

Business Studies A (Short Course)

General Certificate of Secondary Education **1051/04**

Case Study - Paper 4

Mark Scheme for June 2010

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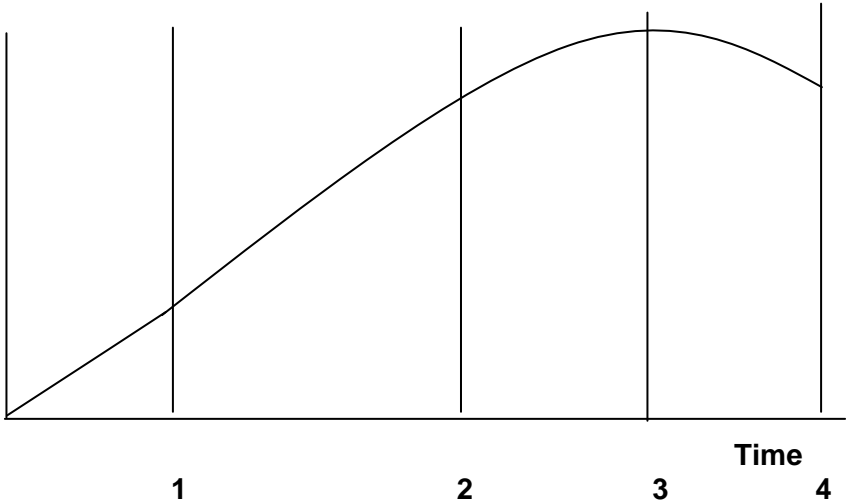
| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|------|--------------|--|-------|--|
| 1 | (a) | (i) | 5.1.2 | <p>Target: To apply knowledge of business organisation in order to analyse the implications to GTD plc.</p> <p>Benefits:</p> <ul style="list-style-type: none"> • No borrowing • No interest or repayments • No shareholders • Can borrow in the future from the bank • The grant releases funds for other start up costs • Grant does not have to be repaid. <p>Exemplar: Gus used his own money and a grant from the government because this meant that he did not have to borrow any money(1) such as a loan or a mortgage(1) on which they would have had to pay interest over a long time(1).</p> <p>Any three relevant points.</p> | [3] | |
| 1 | (a) | (ii) | | <p>Advantages:</p> <ul style="list-style-type: none"> • Can sell shares on stock exchange • Can raise more money from different sources • Can achieve economies of scale • Accounts are public and investors may be more willing to invest. <p>Exemplar: GTD plc would be able to sell shares through the stock exchange(1) which is reliable and shareholders can buy and sell shares easily(1). This means that more people are willing to invest in GTD and more money can be raised.(1)</p> <p>Any one advantage stated 1 mark. One advantage explained 2 marks. One advantage explained and an extension point 3 marks.</p> | [3] | <p>Accept limited liability. Accept buying or selling shares.</p> <p>No reward for more than one advantage but reward the higher mark answer if more than one advantage is given.</p> <p>Exemplar: They have limited liability (1) so they don't lose all their possessions (1) if the company goes into liquidation (1).</p> |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale | | | | |
|--|---|-----|--------------|---|--|--|--|---|-----|--|
| 1 | (b) | | 5.1 | <p>Target: To apply knowledge of private and public enterprise in the context of GTD plc.</p> <table border="1"><tr><td>Objectives GTD plc (private sector)</td><td>Objectives (public sector eg NHS)</td></tr><tr><td><ul style="list-style-type: none">• Profit• Satisfy shareholders• Social responsibility• Turnover• Expansion</td><td>Survival/Break even/Limited surplus Provide a service for all Non profit making</td></tr></table> <p>Exemplar: GTD plc is a private enterprise funded by the public and private organisations(1). Their objective is to make a profit(1) to provide reward for shareholders and money for growth(1) and change. Public enterprises are owned and run by the state(1) and their main purpose is to provide a service to all(1).</p> <p>1 mark for each objective + 1 mark for understanding of difference.</p> | Objectives GTD plc (private sector) | Objectives (public sector eg NHS) | <ul style="list-style-type: none">• Profit• Satisfy shareholders• Social responsibility• Turnover• Expansion | Survival/Break even/Limited surplus Provide a service for all Non profit making | [3] | |
| Objectives GTD plc (private sector) | Objectives (public sector eg NHS) | | | | | | | | | |
| <ul style="list-style-type: none">• Profit• Satisfy shareholders• Social responsibility• Turnover• Expansion | Survival/Break even/Limited surplus Provide a service for all Non profit making | | | | | | | | | |
| 1* | (c) | (i) | 5.4 | <p>Target: To apply and analyse knowledge of HRM and different organisational roles in the context of GTD plc.</p> <p>Suggested areas:</p> <ul style="list-style-type: none">• Wages and salaries/pay structure• Training• Motivation/appraisal• Recruitment• Disciplinary• Health & Safety• Consulting staff. | | | | | | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|-----|--------------|---|--------------|---|
| 1* | (c) | (i) | | <p>Exemplar: The four staff members might be in charge of training, recruitment, wages and salaries, appraisal, motivation and legislation. For example the member of staff in charge of recruitment would be involved in any changes to the workforce due to changes in technology or relocation.(L1) These changes may affect the motivation of the staff who might be affected by rumours of change. The member of staff in charge of motivation may organise some meetings to clarify these matters and to support and encourage the staff.(L2) This member of staff may also be involved in discussions with Dave over his failure to meet deadlines. In many cases the work done by these staff would overlap and they would work together with the Directors to solve problems.(L2)</p> <p>Level 2 (3-4 marks) Candidates identifies areas and analyses using examples the ways in which the staff act to deal with issues at GTD plc.</p> <p>Level 1 (1-2 marks) Candidate identifies areas and applies them to issues in the case. Identification of areas alone MAX 1 mark.</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> | [4+2] | Mention of the chain of command in HR and the solving of problems is a L2 answer. |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|------|--------------|---|-------------|---|
| 1 | (c) | (ii) | 5.1.2 | <p>Target: To analyse and evaluate the different objectives of different roles at GTD plc.</p> <p>Bob's objectives:</p> <ul style="list-style-type: none"> • Concerned with finance for changes • Concerned with increased wages, fuel costs and cash flow • Concerned with pricing strategy. <p>Karen and Wayne's objectives:</p> <ul style="list-style-type: none"> • To make changes to production • To relocate • To increase number of products. <p>Exemplar: the main difference between the two sets of objectives is that Bob is concerned with problems which need dealing with urgently such as wage and fuel increases(1) which will affect levels of profits but Karen and Wayne are more concerned with long term changes and spending large amounts of money to expand the business.(1)</p> <p>1 mark for stating objectives. 2 marks if conflict is explained or inferred.</p> | [2] | The word conflict does not automatically generate the second mark. There must be an explanation of the conflict |
| | | | | | | |
| | | | | Total | [17] | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|--|--------------|---|-------|-----------|
| 2 | (a) | | 5.3 | <p>Target: To demonstrate and apply knowledge of marketing strategy in the context of GTD plc.</p> <p>Changes in marketing strategy might include:</p> <p>Advertising Price Distribution/place Product Market research Personal selling.</p> <p>Exemplar: If GTD plc opened a new factory in India it would be important for them to adjust their advertising and distribution to suit the new market(1). This might include employing local agents to negotiate deals with local businesses(1) since they would have much more first hand knowledge of the legal and cultural needs of India.(1)</p> <p>1 mark for mention of marketing strategy. 1 mark for change. 1 mark for implication/reasoning/context.</p> | [3] | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|-----|--------------|--|------------|-----------|
| 2 | (b) | (i) | 5.3 | <p>Target: To demonstrate knowledge of the product life cycle in the context of GTD plc and to analyse and evaluate that knowledge in terms of the performance of GTD plc.</p> <p>Sales</p>  <p style="text-align: center;">Fig 1</p> <p>1 mark for correct position anywhere between points 2 and 3 (the peak of the curve).</p> | [1] | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|------|--------------|---|-------|-----------|
| 2 | (b) | (ii) | | <p>Importance of product life cycle for performance:</p> <p>Performance might be:</p> <ul style="list-style-type: none"> • Number of sales • Number of customers • Level of profit • Future orders. <p>Product life cycle used to:</p> <ul style="list-style-type: none"> • Show whether there is still potential for growth • Shows where product is in its life in terms of sales volume • Shows where product is in terms of costs • Shows whether heavy advertising is needed to maintain market share • Shows whether pricing needs to be adjusted. <p>Limitations:</p> <ul style="list-style-type: none"> • Changes in legislation • Changes in economy • Competition. <p>Exemplar: The product life cycle helps GTD plc to see at what stage the turbine blade is at in terms of its potential for sales. In this case the Wayne believes that the blade has reached saturation point which means that if sales are to be maintained some changes will have to take place. These changes may be to do with the blades themselves, their pricing or their promotion.(L1) Promotion may have to increase and GTD look elsewhere for markets, prices may have to be more competitive in order to increase sales or costs might be lowered by finding</p> | | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|------|--------------|--|-------|-----------|
| 2 | (b) | (ii) | | <p>new suppliers of raw materials. All of these will affect the financial performance of the business. However the product life cycle cannot predict changes in the economy, need for energy or legislation and therefore is limited in its real affect on the performance of GTD plc.(L2)</p> <p>Level 2 (4-5 marks) Candidate evaluates product life cycle in terms of the performance of the turbine blades. Give MAX (5) only if some idea of limitations of the technique.</p> <p>Level 1 (1-3 marks) Candidate analyses the product life cycle of the turbine blades in terms of their performance.</p> | [5] | |
| 2 | (c) | | 5.1 | <p>Target: To analyse and evaluate knowledge of business activity in the context of GTD plc.</p> <p>Ways in which GTD plc is affected:</p> <ul style="list-style-type: none"> • Banks – may need to borrow money for expansion • Turbine erecting businesses – customers • Suppliers of parts for complete unit • Competitors – number involved in India • Competitors – pricing. <p>Exemplar: GTD plc will be affected by other businesses like banks and suppliers if they decide to expand their operations.(1) Suppliers will affect their activities since they will need to ensure reliable delivery and quality if the units are to be completed(1). They may rely on banks for some of the finance required for both the relocation in the UK or the new factory in India.(1) The rates of interest charged will influence their choice of source of finance.(1) 1 mark for identification of business + 1 mark for implication to the business in context x 2.</p> | [4] | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|--|--------------|---|-------------|-----------|
| 2 | (d) | | 5.4 | <p>Target: To analyse and evaluate training in terms of production changes made at GTD plc.</p> <p>Types of training:</p> <ul style="list-style-type: none"> • On the job – workforce, new machinery, processes, speed, number of products • Off the job – management, health and Safety. Organising workforce, meet targets. <p>Exemplar: GTD plc want to change to flow production and to increase technology to make more blades. These changes might mean that the work force need to learn new skills and that the supervisors might have to learn to manage a larger number of products being made(L1). Health and Safety issues will be different with new machinery. Therefore the costs of training may rise(L1). Off the job training will be needed for the managers and supervisors to learn how to organise and make sure the job is safe whereas On the job training may be more useful for the workforce who can learn on the job. This will cost less money.(L2)</p> <p>Level 2 (3-4 marks) Candidate compares and analyses different types of training which might be used in order to meet the requirements of the change.</p> <p>Level 1 (1-2 marks) Candidate makes some statements about training or reasons why with limited application to the case.</p> | [4] | |
| | | | | | | |
| | | | | Total | [17] | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|--|--------------|---|-------|-----------|
| 3* | (a) | | 5.1.4 | <p>Target: To analyse human resource issues and evaluate their importance in terms of the motivation of the workforce at GTD plc.</p> <p>The question is directed at which would have the most effect on motivation of the whole workforce. Therefore an argument might be made for any of the problems.</p> <p>Skin complaints:</p> <ul style="list-style-type: none"> • The effect on long term health/safety • Absenteeism • Poor working conditions. <p>Deadlines not met:</p> <ul style="list-style-type: none"> • Targets not met might hold up the production line • Paid higher than workforce so may be some frustration. <p>Petrol issues:</p> <ul style="list-style-type: none"> • Resentment about fringe benefits given to Directors • Bad for the company image • High cost for the business – higher wages instead. <p>Exemplar: The workforce at GTD is highly skilled on the whole and therefore may be resentful about the fringe benefits given to the Directors especially as they seem to conflict directly with the environmental culture of the business.(L1) The workforce may feel that these benefits mean that money that is being spent on petrol could be used to increase their wages.(L2) This will be the most important factor in whether they are motivated or not. They might not be particularly worried about the deadlines as this does not affect them directly in terms of pay or security. However it may reflect on their efficiency.(L2)</p> | | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|--|--------------|--|-------|---|
| 3 | (a) | | | <p>Level 2 (3-6 marks) Candidate analyses the effect of one issue on motivation max 4 marks. Candidate analyses and evaluates more than one issue with some judgement or comparison then up to 6 marks.</p> <p>Level 1 (1-2 marks) Candidate gives limited analysis/explanation of one or more issues with no comparison.</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> | [6+2] | |
| 3 | (b) | | 5.1.3 | <p>Target: To analyse information from the Profit and Loss Account.</p> <p>2010 Sales £6m 2011 Sales £8m</p> <p>Difference = £2m(1)</p> <p>$2000/6000 \times 100(1) = 33.3\%(1)$</p> <p>Accept 33%. Max 2 marks for no %.</p> | [3] | <p>Max 1 mark if the answer 8 - 6 and the difference of 2 is mentioned.</p> <p>Alternative method $8/6 \times 100$ (2 marks) Answer is not 133%.</p> |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|--|--------------|--|-------|-----------|
| 3 | (c) | | 5.3 | <p>Target: To apply and analyse balance sheet for GTD plc.</p> <p>Ways:</p> <p>Debtors would increase Current assets would increase Working capital would increase Net Assets employed would increase.</p> <p>Exemplar: GTD's Balance Sheet would change if companies did not pay because debtors would increase(1), which would increase the current assets(1) and this would increase the working capital of the business.(1)</p> <p>1 mark for stating change and 2 further marks for the implications of that change.</p> | [3] | |
| 3 | (d) | | 5.3 | <p>Target: To analyse and evaluate ways in which GTD plc might use the Balance Sheet for decision making.</p> <p>Ways:</p> <ul style="list-style-type: none"> • Comparison of figures over time • Level of fixed assets • Working capital • Loans and long term debt • Shareholders funds. <p>Decisions that might be helped by use of the Balance Sheet:</p> <ul style="list-style-type: none"> • Purchase of fixed assets/new machinery • Raising finance • Credit control policies. | | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|-----|--|--------------|---|-------|-----------|
| 3 | (d) | | | <p>Exemplar: GTD plc might use the Balance Sheet to help make decisions about whether to purchase new machinery or equipment (L1). They would be able to see how much debt they have and how much profit they had available to use as a source of finance.(L1) They could look at the working capital figures to make sure that they had enough money for the day to day running of the business(L1). However the balance sheet is only measure at one point therefore it is important that they compare the balance sheets over time and to take account of the performance of the business using the profit and loss account and other information which they might have gained from their own research.(L2)</p> <p>Level 2 (3-4 marks) Some evaluation of the importance of the Balance Sheet in context with some idea of its limitations.</p> <p>Level 1 (1-2 marks) Candidate makes some simple observations about importance of the balance sheet with no reference to its limitations.</p> | [4] | |
| | | | | Total | [18] | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|--|--|--------------|---|-------|-----------|
| 4 | | | 5.3 | <p>Target: To apply all knowledge and information available in order to analyse and evaluate different business decisions for GTD plc.</p> <p>Relocate in the UK</p> <p>Advantages</p> <ul style="list-style-type: none"> • Lower cost • Same language/culture • Less upheaval. <p>Disadvantages</p> <ul style="list-style-type: none"> • Limited market • Problems with workforce/redundancy/change. <p>Build a factory in India</p> <p>Advantages</p> <ul style="list-style-type: none"> • Globalisation • Larger market • Cheaper costs • Already developed • Govt support/infrastructure in place. <p>Disadvantages</p> <ul style="list-style-type: none"> • Distance • Quality control • Training • Culture/language. | | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|--|--|--------------|---|-------|-----------|
| 4 | | | | <p>Do Nothing</p> <p>Advantages</p> <ul style="list-style-type: none"> • No real increase in capital cost • Happy workforce • Maintain present market • May be alright in the short term. <p>Disadvantages</p> <ul style="list-style-type: none"> • No expansion of market • No strategic plans • No moving forward. <p>Exemplar: Any of the options offer opportunities for GTD plc. The possibility of major expansion into new markets offered by locating in India is tempting. The business would be able to capitalise on the infrastructure already in place and the country's interest and expertise in the area.(L1) However this option would present some difficult problems in terms of the cost of the expansion and the reliability of the operation abroad in terms of different working methods, culture, religion and language.(L2)</p> <p>However GTD plc might decide to relocate in Britain and to expand the product in the short term in order to reduce the cost and keep the workforce happy. However this would mean giving up the idea of becoming a global company and may limit their markets in the future. (L3) The easiest option would be to do nothing in the short term and find out more information in terms of the costs of each option. However this might lead to conflict between the Directors who want the business to move forward. Therefore I recommend that more research is done into all the options in order to make a solid decision within the next year.(L3)</p> | | |

| Question | | | Syllabus Ref | Expected Answers | Marks | Rationale |
|----------|--|--|--------------|--|------------|---|
| | | | | | | |
| 4 | | | | <p>Level 3 (6-8 marks) Candidate compares and analyses at least two options and makes a supported recommendation in terms of one option. Candidate uses information in the case study to make a case.</p> <p>Level 2 (3-5 marks) Candidate analyse one or more options in terms of GTD plc with no supported recommendation.</p> <p>Level 1 (1-2 marks) Candidate makes some simple statements about the advantages and disadvantages of each option with no analysis of the implications and no recommendation made.</p> | [8] | MAX (7) if no additional information requested. |
| | | | | | | |
| | | | | Total | [8] | |

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