



**General Certificate of Secondary Education
June 2013**

Business Studies

413002

(Specification 4133)

Unit 2: Growing as a Business

Final

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 events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

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1

Total for this question: 21 marks

1 (a) Describe what is meant by a 'limited company'. (2 marks)

Relevant answers might include the following:

- a business with shareholders (1 mark)
- the owners only lose what they bought their shares for (1 mark) if the business becomes bankrupt (2 marks)
- shareholders do not have to sell their personal belongings (1 mark) if the business is unable to pay all its debts (2 marks)
- the business is a separate legal entity (1 mark) and can be sued in its own right (2 marks).

1 mark for demonstrating limited understanding and **1 mark** for some development/additional comment (AO1 marks).

NB: Answers that exclude private limited companies (eg sell shares on the Stock Exchange) or public limited companies (eg sell shares to family and friends only) are limited to 1 mark, unless further details are included

1 (b) State **two** items that might be included in an induction programme. Explain why each is important to a new employee. (4 marks)

Relevant answers might include the following:

- talk about the company
- tour of work place
- introduce workmates
- health and safety talk
- shown how to do job
- explain procedures for sick leave etc
- check settling in.

Examples of responses:

- you get to meet your workmates (1 mark: item identified but not developed)
- you are shown how to use the machinery you'll be working on so you are safe on it (2 marks: item with some development)
- you are trained how to do your job better (0 marks: generic training reason).

NB: For 2 marks, each item must make it clear why it is important to the new employee

Level	Descriptor	Marks	Assessment Objective
2	Explains importance to new employee.	2	AO2
1	Student identifies item.	1	AO1
0	No valid response.	0	

Apply twice.

1	(c)	Explain how outsourcing the tube bending might help PPL when making its multi-gyms.	(6 marks)
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Relevant answers might include the following:

- quality is improved so likely to sell more/gain a better reputation
- makes the multi-gyms safer to use and so injured customers will not sue PPL
- avoids wastage of tubing and labour
- specialist business produces tubing more cheaply/to a higher standard
- avoids demotivating employees by having to reject work
- avoids having to employ better skilled, more expensive staff.

Examples of responses:

- If PPL outsources it means its costs will go down because a specialist is doing the work so the costs fall. **(2 marks)** – issues identified but not developed – no context)
- By outsourcing PPL will be able to produce better quality multi-gyms. This way the equipment won't have to go back to be taken to pieces to have the faulty parts repaired. **(4 marks)**.
- PPL will have to pay the other business to bend the tubing for it, but this will increase the quality of the gyms. The fact the quality improved will improve the reputation of the gyms leading to more sales. This will increase profits if the extra costs of outsourcing are less than the increase in revenue. **(6 marks)**

Level	Descriptor	Marks	Assessment Objective
3	Provides explanation of how outsourcing can help PPL.	6–5	AO2
2	Provides description of reasons for outsourcing in context.	4–3	
1	Identifies relevant issues concerning outsourcing.	2–1	AO1
0	No valid response.	0	

1 (d) PPL's Managing Director is thinking about changing from batch production to flow production, to assemble the multi-gyms.

Advise the Managing Director on whether or not you believe that this is a good idea for PPL. Use the information in **Item A** to support your answer. (9 marks)

Possible areas for discussion might include the following:

Arguments against flow production:

- cost of buying specialist equipment would be high for flow production
- work would become even more boring – employees already leaving because of this
- is there enough demand for multi-gyms to justify flow production capacity
- adaptations would be more difficult – business has adapted gyms in the past
- is there enough physical space to set up a flow track?
- reduces social aspect of working together – seen as an issue
- problems if key employees absent – heavy turnover mitigates against flow.

Arguments for flow production:

- allows greater specialism – less skilled employees needed
- clearly identified roles allows TQM QA techniques – each person responsible for his/her contribution – might make the work more interesting for employees
- cost saving as generally more efficient method of production.

To achieve context, students might take into account: current poor motivation of staff, the feeling that work is already boring, staff turnover, quality issues with the product, the business has been able to adapt equipment to suit customers' needs, or mentioning the product (multigyms).

Level	Descriptor	Marks	Assessment Objective
3	Analyses the issues on choice of production method(s) in context.	4–3	AO3
2	Provides explanation of production method(s) in context.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

See next page for Evaluation.

Note: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

In addition and separately award marks for evaluation using the grid below.

Judgement is being made on the whether it is a good idea for *PPL* to move from batch production to flow production.

Level	Descriptor	Marks	Assessment Objective
2	Offers judgement with supported 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.	5–3	AO3
1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	
0	Answers that offer both no judgement or an unsupported judgement and the quality of written communication is poor, eg no technical vocabulary, very brief, or difficult to understand should be awarded (0) marks. Answers that are well written but have no judgement should be awarded E1=1 (for QWC)	0	

2

Total for this question: 19 marks

2 (a) Describe what is meant by 'span of control' in an organisation chart. (2 marks)

Examples of responses:

- these are how many people a manager looks after (**1 mark**)
- these are the number of people who report to someone above them (**1 mark**). In **Item B** the managing director of Kenway has a span of control of 4 other managers (**2 marks**)
- the number of people someone manages (**1 mark**) the greater the span, the less time can be spent monitoring each employee (**2 marks**).

An example (possibly a diagram) might be used to support the definition. Students might refer to **Item B** to support their answer.

1 mark for demonstrating limited understanding and **1 mark** for some development/additional comment (AO1 marks).

2 (b) Describe **two** suitable ways in which KB's sales team might advertise the newly-built houses. (4 marks)

Relevant answers might include the following:

- local/national newspapers
- television commercial
- internet property sites
- through estate agents
- direct mailing/emailing
- for sale boards.

NB: Do not allow other aspects of promotion, such as specials offers – unless there is a clear advertising element to these.

One valid method that is described is **3 marks**.

Level	Descriptor	Marks	Assessment Objective
2	Provides description of advertising method(s) in context.	4–3	AO2
1	Identifies suitable advertising medium/media.	2–1	AO1
0	No valid response.	0	

2 (c) *KB is thinking of changing from having one national headquarters to three regional offices.*

*Describe **two** benefits to KB of having regional offices.*

(4 marks)

Relevant answers might include the following:

- more in touch with local markets – already a feature of the business
- can respond more quickly to changes in housing conditions locally
- creates more responsibility for regional managers – motivational effect
- creates more competition between the regional offices to sell houses.

To obtain context, the student must make clear reference to the house building industry and/or relevant evidence from the case study, eg *KB* builds different styles of houses in different parts of the country.

NB: One valid benefit that is described is **3 marks**.

Level	Descriptor	Marks	Assessment Objective
2	Describes benefit(s) of decentralising in context.	4–3	AO2
1	Identifies benefit(s) of decentralising.	2–1	AO1
0	No valid response.	0	

2 (d) *KB is trying to sell more houses. Advise the Managing Director on whether cost-plus is the best pricing strategy to use to help the business achieve an increase in sales. Use **Item B** to support your answer. (9 marks)*

Arguments for cost-plus pricing might include the following:

- straightforward pricing strategy to calculate
- ensures that costs are covered and a profit is made (if houses are sold)
- specialist 'top of the range' housing make competitive pricing impractical.

Arguments against cost-plus might include the following:

- houses are not selling so there must be a problem with the strategy
- not always possible to allocate all costs to a particular house
- inflexible to market conditions – some areas allow greater value added than others.

Students might introduce an alternative pricing strategy (even methods not in specification) and argue a case for that.

To obtain context, the student might want to consider:

- houses are not selling at the current pricing
- houses are aimed at the upper end of the market
- business operates throughout the country where demand conditions will be different
- the business has nearly 75 years' experience of setting the prices of houses
- the business is considering decentralising which could have an impact on the pricing.

Level	Descriptor	Marks	Assessment Objective
3	Analyses the issues on pricing method(s) in context.	4–3	AO3
2	Provides explanation of pricing method(s) in context.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

See next page for Evaluation.

Note: AO3 also assesses students' quality of written communication. When deciding on the AO3 level to be awarded, consider the degree to which the student orders and communicates his/her ideas.

In addition and separately award marks for evaluation using the grid below.

Judgement is made on whether the pricing strategy will increase sales.

Level	Descriptor	Marks	Assessment Objective
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1	Offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communication.	2–1	
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3**Total for this question: 20 marks**

3 (a) Describe **one** benefit to a business of becoming a public limited company (plc).
(2 marks)

Relevant answers could include the following:

- ability to raise more finance by selling shares to the general public
- raise profile of organisation
- can have far more shareholders than private limited company
- shareholders unlikely to want to exercise control of the business.

One mark for stating benefit plus one mark for development/further description.

NB: Do not allow two separate undeveloped points for **2 marks**.

3 (b) (i) Calculate HighSkies' gross profit margin percentage for 2012. (3 marks)

Correct answer of 20% (**3 marks**).

Figures are in £millions (allow actual numbers eg 300 000 000).

Calculating the gross profit = $300 - 240 = 60$ (**1 mark**).

Dividing by turnover = $60 / 300$ (**1 mark**).

Students who work out Net Profit Margin correctly can get up to **2 marks**.

Net Profit Margin = $(300 - 240 - 55) / 300$ (**1 mark**) = $5 / 300 = 1.6$ (recur)% (allow 1dp 1.7%)
(**1 mark**).

3 (b) (ii) Explain **one** reason why HighSkies' gross profit margin percentage might have changed between 2011 and 2012. (2 marks)

Relevant answers might include the following:

- gross profits have changed because they have to spend a lot more on advertising **(0 marks)**. Expense identified rather than a direct cost
- HighSkies' gross profit margin has gone down because they are paying more for fuel **(1 mark)**. Single point identified but not explained
- revenues have not increased as fast as costs **(1 mark)** because fuel costs have become very expensive **(2 marks)**. Reason for fall identified with some explanation.

1 mark for demonstrating limited understanding and **1 mark** for some development/additional comment (AO1 marks).

NB: Costs associated with purchase of fixed assets (eg planes) and indirect costs (expenses) should not be rewarded.

OFR – if student believes GPM has increased in 3(b)(i) accept subsequent interpretation in 3(b)(ii).

3 (c) HighSkies' objective has recently changed and is now as follows.

"To create an airline that respects the interests of all its stakeholders, especially its customers and those who work for HighSkies."

Explain why HighSkies' shareholders might be unhappy with the company's new objective. (4 marks)

Relevant answers might include the following:

- objectives focus on other stakeholders, not them
- reflects shift in emphasis away from profit making to more caring image
- might worry that costs will spiral with pay demands etc further reducing profit.

Level	Descriptor	Marks	Assessment Objective
2	Explains shareholders' concerns.	4–3	AO2
1	Identifies possible reason(s) for concern.	2–1	AO1
0	No valid response.	0	

To access Level 2, the students need to demonstrate the link between the identified reason(s) and shareholders' vested interests, eg if a company is concerned with its customers it will be more inclined to discount prices, to operate more frequent services than is profitable etc, operational costs will rise, as a result or less frequent flights reducing profit which will lower their dividends.

3 (d) *HighSkies' Directors need to raise £80 million to continue to expand the business. They are considering two ways of doing this:*

- *to sell more shares in the business*
- *to obtain a loan from a bank.*

*Advise HighSkies' Directors on which would be the best way of raising the money. Use **Item C** to support your answer. (9 marks)*

Relevant answers might include the following:

Arguments for share issue/against loan:

- no need to pay interest or refund the principal
- might be difficult to get loan of that size – 16 times current net profit
- shareholders probably will not want a say in running the business, bank might.

Arguments for loan/against share issue:

- might be difficult to attract shareholders with change in objectives
- reduces number of shareholders to pay dividends
- could lead to a takeover as competitors buy shares.

Level	Descriptor	Marks	Assessment Objective
3	Analyses the issues on financing method(s) in context.	4–3	AO3
2	Provides explanation of finance method(s) in context.	2	AO2
1	States relevant point(s).	1	AO1
0	No valid response.	0	

See next page for Evaluation.

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