

Mark Scheme (Results)

January 2011

GCE

GCE Business Studies (6BS04/01)
Paper 01

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Unit 4A: Making Business Decisions

Marking Scheme

Question Number	Question	Mark
1.	What is meant by the term 'Labour Productivity'? (Additional Evidence H)	
	Answer	Mark
	<p>Knowledge up to 2 A definition of Labour productivity i.e. Output per person per time period. Efficiency may also be mentioned (1mark)</p> <p>Note: 1 mark for partial explanation, but a valid extension or example will gain the second mark.</p>	1-2

Question Number	Question	Mark
2.	What is meant by the term 'Operating Profit' (Evidence B line 8)	
	Answer	Mark
	<p>Knowledge up to 2: A definition of Operating Profit i.e. gross profit minus expenses. Also accept 'profit once all fixed and variable costs have been subtracted'.</p> <p>Note 1 mark for partial explanation, but a valid extension or example will gain the second mark.</p>	1-2

Question Number	Question	Mark
3.	Explain the difference between 'Organic growth' and 'External growth' with reference to Morrisons.	
	Answer	Mark
	<p>Knowledge up to 2: Organic/Internal Growth occurs when a business expands without the involvement of another business (1 mark), for example through expanding the product range (1 mark), opening more branches (1 mark), or employing more staff (1 mark). External Growth occurs when a business expands with the involvement of another business (1 mark), for example through a merger (1 mark), or takeover (1 mark). <i>NB - do not reward Internal/External 'finance'.</i></p> <p>Application up to 2: - Morrisons plans for store expansion do not involve other businesses (1 mark) and are therefore an example of</p>	<p>1-2</p> <p>1-2</p> <p>Total (4 marks)</p>

	<p>Internal/Organic growth (1 mark) - Morrisons takeover of Safeway (1 mark) involved another business (1 mark) and was therefore an example of External Growth (1mark)</p>	
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Question Number	Question	
4. a)	Using Evidence B, calculate the gross profit margin for 2008 and 2009.	
	Answer	Mark
	<p>Knowledge up to 2 Correct gross profit margin formula (2 marks). Knowledge of gross profit (1 mark)</p> <p>Application up to 2 Correct calculation of gross profit margin 2008 (£818m/12969m*100 = 6.31% (6.3%)) and 2009 (£913m/£14528m*100 = 6.28% (6.3%))</p> <p>NB missing % - cap at 3 marks.</p> <p>Any correct data (1 mark)</p>	<p>1-2</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question	
4. b)	Comment on the results of these calculations	
	Answer	Mark
	<p>Application up to 2 marks Comments on figures staying the same (within 1d.p) (1 mark) Explains that Gross Profit has increased (1 mark) and so has Turnover (1 mark).</p> <p>Analysis up to 2 marks Morrisons Costs of Sales must have increased (1 mark), at the same rate as Turnover (1 mark) and Gross Profit (1mark). Figure appears to be low, but would need industry figures (1 mark) to add relevance.</p>	<p>1-2</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question	
5.	Analyse two possible reasons for recent improvements in Morrison's Employee (Labour) Turnover figures (Additional Evidence H).	
	Answer	Mark
	<p>Knowledge</p> <ul style="list-style-type: none"> • Candidates define Labour Turnover i.e. the rate at which people leave their jobs and need to be replaced (up to 2 marks) • Some candidates may show calculation: number of employees who have left the business in the last 12 months/total employees X 100 • Some candidates may show knowledge of factors leading to improvements: e.g. Job security; job satisfaction • Knowledge of different business cultures e.g. power, role etc. <p>Application</p> <ul style="list-style-type: none"> • Candidate uses information in Additional Evidence H - upward trend in Employee Stability and quotation of figures • Candidate selects examples from Evidence C of policies used by Morrison's to help retain staff • Candidate identifies Morrisons growth plans as a source of new opportunities • 'Gimme 5' scheme which allows workers to make suggestions to managers <p>Analysis</p> <ul style="list-style-type: none"> • Employees possibly feel more valued due to benefits and opportunities offered in Evidence C • Evidence C could have a number of effects: increased motivation reduces need to leave the business; other personal needs (related to Maslow etc) are met by Social Events etc. - numerous examples, but answers must show link between policies and possible reduction in Employee Turnover • Other possible explanations not mentioned in evidence: improved pay; training; increased opportunities within expanding business; greater priority given to this issue by management; external factors such as a downturn in the economy making alternative employment less of an option • A perceived change in culture as a result of Sir Ken Morrison stepping down could also improve these measures 	<p>1-2</p> <p>1-2</p> <p>1-2</p> <p>Total (6marks)</p>

Question Number		Question	
6.		Assess the likely impact on Morrison's Corporate Culture of Sir Ken Morrison's decision to step down as Chairman.	
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of Corporate Culture	<ul style="list-style-type: none"> • Understanding of Corporate Culture. • Corporate Culture describes the prevailing attitudes and values in an organisation or business.
Level 2	3-4	Answers should be related to Morrison's. Toolkit should be applied to context. (The "toolkit" refers to the concepts, theories and techniques which form the knowledge base for this subject).	<ul style="list-style-type: none"> • Sir Ken Morrison is the son of the business' founder, William, so up to this point the business has been a 'family' one • Application of Handy's categories e.g. Power; Role; Person etc. • Morrison's has been a traditional 'Northern' business, focussing on cheap, honest values • The Chairman of a PLC has decision-making power which affects the whole business.
Level 3	5-6	Candidate analyses the consequences of Sir Ken's decision for Morrison's culture NIC - cap at 5	<ul style="list-style-type: none"> • As son of the founder and Chairman of the company, Sir Ken had powers to make important strategic decisions that could influence culture e.g. store openings • His historical position in the business is likely to have made him more influential than chairman of similar business organisations, thus affecting culture too. • Sir Ken may have seen the need for a change of culture, wanting to make this easier by stepping aside for Ian Gibson • Strategic decisions and changes will affect the day-to-day working conditions and therefore culture
Level 4	7-8	<u>Low Level 4: 7 marks</u> Arguments for and against Sir Ken's decision having an impact on Morrison's Culture. Or: arguments identifying	<ul style="list-style-type: none"> • Culture is more informal than business objectives or missions and can be influenced by a range of factors outside the control of the chairman and the board

		<p>positive and negative impacts of the change in culture.</p> <p>Ian Gibson has replaced Sir Ken as chairman and this needs to be made clear for L4 to be awarded NOT Boland</p> <p><u>High Level 4: 8 marks</u> Expect to see convincing evaluative points with a conclusion.</p>	<ul style="list-style-type: none"> • The change in culture may be what is needed as Morrisons tries to expand and become a national force • Despite this the family nature of the business in the past would have influenced culture to a large extent, particularly in relation to the business' objectives and geographical location • The business has been a PLC for a long time and Sir Ken's role has been more of a figure-head since Marc Bolland took over as CE • Ian Gibson has replaced Sir Ken as chairman and this needs to be made clear for L4 to be awarded NOT Boland • Culture may be more influenced by factors such as motivation and staff recruitment (dealt with elsewhere in the case study).
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Section B

Question Number	Question		
7.(a) QWC i-iii	<p>a) 7(a)* In March 2009, Morrison’s unveiled plans to open a new store in the Handsworth area of Birmingham. This was met by opposition from several stakeholder groups including small independent retailers concerned that they would be unable to compete with the new store, and local residents worried about increased traffic congestion in the area surrounding the proposed store.</p> <p>With reference to potential conflicts between socially responsible behaviour and profit-based objectives, evaluate whether Morrison’s should go ahead with the plans to open the Handsworth store.</p>		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	<p>Candidate shows knowledge and understanding of the terms objectives, profit, socially responsible, ethical behaviour.</p> <p>To achieve a mark of 1 - 2 the candidate will have struggled to use business terminology legibly with frequent errors in SPG and / or weak style and structure of writing.</p>	<ul style="list-style-type: none"> • Profit-based objectives are financial and relate to achieving a desired profit figure and/or growth • Social responsibility aims to consider the impact of business activity on wider stakeholder groups, minimising negative social costs
Level 2	3-5	<p>Candidate applies information in the case study (for example packages offered to employees; Evidence G ‘Let’s grow’) to show examples of ethical behaviour.</p> <p>Candidate uses some business terms but the style of writing could be better. There will be some errors in SPG. Legibility of the text could have been better in places.</p>	<ul style="list-style-type: none"> • Morrison’s are a PLC and therefore have shareholders expecting a dividend from their investment - profit objective • Morrison’s attempt to be socially responsible through schemes in place to help their staff (internal stakeholders) develop as individuals) • ‘Let’s grow’ is an attempt to show the benefits of growing your own food
Level 3	6 -12	<p><u>Low level 3: 6 - 7 marks</u> Narrower and or weaker analysis relevant to the question.</p> <p>One conflict outlined (possible repetition of stem)</p> <p>NIC - cap at 6</p>	<ul style="list-style-type: none"> • Profit-based objectives are usually driven by the need to maximise sales and minimise costs • Conflicts between these objectives and social/ethical

		<p><u>Medium level 3: 8 - 9 marks</u> Expect to see a sound analysis based on at least two examples of profit-based and socially responsible/ethical behaviour conflicting.</p> <p><u>High Level 3: 10 - 12 marks</u> Expect to see strong analysis of the potential conflicts between these two 'types' of objective. In this top band candidates will clearly link the effects of different objectives on particular stakeholder groups.</p> <p>Expect to see three or more conflicts, but no judgement of whether the store should be opened.</p> <p>The candidate uses business terminology quite well with reasonable to good spelling, punctuation and grammar.</p>	<p>objectives can occur as follows: profit objectives seeking reduced employee costs, while social responsibility needing staff development; profit-related objectives seeking expansion of stores and range, social responsibility seeking to minimise environmental impact</p>
Level 4	13-20	<p><u>Low Level 4: 13 - 14 marks</u> The candidate attempts a simple judgement as to whether the store in Handsworth should be opened.</p> <p><u>Medium Level 4: 15-16marks</u> A judgement is attempted with an explanation of how the two objectives could be linked or may not actually conflict.</p> <p><u>High Level 4: 17 - 20 marks</u> Works to convincing conclusion on the proposed store opening. At the top end candidates will recognise that the two types of objective are linked: being ethical/socially responsible can help to achieve profit-related objectives, so the store should be opened.</p> <p>Or that CSR may not be as important as profit for this business, so the conflict is unimportant.</p> <p>Candidate uses business terminology precisely and effectively with good to excellent spelling, punctuation and grammar</p>	<ul style="list-style-type: none"> • A clear justified decision as to whether the store should be opened. • A decision to open the store for Profit reasons could have socially responsible externalities e.g. job creation • Although Ethical/Social objectives are important, Morrison's is a PLC with shareholders that expect the company to deliver profit. • Ethical/Social objectives need not conflict with Profit objectives e.g. sourcing produce from ethical suppliers could profit an ethical USP to exploit

Question Number	Question		
7.(b) QWC i-iii	Critically examine and evaluate Morrison's decision to open 48 new stores in one financial year. (Evidence A).		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	<p>1 - 2 marks Candidate shows knowledge of reasons for Organic 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"> • Basic motives for growth: increased sales; used retained funds effectively • Shareholders may desire increased returns
Level 2	3-5	<p>Candidate applies their answer to the Morrisons context.</p> <p>Toolkit use may be limited.</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"> • Morrisons are expanding due to recent profit performance • 48 stores planned in this financial year.
Level 3	6-16	<p><u>Low Level 3: 6-9 marks</u> Candidate will attempt very basic analysis of the motivation for expansion. One or two reasons at best</p> <p>NIC - cap at 6.</p> <p><u>Mid Level 3: 10-12 marks</u> Candidate looks at a range of Causes, Costs and Consequence of the decision. Analysis may focus on either Using Internal <u>and</u> External reasons or Financial <u>and</u> non-financial arguments.</p> <p><u>High Level 3: 13-16 marks</u> Candidate looks at a very wide range of Causes, Costs and Consequence of the decision. Analysis will focus on at least one Internal <u>and</u> one External factor in the decision. Financial <u>and</u> non-financial Answer will be clearly in</p>	<ul style="list-style-type: none"> • Morrison's want to compete with Tesco, Asda, and Sainsbury and see expansion as the key to success • Morrison's want to improve profit performance in the long-term and see expansion as a means to achieving this. • Decision related to the need to improve market share • Recent fall in profits may reveal need to expansion plans • Other supermarkets gaining market share • Expansion through purchase of Co-op stores helps to make the expansion quicker and may reduce uncertainty. • More stores should help to

		<p>context.</p> <p>However, answer will be <i>one-sided</i>, (most likely) focusing on the reasons for the decision only.</p> <p>Candidate will use business terminology well / style of writing is appropriate to the question / reasonable to good SPG</p>	<p>increase sales volume</p> <ul style="list-style-type: none"> • Gaps in the national market identified. • Morrison's see future success as dependent on rapid expansion based on recent success during difficult economic times
Level 4	17-30	<p><u>Threshold Level 4: 17-18 marks</u> Candidate attempts to make very limited arguments against the decision. Limited to either Internal or External reasons; Financial or non-financial</p> <p><u>Low Level 4: 19-21</u> Candidate makes a narrow range of arguments against. Using Internal and External reasons or Financial and non-financial arguments.</p> <p><u>Mid Level 4: 21-24</u> Candidate makes a wide range of arguments against, which will be based on a range of sources e.g. Internal/External; financial/non-financial.</p> <p><u>High Level 4: 25-30</u> Balanced conclusions based on sound evaluation of the business situation and case study information.</p> <p>Candidate will clearly justify whether or not this decision is the correct one, doing so with reference to the Market, Objectives, Product, Situation of Morrisons.</p> <p>Answers will discuss in detail the internal and external; financial and non-financial reasons for growing so rapidly (within 12 months).</p> <p>Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with</p>	<ul style="list-style-type: none"> • The expansion could damage the existing culture and move it away from its traditional roots • Human Resource diseconomies of scale brought about from organising such a rapid expansion • New geographic markets pose an element of risk (Ansoff) but this is relatively unimportant as the South of England is not a major change • UK grocery market is highly concentrated, but competitive within it • The decision may cause conflict with stakeholder groups such as local communities, thus damaging Morrisons CSR objectives • The business is currently geographically biased towards Scotland and the North of England and sees Southern Britain as the main opportunity for growth - part of contingency planning to reduce over-reliance on existing markets • The rapid expansion is made possible by the acquisition of 38 Co-op stores (not takeover of the company), thus reducing set-up times for individual outlets and risks involved in a rapid expansion from scratch • Ansoff/Porter may be

	<p>good spelling, punctuation and grammar.</p> <p>NB do not reward broad discussions of Ansoff strategies - evaluation must focus on store expansions (market penetration/market development.)</p>	<p>utilised well at this level - but must be linked to strategy of market penetration.</p> <ul style="list-style-type: none"> Reference may be made to difficult takeover of Safeway and new preference for more Organic growth.
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Assessment objectives and Specification coverage

Question No.	Knowledge	Application	Analysis	Evaluation	Total	Specification Coverage
1	2				2	4.3.3a
2	2				2	4.3.3a
3	2	2			4	4.3.4a
4a	2	2			4	4.3.3a
4b		2	2		4	4.3.3a.
5	2	2	2		6	4.3.3a
6	2	2	2	2	8	4.3.1a
7 (a)	2	3	7	8	20	4.3.1a
7 (b)	2	3	11	14	30	4.3.1a; 4.3.2a
Total	16	16	24	24	80	

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