

# Mark Scheme (Results)

June 2011

GCE Business Studies  
(6BS04) Paper 01

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Question Number	Question	
1.	What is meant by the term Corporate Social Responsibility?	
	Answer	Mark
	<p><b>Knowledge up to 2 marks</b></p> <p>A definition of Corporate Social Responsibility e.g. The extent to which a business accepts social responsibilities over and above the legally required minimum.</p> <p>Definition may include reference to ethics.</p> <p>Examples might include: 'Let it Grow scheme'; recycling of carrier bags; school voucher for £10 spent etc.</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	
2.	What is meant by the term 'Capital Expenditure'? (Evidence A, line 12)	
	Answer	Mark
	<p><b>Knowledge up to 2 marks:</b></p> <p>A definition of Capital Expenditure e.g. Expenditure on Fixed Assets such as premises and machinery.</p> <p>Spending over a year sufficient for one mark.</p> <p>Examples might include: 'IT services; store expansion'</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	
3.	Analyse how a conflict between <b>two</b> different stakeholder groups might result from the spelling errors outlined in additional evidence H.	
	Answer	Mark
	<p><b>Knowledge up to 2:</b></p> <ul style="list-style-type: none"> <li>• Knowledge mark available for definition of a stakeholder</li> <li>• Knowledge of one stakeholder group: customers; suppliers; employees; shareholders; managers; pressure groups etc.</li> <li>• One mark for each appropriate stakeholder mentioned</li> </ul> <p><b>Application up to 2</b></p> <ul style="list-style-type: none"> <li>• Morrison’s customers will see the reputation of the store damaged Chinese suppliers may lose out on valuable contracts</li> <li>• Managers and employees may face increased complaints</li> <li>• Pressure groups (consumer groups) might get involved</li> <li>• As a retailer Morrisons would be expected to give refunds</li> <li>• Any other relevant information that relates to the pre-release or additional evidence</li> </ul> <p><b>Analysis up to 2</b></p> <ul style="list-style-type: none"> <li>• Sales are likely to suffer, so managers may be under increased pressure</li> <li>• Customers will associate Morrison’s with poor quality and this may damage non-food sales</li> <li>• Morrison’s may be forced to use alternative and possibly more expensive suppliers.</li> <li>• Managers may face increased complaints increasing their stress levels</li> <li>• Pressure (consumer) groups might see it as unethical to knowingly sell a faulty product.</li> </ul>	<p>1-2</p> <p>1-2</p> <p>1-2</p> <p><b>Total (6 marks)</b></p>

Question Number	Question	
4.	<p>In 2008 Morrison's Capital Employed was £4,378m, and in 2009 it was £4,520m.</p> <p>Using this information and Evidence B, calculate the Return on Capital Employed for 2008 and 2009</p>	
	Answer	Mark
	<p><b>Knowledge up to 2</b></p> <ul style="list-style-type: none"> <li>• Correct ROCE formula (Operating profit/Capital Employed X100) (2 mark)</li> <li>• Knowledge of Capital Employed (1 mark)</li> </ul> <p><b>Application up to 2</b></p> <ul style="list-style-type: none"> <li>• ROCE = 14% (13.97%) in 2008 - £612m/£4378mX100</li> <li>• 15% (14.8%) in 2009 - £671m/£4520mX100</li> </ul> <p><u>Notes:</u></p> <ul style="list-style-type: none"> <li>- Two correct answers, no working/no formula - 4 marks</li> <li>- Missing % cap at 3 marks</li> <li>- Correct answers, years inverted - 3 marks</li> <li>- Correct calculations based on Gross Profit: £818m in 2008 (19%) and £913m in 2009 (20%) - cap at 2 marks</li> <li>- Correct calculations based on Profit/Loss for period: £554m in 2008 (12.6%) and £460m (10.1%) in 2009 - cap at 2 marks</li> </ul>	<p>1-2</p> <p>1-2</p> <p><b>Total (4 marks)</b></p>

Question Number	Question	
5.	<p>In 2008 Morrison's Gearing figure was 12%, and in 2009 it was 14%.</p> <p>Using this, and any additional relevant information, evaluate Morrison's plans to open more stores in the South of the UK (Evidence A).</p>	
	Answer	Mark
	<p><b>Application up to 2</b></p> <ul style="list-style-type: none"> <li>• Candidate uses appropriate figures and relates these to Morrison's current situation e.g. Gearing is still 'low'</li> <li>• Candidate picks out other financial information that might be relevant e.g. ROCE; Profit etc.</li> <li>• Candidate applies other relevant information e.g. takeover of Co-op stores</li> <li>• Expansion plans may have increased gearing (no explanation)</li> </ul> <p><b>Analysis up to 4</b></p> <ul style="list-style-type: none"> <li>• Gearing figure is increasing, but the business is still 'low-gearred', which makes it less vulnerable to interest rate increases on the cost side</li> <li>• Low gearing ratio may make them more attractive to banks</li> <li>• Return on Capital Employed figures are stable - Morrison's could be looking at ways of improving this figure in the long-term through increased sales and therefore operating profit</li> <li>• Overall profit for the period is down due to increased finance costs and taxation - this could be limiting if expansion is to be financed out of retained profit</li> <li>• Pre-tax profit is up though</li> <li>• Additional relevant information might include: <ul style="list-style-type: none"> <li>- Aiming to increase market share</li> <li>- Competing with other supermarkets</li> <li>- Moving into new geographical markets</li> <li>- Purchase of Co-op stores</li> </ul> </li> </ul> <p><u>NB</u>  Cap at 4 if only Gearing figure is used  (2 Application, plus 2 analysis)</p> <p>Cap at 4 if analysis present without reference to Gearing.  (2 Application, plus 2 analysis)</p> <p><b>Evaluation up to 2</b></p> <ul style="list-style-type: none"> <li>• Candidate looks at financial reasons for and against expansion <ul style="list-style-type: none"> <li>- these are unlikely to be well-developed in such a short question</li> </ul> </li> <li>• Possible responses: <ul style="list-style-type: none"> <li>- Gearing is low but overall profit down, so expansion is too risky</li> <li>- Gearing is low, so borrowing to finance expansion is an option</li> <li>- Return on Capital Employed is stable and relatively high, which may serve as a reason to avoid disruptive changes</li> <li>- Investors may see potential long-term financial gain from expansion</li> </ul> </li> </ul>	<p>1-2</p> <p>1-4</p> <p>1-2</p> <p>Total</p>

	<ul style="list-style-type: none"><li>- ROCE not especially relevant to expansion decision</li><li>- Financial cost of expansion not discussed, but is hugely relevant.</li></ul>	<b>(8 marks)</b>
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Question Number	Question
6.	Assess the likely value of Ansoff's Matrix in shaping Morrison's expansion.

Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows knowledge of Ansoff's Matrix.	<ul style="list-style-type: none"> <li>Ansoff's Matrix is a 'box' containing terms such as 'diversification', 'market development' and is used to explain business strategies</li> <li>Drawing of Ansoff Matrix with appropriate labels - 2 marks</li> </ul>
Level 2	3-4	Answers should be applied to Morrison's.	<ul style="list-style-type: none"> <li>Morrison's proposals are examples of 'Market development' - existing products to a new geographical market</li> <li>Could also be argued to be 'Market penetration' - more of same to existing markets e.g. segments etc.</li> </ul>
Level 3	5-6	<p>Candidate analyses the usefulness of Ansoff's Matrix.</p> <p><i>No context - cap at 5.</i></p> <p><i>For this level candidates must address the 'use' of Ansoff.</i></p>	<ul style="list-style-type: none"> <li>Ansoff is a clear, graphical representation of a corporate strategy</li> <li>It can help to show/assess risk and potential reward for a given strategy</li> <li>It is useful as a comparative tool</li> <li>At this level limitations may be discussed without discussing uses.</li> </ul>
Level 4	7-8	<p>Low Level 4: 7marks. Uses and limitations <b>explained in context.</b></p> <p>High Level 4: 8marks Expect to see convincing evaluative points with a conclusion.</p>	<ul style="list-style-type: none"> <li>Ansoff may only be useful to managers and even then, to a limited extent</li> <li>Its Generic nature may mean over-simplification</li> <li>It's a theoretical model and therefore its usefulness is limited</li> <li>When applied to Morrisons it is not clear which strategy is being followed, so its use is limited</li> </ul>

Section B

Question Number	Question		
7.(a) QWC i-iii	<p>a) 7(a)* Southern Counties Construction is a business contracted to build one of the new Morrisons stores. The information above shows a basic schedule and network for a project such as this.</p> <p>Assess the usefulness of this information to Southern Counties Construction and Morrison's when planning and building a new store.</p>		
Level	Mark	Descriptor	Possible Content
Level 1	1-4	<p>Candidate shows knowledge and understanding</p> <p>To achieve a mark of 1 - 4 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"> <li>• CPA shows the quickest time that a project can be completed, while ensuring all activities are finished</li> <li>• Candidate shows knowledge of terminology such as Earliest Start Time, Latest Finish Time etc.</li> </ul>
Level 2	5-7	<p>Candidate applies information the network and/or schedule.</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"> <li>• The network shows that it will take 51 weeks to fully complete the project</li> <li>• There are various activities with 'Float' e.g. A and be re-organised to take C</li> <li>• B,D,F,H,J are all critical</li> </ul>
Level 3	8-15	<p><u>Low level 3: 8 - 9 marks</u> Narrower and or weaker analysis relevant to the question. This will focus on one of the uses outlined at the higher level</p> <p><i>No context - cap at 8.</i></p> <p><i>Context relevant:</i></p> <ul style="list-style-type: none"> <li>- Use of information from CPA</li> <li>- Reference to construction</li> <li>- Reference to stores/supermarkets etc.</li> </ul> <p><u>Medium level 3: 10 - 12 marks</u> Expect to see a sound analysis based on two of the above management uses</p> <p><b>NB weak context limit to Medium level.</b></p> <p><u>High Level 3: 13 - 15 marks</u></p>	<ul style="list-style-type: none"> <li>• Morrison's can see how long the project will take and the Critical Activities within it</li> <li>• Southern Counties can arrange the delivery of resources and labour efficiently, reducing waste and therefore price to customer</li> <li>• Parallel activities can allow time to be reduced - crucial in a project that aims to be finished quickly</li> <li>• Southern counties reduce the capital tied up in waiting resources, again helping to reduce</li> </ul>

		<p>Expect to see strong analysis of the quantitative uses of CPA and network analysis. Answers must refer to time management, resource management and financial management.</p> <p><i>Three plus points made.</i></p> <p>The candidate uses business terminology quite well with reasonable to good spelling, punctuation and grammar.</p>	<p>costs of contract completion.</p>
Level 4	16-20	<p><u>Low Level 4: 16 - 17 marks</u> Some evaluative points are made, based on analysis of the information provided in the paper and pre-release.</p> <p>One balanced argument 16; two 17.</p> <p><u>High Level 4: 18 - 20 marks</u> Works to convincing evaluation on the usefulness of project planning and network analysis, with a sound conclusion. This conclusion will consider the Market Objectives, Product, Situation of Morrisons/Southern Counties</p> <p>Contextualised conclusion needed for this level.</p> <p>Candidate uses business terminology precisely and effectively with good to excellent spelling, punctuation and grammar</p>	<ul style="list-style-type: none"> <li>• The information is based on estimates that are subject to a huge range of external factors e.g. weather, unreliable suppliers, industrial action etc.</li> <li>• Without it though, decisions on resource management etc. would be even less accurate</li> <li>• It should be used as a starting point in the decision-making process, but it cannot be relied upon for accurate predictions</li> <li>• It is useful in the business environment in which Morrison's operates, where speed of access to the market is crucial</li> <li>• Only 10 of the planned stores will actually be built from scratch</li> </ul>

Question Number	Question		
7.(b) QWC i-iii	Evaluate the likely importance of staff benefits (Evidence C) in improving Morrison's Human Resource Competitiveness		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	<u>1 - 2 marks</u> Candidate shows knowledge of Human Resource Competiveness.  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	<ul style="list-style-type: none"> <li>• Knowledge of Labour Turnover</li> <li>• Knowledge of (Labour) Productivity</li> <li>• How either/both can be calculated</li> <li>• Knowledge and Understanding of Evidence C is shown, with some basic links to motivation outlined.</li> </ul>
Level 2	3 - 7	<u>Low level 2: 3-4 marks</u> Candidate applies knowledge of Morrison's staff benefits  <u>High level 2: 5-7 marks</u> Candidate applies knowledge of Morrison's staff benefits to Human Resource competitiveness	<ul style="list-style-type: none"> <li>• 10% staff discount (or any other example from Evidence C) is identified.</li> <li>• Examples of Evidence C will be linked to Human Resource Competitiveness, but without analysis of <b>why</b> there might be a link.</li> </ul>
Level 3	8 - 15	<u>Low level 3: 8 - 9 marks</u> Candidate analyses some causes, costs or consequences of Morrison's using fringe benefits (Evidence C) to improve Human Resource Competitiveness.  One or two links at best.  <i>No context - cap at 8</i>  <u>Mid level 3: 10 - 12 marks</u> Candidate analyses a range of effects of these policies, firmly in context.  Three links explained.  <u>High level 3: 13-15 marks</u>  Four plus links.  Candidate will use business terminology well / style of writing is appropriate to the question /	<ul style="list-style-type: none"> <li>• Nature of work in Morrison's may lead to low motivation: pay, boredom, insecurity etc.</li> <li>• Benefits and Opportunities aimed at providing fringe benefits: e.g. discounts, access to pensions etc.</li> <li>• Benefits may improve motivation, which reduces need to leave and may encourage workers to work harder</li> <li>• May help to reduce staff turnover which is quite high and generally high in this industry</li> </ul>

		reasonable to good SPG.	
Level 4	16-30	<p><u>Threshold Level 4: 16-17</u> The candidate makes a limited number of arguments about the benefits <i>not</i> being <i>the only factor in</i> improving HRC.</p> <p>One Internal or External (not both).</p> <p><u>Low Level 4:18-19</u> Candidate evaluates by looking at a number of reasons for these policies <i>not</i> being the only factor improving HRC.</p> <p>Two or more factors Internal or External (not both).</p> <p><u>Mid Level 4: 20-24</u> Candidate evaluates by looking at a number of internal and external factors that may affect Morrisons' HRC.</p> <p>Three plus Internal or External. <u>Or:</u> At least one Internal and one External.</p> <p><u>High Level 4: 25-30</u> Balanced conclusions and recommendations based on sound discussion of the Market, Objectives, Products, Situation Morrisons operates within.</p> <p>Answers must show a clear understanding of the components of Human Resource Competitiveness (Labour turnover and Labour Productivity)</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>	<ul style="list-style-type: none"> <li>• Candidate makes basic judgements about whether these benefits alone will improve HRC</li> <li>• HRC is about much more than improving motivation</li> <li>• Other <u>Internal</u> factors such as access to promotion, staff training, good management are all factors that are often over-looked.</li> <li>• <u>External</u> economic and local factors have a big impact on retention and motivation e.g. likelihood of securing an alternative job; recession may have reduced staff turnover.</li> <li>• External economic and local factors have a big impact on retention and motivation</li> <li>• It would be useful to have access to information about schemes offered by other supermarkets</li> <li>• Even if employee turnover is high, this may be due to unavoidable leavers</li> <li>• The difficulty with accurate measurement of labour productivity in a service sector business.</li> <li>• Current expansion plans may prove motivating for staff as opportunities may be seen to grow.</li> </ul>



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Welsh Assembly Government

