

Mark Scheme (Results)

January 2012

GCE Business Studies (6BS04)
Paper 01

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Marks may be awarded for any correct responses, not just the indicative answers which appear on the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- The requirement to define business terms is implicit within the questions and marks are awarded for this.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Quality of written communication will be assessed in Section B, Question 7a & 7b. The mark scheme for this question will indicate which strands of Quality of Written Communication are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear;
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter;
 - iii) organise information clearly and coherently, using specialist vocabulary where appropriate.

Unit 4A: Making Business Decisions

Marking Scheme

| Question Number | Question | |
|-----------------|--|------|
| 1. | What is meant by the term 'Corporate Objective'? | |
| | Answer | Mark |
| | <p>Knowledge up to 2</p> <ul style="list-style-type: none"> Quantifiable statement of a business' goals (1 mark), which should include measurable targets (1 mark) Specific goals that help the business meet their long-term aims(1 mark) or mission (1 mark) What the business aims to achieve (1 mark), for example Growth (1 mark); Survival (1 mark); Maximise profits (1 mark) <p>Notes:</p> <ul style="list-style-type: none"> - Aim/mission: to be number 1 car seller in world (vision/overall) - Corporate objective: increase sales by 10% in 5 years (quantifiable/SMART) - Strategy: merge with competitors; joint ventures etc. (specific things done to achieve objectives and aims) <p>NB: Reward 'how' only if objectives are linked to aims or mission NOT as a means to achieving objective.</p> <ul style="list-style-type: none"> 1 mark for <i>partial or vague definition but a valid example lifts to 2 marks.</i> Any other suitable alternative | 1-2 |

| Question Number | Question | |
|-----------------|---|------|
| 2. | What is meant by a business' Distinctive Capabilities? | |
| | Answer | Mark |
| | <p>Knowledge up to 2:</p> <ul style="list-style-type: none"> A competitive advantage (1 mark) that distinguishes one firm from another (1 mark) Accept 'comparative advantage' (BOD) (1 mark) An asset/strength (1 mark) on which future growth can be built (1 mark) a unique quality of the business (1 mark) <ul style="list-style-type: none"> E.g. contacts within or around the organization with customers, suppliers and with employees (1 mark) E.g. Reputation: this includes customer's own experience, quality signals etc. (1 mark) E.g. Innovation: provided that the innovation is translated to competitive advantage successfully (1 mark) E.g. Toyota as pioneer of JIT etc. (1 mark) Quality and reliability (1 mark) 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative. | 1-2 |

| Question Number | Question | |
|-----------------|--|--|
| 3. | With reference to additional evidence H, explain the difference between a strategic decision and a tactical decision. | |
| | Answer | Mark |
| | <p>Knowledge up to 2</p> <ul style="list-style-type: none"> • Strategic Decisions. These affect the long-term direction of the business (1mark) what a company does to meet its overall aims and objectives (1 mark) eg whether to take over another business (1 mark). It will be aimed at helping the business achieve its long-term objectives (1 mark) Strategic decision pro-active (1 mark) • Tactical Decisions. These are short (1 mark) or medium-term (1 mark) decisions about how to implement strategy (1 mark) eg what kind of marketing to have; which suppliers to use; or how many extra staff to recruit (1 mark for any of these.) They are sometimes made as a reaction to a competitor(1mark) or sometimes to gain a competitive advantage (1 mark) or unforeseen events (1 mark) Tactical decisions are often reactive (1 mark) <p>Application up to 2</p> <ul style="list-style-type: none"> • In this case Toyota’s decision to work with Tesla is strategic (‘potentially massive shift in Toyota’s long-term policy’)(1 mark), whereas their decision to recall faulty cars is more tactical (1 mark) • Joint venture with Tesla could be seen as a tactical decision if it is to gain knowledge of electric cars in order to gain a competitive advantage (1 mark) <p>Analysis 1</p> <ul style="list-style-type: none"> • The decision to work with Tesla could be an attempt to develop its product range (1 mark) by moving into a new market (1mark) • A joint venture is a strategic move and therefore the link with Tesla is an example of this (1 mark) • The decision to work with Tesla helps Toyota achieve their long-term aim of selling more environmentally friendly products (1 mark) | <p>1-2</p> <p>1-2</p> <p>1</p> <p>Total (5 marks)</p> |

| Question Number | Question | |
|-----------------|---|--|
| 4. | Explain two ways in which Toyota's 'Guiding Principles' (Evidence C) seem to conflict with the current problems of car safety faced by the company. | |
| | Answer | Mark |
| | <p>Knowledge up to 2 marks</p> <ul style="list-style-type: none"> • Guiding principles are a version of a mission statement (1 mark); they are aimed at motivating workers (1 mark); they link to the business objectives (1 mark) used to guide the business (1 mark) • Conflict occurs when the promises/principles of the business (1 mark) claim something different to the actions of the business (1 mark) • Knowledge of appropriate methods of guaranteeing safety e.g. quality assurance (1 mark) <p>Application up to 2 marks</p> <ul style="list-style-type: none"> • Respecting and honouring the laws of the country (1 mark) conflicting with allegedly breaking safety laws (1 mark) • Produce clean and safe products (1 mark) in conflict with recall of cars due to safety fears (1mark) • Pursuing growth in harmony with the global community (1 mark) conflicting with Toyoda's claim of growth being too rapid (1 mark) • Honoring mutual trust and respect between labour and management (1 mark) conflicting with rapid, imposed growth from a hierarchical/power culture (1 mark) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • Guiding principles can lead to a conflict between stakeholders (1 mark) • Faulty workmanship led to safety problems (1 mark) • Clean and safe products were sacrificed in order to produce more cars to expand market share (1 mark) <p>NB - Example of guiding principle (1 mark application), explanation of conflict with safety/recall problem (1 mark analysis)</p> <p>If only one way cap at 3 marks</p> | <p>1-2</p> <p>1-2</p> <p>1-2</p> <p>Total (6 marks)</p> |

| Question Number | Question | |
|-----------------|--|--|
| 5. | Using Ansoff's Matrix, analyse Toyota's decision to enter into a joint venture with Tesla Motors (additional evidence H) | |
| | Answer | Mark |
| | <p>Knowledge up to 2 marks</p> <ul style="list-style-type: none"> • A joint venture is when two businesses work together (1 mark), whilst staying as separate companies (1 mark) • Accurate knowledge of Ansoff e.g. compares risk (1 mark), shows strategies in terms of market (new/existing) (1 mark) or product (new/existing) (1 mark) • Knowledge of individual Ansoff strategies with explanation e.g. Market Development - existing product/new market(1 mark); Product development - existing market/new product(1 mark); Diversification - new product/new market(1 mark); Market Penetration - more product to more of existing market (1 mark) • Completed Ansoff's Matrix, no context (1mark) <p>Application up to 2 marks</p> <ul style="list-style-type: none"> • Tesla is a specialist manufacturer of battery-powered cars (1 mark) • Moving into battery-powered cars is Product Development (1 mark) as it is selling new types of cars (1 mark) to existing customers (1 mark) or arguably Market Development (1 mark), selling similar products to new customers (1 mark), or even Market Penetration (1 mark), as the Prius has an electric motor (1 mark) • Diagrams of Ansoff's Matrix with appropriate labelling to show context (2 marks) <p>Analysis up to 2 marks</p> <ul style="list-style-type: none"> • Market/product development helps to spread risk (1 mark) and open up new markets (1 mark) to new customers (1 mark) • Tesla are an established business in this market (1 mark) and therefore have experience (1 mark) and understanding (1 mark) of the market, minimising risk (1 mark) | <p>1-2</p> <p>1-2</p> <p>1-2</p> <p>Total (6 marks)</p> |

| Question Number | | Question | |
|-----------------|------|--|---|
| 6. | | Some car dealerships in the USA are considering selling one of their Toyota models at a price below total cost in response to recent product recall problems. The lower price will still provide a positive contribution to the dealership's fixed costs. Assess whether the dealership should go ahead with this decision. | |
| Level | Mark | Descriptor | Possible Content |
| Level 1 | 1-2 | Candidate shows knowledge of Contribution, pricing or cost calculation | <ul style="list-style-type: none"> • Contribution is Price per unit minus variable cost per unit • Goes towards paying the business' fixed costs and then goes towards profit of the business • Total costs = Variable costs plus fixed costs • Could be considered a 'special order' • Knowledge of qualitative factors that affect decisions |
| Level 2 | 3-4 | Answers should be applied to Toyota. NB - answers that discuss the merits of a price reduction, but with no knowledge of Fixed, Variable costs or contribution - cap at 3 (application) | <ul style="list-style-type: none"> • Positive contribution means price is above variable cost per car • Variable costs include the cost of the car, wages, commission on sales, demonstrator fuel, pre-delivery inspection • Fixed/Total costs will include overheads such as costs of show room premises, administrative costs, equipment • Qualitative factors applied: capacity of the dealership/taking up forecourt space; brand image as a result of price reduction etc. |
| Level 3 | 5-6 | Candidate analyse using reasons/causes/consequences/costs of this decision to the dealerships <i>No context - cap at 5.</i> Arguments will be one-sided. | <ul style="list-style-type: none"> • Positive contribution still means some, but not all fixed costs will be met • Dealerships will be losing out because fixed costs still have to be paid • Price reduction may be seen as desperate, damaging the dealer's image in the long-term • If the dealership has past breakeven point, then fixed costs will already have been covered, so all revenue becomes profit for the dealer |
| Level 4 | 7-9 | <u>Low Level 4: 7-8 marks</u> Arguments for and against dealerships going ahead with the price change in the USA <u>High Level 4: 9 marks</u> Expect to see convincing evaluative points with a conclusion. | <ul style="list-style-type: none"> • This is only one model amongst a range, so dealerships could fund the decision from sales of other models/cars • It is expensive to store unsold stock, so it is better to sell cars at a loss than not at all • Sales in the US have been hit by the recalls (evidence F), so it is probably a good move. |

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| | | | <ul style="list-style-type: none">• Sales in the US have been badly damaged by the safety scare. It is only US dealerships and not the company that are considering the move, so perhaps the global brand will be less damage. However, reducing prices in the US below Total Costs is likely to be seen as desperate, and even if the dealer's fixed costs can be met by sales of other models, there will still be a conflict with Toyota's traditional reputation built on quality. The recall should be enough to address customers' fears; a price reduction could lead to more long-term damage to the brand as prices may have to stay low permanently. |
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Section B

| Question Number | Question | | |
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| 7.(a) QWC i-iii | Evaluate the usefulness of business contingency planning for Toyota. | | |
| Level | Mark | Descriptor | Possible Content |
| Level 1 | 1-2 | <p>Candidate shows knowledge of contingency planning.</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be a problem with the legibility of the text.</p> | <ul style="list-style-type: none"> Contingency planning means preparing for situations that are unlikely to occur |
| Level 2 | 3-6 | <p>Candidate applies knowledge of contingency planning to the Toyota example.</p> <p><u>Low Level 2: 3-4 marks</u> Application is weak.</p> <p><u>High Level 3: 5-6 marks</u> Application to Toyota and/or product recall is clear.</p> <p>The candidate may use some Business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar</p> | <p>NB - reference to the Tsunami has to be rewarded if used appropriately.</p> <ul style="list-style-type: none"> E.g a plan for car safety problems. Product recall could be part of Toyota contingency for safety problems. Toyota has a reputation for product safety |
| Level 3 | 7 - 13 | <p><u>Low level 3: 7 - 8 marks</u> Analysis weak: only one reason/cause/cost or consequence is outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 9 - 10 marks</u> Analysis is more developed: two of reasons/causes/costs and/or consequences are outlined.</p> <p><u>High Level 3: 11 - 13 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be one-sided.</p> <p>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</p> | <ul style="list-style-type: none"> Contingency planning would allow Toyota to react quickly to potentially damaging events such as the safety fears A product recall is a good example of a contingency plan, even if it was hastily organised Contingency planning would help Toyota to defend their reputation for safety, thus safeguarding sales and maintaining relationships with stakeholders Contingency planning sits well with Toyota's corporate culture |

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| <p>Level 4</p> | <p>14-20</p> | <p><u>Low Level 4: 14 - 15 marks</u> One evaluative point is made, based on analysis of the business situation and / or case study information without arriving at a conclusion/ judgement.</p> <p><u>Medium Level 4: 16-17marks</u> Two or more evaluative points are made, based on analysis of the business situation and / or case study information without arriving at a conclusion/ judgement</p> <p><u>High Level 4: 18 - 20 marks</u> (18) A judgement is attempted with some effort to show how useful contingency planning is/is not to Toyota.</p> <p>(19-20) Works to convincing judgement on the usefulness of contingency planning. Better answers may move away from the safety recall, looking at the value of contingency planning more generally. Toyota's Market, Objectives, Product, Situation will be referred to in the best conclusions.</p> <p>Candidate uses Business terminology fluently with good spelling, punctuation and grammar</p> | <ul style="list-style-type: none"> • Contingency planning might actually increase costs e.g. keeping spare parts in reserve etc. • There is a suggestion that contingency planning related to safety was not high on Toyota's priorities • Main focus is on quality during the production process • Contingency planning cannot cover all eventualities and there is an opportunity cost with the time and resources involved e.g. devastating effects of the tsunami were not predicted • Contingencies may be in place for more common problems such as political unrest in foreign markets etc., but Toyota has never faced these before. Toyota has a tradition for quality and reliability and in the past has no need for contingency plans in this area. However, with their push for growth, maybe there was a role for such plans. |
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| Question Number | Question | | |
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| 7.(b) QWC i-iii | <p>According to Toyota president Akio Toyoda:</p> <p>“We pursued growth over the speed at which we were able to develop our people and our organization, and we should sincerely be mindful of that...” (Evidence E)</p> <p>Assess the extent to which Toyota’s growth may have contributed to its safety problems.</p> | | |
| Level | Mark | Descriptor | Possible Content |
| Level 1 | 1-2 | <p>Candidate shows knowledge of business growth.</p> <p>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text</p> | <ul style="list-style-type: none"> • Growth can be organic/internal or external (through merger/takeover) • Business growth could be measured by an increase in volume or value of output. |
| Level 2 | 3-6 | <p>Candidate applies knowledge of business growth to the Toyota example.</p> <p><u>Low Level 2: 3-4 marks</u> Application is weak. Related to car market and/or Toyota.</p> <p><u>High Level 3: 5-6 marks</u> Application to Toyota and/or fast nature of company growth.</p> <p>The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</p> | <ul style="list-style-type: none"> • US market share grew from 12% to 18% in US, between 2005 and 2008 • Toyota has mainly grown internally, through expansion into new markets, and opening new factories in foreign countries. • Growth was outlined as a corporate strategy for the business • Joint venture with Tesla could be seen as an example of external growth • Toyoda speaks of pursuing growth at all costs - part of corporate strategy |
| Level 3 | 7-16 | <p><u>Low level 3: 7 - 9 marks</u> Candidate will attempt very basic analysis of the link between expansion and safety problems. One reason/causes/costs and /or consequences are outlined.</p> <p>Cap at 7 for no context.</p> <p><u>Medium level 3: 10 - 12 marks</u> Candidates looks at a range of reasons/causes/costs and/or consequences of the nature of growth.</p> | <ul style="list-style-type: none"> • Rapid growth led to diseconomies of scale e.g. communication between HQ in Japan and suppliers, production facilities located in other areas of the world. • If production increases as rapidly as it did (Toyota market share rose from 11% to 20% in 5years) quality is the most likely element to suffer. • Internal growth relies on existing production capacity which may be stretched. Car factories take a |

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| | <p>Answer will be in context. Two reasons/causes/costs and /or consequences are outlined</p> <p><u>High Level 3: 13 - 16 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be clearly in context.</p> <p>Answer will remain one-sided, probably focusing on the arguments in favour of growth strategy being the cause of safety problems.</p> <p>The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.</p> | <p>long time to build and equip.</p> <ul style="list-style-type: none"> • Internal growth was the only option, as there were few/no other car companies available to takeover/merge with • Internal growth is part of the Toyota culture and something the business should be used to managing • It might be the lack of training and/or communication with staff during the expansion that was the problem • Internal growth is usually slower than external because it takes time to increase sales in a competitive market such as the car market - so rushing this will cause problems |
| Level 4 | <p>17-30</p> <p><u>Threshold Level 4: 17-18 marks</u> One limited attempt to evaluate arguments made. The candidate will suggest one alternative to the growth strategy as causes of the safety problems.</p> <p><u>Low Level 4: 19-21</u> More than one limited attempt to evaluate arguments made. The candidate will suggest two alternatives to the growth strategy as causes of the safety problems.</p> <p><u>Mid Level 4: 22-24</u> Detailed evaluation of arguments made, which will be based on a range of sources and/or specification areas. The candidate will suggest three or more alternatives to the growth strategy as causes of the safety problems.</p> <p><u>NB -</u> if candidates only focus on the</p> | <ul style="list-style-type: none"> • Other reasons outside Toyota's strategy may have led to the problems - these may be internal (culture; management etc.) or external (relationship with suppliers; economic factors; actions of competitors) • One alternative cause could be used more than once e.g. suppliers: i) poor quality parts ii) takes a long time to replace them and find an alternative iii) may not have coped with increased demands in JIT system • e.g. poor staff training; lapses in quality assurance measures due to other factors • Problems with established suppliers of car parts may have caused problems - they may not have been able to meet the increased needs with adequate quality - this is made worse if orders are made JIT • The power culture that has developed at Toyota and the oppressive management style seems to conflict with kaizen/continuous improvement and makes it less likely for staff to identify quality issues • Internal growth is usually less risky because the business expands on its |

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| | <p>alternatives to growth being the cause of safety problems and do not discuss growth, this is a one-sided argument and can only be Level 3 maximum.</p> <p><u>High Level 4: 25-30</u> Balanced conclusions and/or recommendations based on sound analysis of the business situation and case study information.</p> <p>Candidate will make a clear conclusion as to whether there is a link between rapid internal growth and the problems faced with reference to the market, objectives, product, situation of Toyota.</p> <p>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.</p> | <p>own terms without the involvement of other businesses e.g. other car companies - it is therefore surprising that Toyota may have got it wrong</p> <ul style="list-style-type: none"> • Toyota is a large and successful business which has safety at the heart of its culture and has gone through periods of rapid expansion before without similar problems • Safety regulation in the car market is much stricter than in the past, therefore Toyota are being cautious with the recall - the safety problems may be exaggerated. • President Toyoda was reacting to criticism from the American media, worried by the original loss of market share for the US manufacturers to Toyota. • The strategy might not have been the problem, but growth coupled with a conservative, secretive corporate culture was • The joint venture with Tesla is an attempt to reduce the problems associated with internal growth, without a full merger or takeover between the businesses. • Internal growth is an example of sticking to distinctive capabilities, so should be less risky than other strategies • Ansoff's Matrix would suggest that it is an example of Market Penetration and therefore the least risky strategy.. |
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Assessment objectives and Specification coverage

| Question No. | Knowledge | Application | Analysis | Evaluation | Total | Specification Coverage |
|----------------|-----------|-------------|----------|------------|-------|------------------------|
| 1 | 2 | | | | 2 | 4.3.1.1 |
| 2 | 2 | | | | 2 | 4.3.1.4 |
| 3 | 2 | 2 | 1 | | 5 | 4.3.1.4 |
| 4 | 2 | 2 | 2 | | 6 | 4.3.1.2 |
| 5 | 2 | 2 | 2 | | 6 | 4.3.2.1 |
| 6 | 2 | 2 | 2 | 3 | 9 | 4.3.2.5 |
| 7 (a) | 2 | 4 | 7 | 7 | 20 | 4.3.2.6 |
| 7 (b) | 2 | 4 | 10 | 14 | 30 | 4.3.4.2 |
| Total | 16 | 16 | 24 | 24 | 80 | |
| Total Required | 16 | 16 | 24 | 24 | 80 | |
| | | | | | | |

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