

Mark Scheme (Results)

Summer 2010

GCE

GCE BUSINESS STUDIES (6BS02) Paper 01

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Question Number	Answer	Mark
1 (a)	B	1
1 (b)	<ul style="list-style-type: none"> • Definition of sales, i.e. price x quantity sold (1) • Record sales figures for a firm could be down to a number of factors, e.g. good marketing or having a good product (1). • In comparison to rivals, Wetherspoons is an attractive proposition for drinkers with its relatively low prices (1). • If the price of beer rises and demand is price elastic (which it probably is to a certain extent) then revenue will fall not rise (option A) (1). • Increased borrowing from banks is unlikely to have a direct effect on sales unless the funds are used for refurbishment (option C) (1). • A government clampdown on under-aged drinking is likely to adversely affect sales as publicans would be more wary regarding who they may sell to (option D) (1). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Mark
2 (a)	C	1
2 (b)	<ul style="list-style-type: none"> • Liquidation (for a company) is similar to bankruptcy for an individual. (1) • Basically, a firm is unable to pay its debts and one or more creditors may file for insolvency to a court. (1) • A decision to stop trading can be caused by a number of factors – most often when a firm is in financial difficulties (1). • A movement of retailers from city centres to existing retail parks presents an opportunity of work for NRS as they specialise in store layout (1). • The loss of a large contract will negatively affect cash flow and profitability (option A) (1). • A reduction in bank funding will make any expansion difficult and may pose problems in paying off existing debts. (option B) (1). • Late payment from customers adversely affects cash flow and may lead to creditors filing for insolvency/bankruptcy (option D) (1). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3

	Maximum 2 marks for explaining why distracters are incorrect.	
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Question Number	Answer	Mark
3 (a)	A	1
3 (b)	<ul style="list-style-type: none"> • Profit is the revenue from sales less the costs/expenses of running the business. (1) • With increasing awareness of damage to the environment through pollution and the use of finite resources (for example) the general public has become more aware of such issues (1). • There has been a substantial focus on green issues recently and a move to using re-cycled materials, which is likely, for example, to reduce the extraction of non renewable resources, will encourage greater customer demand (1). • Increased competition is more likely to squeeze margins than help the firm in its efforts to make profit (option B) (1). • Whereas some customers will pay more for re-cycled goods, not all will want to, or indeed can afford to. (option C) (1). • Increased cost of labour is likely to adversely affect profit (option D) (1). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Answer	Mark
4 (a)	D	1
4 (b)	<ul style="list-style-type: none"> • Sales growth can be expressed as either a growth in revenue from extra units sold or simply a growth in the number of units sold. (1) • Definitions of competition or online retailing (1) • E-trading is a fast growing sector of many markets. Websites will only be beneficial if consumers are aware of their existence. They need marketing. (1). • Setting up a website is a less time consuming experience than setting up a shop/store based retailer as, for example, there is no search for suitable premises (1). • As expertise improves, the cost of setting up websites comes down relative to the cost of leases and business rates (1). • Customers may use search engines to find appropriate retail outlets. Carefully targeted online advertising on such sites can aid business growth (1). • The more competition Dustbag gets from other online retailers the less likely will be the chance of its sales rising so sharply (1). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p>	1-3

	Maximum 2 marks for explaining why distracters are incorrect.	
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Question Number	Question	Mark
5 (a)	D	1
5 (b)	<ul style="list-style-type: none"> • The marketing mix refers to the elements of a business's marketing that are designed to meet the needs of its customers (1) • Commonly referred to as the four Ps, these are Product, Price, Place and Promotion (1) • Despite its higher price there has been a strong consumer demand for Chipotle's product, indicating that American consumers are prepared to pay for quality (1). • There is no evidence to suggest that packaging is responsible for this growth and whilst packaging may be considered under the same banner as product it is not strictly a separate section of the marketing mix (option A) (1). • Economic/business theory would suggest that, ceteris paribus, an item priced higher than its rivals will fare less well, so it is unlikely that option B will be correct (1). • Profit is not part of the marketing mix (option C) (1). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3

Question Number	Question	
6 (a)	C	1
6 (b)	<ul style="list-style-type: none"> • Piece work schemes make payments for the number of items produced, usually in a given period of time, making packers of biscuits the most logical answer as output can most easily be identified (1). • Auditors of financial accounts rely on more complex processes and output is more difficult to measure (option A) (1). • Architectural design firms may be engaged in a single project for a considerable length of time and other financial rewards, such as bonuses, may be more appropriate (option B) (1). • Beauty parlours should be customer focused and not driven by how quickly a 'job' is completed (option D) (1). <p>NB up to 2 marks out of 3 may be gained for part (b) if part (a) is incorrect.</p> <p>Maximum 2 marks for explaining why distracters are incorrect.</p>	1-3 marks

Question Number	Question	
7	Briefly explain two ways in which shortened lead times might result in decreased costs for Buoyant Upholstery Ltd.	
	Answer	Mark
	<p>Knowledge (1), Application (2), Analysis (1)</p> <p>Knowledge: 1 mark is available for explaining ‘lead times’ – the time between the receipt of an order and the delivery of it.</p> <p>Application: Up to 2 marks can be gained for explaining that shorter lead times for Buoyant may mean faster stock-turn, thus reducing storage costs and saving money. To gain these marks the answer must be in context.</p> <p>Analysis: If Buoyant can respond to retailers’ demands more quickly their reputation may be enhanced leading to larger orders and fixed costs being spread over a wider production base. 1 mark is available for linking shorter lead times and its aim of lower costs to increased sales and hence increased profits for Buoyant.</p>	<p>1</p> <p>1-2</p> <p>1</p>

Question Number	Question	
8	Buoyant uses lean production techniques. Describe how this may help enhance the company’s image.	
	Answer	Mark
	<p>Knowledge (1), Application (2), Analysis (1)</p> <p>Knowledge: 1 mark is available for explaining that lean production refers to using less of everything in the production process. This can include factory space, materials, stocks, suppliers, labour, capital and time.</p> <p>Application: up to 2 marks can be gained for showing how aspects of lean production can be applied to Buoyant’s production process. Candidates may select from Kaizen, JIT manufacturing (particularly relevant in the furniture trade), Kanban, Empowerment or any other relevant strategy.</p> <p>Analysis: 1 mark is available for showing that by employing such techniques waste can be reduced, productivity and quality improved, and that via this the image of the firm can be enhanced.</p>	<p>1</p> <p>1-2</p> <p>1</p>

Question Number	Question	
9	In times of economic recession Buoyant has remained competitive, despite recent losses, whilst other firms have folded. Analyse why cash may be more important than profit in the short term.	
	Answer	Mark
	<p>Knowledge (2), Application (1), Analysis (1)</p> <p>Knowledge: Up to 2 marks are available for stating that profit is the revenue from sales less the costs/expenses of running the business. Reference to 'cash' implies money in the bank readily available for use. Profit doesn't always quickly materialise as cash as goods are often sold on credit and payment is made at a later date..</p> <p>Application: 1 mark for explaining that Buoyant may need cash to take advantage of offers to buy at short notice, e.g. materials such as fabrics, or they may use the cash to obtain short term discounted goods. It is also useful for paying day to day expenses e.g. stationery.</p> <p>Analysis: 1 mark for explaining that in an economic recession banks may be reluctant to lend. Businesses that are cash rich may not need to borrow or use overdraft facilities where interest rates tend to be high</p>	<p>1-2</p> <p>1</p> <p>1</p>

Question Number	Question	
10 (a)	Buoyant aims its furniture at the quality end of the market. What is meant by the phrase 'niche market' ?	
	Answer	Mark
	<p>Knowledge (2)</p> <ul style="list-style-type: none"> • The term quality end refers to the most expensively priced items on offer in any market. • Often there is a niche section of a market (a small part of a larger market) where demand is price inelastic, although demand for luxury goods (and expensively priced furniture would come into that category) often reduces more than proportionately in an economic downturn. • Positioning its 'niche' at the quality end of the market may cause problems for Buoyant. • A sound definition will gain both marks. <p>NB A less than precise explanation could score 1 mark and be lifted to two marks with a relevant example, possibly, but not necessarily, from the evidence.</p>	1-2

Question Number	Question	
10 (b)	<p>Evidence B on page 8 shows the corporate aims and objectives of Buoyant Upholstery Ltd.</p> <p>How might Buoyant use marketing to become ‘the supplier of choice for volume upholstered furniture’?</p>	
	Answer	Mark
	<p>Knowledge (1), Application (2), Analysis (1)</p> <p>Knowledge: 1 mark is available for defining marketing, e.g. the management process of identifying, anticipating, and satisfying consumer demands at a profit.</p> <p>Application: up to 2 marks available for recognising that Buoyant may use market research to identify mass or niche marketing (for example) in order to achieve and maintain sales.</p> <p>Analysis: 1 mark is available for explaining a credible strategy, such as:</p> <ul style="list-style-type: none"> • convincing volume buyers that they will receive quality products • through innovative design • craftsmanship in manufacture • being competitive price-wise 	<p>1</p> <p>1-2</p> <p>1</p>

Question Number	Question		Marks
11	<p>Buoyant's Managing Director, Mike Aramayo, has overseen a new training programme for production staff, a result of which has been a damage/return rate of only 0.7%.</p> <p>Evaluate the likely impact on the workforce of this training programme.</p>		8
Level	Mark	Descriptor	Possible Content
1	1	Knowledge. Up to 1 mark is available for a basic understanding of the purpose of a new training programme.	Identifies that a new training programme should make them better at their job.
2	2-3	Application should be present. i.e. the candidate should be able to start to put an answer in context.	Buoyant's training programme may make the workforce more productive and the quality of their output should improve.
3	4-5	Analysis should be present. i.e. the candidate will analyse the impact of the training programme on the workforce. This must be in context for 5 marks	Training will be a source of motivation because they will feel valued as manufacturing staff.
4	6-8	<p>Evaluation should be present. i.e. the candidate will evaluate the impact of the training programme on the workforce.</p> <p>To get a mark of 8 candidates should have a strong conclusion.</p>	<p>Balances the costs (e.g. short-term disruptions and possible resentment from other workers) and benefits (e.g. potential promotion and greater pay) to the workforce of the new training programme.</p> <p>Well-trained staff will be more committed to the firm and have a greater feeling of self-worth.</p>

Question Number	Question		
12	Assess the likely value of the Boston Matrix to Buoyant Upholstery Ltd		
Level	Mark	Descriptor	Possible Content
1	1	Knowledge. Up to 1 mark is available for an explanation of what the Boston Matrix is	States that the Matrix shows the performance of products according to their market share and market growth.
2	2-3	Application should be present. i.e. for starting to relate Buoyant's products to sections of the Boston Matrix.	Sees that some products do better than others, e.g. a volume item or a top-end bespoke suite, and may be placed in a segment to help analyse the product mix
3	4-5	Analysis should be present. i.e. for suggesting that Buoyant should not hold too many products in any one category. This must be in context for 5 marks	Suggests that revenue from 'cash cows', e.g. a best selling volume sofa, may be used to help the development of problem children.
4	6-8	Evaluation should be present. i.e. for balanced reasoning, in context, considering the likely outcomes. To get a mark of 8 candidates should have a strong conclusion.	Suggests that it is a useful tool to help Buoyant plan its product mix. The Boston Matrix model has its limitations for a furniture manufacturing company, e.g. the market changes quite quickly, which the model does not always reflect.

Question Number	Question		
13	To what extent is short-term use of overseas workers likely to have a beneficial effect on Buoyant?		
Level	Mark	Descriptor	Possible Content
1	1-4	<p>Knowledge/understanding should be present. i.e. of benefits of bringing overseas workers into the UK</p> <p>QWC: To achieve a mark of 1-4 the candidate will have struggled to use business terminology or write legibly with frequent errors in SPG and/or weak style and structure of writing.</p>	<p>Recognises that overseas workers will work for minimum wage and/or bring much needed skills in to the country.</p>
2	5-6	<p>Application should be present. i.e. a contextual response that examines the likely benefits to Buoyant.</p> <p>QWC: To achieve a mark of 5-6 the candidate will use some business terms but the style of writing could be better/there will be some errors in SPG/the legibility of the text could have been better in places.</p>	<p>Suggests that foreign workers are more willing to work for short periods and that this helps Buoyant keep its manufacturing costs down</p>
3	7-8	<p>Analysis should be present. i.e. clear understanding of how to address the issue. This must be in context for 8 marks</p> <p>QWC: To achieve a mark of 7-8 the candidate will use business terminology quite well/style of writing is appropriate to the question/ reasonable to good SPG.</p>	<p>Realises the cost benefit and perhaps that British workers are more reluctant to accept this type of contract. Ultimately there is a link to profit.</p>
4	9-12	<p>Evaluation which is well contextualised should be present.</p> <p>To get a mark of 12 candidates should have a strong, balanced conclusion.</p> <p>QWC: To achieve a mark of 9-12 the candidate will use business</p>	<p>Able to realise that there may be some opposition from the local workforce/community and that this needs balancing out against the firm's need for profitability</p> <p>A firm that keeps its cost down is more likely to be profitable and therefore grow. All stakeholders should benefit from this in the long-term.</p>

		terminology precisely and effectively and will organise their answer to provide a coherent and fluent response/good to excellent spelling, punctuation and grammar.	
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