

# **Business Studies A (Short Course)**

General Certificate of Secondary Education **1051/02**

Paper 2

## **Mark Scheme for June 2010**

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Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
1	(a)			<b>Target: To show and apply knowledge of the main features of public limited companies and the control and distribution of profits for a public limited company.</b>		
1	(a)	(i)	6.2 a	Limited means limited liability(1) which is when the shareholders liability for debts is limited to the investment in the company(1).  1 mark + 1 for development	[2]	
1	(a)	(ii)	6.2 a	Advantages might include: <ul style="list-style-type: none"> <li>• Dividends</li> <li>• Increased share value</li> <li>• Profit made from selling shares</li> <li>• Some say at AGM</li> </ul>	[2]	<b>Crossover – 1 (a) (ii)</b> Exemplar: Owning shares in Plateau plc means that you can earn money from them (1) either in terms of profit from the sale (1) or from dividends which are paid each year from the profit(1)  1 mark for advantage 1 mark for explanation Do not accept 2 advantages

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
1	(b)			<b>Target: To show knowledge of stakeholder groups and to analyse that knowledge in terms of the stakeholders of Plateau plc</b>		
1	(b)	(i)	6.1	1 mark for stakeholder eg customer/hotels (1)  1 mark for reason + 1 mark for context/application	[3]	<b>Crossover to 1 (b) (ii)</b> but any stakeholder could be accepted if (iii) is an adequate explanation  Exemplar: The hotels/customers will be affected the most because they will be buying a lot of the tableware which may break or not be oven proof.(1) This means that they will have wasted their money.(1)  OR The owners of the business may be affected as the customers will not come back to Plateau plc for repeat purchases(1) and sales and profits will fall(1)
1	(b)	(ii)	6.1	<b>DO NOT</b> accept managers 1 mark for relevant stakeholder eg suppliers (1) 1 mark for reason + 1 mark for context/application	[3]	<b>Cross over to 1 (b) (iii)</b> but any stakeholder could be accepted if (iv) is an adequate explanation  Exemplar: The suppliers will not be affected by the decision because they are only interested in supplying as many raw materials as possible (1) they are not interested in the sales of the finished product (1).  OR The community will not be particularly affected as Plateau plc do not sell their products to the general public (1) only to businesses like hotels (1).

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
1	(c)		6.1 b	<b>Target: To apply knowledge and understanding of a business' objective of expansion.</b>	<b>[4]</b>	<p>Exemplar: Businesses wish to expand because they will be able to make more products(1) which might result in more customers(1) and more sales(1).</p> <p>Any 2 marks x 2 for each reason.</p>
			6.1 b	<b>Reasons:</b> Bigger market More geographical locations Economies of scale More sales Wider range of products Accept profit only if in the long run		
1	(d)		6.3 b	<b>Target: To show and apply knowledge of different roles within a business in order to analyse and evaluate that knowledge.</b>		

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
1	(d)		6.3 b	<p><b>Role of Directors</b>  Long term /strategic decisions  Overall control of departments/sections  Long term objectives  Financing decision  Approving plans  Hold AGM  Elected by shareholders</p> <p><b>Role of Managers</b>  Day to day planning/running  Set goals and targets  Managing Resources/ land/ labour capital to achieve objectives  Communication with directors and subordinates  Oversees one function of business</p> <p><b>Level 2 (4-6 marks)</b>  Candidate evaluates and makes comparisons between the two roles in the context of Plateau plc.</p> <p><b>Level 1 (1-3 marks)</b>  Candidate shows knowledge of the two roles with limited or no application to Plateau plc.</p>	[6]	<p>Exemplar: The Board of Directors is elected by the shareholders and it is their responsibility to make sure that the shareholders money is used effectively to make the Plateau plc a success(L1). In the case of Plateau plc they would have made the long term decision not to invest in quality. This is a decision which only the directors could have made because it would have had an effect on sales and profits(L2). Managers are below the Directors in the organisation structure and it is their job to make sure that the objectives such as production targets for the tableware are met(L1). The two roles are very distinct and it is important that there are two sets of responsibilities. It might be difficult for the directors to deal with the day to day running of the business as well as strategic decision making.(L2)</p>
				<b>Total</b>	<b>[20]</b>	

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
2	(a)		6.2	<p><b>Target: To apply knowledge of sole traders in the context of Plateau plc.</b></p> <p>Disadvantages to Plateau plc:</p> <p>Sole traders, unlimited liability - risky No control over designers (general) Quality problems No control over production of designs Communication Distance/access – need to look at designs</p> <p><b>One mark for a statement + 2 for development points.</b></p>	[3]	<p><b>Crossover to 2 (a) (iii)</b></p> <p>Exemplar: The biggest disadvantage to Plateau plc is that they have little control over what the designers are doing(1) especially in terms of meeting deadlines (1) or quality(1).</p>
2	(b)			<p><b>Target: To show and apply knowledge of different methods of payment in the context of Plateau plc.</b></p>		
2	(b)	(i)	6.3 c	<p>4 X 1000 = 4000 (1) 4 X 300 = 1200(1) 2% of 30,000 = 600(1) Earnings = £5800(1) 4 marks for correct answer without working</p>	[4]	OFR Applies to the total only.
2	(b)	(ii)	6.4 a	<p>Income Tax/tax National Insurance Student Loan Pension</p>	[2]	<p>Accept any two</p> <p>If more than two given accept first two only</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
2	(c)		6.1 b	<p><b>Target: To show awareness of and evaluate how Plateau plc operate in a European environment.</b></p> <p>Reasons:            Cheaper than UK            Better quality            Lack of suppliers in UK            More reliable than UK            Economies of scale            May mention exchange rate            Communication is easy</p> <p><b>Level 2 (4-6 marks)</b>            Candidate analyses and evaluates at least one/two reasons and makes a judgement as to why it is better than buying in the UK. MAX 5 for only one reason.</p> <p><b>Level 1 (1-3 marks)</b>            Candidate gives at least one reason and may/may not apply in context.</p>	[6]	<p>Exemplar:            Plateau plc might find that the amount of raw materials available from other parts of Europe are more easily available and therefore they can rely on them to be delivered regularly(L1). This means that although the distance is greater they are able to meet production targets and make sales and deliveries on time(L2). The UK is smaller than many other European countries and its resources are smaller and may not be of the quality that Plateau plc want(L1). The accessibility to raw materials when they want them will be more important than some of the cost of transportation which may be offset by economies of scale from bulk purchases.(L2)</p>



Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
2	(d)			<b>Target: To show knowledge of production methods and to apply, analyse and evaluate that knowledge in the context of Plateau plc.</b>		
2	(d)	(i)	6.3 b	<p>Economies of scale might include:</p> <ul style="list-style-type: none"> <li>Purchasing</li> <li>Managerial</li> <li>Financial</li> <li>Marketing</li> <li>Technical</li> <li>Risk bearing</li> </ul> <p>1 mark for type of economy + 2 marks for development.</p>	<b>[3]</b>	<p><b>Crossover to 2 c ii</b></p> <p>Exemplar: Plateau plc can achieve purchasing economies of scale(1) because the more they buy the more discount they will get(1) through bulk purchases(1) and this will reduce the cost of each plate or saucer that they make.(1)</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
2	(d)	(ii)	6.3b 5.1	<p><b>Methods of organising</b> resources from flow to batch:</p> <p><b>Labour:</b> increased training for flexibility/machine settings meetings to explain changes reorganise workforce into section to work on each batch production time and rotas need to be reorganised to change from one batch to another</p> <p><b>Raw materials:</b> increase in different types of materials Materials need to be available for changes in batches Quality needs to be ensured for each batch Storage space for work in progress Batches must be produced to meet demand</p> <p><b>Capital:</b> Flexible machinery Investment in new tools</p> <p><b>Level 2 (4-6 marks)</b> Candidate compares the two methods of production in order to analyse the implications of the change. Inputs or specific resources must be mentioned.</p> <p><b>Level 1 (1-3 marks)</b> Candidate shows knowledge of methods of production and applies this in terms of how resources might change.</p>	[6]	<p>Exemplar: If Plateau plc change to a batch production system from a flow production system all the resources will need to become more flexible. Batch production means that different batches will be different designs.(L1) The labour force will have to be trained in order to be able to do a variety of jobs rather than the one job that they may have done using flow production. This may increase costs to the business.(L2) Raw materials will have to be available at the right place and the right time to meet the changing demands of batch production. With batch production there may be more work in progress to store while awaiting painting. The managers will have to ensure that all resources are in place so that demand is met on time if they are to change from flow to batch production.(L2)</p> <p>Do not expect all factors of production to be mentioned.</p>
				<b>Total</b>	<b>[24]</b>	

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(a)		6.3 a	Target: To show knowledge of marketing mix, to apply and analyse that knowledge in the context of Plateau plc.		
			6.3 a	<b>Reasons:</b>  <i>Fewer customers therefore:</i> Better relationships Better communication <i>Less cost:</i> Transport Advertising Wages etc No middleman Any reason 1 mark + 2 marks for development.	[3]	<b>Crossover to 3 (a) (i)</b>  Exemplar: Plateau plc keep prices low for hotels because they have fewer customers(1) and this means that costs for advertising(1), communication(1) and wages(1) are lower because there aren't so many businesses to deal with.(1)
3	(b)		6.3 a	<b>Target: To show knowledge of methods of advertising</b>		
3	(b)	(i)	6.3 a	1 mark for explaining informative advertising + 1 mark for making a comparison with persuasive OR an example.	[2]	<b>Crossover to 3 (a) (ii)</b>  Informative advertising is advertising which gives customers more information about a product such as how it can be used(1), what it is made of, how long it will last rather than trying to persuade them to buy through their emotions.(1)

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(b)	(ii)	6.3 a	<p><b>Trade Fairs:</b></p> <p>FOR:            Direct contact for customers            Showcase for products and designs and designers            Well advertised within the trade and magazines            Personal service            Can see products</p> <p>AGAINST:            Limited geographical area            One off            Reliant on contacts made</p> <p><b>Magazines:</b></p> <p>FOR:            Wide circulation            More advertising space            Bigger potential market            Regular issues</p> <p>AGAINST:            Old fashioned            May not be read            Difficult to see and touch products            No personal service</p>	[8]	<p>Exemplar: Plateau plc should combine their website with some personal selling(L1). Salespeople can take samples of the products to the hotels with catalogues of different designs.(L2) This would allow them to persuade hotels to buy as well as showing how good the product is. They might have to limit the number of salespeople they use as the costs would be quite high in terms of transport, training and wages(L3) The problem with the other two are that they are limited in terms of the number of people that thy could reach. A trade fair is a one off event and may be quickly forgotten and magazines tend to be bought by quite a few traders but may not be read. They are more likely to use the website. (L3)</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(b)	(ii)		<p><b>Personal selling:</b></p> <p>FOR</p> <p>Personal service</p> <p>Reach a large population/market</p> <p>Informative and persuasive advertising</p> <p>Good communication</p> <p>AGAINST:</p> <p>Costs of wages, petrol, cars etc of sales people</p> <p>Environmental costs</p> <p>Training of salespeople</p> <p>New department to organise</p> <p>Candidates could choose any; it is the analysis and evaluation which are important.</p> <p><b>Level 3 (5-8 marks)</b> Candidate shows the ability to compare/combine strategies and support that comparison with analysis <b>in the context</b> of the business.</p> <p><b>Level 2 (3-4 marks)</b> Candidate applies the strategies to the business.</p> <p><b>Level 1 (1-2 marks)</b> Candidate makes simple statements about the costs or benefits of the strategies.</p>		

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(c)		6.3 a	<b>Target: To show knowledge of the relationship between cost and price</b>		
3	(c)	(i)	6.3 a	Cost is the amount of money a business has to spend on producing(1) a product or service(1). Costs can be fixed like rent(1) or variable like wages(1). Price is the value(1) put on a product or service and is charged to the customer(1). Price is the generator of revenue which if it exceeds costs leads to profit.(1)	[3]	1 mark for cost 1 mark for price 1 mark for any development showing understanding
3	(c)	(ii)	6.3 b	<p>Reasons:</p> <ul style="list-style-type: none"> <li>• Retail outlets are expensive to buy or to rent</li> <li>• Retail outlets need to be set up, furnished and staffed</li> <li>• Running costs of retail outlets are high</li> <li>• Transportation from factory to retail outlets</li> <li>• Mail order can happen from the existing location</li> <li>• Stock can be stored but not on display</li> <li>• Some call centre staff but not as many as retail outlets</li> <li>• Easier/quicker to set up therefore lower costs</li> </ul> <p><b>Level 2 (3-6 marks)</b> Candidate analyses and evaluates one or more reasons why the cost would be higher and makes a comparison between the two options. Only one point analysed and evaluated max 4 marks</p> <p><b>Level 1 (1-2 marks)</b> Candidate makes general statements about why one option is higher cost than the other with limited application to the business.</p>	[6]	Exemplar: Retail outlets tend to be large and on industrial estates or in the high street of towns. These can cost a great deal of money to rent or buy(L1). Smaller retail outlets in the high street may cost less but the rent on them is usually very high. Mail order would only require extra storage space and could be run from the existing factory, this would cost a lot less than retail outlets which would also need to be done out with shelving, equipment etc.(L2) Retail outlets would also require a large investment into staffing and training which would increase costs still further unlike mail order which might increase staff but they would only be in a call centre and therefore are unlikely to be paid as much.(L2)

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(c)	(iii)	6.2 b	<b>Target: To analyse and evaluate knowledge of the impact of the objectives of a business upon the marketing of a business in the competitive UK market</b>		
3	(c)	(iii)	6.1 b 6.2 b (on Foundation)	<b>Factors:</b> Location Ease of set-up Objectives of the business Effect on the workforce Expected demand Market Research Expected sales/profit levels.	[2]	Crossover to 3 (d) (i)

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(c)	(iv)	6.1 b 6.3 a (on Higher)	<p>Any judgement in context will achieve Level 2</p> <p><b>Reasons for mail order:</b>            No retail outlets to find or pay for            No middlemen to pay            Quicker communication and payment            Use of website/attracts a wider market</p> <p><b>Reasons for retail:</b>            Customers can see the goods/designs            No delivery problems            Close to market            Better communication with the market            Personal service</p> <p><b>Level 2 (3-6 marks)</b>            Candidate compares the two options in terms of at least one criterion and makes a judgement based on this comparison. MAX 4 marks if no decision supported by analysis.</p> <p><b>Level 1(1-2 marks)</b>            Candidate makes simple statements about advantages and disadvantages of each with little or no comparison and no judgement.</p>	[6]	<p>Exemplar: The success of either option would depend on the likelihood of an increase in sales.(L1) Plateau plc is used to selling large quantities of tableware to the hotels. They would have to make and keep a much wider range of stock(L2) if they sold by mail order and they may have to provide delivery facilities. Often customers wish to see products such as tableware(L1) and it would be better for them to showcase their products in a shop. However mail order is a lot less expensive as they could use their existing website and would not have to invest in retail outlets which may cost money either to purchase or to rent. (L2) I think that in the short run it would be better to use mail order. (L2)</p>



Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
3	(c)	(iv)		<p><b>QWC</b></p> <p>Candidates will also be assessed for their Quality of Written Communication on this part of the question, according to the following requirements:</p> <p>Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar. (2)</p> <p>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer. (1)</p> <p>Candidate fails to reach the threshold standard in all respects. (0)</p>	[2]	
3	(d)			<p>Advantages:</p> <p>No debt/borrowing</p> <p>No interest</p> <p>Less risk</p> <p>No third party</p> <p>Quicker to organise</p>	[4]	<p>Example: Using internal finance such as retained profit(1) means that the company does not have to borrow money(1) or pay interest to a bank(1) as they would if they used a loan(1) for example.</p> <p>1 mark for advantage + 1 for development x 2</p>
				<b>Total</b>	<b>[36]</b>	

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
4	(a)			<b>Target: To show and apply knowledge of methods of recruitment at Plateau plc.</b>		
4	(a)	(i)	6.2 a	Delegation is when a manager passes down jobs and tasks/authority(1) to people or subordinates lower in the organisation structure(1). <b>NOT responsibility</b>	[2]	<b>Crossover to 4 (b)</b>
4	(a)	(ii)	6.4 b	<b>Internal:</b> Recruited from existing employees within the business(1). This is quicker, easier and cheaper(1) and means that the business employs people who already know about the products(1) and the methods of working(1).  <b>External:</b> Recruited from outside the business by external advertisement.(1) Enables the business to recruit new blood(1) with new ideas(1), which can help improve performance(1) and increase profitability(1).  Any 2 points for each method.	[4]	Exemplar: External recruitment means that there are more applicants to choose from (1) and this means that they are likely to get much better employees (1) whereas internal recruitment is much cheaper and quicker(1) and allows Plateau plc to use people it already know have the skills required for the job.(1)
4	(b)			<b>Target: To evaluate the documents involved in recruitment.</b>		
4	(b)		6.4 b	Purpose of person specification: <ul style="list-style-type: none"> <li>• The qualities of the ideal candidate</li> <li>• Identifies skills and abilities</li> <li>• Judges desirability of potential candidates</li> </ul> Level 2 (2-4 marks) Candidate evaluates the importance of the person specification in the context of the business.	[4]	

				<b>Max 2 marks if no context</b>  Level 1 (1 mark) Candidate gives limited analysis of use of person specification.		
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Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
4	(c)		6.3 c	Target: To demonstrate knowledge of the main elements of the balance sheet.		

	(£000)	(£000)
Fixed Assets		3000
Current Assets	60	
Current Liabilities	30	
Working Capital		
<b>Net assets</b>		<b>3030</b>
Shareholders funds		2500
Retained Profit		330
Long Term Liabilities		200
<b>Capital Employed</b>		

4	(c)	(i)	6.3 c	Current Assets – Current liabilities  60-30(1) = £30,000(1) OR 30 as would be shown in the table  2 marks for correct answer 1 mark for correct formula		<b>Crossover to 4 (f) i</b> If 30 is written in the table 2 marks, if written on paper 0 marks
			6.3 c	2500+330+200(1)= £3,030,000 OR 3030(1)  2 marks for correct answer	<b>[4]</b>	If 3030 is written on table 2 marks, if written on paper 0 marks

Question			Syllabus Ref	Expected Answer	Mark	Additional guidance
4	(c)	(ii)	6.3 c	<p>Long term liabilities are debts(1) such as loans and mortgages(1) which business borrow for more than 1 year(1).</p> <p>Any two points 2 marks</p>	[2]	
4	(d)			<p><b>Target: To demonstrate and apply knowledge of accounts in order to analyse and evaluate their usefulness in decision making</b></p>		
				<p>Either answer can be correct.</p> <p><b>Profit and Loss</b> Shows costs Shows potential revenue Shows changes in gross and net profit</p> <p><b>Balance Sheet</b> Shows changes in value of the business Shows increases in assets Shows increases in liabilities such as loans.</p> <p><b>Level 2 (3-4 marks)</b> Some good reasoning for judgement about which account is more useful to the business. Full marks for comparison of both.</p> <p><b>Level 1 (1-2 marks)</b> General analysis not in context with no comparison or judgement made</p>	[4]	<p>The profit and loss account would be more useful because it shows the costs of the business(L1) and both of the options will increase the costs of the business(L2). In both options costs will increase and profit is likely to fall. However if sales increase then profit may rise.(L2). The Balance Sheet will not be of so much use because it does not show costs or how profit will change.(L2)</p>
				<b>Total</b>	<b>[20]</b>	

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