% higher than before the pandemic).</li> <li>• BBL is in a strong financial position with £11m cash. The CEO suggests that external funding would not be a problem. Turnover is close to £100m and has grown by an average of 17% per year for the last 20 years. The</li> </ul>

Question	Answer	Mark	Guidance
			<p>business appears to wish to stay as a private limited company.</p> <ul style="list-style-type: none"> <li>• Much of the machinery has been designed and built by engineers at BBL.</li> <li>• The current factory in Greenford will continue to operate until 2030, so it will not be possible to just shift the current production line and machinery to Ashford.</li> <li>• Teamwork is important at BBL, as well as the use of specialised robots.</li> <li>• Employee numbers are planned to increase from 600 to 1,500 and output from 100,000 to 200,000.</li> <li>• The new factory will cost 50% more than 'normal' which may suggest that cost is not an issue. Equally, there is an expectation that running costs will be lower which may affect any decision over the production method used.</li> <li>• The CEO wants the new factory to celebrate and "...redefine manufacturing."</li> </ul> <p>Evaluation may come from recognising why a particular factor is important, or why one factor is more significant than another.</p> <p><b>NB:</b> A discussion/decision about which method of production to use at the new factory is not required. However, an answer which includes this can be rewarded, if it is rooted in the factors which affect this choice.</p> <p style="text-align: right;"><b>ARA</b></p>

Question	Answer	Mark	Guidance
13(a)	<p><b>(i) Calculate gross profit for Brompton's Bike Hire scheme. Show your working.</b></p> <p>2 marks for correct answer (with or without workings)</p> <p>1 mark for clearly identifying the formula (may be implied by correct use of numbers)</p> <p><b>(ii) Calculate the debtor collection period. Show your working.</b></p> <p>2 marks for correct answer (with or without workings)</p> <p>1 mark for clearly identifying the formula (may be implied by correct use of numbers)</p>	<p><b>2</b> (AO1 1) (AO2 1)</p> <p><b>2</b> (AO1 1) (AO2 1)</p>	<p>Gross profit = Revenue – cost of sales <b>(1)</b></p> <p>= £1,129,953 - £525,505</p> <p>= <b><u>£604,448</u> (1)</b></p> <p>Debtor collection period = (Trade receivables ÷ Revenue) x 365 <b>(1)</b></p> <p>= (£162,160 ÷ £1,129,953) x 365</p> <p>= <b><u>52.4 (days)</u></b> (accept 52.38, 52 or 53) <b>(1)</b></p> <p><i>Alternative method</i></p> <p>Revenue ÷ Trade receivables <b>(1)</b></p> <p>= £1,129,953 ÷ £162,160</p> <p>= <b><u>6.97 (times)</u></b> (accept 7) <b>(1)</b></p>

Question	Answer	Mark	Guidance
13(b)*	<p><b>Recommend a strategy to expand the scheme across the UK. Justify your recommendation.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding (<b>K</b>), analysis (<b>AN</b>) and evaluation (<b>EVAL/EE</b>) of a strategy to expand the ‘Bike Hire’ scheme across the UK (<b>APP</b>).</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding (<b>K</b>), analysis (<b>AN</b>) and evaluation (<b>EVAL</b>) of a strategy to expand the ‘Bike Hire’ scheme across the UK (<b>APP</b>).</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding (<b>K</b>) of a strategy or strategic choice methods but with <b>limited or no</b> analysis (<b>AN</b>) and evaluation (<b>EVAL</b>) about the ‘Bike Hire’ scheme (<b>APP</b>).</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Strategy involves making long-term decisions which affect the whole business. Models of strategic choice may be used, including Porter’s Five Forces or Generic strategies. When formulating a strategy, the business will consider stakeholder objectives and the external factors (possibly using a PEST approach).</p> <p>Examples of issues which the business may include in a strategy:</p> <ul style="list-style-type: none"> <li>• Changes to advertising/promotion</li> <li>• Changes to pricing</li> <li>• Changes to the product (e.g. the app, how cycles are stored)</li> <li>• Increased locations</li> <li>• Market research as part of developing a strategy</li> <li>• Possible partnerships with other firms.</li> </ul> <p>Relevant context about BBL and/or the ‘Hire Scheme’ includes:</p> <ul style="list-style-type: none"> <li>• BBL produces a range of bicycles with 17 million different potential combinations. All bicycles are handmade by highly trained engineers.</li> <li>• Output has increased already and further plans to go from 100,000 to 200,000 units.</li> <li>• Although the bicycle hire subsidiary made a loss of nearly £68,000 in 2021 (can calculate from the data in Q13a), the parent company is in a strong financial position with £11m cash. External funding would “not be a problem”.</li> <li>• The CEO wants the bicycle hire option to be affordable. The daily hire price of only £5 seems reasonable and there are special options for students which suggests some focus on cost leadership for this part of the business.</li> <li>• According to the BBL spokesperson, there does appear to be a significant link with eco-friendly and green credentials which may be part of a differentiation strategy.</li> </ul>

Question	Answer	Mark	Guidance
	<p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> <li>• Clear emphasis on the usefulness of the bicycles for both commuters and students.</li> <li>• BBL has no other national competitors and none offering folding bicycles (aimed at commuters). By comparison, the Santander bicycles in London are twice as expensive, if hired for a whole day, and can only be used in London. This limits the threat of substitutes and the likelihood of any new entrants on a UK-wide scale.</li> </ul> <p>Better answers are likely to produce a strategy for expansion of the ‘Bike Hire’ service. This may involve setting goals, the process of collecting data (both internally and externally), determining actions to achieve the goals, and mobilising resources to carry out these actions.</p> <p style="text-align: right;"><b>ARA</b></p>

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