

Version 1.0



**General Certificate of Education
June 2010**

GCE Business Studies

BUSS2

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Candidates give accurate definitions of relevant terms. Candidates can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Candidates should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Candidates will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Candidates use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, candidates may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Candidates evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Candidates will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to: <ul style="list-style-type: none"> • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate The assessment of the quality of written communication is included in Assessment Objective 4 .

1**Total for this question: 40 marks**

1(a) Using the information in **Figure 1**, calculate the Eden Project's change in unit costs per visitor between 2005/6 and 2006/7. (6 marks)

Correct answer: £0.09 or 9 pence (6 marks)

£0.08 or 8 pence (6 marks)

£0.10 or 10 pence (5 marks)

Cumulative Marking

Implicit formula (1 mark)

2005/2006 $\frac{\underline{\pounds 18.06\text{m}}}{1.18\text{m}}$ (1 mark)

= £15.30 or £15.31 (accept £15.305) (1 mark)

2006/2007 $\frac{\underline{\pounds 17.66\text{m}}}{1.16\text{m}}$ (1 mark)

= £15.22 (accept £15.224) (1 mark)

Unit costs fell by 9 pence or £0.09 (1 mark)
(6 marks)

1(b) Analyse **two** reasons why the Eden Project's cash flow may have been negative during the financial years 2005/6 and 2006/7. (7 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	7
L4	Good application or analysis and Limited application or analysis	6–5
L3	Limited application and analysis or Good application or analysis	4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge	1

Relevant answers might include the following:

- the falling number of visitors in 2006/7 may have resulted in cash inflows being lower than forecast
- *Eden* has paid back substantial amounts of its loans – they fell from £15 million in 2005/6 to £6.6 million in 2006/7
- the business has invested heavily in its facilities including technology to reduce expenditure on energy. However, this will have involved substantial outflows prior to any gains being made
- technical problems with the new boiler system will have added unexpectedly to the business's cash outflows.

1(c) Discuss the actions that the Eden Project's managers might have taken to maximise the performance of the Eden Project's workforce as it grew from 5 to 750 employees.
(12 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	8
L4	Good application or analysis and Limited application or analysis	7–6
L3	Limited application and analysis or Good application or analysis	5–4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge	1

Relevant answers might include the following:

- careful recruitment and selection of employees with the right skills as the workforce has expanded so rapidly – 50% of managers from within to ensure continuity and understanding of the business
- adapting the organisational structure to meet the enterprise's needs to, for example, avoid too wide spans of control and poor communication flows
- by making the workforce responsive to change in demand through the use of seasonal workers
- using volunteers helps to reduce the cost of employing people
- the use of teams to allow a greater degree of employee empowerment and flexibility to meet different needs
- high quality training to meet changing needs such as provision of education for schools
- financial motivation for certain employees such as retail staff.

Ideas for Evaluation might include the following:

- getting the right employees has probably been the key factor in improving employee performance
- the move to teamwork recognises the diverse workload placed on the workforce and how this has changed quickly.

Level	Descriptor	Marks
E3	Candidate offers judgement plus full justification. Ideas are communicated using a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	4–3
E2	Candidate offers judgement plus limited justification. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	2
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1

1(d) Has the Eden Project improved its competitiveness as a business over time? Justify your view. (15 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	11–10
L4	Good application or analysis and Limited application or analysis	9–7
L3	Limited application and analysis or Good application or analysis	6–4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge	1

Relevant answers might include the following:

- a competitive business is one which is able to compete in its market place.

Arguments *against* the Eden Project being considered a competitive business:

- the number of visitors into the business fell from 1.18 million to 1.16 million between 2006 and 2007
- the business's cash flow has been negative for the past two years – minus £580 000 in 2007
- the amount of waste being recycled is declining (although *Eden* could be producing less).

Arguments *for* the Eden Project being considered a competitive business:

- customer numbers have risen rapidly since 2001
- the *Eden Project's* location in Cornwall – a popular tourist destination – with few similar enterprises to act as competition
- the percentage of visitors who are satisfied or very satisfied is high and rising
- Eden* has established itself as a major visitor attraction within a few years of being established
- the ability to control its costs – *Eden's* total costs fell between 2006 and 2007
- Eden* is engaged in a range of activities such as staging concerts and publishing
- the business's unit costs have fallen by 8 or 9 pence over the past two years (OFR here).

Issues for evaluation may include the following:

- do standard measures of competitiveness apply here? Surely it is about raising awareness of environmental issues?
- competitiveness for this business is about attracting customers and generating revenue. *Eden* has been pretty successful in doing this.

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2

Total for this question: 40 marks

2(a) Analyse **two** possible factors that might influence George Liddell's choice of promotional mix. (6 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	6
L4	Good application or analysis and Limited application or analysis	5
L3	Limited application and analysis or Good application or analysis	4–3
L2	Knowledge and/or Weak application/analysis	2
L1	Limited knowledge	1

Relevant answers might include the following:

- the promotional mix refers to the combination of ways which a business can communicate with its customers
- the finance available to *GL Ltd* – it has made a loss in the most recent year
- the type of customer buying the product – in this case it is relatively well-off 30–50 year olds
- what promotional methods have worked in the past, eg sending out catalogues by post
- his reluctance to use retailers because of their mark ups.

2(b) Examine **two** possible drawbacks to *GL Ltd* of using financial methods to motivate its employees. (8 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	8
L4	Good application or analysis and Limited application or analysis	7–6
L3	Limited application and analysis or Good application or analysis	5–4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge	1

Relevant answers might include the following:

- financial methods of motivation involve the use of monetary systems to try to improve the performance of employees
- the company's financial position is not strong and perhaps it cannot afford this approach to motivation
- will the system for departmental managers be effective given that the business has made a loss in 2009?
- expenditure on wages and salaries is above budget and is an area George needs to control
- the company is experiencing rising problems with quality - paying bonuses based on assembly targets may not help to resolve this problem.

2(c) (i) Identify **two** examples of adverse variances from the data in **Figure 2**. (2 marks)

1 mark for each example identified (1 + 1).

The following are examples of adverse variances:

- sales revenue
- wages and salaries
- total costs
- profit.

2(c) (ii) *The best way for George Liddell to improve the profitability of his business would be to sell his watches through retailers. To what extent do you agree with this statement?* (11 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	7
L4	Good application or analysis and Limited application or analysis	6–5
L3	Limited application and analysis or Good application or analysis	4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge	1

Relevant answers might include the following:

- profits are the surplus of revenues over costs for a trading period.

Reasons for:

- he may be able to sell at higher prices using retailers
- sales may be higher through retailers
- selling through retailers would bring his watches to the attention of more customers.

Reasons against:

- if demand really is price inelastic he should just increase prices to increase revenue
- the 2009 mailshot was successful and should be repeated on a larger scale
- wages and salaries are significantly over budget given the lower than expected level of sales – he may need to review production targets or abandon them
- it would be better to reduce the level of faulty products produced by the business.

Ideas for Evaluation might include the following:

- increasing the price might bring about a quick improvement in profits and might help to emphasise the quality of the product
- he may need to consider his business model and to use more mainstream methods of distributing his products to consumers.

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2(d) *Is George right to say that the benefits of his quality assurance system will only be realised in the long term? Justify your view.* (13 marks)

Level	Descriptor	Marks
L5	Good application and Good analysis	8
L4	Good application or analysis and Limited application or analysis	7–6
L3	Limited application and analysis or Good application or analysis	5–4
L2	Knowledge and/or Weak application/analysis	3–2
L1	Limited knowledge	1

Relevant answers might include the following:

- quality assurance is a system used by businesses to ensure that quality standards are agreed by all employees and that products meet these standards.

Arguments against George's view:

- the benefits in terms of the reduction in faulty products could be received fairly quickly, once any stocks are used up
- the introduction of a quality assurance system may result in motivational techniques relying more on job design and could offer some quick benefits – especially as the financial system does not appear to be working
- the training will have to be implemented quickly and may help to improve motivation and employee performance in the short term.

Arguments for George's view:

- any financial benefits might only be received in the long term as the costs of training will increase short-term costs
- there may be teething problems as employees adapt to new roles and responsibilities
- an effective system of quality assurance involves all employees in the business and the training and new systems will take time to complete.

Issues for Evaluation might include the following:

- George does not seem to be fully in support of introducing a system of quality assurance which may mean that its benefits will not be immediately apparent
- it depends on how quickly George introduces the new system and whether he is prepared to invest heavily on training to complete the programme as quickly as possible.

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E2	Candidate offers judgement plus limited justification. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	3–2
E1	Candidate offers undeveloped judgement based on evidence. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	1