

Business Studies A

General Certificate of Secondary Education **1951/04**

Paper 4: Business and Change (Higher Tier)

Mark Scheme for June 2010

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Any enquiries about publications should be addressed to:










OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(a)		6.2.1 (c)	Target: To demonstrate knowledge and understanding of public limited companies and apply this knowledge to stated business.		
1	(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 PLCs 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>	[4]	<p>Do not allow 'payment of dividends'</p> <p>2x2</p> <p>Stated advantage one mark</p> <p>Explanation one mark.</p> <p>Stated disadvantage one mark</p> <p>Explanation one mark</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(b)		6.1.2 (b)	Target: To apply knowledge of the manufacturing sector thus explain employment decline within this industry, demonstrating analysis and evaluation.		
				<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>Reason 1 <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>Reason 2 <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"> Four marks for explanation of two reasons for the decrease in manufacturing employment – 2x2 Two marks analysing why the government should or should not be concerned <p>Note; Analysis can be anywhere – reason space / space for the government section</p> <p>Note; reference to manufacturing clear NOT unemployment generally</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(b)			<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 'depends on the state of the tertiary sector – if It continues to grow and create jobs then the impact will be minimal'.</i></p>	[6]	<p>Question relates to manufacturing employment NOT the tertiary sector.</p> <p>Reasons for decline in manufacturing employment - do not allow 'because tertiary sector has increased' or 'workers do not like dirty factories', or 'workers more educated'.</p>

1	(c)		6.1.2 (d)	Target: Demonstrate K/U of break-even thus allowing evaluation.														
				<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			3x1 [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.																
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Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(d)		6.1.2 (b)	Target: To apply knowledge of outsourcing to allow appropriate evaluation.		
				<p>Many lines of argument</p> <ul style="list-style-type: none"> • Only pay when use • Quality of work may not be as good as they are not part of your business • Reputation may suffer <p>Judgement may be in favour OR against OR 'difficult choice'.</p> <p>Level 2 <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>Level 1 <i>Allow 'will not know the employees' – 1 mark</i> <i>Allow 'cheaper as you only pay when you need them' – 2 marks</i> <i>Allow 'not waste time in recruiting plumbers' – 2 marks</i></p>	[4]	<p>Allow 'employ specialist plumbers thus better quality' 2 marks</p> <p>Do not allow 'redundancies of own plumbers'</p> <p>Level 2 (3-4)</p> <p>For 4th mark judgement must be provided Both advantage and disadvantage</p> <p>Level 1 (1-2)</p> <p>Advantage or disadvantage</p>

Question		Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(e)		<p>Data shows</p> <ul style="list-style-type: none"> Downward trend in houses sold, average price of houses sold, profit, liquidity Increasing capital employed despite falling trends. <p>Ratios</p> <ul style="list-style-type: none"> Net profit to sales from 8.3%, 7.5%, to 5.5% ROCE from 10%, 7.2%, to 4.6%. ROCE falling therefore less return on investments <p>An appropriate comment for ROCE is:</p> <p>Level 4 <i>It appears the Financial Director of Quality Build plc would not be happy with the financial data provided. Each of the forecasts show a significant downward trend in houses sold, average price of houses sold, profit, and liquidity. This has happened with inputting extra capital. If this is from borrowings and not share issue it will be open to interest moves and further worsen an already poor liquidity position. Referring to the ratios both the net profit to sales and ROCE dramatically falling – 8.3% to forecasted 5.2% for the former and 10% to forecasted 5.49% for the latter. This represents poor return on the money invested and most worryingly a downward trend for both. However, the reliability of the data is an issue. The house market does change quickly and the figures are only a forecast albeit 2008 to 2009 trend is also downward.</i></p> <p>Level 2 <i>It appears the Financial Director should not happy with the financial data provided. The fact that the house market appears to be falling even lower means the business will have less money coming. into the</i></p> <p>Level 1 <i>Interest changes will greatly affect businesses as it affects the disposable income of customers and there own liquidity. business which means less money for investment.</i></p>	[8]	<p>Level 4 (7-8) <i>Judgement with appropriate backing using accurate Net profit ratio, ROCE calculations, and appropriate use of current ratio</i></p> <p><i>The judgement is clear ie, 'they should be very concerned'.</i></p> <p>Level 3 (5-6) <i>Calculation of 2008 and forecast 2011 Net Profit to Sales and/or ROCE with appropriate comment.</i></p> <p><i>Candidate can not get to L3 by only correctly commenting on Current Ratio. They must correctly calculate and interpret either Net or ROCE.</i></p> <p>Level 2 (3-4)</p> <p>Either</p> <p><i>Calculations correct but no comment</i> OR <i>No ratios used but general comment are explained and linked to the business</i> OR <i>Appropriate well reasoned use of current ratio</i></p> <p>Level 1 (1-2) <i>Basic statements noting a trend e., 'house sales decreased which is a worry'</i></p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(f)		6.1.2 (b)	Target: To evaluate the possible effects of external factors on stated company.		
				<p>Many lines of argument</p> <ul style="list-style-type: none"> • <i>Total costs increasing may harm profits although greener houses may stimulate demand and thus profits</i> • <i>The additional costs may be passed on in terms of higher houses thus no affect on QB plc, albeit this may also have adverse effects</i> • <i>Higher cost of living reduces disposable income which may lead to falling demand for houses/moving which may harm profits.</i> • <i>A fall in house sales will dramatically harm profits assuming the forecast is correct although there is no guarantee that the fall will directly affect Quality Build plc.</i> • <i>Candidate may link to the accounting question ie: reduction in its own sales/ net profit/ average price of houses...</i> 		<p>Level 3 (6-7)</p> <p>Evaluation which includes a weighted judgement</p> <p>Each article correctly explained and linked to stated business.</p> <p><i>Either of the headlines can be the judgement and can obtain full marks</i></p> <p>Level 2 (3-5)</p> <p>Analysis of any one article linked to stated business</p> <p>Level 1 (1-2)</p> <p>Stated points</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
1	(f)			<p>Level 3 <i>Each of the articles may have an impact on Quality Build plc. Total costs increasing may harm profits although greener houses may stimulate demand and thus profits. In addition, the additional costs may be passed on in terms of higher houses thus no affect on QBplc, albeit this may also have adverse effects. The article referring to higher cost of living may reduce disposable income which may lead to falling demand for houses/moving which may harm profits. A fall in house sales will dramatically harm profits assuming the forecast is correct although there is no guarantee that the fall will directly affect Quality Build plc. When evaluating all 3 articles the second one will have a direct impact on people as disposable income directly affects house sales Therefore headline 2.</i></p> <p>Level 2 <i>Allow 'they do not have to make its houses more environmentally friendly thus headline 1 no impact'</i></p> <p>Level 2 <i>Allow 'Headline 3 is only a prediction thus not necessarily going to happen albeit if it does this headline may have a major impact</i></p>	[7]	
				Total	[32]	

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
2			6.1.2 (b)	To demonstrate knowledge and understanding of the term privatisation and why there is a need for the government to have regulatory bodies to control recently privatised businesses.		
2	(a)	(i)		PRIVATISED The process of returning a firm to the private sector after being run by the state.	[1]	If candidate draws more than one line award no marks
2	(a)	(ii)		Many possible answers More autonomy in how the British Ships plc operates (1) ie, the government ceases to have a say in how the business is run assuming it has sold all of its shares (1). <i>Allow 'British Ships plc decides how profits are allocated (1) as the government has no/little say in how the business operates (1).'</i> <i>Allow 'In the short run firms probably found it hard to compete (1) with the newly privatised business thus allowing high profits for British Ships plc (1)'</i> <i>Allow one mark for 'raise money via the sale of shares on the stock exchange'</i> <i>Allow one mark for 'making own decisions'</i>	[2]	Clear understanding that Government no longer runs the business required for 2 marks Stated advantage one mark Explanation one mark.
2	(a)	(iii)		Many possible answers As a nationalised industry a company would have limited competition. As a consequence these businesses often made large profits and were large in size. Therefore, even though they were put into the private sector and competition was allowed other businesses would find it very difficult to compete (1).		

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
				<p>Hence, the recently privatised businesses could in theory set high prices (1)/restrict choice...as there are no/little other businesses from which the consumer could buy (1).</p> <p><i>Allow 'fair competition' (1)</i> <i>Allow 'being fair to consumers (1) setting limits on prices (1)</i> <i>Allow 'regulating business is not abusing monopoly power (1)</i> <i>Allow 'ensuring business is behaving appropriately (1)</i> <i>Allow 'ensuring business is up to a certain standard (1)</i></p>	[2]	

2	(b)		6.2.1(b)	To analyse location factors thus allowing judgement for stated business; and demonstrate knowledge of grants.		
2	(b)	(i)		<p>Location A is the correct answer. If candidate states choice B then award no marks.</p> <p>If student only writes 'Location A' award 1 mark</p> <p>Level 2 – 4 marks <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>Allow level 2 – 3 marks <i>'location A because if location B it maybe dangerous to children and destroy the peace and quiet. The deep water port will be useful to test the ships</i></p> <p>Level 1 <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>Level 2 (3-4) <i>Judgement backed by reference to both Locations. Advantage of location A and a disadvantage of location B MUST be given.</i></p> <p><i>For all four marks – clear linkage to the scenario i.e., building ships'.</i></p> <p>Level 1 (1-2) <i>Basic statements 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. 2</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. 1</i></p> <p><i>Candidate fails to reach the threshold standard in all respects. 0</i></p> <p>THOSE STUDENTS WHICH DID NOT GET ANY MARKS CAN STILL OBTAIN 2 MARKS FOR QWOC</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
2	(b)	(ii)		<p>Many possible answers</p> <ul style="list-style-type: none"> • <i>To persuade businesses to remain in a particular area</i> • <i>Allow reference to grants to exporting businesses</i> • <i>Allow reference to grants for training workers.</i> • <i>Allow reference to 'poor area' or 'enterprise zone'</i> • <i>Allow 'green efficiency'</i> <p>Example</p> <p><i>If big companies close and leave an area this may give rise to a sharp increase in unemployment (1) for the local community. This in turn may lead to increases in crime (1).....therefore, it is in the Governments interest to try and persuade businesses to stay in a particular area (1).</i></p>	[2]	<p>Do not allow reference to 'start-up'</p> <p>Do not allow 'help the community'. This MUST be linked to either aiding exports / unemployment/</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
2	(c)		6.1.2(c)	Target: To apply knowledge of the possible causes of a share price appreciation demonstrating analysis.		
				<p>Many possible answers</p> <p>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 3 (1).</p> <p>Share price has increased (1) because investors can see the business is doing well (1) hence they can benefit from higher dividends (1).</p> <p><i>Allow 'big contract increases share price (1)'</i></p> <p><i>Allow 'value of business is worth more (1) thus will interest investors (1)'</i></p> <p><i>Allow 'share price increases (1) due to millions from the contract (1) will allow more dividends (1)'</i></p>	[3]	<p>The mark to be given for '<i>share price increasing</i>' is only to be awarded if it is connected to the contract.</p> <p>Trend must be identified that is sharp increase because of the contract – this maybe implicit</p>

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
2	(d)		6.2.1(c)	Target: To apply knowledge and understanding of the concept 'chain of command' to stated business.		
				<p>Many possible answers</p> <p><u>Advantages</u></p> <p>Various people can comment on communications/decisions (1) which may improve the efficiency of the business (1)</p> <p>The lines of communication and responsibilities are clear (1) which should lead to greater efficiency (1)</p> <p>Plenty of opportunities for workers to gain promotion (1) which will motivate them (1)</p> <p>Allow 'reduces the span of control (1) therefore managers do not 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></p> <p><i>Allow 'more opportunities for delegation' (1)</i></p> <p><i>Allow manager having more control'(1)</i></p> <p><i>Allow 'all workers now closely monitored (1) therefore increased efficiency (1)</i></p> <p><u>Disadvantages</u></p> <p>Decisions may take a long time to be made (1) which hinders the business to act hence reducing the efficiency of the business (1)</p> <p>Workers may feel they are not given enough responsibility (1) thus effecting their motivation and hence the efficiency of the business (1).</p> <p><i>Allow 'orders may take a long time to be acted on (1) which may mean a loss of income as customers do not come back (i)</i></p>	2x2 [4]	

Question			Syllabus Ref	Expected Answer	Mark	Additional Guidance
2	(e)		6.2.1(a)	Target: To demonstrate and apply knowledge of economic factors to stated businesses; to analyse and evaluate economic data thus enabling a judgement to be made.		
				<p>Data shows</p> <ul style="list-style-type: none"> Interest rates higher in Italy whilst lowest in America and UK EURO value decreasing against the £ whilst stronger against the \$ therefore far more expensive if buying from the UK. Data is only a forecast thus decision is difficult <p>Many lines of argument;</p> <ul style="list-style-type: none"> How will the Italian business fund the purchase? How much money do they need to borrow? If borrowing money interest charges are important It does look as if the Italian business should borrow from outside the Euro zone possibly America or UK Based on exchange rates, <i>the cost of buying from the UK likely to be higher as the Italian business would have to pay more EUROS to buy pounds as the EURO rate is decreasing.</i> This is even more significant as the EURO is stronger against the \$ <i>Other factors may include reference to quality, workforce, safety regulations (USA not in the EU) supporting the Italian workforce / economy.....it may be that the quality factor overrides all factors.</i> Allow 'buying from Italian company as they are Italian thus helping Italian economy' 		<p>Level 4 (7-8)</p> <p><i>Clear reasoned judgement on; where to borrow the money; where to buy the new ferry</i></p> <p>All data used AND reference to at least one 'other factor'.</p> <p>Level 3 (5-6)</p> <p><i>Two of the three (r/l, ER, OR other factors) referenced appropriately</i></p> <p>Level 2 (3-4)</p> <p><i>Interest rate data (ie: cheaper to borrow from USA) OR exchange rate data (ie: cheaper to buy from USA) OR 'other factors' are explained</i></p> <p>OR</p> <p><i>Students may calculate ER and make decision only using ER – buying from USA=750 million Euros And buying from UK = approximately 1.4 billion Euros</i></p> <p><i>Example Level 2 'based on the ER it is cheaper to buy from America'</i></p>

			<p>Level 4 example <i>£1 billion is a lot of money. How will the Italian business fund the purchase? Regarding the interest rate diagram it does look as if the Italian business should borrow from America as the trend and forecasted interest rate is lower. The cost of borrowing does appear to be far too high in Italy. Therefore interest cost savings do appear likely. Regarding the exchange rate diagram, the cost of buying from the UK likely to be higher as the Italian business would have to pay more EUROS to buy pounds as the EURO rate is decreasing. This is even more significant as the EURO is stronger against the \$. Again cost savings likely.</i></p> <p><i>Obviously my comments so far have been based on cost but other factors, quality, workforce are also very important. The finished product ie, a ferry ship will need to be top quality otherwise customers will not want to travel with the Italian company which causes loss of profits which, if you have borrowed to buy the ship may cause liquidity problems.</i></p> <p><i>Overall, whilst difficult I would suggest the American business based mainly on the fact that the EURO is getting stronger against the \$ thus the Italian business would make big savings on a £billion contract.</i></p> <p><u>Level 3</u> <i>The Italian company should buy from the American company because the ferry would be cheaper due to the exchange rate. This is because the EURO has got stronger against the \$. Also the interest rate in America is much lower than in UK thus borrowing from an American bank will be cheaper which means less repayments which means which means less cost.</i></p> <p>NOTE <i>If candidate has correctly calculated the cost of the ferry using the ER and referenced interest rate award level 3</i></p> <p>NOTE <i>Given the financial crisis some candidates may suggest the business will not be able to raise the funds hence buying would not be likely. This is to be awarded level 3.</i></p> <p>Level 1 example <i>Should borrow from the USA as the interest rate is lowest</i></p>		<p>Level 1 (1-2)</p> <p><i>Basic statements OR correctly interpreting the graphs ie: lowest interest rate is the UK.</i></p>
			Total	[28]	
			Question Paper Total	[60]	

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

14 – 19 Qualifications (General)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

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