

GCE

Business Studies

Unit **F291**: An Introduction to Business

Advanced Subsidiary GCE

Mark Scheme for June 2016

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotation	Meaning
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Own figure rule
	Repetition
	Noted but no credit given
	Too vague
	Tick

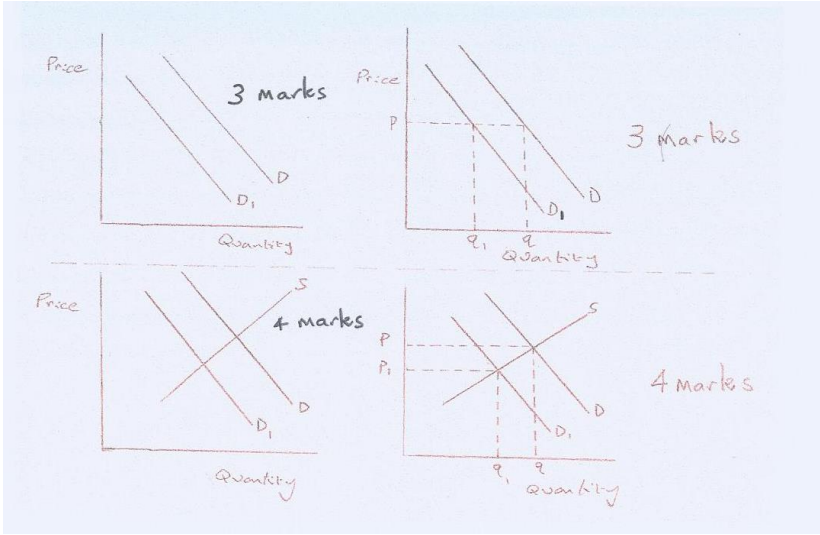
Question			Answer/Indicative Content	Marks	Guidance	
					Content	Levels of response
1	a		<p>What is meant by the term ‘adding value’ (2)</p> <p>“Doing something to/improving/changing/altering a product”. Also accept comments about ‘processing/changing/improving raw materials’. (1)</p> <p>“<i>So that</i> it is worth more/it is more valuable/it can be sold at a higher price/the firm can make a profit/more profit”(1)</p> <p>First mark is for candidate making it clear that a modification has occurred. Second mark is for an indication that there is a positive outcome for the company.</p> <p>Do not accept statements such as ‘The process of ensuring that selling price of the finished good/service is in excess of the cost ‘</p>	2		Mark as 1 + 1

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
1	b	<p><i>CPUK</i> is a company. All companies are accountable to their shareholders. Outline two ways in which CPUK may be held accountable to its shareholders(4)</p> <p>Allow any valid reference to a method of being held accountable.</p> <ul style="list-style-type: none"> • Annual General Meeting (AGM) - shareholders can attend and can question senior executives on policy, dividends, and directors' pay etc. • Publication of Annual Report and Accounts – Financial and other information for shareholders to view. For example accept accounts/P&L/Balance Sheet/ cash flow/on the company website. NB 'Show shareholders profit figures/customer feedback' is only one mark - it has not been demonstrated how this occurs. • 'Via the media' – if 'a story' comes to light (whether true/partially true/false) the company will have to respond. Perhaps by using its PR department (the term does not have to be used) the company will (presumably) respond to reassure shareholders that it is acting in their interest (as they will be concerned about a fall in share price etc.) • Use of company website – as a complaint and response mechanism. Websites are likely to have a 'contact us' section where shareholders can email in complaints/questions to which the company should respond. • 'Writing in' - as above the company should respond to those shareholders who write in with an issue/complaint/question. • Public forum/consultation – the business may seek views from the shareholders on a particular venture e.g. should a new plant be opened. • Business Plan – for shareholders to judge progress. 	4	<p><i>Answers do not have to relate to CPUK.</i></p> <p><i>At AS level candidates are not expected to have detailed knowledge of any of the issues; a few words (e.g. as exemplified) following a method will be sufficient for 'an outline'.</i></p>	<p>Mark as 2 x (1 + 1).</p> <p>1 mark for a simple statement + 1 mark for development.</p>

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
2	a	<p>State two topics that are likely to be covered on an induction training course</p> <p><i>Accept any statement of a likely issue/topic e.g.</i></p> <ul style="list-style-type: none"> • An overview of the firm (history/current position) • The firm's mission statement/objectives/ethical objectives. • Introduction to the other employees in the business/department. • The organisational structure of the firm as a whole • Product awareness • Customer care including customers with disabilities • How the new employee(s) fit into the overall structure of the firm • Layout of the site/building • Security - data protection/cash handling/access to valuable goods • Explaining the contract of employment • Procedure for holidays and sickness • Personnel policies e.g. future on-going training/appraisal/promotion. The firm's dress code etc. • Payment of wages - how often, how (cash/bank transfer), bonuses, overtime. • Health and safety issues/procedures for fire etc. for customers/employees • Procedure for reporting concerns e.g. accidents, spillages, other employees'/customer behaviour • Welfare issues - toilets, tea breaks, first aid boxes • Employee benefits - canteen, staff discounts etc. • Arrangements for employee involvement/participation/introduction to union representative. • Simulation of the job the person has been employed to perform/dealing with customers/stock control, use of equipment etc. 	2	<p><i>No credit for stating the purpose of an induction course.</i></p> <p><i>Answers do not have to be in the context of CPUK.</i></p>	2 x 1 Mark

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
2	b	<p>Discuss why an effective induction training course is beneficial to CPUK</p> <p>The purpose of an induction course is basically to help new employees settle quickly into the job by becoming familiar with the people, the surroundings, the job and the business' culture. Stronger answers will make this explicit and should be rewarded accordingly within the appropriate level.</p> <ul style="list-style-type: none"> • New employees can 'settle in' faster. They will feel more confident in how to perform their jobs; they will understand 'the rules'/culture of the business etc. <i>They are therefore less likely to make mistakes that upset/annoy customers thus helping CPUK to add value and bring repeat customers which will increase revenue. Also less time asking for and having to get help from more experienced colleagues (opportunity cost to their time).</i> • Health and safety compliance. All CPUK's employees have a legal obligation to comply with H&S legislation so they need to be aware of the issues. <i>There are fines/compensation issues for CPUK if employees do not comply. There is an opportunity cost to these (the term does not have to be used) Also what to do in the event of a events such as a fire or a person having an accident. Customer and personal safety issues. Less accidents at work therefore avoidance of claims for compensation, lost time off work, reputation of as a poor employer (in which case it may be difficult to recruit key staff).</i> • Customer Service. The product is a holiday experience which is likely to be an expensive purchase for a family. Customers expect staff to know company procedures and policies, activities on offer etc. Information needs to be confidently and politely delivered. Service (such as accommodation cleaning, woodland maintenance and activity provision/supervision) 	14	<p><i>For level 3 Answers need to be in the context of CPUK.</i></p> <p><i>Reference to objectives of CPUK will be a useful way of accessing marks for context.</i></p> <p><i>The question asks for benefits to CPUK not the benefits to employees. Therefore the latter will need to be linked to benefits to CPUK if the answer is to progress beyond Level 1.</i></p> <p><i>Beware of answers that simply make statements such as 'Induction courses are expensive in the short run but in the long run</i></p>	<p>Level 4: Some evaluation of the benefit(s) of induction training to CPUK. (14-11)</p> <p>Level 3: Some analysis of the benefit(s) of induction training to CPUK. (10-7)</p> <p>Level 2: Some understanding of the benefits of induction training. No context required' (6-4)</p> <p>Level 1: Knowledge of induction training. (3-1)</p>

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			<p>needs to be of a high standard. <i>Customer service will be a key aspect in terms of generating good publicity and repeat business in order to generate more business/revenue/profit in future.</i></p> <ul style="list-style-type: none"> • “First impressions matter to employees”. It is important for CPUK to give a new employee a good impression on the first day of work and get the working relationship started ‘on the right foot’. <i>An effective induction course can prevent a negative image of the business and so improve staff retention. This will in turn lower CPUK’s recruitment and selection costs.</i> • Motivation. Effective induction training shows that CPUK values its employees and this can motivate them <i>resulting in a more committed workforce with less absenteeism and/or greater productivity. Employees who are motivated are more likely to take care/pride in their work; thus helping to maintain and improve standards of customer care and so encouraging repeat business which will increase revenue/profit.</i> <p>Exemplar: ‘.....Another benefit to CPUK would be that they can ensure all employees have an understanding of the company policies (L2) especially their ethical policy). This is important as it is a key part of the running of CPUK.(L3). As a result their ethical practices will be consistent throughout the whole company and will be implemented all the time (L3). This is the greatest benefit as it ensures implementation is consistent across all five sites. The core values of CPUK will not be damaged by a lack of understanding by employees or managers. The company will therefore be able to meet its strategic objectives of increasing profits and dividends.(L4)</p>		<p><i>CPUK will benefit from e.g. lower labour turnover’ and so are worth it.” This is not answering the question which is about evaluating benefits. HOWEVER do allow references to an ineffective course at CPUK resulting in a cost increase as employees have to be trained ‘all over again’.</i></p> <p>Two L4 annotations = 13 or 14 marks</p> <p>One L4 annotation = 11 or 12 marks</p> <p>Two L3 annotations = 9 or 10 marks</p> <p>One L3 annotation = 7 or 8 marks</p> <p>Two L2 annotations = 5 or 6 marks</p> <p>One L2 annotation = 4 or 5 marks</p>	

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3	<p>Analyse how a fall in consumers' income might affect CPUK</p> <p>A fall in income is likely to reduce demand (i.e. shift the demand curve to the left) This will lower price and equilibrium quantity demanded and supplied.</p> <p>Level 2 There will be recognition that this has implications for CPUK, for instance, in terms of revenue, profit, marketing, employment/redundancy. Diagrams are likely to be along the following lines:</p>  <p>Allow diagrams showing the demand reduction plotted against a perfectly inelastic supply curve. (Strictly speaking that is what it should be since capacity is fixed – although it could be argued that with a reduction in demand some accommodation in the village may be temporarily 'mothballed'.)</p>	6	<p><i>Alternatively it could be argued that that holidays in the UK at a place like CPUK are 'inferior goods' (although actual term does not have to be used) and so as income falls the demand for them rises. In this case the reverse of the material under 'content' applies.</i></p>	<p>Level 3: Some analysis of the effect of a fall in income on CPUK. (6-5) Level 2: Understanding demonstrated of concepts involved. No context required'. (4-3) Level 1: Appropriate concepts identified. If drawn: supply/demand/price (2-1)</p>

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			<p>The following sorts of statements <i>accompanied by a diagram or not</i>, will attract credit at this level.</p> <ul style="list-style-type: none"> • The fall in demand will cause price to fall OR the fall in demand will cause quantity (of holidays/supply/equilibrium quantity) to fall (3 marks) • Revenue/profit goes down (3 marks) • The fall in demand will cause price AND quantity (of holidays demand/supply/equilibrium quantity) to fall (4 marks) • The price fall OR the fall in quantity will reduce revenue/profit. (4 marks) <p>Level 3 Award the level for simple statements, accompanied by a diagram or not, of the effect on, implication of, or reaction by CPUK.</p> <ul style="list-style-type: none"> • Some of CPUK's costs fall because it now sells less holidays (4 marks) • The price fall AND the fall in quantity will reduce CPUK's revenue/profit. (5 marks) <p>For a level 3 mark of 6 the candidate needs to give a specific example of the effect on CPUK e.g.</p> <ul style="list-style-type: none"> • The price fall AND the fall in quantity will reduce CPUK's revenue/profit so they will have to do more marketing/introduce special offers (to increase it again). (6 marks) • The price fall AND the fall in quantity will reduce CPUK's revenue/profit but CPUK's costs may fall and partially/completely offset this (6 marks) • CPUK's holidays might be considered as an inferior good and so demand may rise (5) and so revenue/profit might rise/remain the same. (6). <p>Reference to income elasticity/the extent to which the income change affects demand and price should be rewarded at level 3.</p>		<p>Context is required for Level 3.</p> <p>For Level 3 there must be an impact or consequence of the EOS on CPUK.</p> <p>Answers that make provide clear examples should be rewarded at the upper end of the level as should answers that make reference to falls in unit costs. (Strictly speaking, EOS refers to long run reductions in unit costs but this need not be stated – this is not an economics examination).</p>	

Question		Answer/Indicative Content	Marks	Guidance	
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4	a	<p>“As a large business that operates from five different locations CPUK benefits from a number of economies of scale”. Analyse two economies of scale from which CPUK might benefit.</p> <ul style="list-style-type: none"> • Purchasing economies – centralised purchasing allows bulk buying of items (allow any plausible example with regard to CPUK e.g. larger items like the chalets to everyday items such as soap). This will lower the cost per unit of supplies purchased and so help improve profits – the firm’s strategic objective. The same sort of point occurs when purchasing the land. When a large amount of land is tendered for to build the park, ‘a good deal’ can be struck because of the size of the purchase. In addition building (say) 100 chalets will not be twice the cost of (a competitor) building only 50 chalets so the initial cost of capacity will be cheaper and will not cost twice as much to run. • Financial economies – A large (and therefore more secure) firm like CPUK will be able to negotiate more favourable financial ‘deals’ with a lender i.e. can get a lower interest rate and/or a longer repayment period than a smaller less secure firm. This (improves the cash flow situation of CPUK and) allows growth to continue – the £250m Bedford park – even when “times are tough”. • Managerial economies – a larger firm like CPUK can employ specialist managers e.g. a specialist HRM manager. S/he will add to (fixed) costs but will hopefully improve the productivity of employees through better motivation, communication etc. If more work (in any area of the firm; kitchens preparing meals, cleaning chalets looking after the woodland etc.) is being completed in the same amount of time fewer staff may be needed and this lowers unit costs and improves profits. • Marketing economies – when they advertise one parc they can advertise ‘all’. Thus lowering unit costs. 	10		<p>Level 3: Some analysis of economy/ies of scale on CPUK. (10-7)</p> <p>Level 2: Some understanding of economy/ies of scale. No context required’.(6-3)</p> <p>Level 1: Knowledge of economy/ies of scale stated. (2-1)</p> <p>Two economies analysed award 9/10 marks. One economy analysed award 7/8 marks. Two economies explained award 5/6 marks. One economy explained award 3/4 marks.</p>

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			<ul style="list-style-type: none"> • Risk bearing economies - <i>CPUK</i> can spread the risk of its business failing by having more than one location. With more than one park, if one “doesn’t do well” (for whatever reason) the others can help keep up company profits. Furthermore <i>CPUK</i> is not just ‘the parks’, it has many restaurants, cafes, shops in the park all of which can generate revenue through complimentary product sales. • Technical economies – a larger firm with a healthy revenue/profit stream like <i>CPUK</i> can afford the most up to date and efficient capital equipment and so can produce/sell more quickly. Allow any likely example(s) e.g. efficient and secure online booking “makes it easier for customers to book” and so allows <i>CPUK</i> to gain more customers. More efficient capital equipment “allows employees to look after the woodland and the park better, it improves efficiency and so lowers unit costs”. The cost of <i>CPUK</i>’s website can be spread across the five sites (this example also could also be used as an example of a Marketing economy). <p>Also allow references to external economies of scale. These (unit cost) reductions arise from outside the company rather than within it. Possibilities include:</p> <ul style="list-style-type: none"> • If the local authority has improved the infrastructure around the park it may make transportation of supplies easier and therefore cheaper for <i>CPUK</i>. • If a local college offers relevant vocational courses (such as Travel and Tourism) it may reduce training costs since employees who have studied these will have some knowledge of leisure activities and their provision. • If there is a pool of skilled labour locally due to as other similar local firms (e.g. hotels) in the industry having trained workers, this will give <i>CPUK</i> a larger and more flexible labour market from which to employ people – and again may help to lower recruitment and training costs (so lowering unit costs). 		<p>Answers do not have to relate to <i>CPUK</i>.</p> <p>A few words (e.g. as exemplified) will be</p>	

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	<p>Do not credit references to diseconomies of scale.</p> <p>Exemplars:</p> <p>A) One would be bulk buying. (L1) This means products can be bought cheaper which is good as it increases profits (L2). The second economy is managerial (L1) as it means there is a boss in charge of each village who can observe employees and correct their mistakes.</p> <p><i>The first example is correct but is generic and has no impact or consequence for CPUK. The second example has a correct identification of an EOS but is not a correct explanation of it.</i></p> <p>B) One economy of scale is purchasing (L1) so that the rooms in the village will have products like shampoo and soap and so CPUK buying these in bulk will reduce its unit costs (L2). This saves money which can be used elsewhere within CPUK such as making sure the induction training is effective (L3). Another economy would be marketing. (L1) CPUK would be able to spread the cost of its marketing campaigns across all five locations. (L2) This would make the advertising cheaper for each location. This lowering of unit costs will help to increase profit and dividends which is one of CPUK's objectives.(L3)</p> <p><i>Both examples in this answer show a clear understanding of economies of scale in context and provide an analysis of their impact on CPUK.</i></p>		sufficient for 'an outline'.	

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				Content	Levels of response
4	b	<p>Outline two managerial problems for CPUK which might result from operating in five different locations.</p> <ul style="list-style-type: none"> • Control/Easier to ‘conceal problems’ - senior managers cannot ‘watch over’ those in different locations so easily/”Mistakes don’t get noticed so quickly” etc • Poor communication – will take longer to ‘cascade down’ information/objectives/policies • Wider span of control – the opening of the new village in Bedfordshire means that senior managers now have more an extra location to manage. • Different policies - may cause resentment e.g. if wages are higher in one park than another to attract staff • Objectives – may be more difficult to get all staff to ‘buy into’ the firm’s objectives. Also they may be interpreted/applied in different ways in the different locations. • Different management styles - ways of managing could be inconsistent; different managers may feel ‘their way is best’ • Slower decision making– takes longer to gather feedback on proposed decisions • Coordination of activities – may be more difficult with more villages • Slower process of reviewing progress/profits – Information from five different sources will take time to process/analyse/evaluate • Possible demotivation of staff - if senior managers see some managers more than others then ‘remoter’ managers may feel isolated/demotivated. Alternatively, some ‘ordinary’ staff may feel that “they never see a senior manager” and feel less motivated. • Cost issues – resulting from duplication of some business functions e.g. someone in a position of responsibility for HRM, Accounting etc in each park. 	4		<p>Mark as 2 x (1 + 1)</p> <p>Possible routes into Level 4:</p> <ul style="list-style-type: none"> • A supported judgement on the most significant benefit to CPUK. • The extent to which cost implications impact on the

Question			Answer/Indicative Content	Marks	Guidance	
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			<ul style="list-style-type: none"> • Managerial diseconomies of scale – allow any valid exemplification (e.g. demotivation of staff/coordination/control) <i>as long as this is not used as the other managerial problem.</i> 		benefits to CPUK from operating in an ethical manner. <ul style="list-style-type: none"> • A consideration of whether a fall in consumer incomes means that people are unable/unwilling to pay the higher price charged by CPUK as a result of its operating ethically. 	

Question		Answer/Indicative Content	Marks	Guidance	
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5		<p>Evaluate the benefits to <i>CPUK</i> of operating in an ethical manner.</p> <p>Business ethics are the moral principles that guide the way a business operates. A business must be mindful of the environment in which it operates and this is important given the rise in concern over ‘green’ and ethical issues. If it did not do this it runs the risk of alienating its stakeholders. This would be bad for business in several ways that may ultimately impact upon growth and profit.</p> <p>The press and pressure groups can be active in ‘chasing up’ allegations of unethical behaviour and businesses which are found to be acting unethically can suffer a lot of bad publicity very quickly in printed form and across the internet – particularly if they had previously claimed to be ‘an ethical firm’. Stronger answers will make explicit reference to <i>CPUK</i>’s ethical operations.</p> <ul style="list-style-type: none"> • Ethical behaviour to staff. If <i>CPUK</i>’s managers are ethical to staff they will manage them fairly and be honest with them, the effect of this on employees is likely to raise morale and motivation. Motivated employees will be more productive (e.g. a gardener or a housemaid will get more work done in a given period of time) and prepared to ‘go the extra mile’ for the company. They will report problems to <i>CPUK</i>’s management before they escalate because they genuinely want to see them solved and they themselves will be creative in coming up with solutions. Creative employees make the organisation more flexible and adaptive to change - something that could give <i>CPUK</i> a competitive advantage. Loyal employees are less likely to leave and so will reduce recruitment costs for <i>CPUK</i> thus raising profits. • Ethics and recruitment. Given the above, there is likely to be a greater number of potential employees who may see ethics as the deciding factor in where they want to work. <i>CPUK</i> has a wider pool of skills/talents (and therefore more productive 	18	<p>Two L4 annotations = 16, 17 or 18 marks</p> <p>One L4 annotation = 14, 15 or 16 marks</p> <p>Two L3 annotations = 11, 12 or 13 marks</p> <p>One L3 annotation = 9, 10 or 11 marks</p> <p>Two L2 annotations = 7 or 8 marks</p> <p>One L2 annotation = 5 or 6 marks</p>	<p>Level 4: Some evaluation e.g. supported judgment concerning the likely benefit(s) of <i>CPUK</i> operating ethically. Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar. (18-14)</p> <p>Level 3: Some analysis of the likely benefit(s) of <i>CPUK</i> operating ethically. Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from</p>

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			<p>employees) to draw on at all levels from seasonal gardener to management trainee.</p> <ul style="list-style-type: none"> • Ethics and Investment. Investors may be more willing to lend because they agree with ethical investment or/and because they want to be seen to be associated with a well-known ethical company such as <i>CPUK</i>. Thus loans may be granted more easily or/and further issues of shares be more likely to succeed i.e. they are all sold and <i>CPUK</i> raises the desired amount of capital. • Ethics and the environment. <i>CPUK</i>'s commitment to 'putting the environment at the heart of company operations' (e.g. the commitment to reducing its carbon footprint, water usage and the amount of waste) can have benefits such as reducing the cost of energy and water usage. It can also be used as a marketing tool; there are large numbers of 'green'/ethical consumers who may be attracted to <i>CPUK</i> because of this sort of ethical behaviour. This could increase revenue. The combined effects of these could increase <i>CPUK</i>'s profit. • Ethics and suppliers. If suppliers are treated ethically i.e. used regularly and paid on time there is likely to be a large number of suppliers who want to be associated with <i>CPUK</i>. If this is the case then the greater choice of suppliers will hopefully lower costs and the 'regular orders' will mean a partnership that means suppliers are always 'willing to help in an emergency' – such as a shortage of food in the restaurant or chemicals for the swimming pool. Customer satisfaction is maintained. • Ethics and marketing. <i>CPUK</i> can use its ethical stance when marketing to attract more customers not only from UK but also from abroad. Where there are clear choices between an ethical company and an unethical one, then trends in society ('being ethical') will 'drive' consumers towards the ethical UK holiday destination. Being ethical can be used in its PR 			<p>the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning. (13 - 9)</p> <p>Level 2: Some understanding of the likely benefits of operating ethically. Some ideas about business ethics have been expressed. There are likely to be some errors of spelling, punctuation, and grammar of which some may be noticeable and intrusive. Context not required (8-5)</p> <p>Level 1: Knowledge recalled about ethics. Some simple knowledge about ethical operations has been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and</p>

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			<ul style="list-style-type: none"> • Ethics and the local community. ‘Putting something back’ (via sponsorship etc.) and sourcing locally may mean that in future <i>CPUK</i> may be more likely to get planning permission expand an existing park or to open a new park as local authority wants to encourage sustainable tourism. It also raises the firm’s profile and acts as advertising and promotion that may bring increased customers/revenue. <p>Exemplar answers:</p> <ul style="list-style-type: none"> • By operating ethically <i>CPUK</i> will attract more customers because these days people are more aware of green issues and will buy products and go to companies that supply in an ethical way. (L2) This will mean more profit for <i>CPUK</i>. Ethical behaviour like treating suppliers well and paying on time will also mean that suppliers are likely to always be willing to supply and so <i>CPUK</i> are never short of what they need to deliver good service to their customers. Looking after customers because of the good supply will bring in more profit. (L2). <p><i>No explicit context. Points made are valid but could refer to any business.</i></p> <ul style="list-style-type: none"> • One benefit of operating in an ethical manner means <i>CPUK</i> is concerned with reducing its negative effect on the environment through less carbon emissions, less water usage and lower waste By attempting to reduce these it may also create cost savings for <i>CPUK</i> (L2). meaning possible greater profit levels – one of its objectives. (L3) Although the capital cost to <i>CPUK</i> of investing in green technology to reduce their carbon footprint, water saving and the cost of recycling is likely to be high and will probably have a significant negative effect on profit in the short run. However there will be saving in the long term through savings in variable costs. This is important as it will help with 			intrusive. Writing may also lack legibility. (4-1)

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			<p>meeting CPUK's objectives of higher profits and dividends for shareholders. (L4)</p> <p><i>Clear context. Evaluation in terms of short term and long term considerations linked to two of CPUK's objectives.</i></p>			

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