

**Business Studies A**

General Certificate of Secondary Education **1951/03**

Paper 3: Business and Change (Foundation Tier)

**Mark Scheme for June 2010**

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| Question |     |       | Syllabus Ref | Expected Answer   | Mark                  | Additional Guidance  |
|----------|-----|-------|--------------|---|-----------------------|--|
| 1        |     |       | 6.2.1(c)     | To demonstrate knowledge of public limited companies; to apply knowledge of sources of finance to stated business; to apply knowledge of diversification.   |                       |  |
| 1        | (a) | (i)   |              | c: A company whose shares are sold on the stock exchange.<br><br>d: A company which has the letters plc after its name.   | [2]                   | Accept first two ticks only, one mark for each.  |
| 1        | (a) | (ii)  |              | <p>Many possible answers.</p> <p><u>Bank loan</u><br/>Because it is a quick way (1) of raising money.<br/>With shares it will take a long time to arrange to sell the shares and people may not want them (1) thus the value of the business falls as the share price falls (1).</p> <p><u>Shares</u><br/>Because you do not owe anyone any money (1)<br/>With the bank you have to pay interest (1) on the money you borrow which may harm your liquidity in the long run (1).</p> <p>Allow 'share issue as banks will less likely loan money in this current climate (1)'</p> | <p>3x1</p> <p>[3]</p> | <p>No mark for choice.</p> <p>Reference to the other choice for all three marks to be awarded.</p> |
| 1        | (a) | (iii) |              | <p>Many possible answers.</p> <p>If British Ships plc only had one type of ship the business would be limiting potential customers (1) which means less potential profit (1).</p>   | <p>2x1</p> <p>[2]</p> |  |

| Question |      |  | Syllabus Ref | Expected Answer  | Mark    | Additional Guidance   |
|----------|------|--|--------------|--|---------|---|
| 1        | (b)* |  | 6.2.1(b)     | To analyse location factors thus allowing judgement for stated business; and demonstrate knowledge of grants.  |         |   |
|          |      |  |              | <p><b>Location A is the correct answer. If candidate states choice B then award no marks.</b></p> <p><b>If student only writes 'Location A' award 1 mark</b></p> <p><u>Level 2</u></p> <p><i>I would choose Location A as being near a deep water port will obviously assist in making and repairing ships. Also, as there is a big population which may be educated due to the university thus a skilled workforce may be available which would help improve the quality of the ships. Also, being near the railway line will help supplies get in hence more efficient. Being near countryside and restaurants is nice but will it help build ships. Also, it appears there may not be many available workers and these workers are unlikely to be skilled.</i></p> <p><i>Allow Level 2 – 3 marks</i><br/> <i>Location A because if location B it may be dangerous to children and destroy the peace and quiet. The deep water port will be useful to test the ships.</i></p> <p><u>Level 1</u></p> <p><i>I would choose Location A as there is a big population which may mean workforce may be available which would help build the ships.</i></p> | [4]+[2] | <p><b>Level 2 (3-4)</b></p> <p><i>Judgement backed by reference to <b>both</b> Locations. Advantage of location A and a disadvantage of location B <b>MUST</b> be given.</i></p> <p><i>For all four marks – clear linkage to the <b>scenario</b> i.e., building ships'.</i></p> <p><b>Level 1 (1-2)</b></p> <p><i>Basic statements</i><br/> <i>Any listing of boxes with no development</i></p> <p><i>Candidates will also be assessed for the quality of their written communication, according to the following criteria;</i></p> <p><i>Ideas expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</i></p> <p><i>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.</i></p> <p><i>Candidate fails to reach the threshold standard in all respects. 0</i></p> <p><b>THOSE STUDENTS WHICH DID NOT GET ANY MARKS CAN STILL OBTAIN 2 MARKS FOR QWOC</b></p> <p>0</p> |

| Question |     |      | Syllabus Ref | Expected Answer  | Mark   | Additional Guidance  |
|----------|-----|------|--------------|--|--|--|
| 1        | (c) |      | 6.2.1(d)     | <b>Target: To apply knowledge and understanding of social benefits and social costs to stated business.</b>  |  |  |
| 1        | (c) | (i)  |              | Increased jobs from building ships<br>Noise from building ships  | Social benefit<br>Social cost.<br><br><b>[2]</b>   | One mark for each correct identification.  |
| 1        | (c) | (ii) |              | Many possible answers.<br><br>• Reputation may suffer<br>• Fines<br>• Lower demand<br>• Local community demonstrations.....<br><br>Because if they do not take social costs into account then they may get fined (1) which means more costs/less profits (1).  | <br><br><br><br><br><br><br><br><br><br><b>[2]</b> | One mark for reason and one for explanation.   |
| 1        | (d) |      | 6.2.1(d)     | <b>Target: To apply knowledge of the possible causes of a share price appreciation enabling analysis.</b>  |  |  |
|          |     |      |              | Many possible answers<br><br>If British Ships plc obtained a major contract this is likely significantly increase profits (1) which in turn may lead to higher dividends (1). As a result potential investors may begin to purchase these shares hence the share price goes up as shown in Fig 1 (1).<br><br>Share price has increased (1) because investors can see the business is doing well (1) hence they can benefit from higher dividends (1).<br><br><i>Allow ‘big contract increases share price (1)’</i><br><br><i>Allow ‘value of business is worth more (1) thus will interest investors</i><br><br><i>Allow ‘share price increases (1) due to millions from the contract (1) will allow more dividends (1).</i> | <br><br><br><br><br><br><br><br><br><br><b>[3]</b> | The mark to be given for ‘share price increasing’ is only to be awarded if it is connected to the contract.<br><br><br><br><br><br><br><br><br><br>Trend must be identified that is sharp increase because of the contract – this may be implicit. |

| Question |     |     | Syllabus Ref | Expected Answer  | Mark | Additional Guidance                                   |
|----------|-----|-----|--------------|--|------|---|
|          |     |     |              |  |      |   |
| 1        | (e) |     | 6.2.1(c)     | Target: To apply knowledge and understanding of the concept 'chain of command' to stated business.                                       |      |   |
|          |     |     |              |  |      |   |
| 1        | (e) | (i) |              | A line of authority within a business which allows orders to be passed down from people at the top of a business to those at the bottom. | [1]  | If candidate draws more than one line award no marks. |
|          |     |     |              |  |      |   |

|   |     |      |  |                           |   |
|---|-----|------|--|---------------------------|---|
| 1 | (e) | (ii) | <p>Many possible answers</p> <p><u>Advantages</u></p> <p>Various people can comment on communications/decisions (1)<br/>which may improve the efficiency of the business (1)<br/>The lines of communication and responsibilities are clear (1)<br/>which should lead to greater efficiency (1)</p> <p>Plenty of opportunities for workers to gain promotion (1) which<br/>will motivate them (1)</p> <p>Allow 'reduces the span of control (1) therefore managers do not<br/>have too many people to look after' which improves efficiency (1)</p> <p><i>Allow 'manager more in-touch (1) thus increasing efficiency'(1)</i><br/><i>Allow 'more opportunities for delegation' (1)</i><br/><i>Allow manager having more control'(1)</i></p> <p><u>Disadvantages</u></p> <p>Decisions may take a long time to be made (1) which hinders the<br/>business to act hence reducing the efficiency of the business (1)</p> <p>Workers may feel they are not given enough responsibility (1)<br/>thus effecting their motivation and hence the efficiency of the<br/>business (1).</p> <p><i>Allow 'orders may take a long time to be acted on (1) which may mean a<br/>loss of income as customers do not come back (i)</i></p> | <p>[2 x 2]</p> <p>[4]</p> | <p>One mark for each advantage and<br/>disadvantage and one further mark for each<br/>explanation</p> |
|---|-----|------|--|---------------------------|---|

| Question |     |      | Syllabus Ref | Expected Answer   | Mark        | Additional Guidance  |
|----------|-----|------|--------------|---|-------------|--|
| 1        | (f) |      | 6.2.1(a)     | <b>Target: To demonstrate and apply knowledge of international trade; to analyse and apply knowledge of economic data thus enabling a judgement.</b>  |             |  |
| 1        | (f) | (i)  |              | <p>Many possible answers</p> <ul style="list-style-type: none"> <li>• sales</li> <li>• profit</li> <li>• spread name</li> <li>• growth.</li> </ul> <p>Selling to other countries mean you have more customers (1) which mean you will gain more money for your business (1).</p> <p>More sales more money (1) to invest (1)/more money to pay wages (1).</p>  | [2]         | <p>Stated reason one mark.</p> <p>Explanation one mark.</p>  |
| 1        | (f) | (ii) |              | <p><u>Data shows</u></p> <p>Imports of ships going up and forecasted to continue to increase.</p> <p>Exports of UK ships going down and forecasted to drop dramatically.</p> <p><u>Level 2</u></p> <p>British Ships plc should be concerned as imports of ships going up and forecasted to continue to increase which implies UK ships not competitive ie, not price competitive/poor quality. This is backed as the exports of UK ships is going down and forecasted to drop dramatically. Therefore, there is more competition for British Ships plc and it appears that UK ships are not selling well. This all points to a drop in sales/profits.</p> |             | <p><b>Level 2 (3-4)</b></p> <p>Evaluation – reasoned judgement.</p> <p><b>Level 1 (1-2)</b></p> <p>Application and analysis.</p> |
| 1        | (f) | (ii) |              | <i>NB some candidates may say 'not a major concern as the business has just obtained a big contract therefore the data is somewhat irrelevant in the short term' – award L2.</i>  | [4]         |  |
|          |     |      |              | <b>Total</b>  | <b>[31]</b> |  |



| Question |     |     | Syllabus Ref | Expected Answer   | Mark                                  | Additional Guidance   |
|----------|-----|-----|--------------|---|---------------------------------------|---|
| 2        | (a) |     | 6.2.1(c)     | <b>Target: To demonstrate knowledge and understanding of public limited companies and apply this knowledge to stated business.</b>  |                                       |   |
| 2        | (a) | (i) |              | <p>Many possible answers</p> <p><u>Advantages</u></p> <p>Sell shares on the SM (1) thus providing large possible funds for expansion (1)/no need to pay interest (1)</p> <p>Limited liability (1) – owners of Quality Build plc only lose the money they have invested if the business were to go into liquidation (1)</p> <p>As they are on the SM there is wider public recognition (1) and this may lead to increased sales/profits (1).</p> <p><u>Disadvantages</u></p> <p>Open to hostile takeover bids (1) because other companies can buy its shares from the SM (1)</p> <p>Accounts are made public (1) and competitors can review their practices (1)</p> <p>Business is open to accountability from shareholders (1) therefore shareholders may impose pressure regarding decision making (1).</p> <p><i>Allow 2 marks for 'plc's tend to be large internal structure. These often give rise to communication problems</i></p> <p><i>Allow 2 marks for 'less control (1) therefore less power over decision making (1)</i></p> <p><i>Allow reference to 'more hassle in setting up plc.'s as a lot of paperwork (1) which will cost time in terms of money (1)</i></p> <p><i>Allow reference to 'company must publish its accounts (1) which competitors may use (1)'</i></p> | <p><b>2 x 2</b></p> <p><b>[4]</b></p> | <p><b>Do not allow 'payment of dividends'</b></p> <p>Stated advantage one mark<br/>Explanation one mark.</p> <p>Stated disadvantage one mark<br/>Explanation one mark</p> |

| Question |     |  | Syllabus Ref | Expected Answer   | Mark | Additional Guidance  |
|----------|-----|--|--------------|---|------|--|
| 2        | (b) |  | 6.2.1(b)     | <b>Target: To apply knowledge of the manufacturing sector thus explain employment decline within this industry, demonstrating analysis and evaluation.</b>  |      |  |
| 2        | (b) |  |              | <p><u>Data shows</u></p> <p>Decrease in the number of workers employed in the Manufacturing industry – 18% to forecasted 10%.</p> <p><u>Many possible reasons</u></p> <p>Cost of manufacturing too high in the UK – high wages, cost of materials.....</p> <p>Use of machinery and robotics.</p> <p><b>Reason 1</b><br/> <i>'There has been a decrease in the number of workers employed in the manufacturing industry and the decrease is expected to go further with only a forecasted 10% to be employed by 2020.(1) First within many manufacturing businesses machinery is more heavily used (1) which means less workers are needed as the machines do the work once done by human beings. A good example is the motor industry (1).'</i></p> <p><b>Reason 2</b><br/> <i>The high level of cheaper foreign imports (1) . Foreign companies can pay less wages and therefore set cheap prices which has meant many home businesses going out of business as they were unable to compete (1). This has led to less people employed (1).</i></p> <p>Allow 2 marks for 'manufacturing has been introduced (1) and replacing workers (1)</p> |      | <p>Allocation of marks</p> <ul style="list-style-type: none"> <li><b>Four marks for explanation</b> of two reasons for the decrease in manufacturing employment – 2x2</li> <li><b>Two marks analysing why the government</b> should or should not be concerned</li> </ul> <p><b>Note; Analysis can be anywhere – reason space / space for the government section</b></p> <p><b>Note; reference to manufacturing clear NOT unemployment generally</b></p> |

| Question  |  |  | Syllabus Ref | Expected Answer  | Mark  | Additional Guidance   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
|---|--|--|--------------|--|-------|---|--|------------------------|--|---|---|---|--|-------------------------------|---|--|-----|-------------------------------------|
|   |  |  |              |  |       |   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
|   |  |  |              | <p><u>Government be concerned?</u></p> <p>Yes because if not enough jobs are being created in other sectors such as tertiary then unemployment will go up (1) and so will benefits (1) / decrease tax revenue (1) .</p> <p><i>Also allow ‘No – if we are struggling to compete with foreign competition then businesses will be made to be more efficient thus lower prices for us all/better quality’.</i></p> <p><i>Also allow ‘<b>depends on the state of the tertiary sector</b> – if It continues to grow and create jobs then the impact will be minimal’.</i></p> | [6]   | Do not allow ‘because tertiary sector has increased’ or ‘workers do not like dirty factories’ |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
|   |  |  |              |  |       |   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
| 2   | (c)  |  | 6.2.1(d)     | <p><b>Target: Demonstrate K/U of break-even thus allowing evaluation.</b></p> <table><tr><td>Event</td><td><u>Likely</u> to increase the number of houses needed to break-even.</td><td><u>Unlikely</u> to increase the number of houses needed to break-even.</td></tr><tr><td>A rise in house prices</td><td></td><td>✓</td></tr><tr><td>A rise in the number of businesses selling houses</td><td>✓</td><td></td></tr><tr><td>A rise in the price of bricks</td><td>✓</td><td></td></tr></table>  | Event | <u>Likely</u> to increase the number of houses needed to break-even.                          | <u>Unlikely</u> to increase the number of houses needed to break-even. | A rise in house prices |  | ✓ | A rise in the number of businesses selling houses | ✓ |  | A rise in the price of bricks | ✓ |  | [3] | One mark for each correct response. |
| Event   | <u>Likely</u> to increase the number of houses needed to break-even. | <u>Unlikely</u> to increase the number of houses needed to break-even. |              |  |       |   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
| A rise in house prices                            |  | ✓  |              |  |       |   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
| A rise in the number of businesses selling houses | ✓  |  |              |  |       |   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |
| A rise in the price of bricks                     | ✓  |  |              |  |       |   |  |                        |  |   |   |   |  |                               |   |  |     |                                     |

| Question |     |     | Syllabus Ref | Expected Answer  | Mark | Additional Guidance   |
|----------|-----|-----|--------------|--|------|---|
| 2        | (d) |     | 6.2.1(b)     | <b>Target: To apply knowledge of outsourcing to allow appropriate evaluation.</b>  |      |   |
| 2        | (d) |     |              | <p><b>Many lines of argument</b></p> <ul style="list-style-type: none"> <li>• Only pay when use</li> <li>• Quality of work may not be as good as they are not part of your business</li> <li>• Reputation may suffer</li> </ul> <p>Judgement may be in favour <b>OR</b> against <b>OR</b> 'difficult choice'.</p> <p><b>Level 2</b><br/> <i>This is a difficult choice. Sometimes, if you employ your own plumbers there will be times when you do not need them but because you employ them you will have to pay for them thus if you were to use outsourcing you would save money. However, because they are not part of your business the quality of work may not be as you would like (L2) and this may harm your reputation although if they want to work for your business again they actually might do a very good job as opposed to full time workers who have worked for you for years and have become inefficient.</i></p> <p><b>Level 1</b><br/> <i>Allow 'will not know the employees' – 1 mark</i><br/> <i>Allow 'cheaper as you only pay when you need them' – 2 marks</i><br/> <i>Allow 'not waste time in recruiting plumbers' – 2 marks</i></p> | [4]  | <p><b>Allow 'employ specialist plumbers thus better quality' 2 marks</b></p> <p><b>Do not allow 'redundancies of own plumbers'</b></p> <p><b>Level 2 (3-4)</b><br/>           For the 4<sup>th</sup> mark. Judgement <b>must</b> be provided<br/>           Both advantage and disadvantage</p> <p><b>Level 1 (1-2)</b><br/>           Advantage <b>or</b> disadvantage</p> |
| 2        | (e) |     | 6.2.1(d)     | <b>Target: To select appropriately from given data; apply knowledge of sales and net profit to make a judgement based on data given.</b>   |      |   |
| 2        | (e) | (i) |              | 2007.  | [1]  | One mark for correct response   |

| Question |     |       | Syllabus Ref | Expected Answer  | Mark | Additional Guidance   |
|----------|-----|-------|--------------|--|------|---|
| 2        | (e) | (ii)  |              | <p><u>Data shows</u><br/>Houses sold falling and forecasted to continue to fall.<br/>Net profit and forecasted to continue to fall.</p> <p><u>Level 2</u><br/>The financial situation for QB plc does look worrying as both houses sold falling and forecasted to continue to fall, and net profit and forecasted to continue to fall. This means, if the forecasts are correct, that QB plc will receive less money into the business and this may mean job losses or even closure.</p> | [4]  | <p><b>Level 2 (3-4)</b></p> <p>Evaluation – reasoned judgement<br/>Both graphs referred to in the answer</p> <p><b>Level 1 (1-2)</b></p> <p>Application and analysis</p>  |
| 2        | (e) | (iii) |              | <p>Many possible answers.</p> <p>Forecast 2 (1) will have the biggest impact on QB plc as the forecasted drop in the average price of a house is the biggest ie, £15 000 as opposed to £5000. This drop will mean a significant drop in money coming into the business (1) hence a big drop in profits (1).</p> <p>Allow 'forecast 2 (1) as this a big drop in price and this may lead to an increase sales (1) hence more profits (1).</p>  | [3]  | <p><b>Level 2 (3-4)</b></p> <p>Evaluation<br/>An implication given</p> <p><b>Level 1 (1-2)</b></p> <p>Application and analysis.</p> <p><u>For the judgement mark this must be backed by logical reason. No mark for writing 'Forecast 1' with no explanation.</u></p> |

| Question |     |  | Syllabus Ref | Expected Answer  | Mark        | Additional Guidance   |
|----------|-----|--|--------------|--|-------------|---|
| 2        | (f) |  | 6.2.1(b)     | <b>Target: To evaluate the possible effects of external factors on stated company.</b>   |             |   |
|          |     |  |              | <p>Many possible answers.</p> <ul style="list-style-type: none"> <li>• Reduce profits unless increase prices although this in itself may reduce demand</li> <li>• May increase demand as many people may want to pay more for a 'green' house</li> <li>• Save energy costs which are increasing</li> <li>• All building companies will face the same increases.</li> </ul> <p><u>Examples</u></p> <p><i>Quality Build plc should be concerned (1) as an increase of 15% to total building costs will mean the business has to pay out more money (1) and this will reduce profits (1) unless they increase prices which might decrease demand (1).</i></p> <p><i>Quality Build plc should not be concerned (1) as demand may increase (1) as many people may want to pay more for a 'green' house (1) therefore Quality Build plc make more profits (1).</i></p> | [4]         | For the judgement mark this must be backed by logical reason. No mark for writing ' <i>should be concerned</i> ' with no explanation. |
|          |     |  |              |  |             |   |
|          |     |  |              | <b>Total</b>   | <b>[29]</b> |   |
|          |     |  |              | <b>Question Paper Total</b>  | <b>[30]</b> |   |

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