

GCE AS
Business Studies

Summer 2009

Mark Schemes

Issued: October 2009

**NORTHERN IRELAND GENERAL CERTIFICATE OF SECONDARY EDUCATION (GCSE)
AND NORTHERN IRELAND GENERAL CERTIFICATE OF EDUCATION (GCE)**

MARK SCHEMES (2009)

Foreword

Introduction

Mark Schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of 16- and 18-year-old students in schools and colleges. The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes therefore are regarded as a part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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Rewarding Learning

ADVANCED

General Certificate of Education

2009

Business Studies

Assessment Unit AS 1

assessing

**Module 1: Objectives and
The Business Environment**

[AST11]

WEDNESDAY 10 JUNE, AFTERNOON

MARK SCHEME

General Marking Instructions

Mark schemes are intended to ensure that the AS examination is marked consistently and fairly. The mark scheme provides markers with an indication of the nature and range of candidate responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses. The mark scheme should be read in conjunction with these general marking instructions which apply to all papers.

Quality of Candidates' Responses

In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17-year-old which is the age at which the majority of candidates sit their AS examinations.

Unanticipated Responses

The mark schemes which accompany the specimen examination papers are not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which the candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers and to refer for guidance to the general descriptions of levels of response given in the general marking criteria that follow. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner for the paper concerned.

Positive Marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected for a 17-year-old AS candidate. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Types of Mark Schemes

Mark Schemes for questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication. These questions are indicated on the cover of the examination paper.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error.

Quality of Written Communication

Quality of written communication is taken into account in assessing candidates' responses to all questions that require them to respond in extended written form. These questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication. Where the quality of candidates' business knowledge, understanding and skills is not matched by the quality of written communication, marks awarded will not exceed the maximum for Level 2.

Levels of Response

General descriptions of levels of response in terms of each assessment objective and the quality of written communication are given in the following table. These descriptions are intended to assist examiners in judging candidates' performance when they produce answers unanticipated by the detailed mark scheme for each question and to provide guidelines for examiners in assessing the appropriate level of response in respect of the quality of written communication.

The detailed mark schemes for each question relate these levels of response to the content of the relevant question. In deciding on the appropriate level of response for a candidates' answer, examiners should look for the 'best fit'. The level awarded will depend in practice upon the extent to which the candidate has met the relevant assessment objectives overall. Shortcomings in some areas may be balanced by better performance in others. In deciding which mark within a particular level to award any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners:

Threshold performance: Response which just merits inclusion in this level and should be awarded a mark at or near the bottom of the range.

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High performance: Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

General Marking Criteria

Level of Performance	Assessment Objective	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation and Judgement
Level 1	Demonstrates knowledge and understanding of some relevant business theory and concepts.	Shows some ability to apply knowledge and understanding and makes some use of numerical and non-numerical techniques.	Shows some ability to analyse familiar and unfamiliar situations, problems and issues.	Evaluation of evidence and arguments is limited.	
	Quality of Written Communication: Makes only a limited attempt to select and use an appropriate form and style of writing. Organisation of material may lack clarity and coherence with little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.				
Level 2	Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.	Applies knowledge and understanding and uses numerical and non-numerical techniques.	Analyses familiar and unfamiliar situations, problems and issues.	Evaluates evidence and arguments to present reasoned conclusions.	
	Quality of Written Communication: Makes a reasonable attempt to select and use an appropriate form and style of writing. Relevant material is organised with some clarity and coherence and there is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning evident.				
Level 3	Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts.	Applies knowledge and understanding and uses appropriate numerical and non-numerical techniques with accuracy.	Effectively analyses familiar and unfamiliar situations, problems and issues.	Effectively evaluates evidence and arguments, making reasoned judgements to present appropriate and supported conclusions.	
	Quality of Written Communication: Successfully selects and uses an appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.				

1 (a) Methods of measuring the size of businesses in Northern Ireland include:

- amount of turnover e.g. must register for VAT if turnover exceeds £65,000; EU defines businesses with turnover up to €50m as SMEs.
- number of employees e.g. EU defines 0–9 as Micro; 10–49 as small; 50–250 as SME.
- amount of profit e.g. 0–£50k micro; £50k–£100k small; £100k–£1m SME.
- value of assets e.g. EU defines SMEs as up to €50m
- capital employed e.g. EU defines SMEs as up to €43m
- market share e.g. ability to influence market conditions
- number of outlets

Level 1 ([1]–[3])

Some knowledge and understanding of measuring the size of businesses is demonstrated but this is limited. Application of this knowledge to the question context, if present, is very limited. One–two methods are explained. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of methods of measuring the size of businesses is demonstrated. There is some application of this knowledge to the question context. Two–three methods are explained. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of methods of measuring the size of businesses is demonstrated. There is good application to the question context. Three methods are explained and differences are highlighted. Quality of written communication is of a high standard. [10]

(b) There are many possible impacts on the local economy of a multinational locating in Northern Ireland

Negative impacts on the local economy of a multinational locating in Northern Ireland

- Local economy may be adversely affected if home producers are put out of business as a result
- overdependence on multinationals may stifle enterprise development in Northern Ireland
- No loyalty to local economy – liable to cut jobs, switch suppliers etc.
- Transfer of profits out of Northern Ireland
- Local government may be held to ransom by threats to pull out of Northern Ireland
- May not add to employment figures but “poach” staff from other sectors
- May require additional facilities to manage traffic as more employees based in centres

Positive impacts on the local economy of a multinational locating in Northern Ireland:

- May result in creation of many high-level jobs
- May result in up-to-date training for local employees

- Can attract other foreign companies to Northern Ireland
- Can inject much needed money from salaries and wages into the local economy
- Can improve the image of the region as a more highly developed economy
- Can provide linkages and opportunities for local companies to supply a growing tertiary sector
- Improved infrastructure, often developed by the multinational firm

Level 1 ([1]–[5])

Some knowledge and understanding of positive and/or negative impacts of a multinational business locating in Northern Ireland is demonstrated. This is, however, limited and there is very little application. One-two impacts are discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the positive and negative impacts of a multinational business locating in Northern Ireland is demonstrated. Some relevant analysis and evaluation are present and there is some application. Three-four impacts are discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge, understanding of the positive and negative impacts of a multinational business locating in Northern Ireland is demonstrated. Analysis and evaluation are comprehensive and application is perceptive. Up to five impacts are discussed. Arguments should be balanced and a final judgement is formed. Quality of written communication is of a high standard. [15]

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- 2 (a) Candidates are expected to identify and explain three different types of decisions that are made in a business such as White's

There are a number of ways of classifying different types of management decision that may be made in a business such as White's.

- programmed (or routine) decisions and non-programmed decisions (Herbert Simon)
- short-term operating control decisions (made by junior management);
- periodic control (tactical) decisions (made by middle management);
- strategic decisions (made by senior management) (Gilligan, Neale and Murray)

Level 1 ([1]–[3])

Some knowledge and understanding of different types of decisions is demonstrated but this is limited. Application of this knowledge to the question context, if present, is very limited. One–two types of decisions are explained. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of different types of decisions is demonstrated. There is some application of this knowledge to the question context, if present, is very limited. Two–three types of decisions are explained. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of different types of decisions is demonstrated. There is good application to the question context. Three types of decisions are explained and differences are highlighted. Quality of written communication is of a high standard. [10]

- (b) There are a number of advantages and disadvantages of introducing group decision-making within White's.

Disadvantages of introducing group decision-making:

- Cost of training for managers/supervisors in group decision-making process
- Decision-making may be slower as a result of new procedures
- Company may lose entrepreneurial managers who feel dis-empowered
- White's may become more politically correct but less enterprising
- Managers may avoid decision-making as each decision must be justified
- Difficulties in getting the same types of groups for every decision
- Difficulties in selecting which decisions to allocate to groups
- Potential for conflict

Advantages of introducing group decision-making:

- May result in better, more consistent decisions being made
- May result in creation of a more professional culture of decision-making in White's
- May result in up-to-date training for key employees
- Can result in better relations with stakeholders whose needs are being met more consistently
- Can provide good management development and better future for White's
- Can improve the image of the company
- Can provide better feedback to the top from more effective managers
- All decisions can be rationalised and justified
- More ideas
- motivational impact of involvement
- Provides better overview of whole business

Level 1 ([1]–[5])

Some knowledge and understanding of advantages and disadvantages of introducing group decision-making is demonstrated. This is, however, limited and there is very little application. One-two advantages or disadvantages are discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of advantages and disadvantages of introducing group decision-making is demonstrated. Some relevant analysis and evaluation are present and there is some application. Three-four advantages and/or disadvantages are discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of advantages and disadvantages of introducing group decision-making is demonstrated. Analysis and evaluation are comprehensive and application is perceptive. At least five advantages and disadvantages are discussed. Arguments should be balanced and a final judgement is formed. Quality of written communication is of a high standard.

[15]

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Rewarding Learning
ADVANCED
General Certificate of Education
2009

Business Studies

Assessment Unit AS 2

assessing

Module 2: People in Organisations
and Accounting and Finance

[AST21]

WEDNESDAY 10 JUNE, MORNING

**MARK
SCHEME**

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		<p>Quality of Written Communication: Makes only a limited attempt to select and use an appropriate form and style of writing. Organisation of material may lack clarity and coherence with little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.</p>			
Level 2		Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.	Applies knowledge and understanding and uses numerical and non-numerical techniques.	Analyses familiar and unfamiliar situations, problems and issues.	Evaluates evidence and arguments to present reasoned conclusions.
		<p>Quality of Written Communication: Makes a reasonable attempt to select and use an appropriate form and style of writing. Relevant material is organised with some clarity and coherence and there is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.</p>			
Level 3		Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts.	Applies knowledge and understanding and uses appropriate numerical and non-numerical techniques with accuracy.	Effectively analyses familiar and unfamiliar situations, problems and issues.	Effectively evaluates evidence and arguments, making reasoned judgements to present appropriate and supported conclusions.
		<p>Quality of Written Communication: Successfully selects and uses an appropriate form of style and writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.</p>			

1 (a) Gary O'Connor might consider adopting a democratic leadership style for the following reasons:

- He may realise that his autocratic style is unpopular so a change to a democratic style might produce better results.
- The quality of decisions made might improve if others are consulted.
- Experienced and skilled workforces are more likely to be motivated by a democratic approach.
- It might avoid disputes in the workplace.
- It might improve Gary's relationship with his staff.
- May reduce Gary's workload if employees on takes more decisions.

Level 1 ([1]–[3])

Some knowledge and understanding of the reasons for adopting a democratic leadership style is demonstrated. Only **one** reason is considered. There is little attempt to explain it or to apply it to the context of Packem Ltd. Quality of written communication is less than satisfactory.

Level 2 ([4]–[7])

Adequate knowledge and understanding of the reasons for adopting a democratic leadership style is demonstrated. **Two** reasons are considered. There is some attempt to explain these and to apply them to the context of Packem Ltd. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

A thorough knowledge and understanding of the reasons for adopting a democratic leadership style is demonstrated. **Three** reasons are considered. These are well explained and application to the context of Packem Ltd is good. Quality of written communication is of a high standard. [10]

(b) Benefits of implementing a staff training programme in Packem Ltd might include:

- Would enable full use to be made of the new machinery.
- Training would improve the quality of goods produced within Packem Ltd, thus increasing profits.
- Training would help to reduce the number of accidents in the workplace.
- There would be improved motivation levels amongst the employees.
- The workforce within Packem Ltd would remain flexible, prepared for future developments.
- Will entice applicants for jobs in the factory if Packem Ltd is seen as a caring employer.

Drawbacks of implementing a staff training programme in Packem Ltd might include:

- Employees may leave after training to go to competitors.
- The current liquidity problems of Packem Ltd need to be tackled.
- There may be other much more pressing needs for this money within Packem Ltd.
- The training programme may disrupt day to day work within Packem Ltd.
- Workers may not want to be trained. It may de-motivate some of them.

Level 1 ([1]–[5])

Some knowledge and understanding of the advantages and disadvantages of introducing a staff training programme is demonstrated. **One** or **two** arguments are fully examined, or the candidate mentions more without adequate explanation. There is little application to the context of Packem Ltd. There is little attempt to analyse or evaluate the arguments considered. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the advantages and disadvantages of introducing a staff training programme is demonstrated. **Three** or **four** arguments are fully examined, or the candidate mentions more with a lesser degree of explanation. There is some attempt to apply these to the context of Packem Ltd. There is some attempt made to analyse and evaluate the arguments considered. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the advantages and disadvantages of introducing a staff training programme is demonstrated. At least **five** arguments are fully examined, or the candidate mentions more with a lesser degree of explanation. The arguments are well applied to the context of Packem Ltd. They are thoroughly analysed and there is a comprehensive evaluation leading to a final judgement. This judgement should be consistent with the weight of evidence considered. Quality of written communication is of a high standard.

For a level three answer, candidates must consider both the advantages and disadvantages of introducing a staff training programme. [15]

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2 (a) (i) Reasons for Amy preparing a cash flow forecast might include:

- Amy can plan properly to finance the new ice cream van.
- Amy is able to predict the cash shortages up to July and assess the best methods of dealing with these.
- Avoids cash flow problems as costs are considered in advance.
- Supports applications for loans, grants.
- She is able to use spare resources more effectively.
- Amy can use cash flow forecast with variance analysis to pinpoint problems.

Candidates should explain at least **two** reasons. [4]

(ii) Candidates should provide the missing figures shown below in bold.

	March	April	May	June	July	August
Net monthly cash flow	-5400	-4000	1800	2900	12 700	12 700
Opening Balance	2000	-3400	-7400	-5600	-2700	10 000
Closing Balance	-3400	-7400	-5600	-2700	10 000	22 700

[1] for each correct figure. [4]

(iii) The closing balance in August would be £19 700.

[1] to be awarded for correct amount with incorrect sign. [2]

(b) Candidates should discuss the advantages and disadvantages of each of the three options for buying the ice cream van and reach a judgement on which option is likely to be best for Amy.

Advantages of bank loan might include:

- Can be repaid over several years so that cash is kept in business.
- Enables van to be bought in advance of summer months, generating more cash.
- May be able to negotiate a low rate of interest.
- Amy may be able to fix her repayments so that they are affordable.

Disadvantages of bank loan might include:

- Bank may require Amy to use personal assets as collateral.
- She will have to convince the bank of her ability to achieve planned sales.
- Can be expensive if interest rate is fixed for period of loan.

Advantages of using cash might include:

- With summer sales going to plan Amy should be able to afford to buy the van outright.
- Van is paid for so nothing more to worry about.
- Demonstrates that she is cautious, a quality that she may need to show a bank manager in the future.

Disadvantages of using cash might include:

- Little money left in Shesells after the peak period in the year.
- Has to wait until the end of the summer to buy van, so misses opportunity.
- Cash flow may not turn out as expected in the forecast.

Advantages of taking on Ruth as a partner might include:

- Extra skills/capital brought into business.
- Would allow Amy to alternate the shop and van work.
- Amy may now be able to take more regular holidays.
- Better decision making within the business.

Disadvantages of taking on a partner might include:

- Would increase the monthly wage bill of the business.
- May be disagreements as Amy is used to being her own boss.
- Amy would have to share all profits in the future.

Level 1 ([1]–[5])

Some knowledge and understanding of the advantages and disadvantages of the different sources of finance is demonstrated. Only one of the options is fully examined, or the candidate covers more options without adequate explanation. There is little application to the context of Shesells. There is little attempt to analyse or evaluate the arguments considered. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the advantages and disadvantages of the different sources of finance is demonstrated. Two of the options are fully examined, or the candidate covers more with a lesser degree of explanation. There is some attempt to apply these to the context of Shesells. There is some attempt made to analyse and evaluate the arguments considered. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the advantages and disadvantages of the different sources of finance is demonstrated. All three options are fully examined. The arguments are well applied to the context of Shesells. They are thoroughly analysed and there is a comprehensive evaluation leading to a final judgement about which option is best. This judgement should be consistent with the weight of evidence considered. Quality of written communication is of a high standard.

[15]

25

Total

50

AVAILABLE
MARKS



Rewarding Learning

ADVANCED

General Certificate of Education

2009

Business Studies

Assessment Unit AS 3

assessing

Module 3: Marketing and
Operations Management

[AST31]

TUESDAY 16 JUNE, AFTERNOON

MARK SCHEME

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High performance: Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

General Marking Criteria

<p>Level of Performance</p>	<p>Assessment Objective</p>	<p>AO1 Knowledge and Understanding</p>	<p>AO2 Application</p>	<p>AO3 Analysis</p>	<p>AO4 Evaluation and Judgement</p>
<p>Level 1</p>	<p>Demonstrates knowledge and understanding of some relevant business theory and concepts.</p>	<p>Shows some ability to apply knowledge and understanding and makes some use of numerical and non-numerical techniques.</p>	<p>Shows some ability to analyse familiar and unfamiliar situations, problems and issues.</p>	<p>Evaluation of evidence and arguments is limited.</p>	
<p>Level 2</p>	<p>Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.</p>	<p>Applies knowledge and understanding and uses numerical and non-numerical techniques.</p>	<p>Analyses familiar and unfamiliar situations, problems and issues.</p>	<p>Evaluates evidence and arguments to present reasoned conclusions.</p>	
<p>Level 3</p>	<p>Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts.</p> <p>Quality of Written Communication: Successfully selects and uses an appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.</p>	<p>Applies knowledge and understanding and uses appropriate numerical and non-numerical techniques with accuracy.</p>	<p>Effectively analyses familiar and unfamiliar situations, problems and issues.</p>	<p>Effectively evaluates evidence and arguments, making reasoned judgements to present appropriate and supported conclusions.</p> <p>Quality of Written Communication: Successfully selects and uses an appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.</p>	

- 1 (a) Explain the stages of the product life cycle that Paul's product may go through.

It is generally assumed that a product will pass through various different stages as changes take place in the environment. The length of time that a product spends in the various stages will vary from one product to another as will the length of time that it takes a product to pass through the entire life cycle.

Development Stage

This stage will involve Paul developing the software. It will be the most expensive stage since no revenue will be earned and as money is being spent on the developmental process. This stage may involve market research.

Introduction Stage

During this stage it is likely that a substantial amount of money would have been spent on launching the software and informing the general public about the product advantages, etc. Sales may be slow during this stage.

Growth Stage

During this stage there should be a tendency for sales and profits to rise as the software begins to gain a foothold in the market. There may be a change in advertising during this stage as Paul tries to persuade customers to buy the software.

Maturity

The software sales will have reached their peak in terms of sales at this stage and it is probable that Paul will try to remain in this position for as long as possible. Saturation may be achieved at the end of this stage as the market will have been fully exploited.

Decline

Sales of the software will fall during this stage and they may continue to do so until they become unprofitable. As a result of this it will be wise to look at the development of new software or a new use of the existing as a possible extension strategy.

Level 1 ([1]–[3])

Some knowledge and understanding of the product life cycle is demonstrated but this is limited. Application of this knowledge to the question context, if present, is very limited. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of the benefits of the product life cycle is demonstrated. There is some application of this knowledge to the question context. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of the product life cycle is demonstrated. There is good application of this knowledge to the question context. Quality of written communication is of a high standard. [10]

- (b) Discuss **three** pricing strategies that Paul might adopt for his software.

There is a range of pricing strategies that Paul may adopt for his software.

Cost-Plus Pricing

This will involve Paul adding a percentage to the average cost of producing his new software. The size of this 'mark-up' will depend upon how many units or how quickly he intends to sell his software. A small mark-up will be acceptable if he expects his product to be a fast moving consumer good. There are advantages and disadvantages with this method of pricing. The main advantage is that it covers costs and allows a profit to be made. However, this method does not take into account demand for the product. Therefore the price set may be too high or too low. Another difficulty with this method of pricing is that it may be difficult to accurately determine the costs associated with production. However, this may not be an issue as Paul is only considering the production of one piece of software.

Contribution Pricing

This method of pricing involves separating out the different products produced by an organisation and charging individual prices that are in proportion to each one's share of total costs. As Paul is only intending to produce one product, this method will not be appropriate. However, should he expand in the future and add to his software, this may become an option.

Competitive Pricing

This will involve setting the price of the new software in line with that which competitors are charging. As this is a new piece of software this may not be appropriate. However, Paul could look at substitutes or similar pieces of software and use the prices of these as a basis for his own pricing decisions. A major difficulty with this is that if a firm has a similar product, price wars may arise. This could prove to be a problem for Paul as he is a new firm and may not be able to sustain the impact of a price war, especially if it is against a rival such as Microsoft.

Demand-Orientated Pricing

This will require Paul to set his price according to his customer's valuation of his products. Different customers may have different valuations of the product resulting in the possibility of price discrimination taking place. As an example, educational establishments may be charged a different price to ordinary customers or customers who buy in bulk.

Psychological Pricing

This will involve Paul setting his price at, for example, £19.99 instead of £20.00. This should make the software appear to be more appealing than if he had set the price at £20.00. This may allow Paul to increase profits if demand is increased for his products.

Skimming Pricing

This may be an appropriate pricing strategy as it is useful when a new product is launched onto the market and where there are few competitors. Paul could set a high price for the software and people will be willing to buy it in order to acquire the new product. Once these initial customers have bought the product the price will be lowered in an attempt to encourage more demand. The higher sales may result in the firm achieving economies of scale meaning that Paul can maintain the same profit margins as before. Skimming will also mean that Paul should be able to recover his initial research and development costs.

Penetration Pricing

This is a method which is also useful for a new product. This would involve Paul setting a low price to attract new customers. The drawback with this method is that losses may initially be made. As the product becomes more popular, sales and profits may rise. It may be difficult for Paul to sustain losses, especially as he is a new graduate.

Destroyer Pricing

This is a method that is more appropriate for an established firm rather than a new firm entering the market. This strategy may be more appropriate for a firm wishing to create a barrier to entry for new firms wishing to enter the market.

Promotional Pricing

This method could be used by Paul to try to create interest in his product. However, this may affect his initial profits and Paul may not be able to afford this.

Level 1 ([1]–[5])

Some knowledge and understanding of the various pricing strategies that Paul might adopt is demonstrated. This is however limited and there is very little reference made to the stimulus. 1 pricing strategy is discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the various pricing strategies that Paul might adopt is demonstrated. 2 pricing strategies are discussed. Some relevant analysis and evaluation are present and reference is made to the stimulus. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the various pricing strategies that Paul might adopt is demonstrated. 3 pricing strategies are discussed. Analysis and evaluation are comprehensive and perceptive and good reference is made to the stimulus. Quality of written communication is of a high standard. A final judgement is made as to the most appropriate strategy to use. [15]

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- 2 (a) Explain why the government would not be in favour of Grab-It-All's proposed takeover of Trusty plc.

The government would not be in favour of the proposed takeover because this may result in Grab-It-All having too much power in the financial services market. This would be against the public interest as it would mean that Grab-It-All would be in a position whereby they could exploit the consumer.

There is a range of ways that this might occur such as

- charging high prices
- restricting the quantity of services
- restricting competition
- possible job losses, especially in the current economic climate.
- providing a sub-standard service
- as Grab-It-All has its head office in Australia, profits may not be pumped back into the Northern Ireland economy

The avoidance of these practices would be particularly important in the financial services industry as the organisation is dealing with people's money.

Level 1 ([1]–[3])

Some knowledge and understanding of why the government would not be in favour of Grab-It-All's proposed takeover is demonstrated but this is limited. Application of this knowledge to the question context, if present, is very limited. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of why the government would not be in favour of Grab-It-All's proposed takeover is demonstrated. There is some application of this knowledge to the question context. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of why the government would not be in favour of Grab-It-All's proposed takeover is demonstrated. There is good application of this knowledge to the question context. Quality of written communication is of a high standard. [10]

- (b) Discuss whether it is better for Grab-It-All plc to grow organically or by amalgamation.

There are advantages and disadvantages of these methods of growth.

Organic Growth

This occurred when Grab-It-All opened up new offices in some of the countries that it was trading in.

Advantages:

- This is a less expensive method of growth than amalgamation
- The firm has more control over the pace of the growth
- There are no disadvantages associated with different cultures and management styles
- May be good for staff morale if they see the firm growing

Disadvantages:

- This is a slow method of growth
- If venturing into a new country, difficulties can arise

Amalgamation

This occurs when two firms join together. This occurred in the situation where Grab-It-All took over other similar firms.

Advantages:

- Competitors are immediately removed from the market
- Market share increases immediately
- This is a quick method of growth
- Economies of scale may arise
- Synergy may arise
- If a diversifying amalgamation takes place, risk is spread

Disadvantages:

- May be monopoly issues that could arise
- There may be problems associated with different cultures
- There may be different management styles in the two organisations
- Redundancies may occur

Level 1 ([1]–[5])

Some knowledge and understanding of the different growth strategies that Grab-It-All has adopted is demonstrated. This is however limited and there is very little reference made to the stimulus. 1/2 points are discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the different growth strategies that Grab-It-All has adopted is demonstrated. 3/4 points are discussed. Some relevant analysis and evaluation are present and reference is made to the stimulus. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the different growth strategies that Grab-It-All has adopted is demonstrated. At least 5 points are discussed. Analysis and evaluation are comprehensive and perceptive and good reference is made to the stimulus. Quality of written communication is of a high standard. A final judgement is made. [15]

Total

AVAILABLE
MARKS

25

50

