

GCE

Business Studies

Unit **F292**: Business Functions

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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Annotations

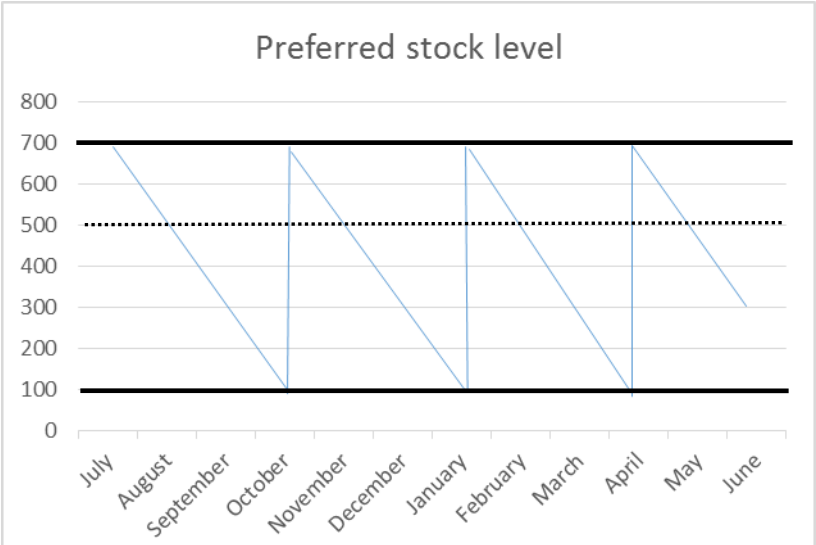
Annotation	Meaning
	Correct
	Incorrect
	Not sure what the candidate is trying to say or it does not make sense.
BOD	Benefit of doubt given
L1 L2 L3 L4	Levels of response awarded at this point
OFR	Own figure rule
TV	Too vague
NAQ	Not answered the question
NUT	Not used the context (generic)
REP	Repetition. The candidate has merely restated what has already been said and so no further credit given.
SEEN	The page has been seen. This can be used on pages where no other annotation is appropriate.

Question		Answer	Marks	Guidance
1	(a)	<p>Identify two advantages to a firm of using a customer orientated approach.</p> <p>Any TWO from:</p> <ul style="list-style-type: none"> • it can respond more quickly to changes in the market/new products/competitors • it will be more confident of success when launching a new product • there may be a better relationship with the customer/improved customer satisfaction • prices are more likely to be appropriate • it is unlikely to produce unwanted products/less likely to be left with unsold stock • less money needed to be spent on promotion • likely to sell more product/more revenue/increased demand/make more profit/more repeat customers <p style="text-align: right;">ARA</p>	2	<p>1 mark for each correct identification, up to a maximum of two identifications. .</p> <p>Make sure the two advantages are clearly different.</p> <p>Do NOT reward answers which have misinterpreted the phrase and are actually referring to customer service</p>
	(b)	<p>Define the term 'direct cost'.</p> <p>Any cost which can be specifically attributed to a product, process or person.</p>	2	<p>Only a definition is needed, it is not necessary to provide an explanation.</p> <p>2 marks – clear knowledge of what the term means with some reference to the cost being linked to the production of a particular product or process or person</p> <p>1 mark – only an appropriate example is given (e.g. raw materials, direct labour, packaging)</p> <p>Do NOT reward answers that imply that direct costs and variable costs are the same concepts</p>

Question	Answer	Marks	Guidance
(c)	<p>State two different pricing methods which a business may use.</p> <p>Any TWO from:</p> <ul style="list-style-type: none"> • cost-plus • contribution • absorption/full-cost • marginal cost pricing • target • penetration • price skimming/premium pricing • loss leaders • psychological • price discrimination • promotional (e.g. BOGOF, seasonal) • predatory/destroyer • going rate • convenience 	2	<p>1 mark for each correct identification, up to a maximum of two identifications. .</p> <p>Make sure the two methods are clearly different.</p> <p>Allow cost-based or market-based or competition-based as answers as they refer to groups of pricing methods</p>

Question	Answer	Marks	Guidance																														
(d)	<p>Complete the missing data in the four unshaded boxes.</p> <table border="1" data-bbox="383 280 1137 659"> <thead> <tr> <th></th> <th>Forecast (£)</th> <th>Actual (£)</th> <th>Variance (£)</th> <th>Favourable/Adverse</th> </tr> </thead> <tbody> <tr> <td>Sales revenue</td> <td>26 000</td> <td>28 500</td> <td>2 500</td> <td>Favourable</td> </tr> <tr> <td>Labour costs</td> <td>8 000</td> <td>12 300</td> <td>4 300</td> <td>Adverse</td> </tr> <tr> <td>Other costs</td> <td>5 600</td> <td>5 500</td> <td>100</td> <td>Favourable</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit</td> <td>12 400</td> <td>10 700</td> <td>1 700</td> <td>Adverse</td> </tr> </tbody> </table>		Forecast (£)	Actual (£)	Variance (£)	Favourable/Adverse	Sales revenue	26 000	28 500	2 500	Favourable	Labour costs	8 000	12 300	4 300	Adverse	Other costs	5 600	5 500	100	Favourable						Profit	12 400	10 700	1 700	Adverse	4	<p>One mark for each correct identification, up to a maximum of four identifications.</p> <p>These are the only acceptable answers.</p> <p>Each mark is awarded independently.</p>
	Forecast (£)	Actual (£)	Variance (£)	Favourable/Adverse																													
Sales revenue	26 000	28 500	2 500	Favourable																													
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(e)	<p>Explain two factors which a firm should consider when deciding on the most appropriate span of control for its organisational structure.</p> <p>Any TWO from:</p> <ul style="list-style-type: none"> • the complexity and nature of the work (1) - more complicated work may require more supervision by managers (1) • the type of organisation – a traditional firm may have a narrower span and a modern firm may have a wider span • how busy the manager is – this affects how much time the manager has to supervise the subordinates • the effectiveness of delegation by the manager – which affects the number of staff s/he can supervise at any one time • leadership style – determined by choice of style of the manager • the quality/training/experience/motivation of the workers – this determines how much support or control they need 	4	<p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Look for the actual factor (1 mark) along with a brief explanation or an example (1 mark)</p> <p>Ensure that the two suggestions are different.</p> <p>Answers do not need to suggest how a particular factor affects the actual size of the span of control although this may be one way to achieve the second mark</p> <p>Watch out for answers which have the cause and effect the wrong way round. For example, the span of control will affect the level of motivation or the firm's objectives</p>																														

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	<ul style="list-style-type: none"> • how often are any meetings – this determines the regularity/need of the control function • the type of work being done – highly creative work may need a different degree of supervision than more mundane work • the number of workers – a large number of workers may need a wider span of control • speed of decision-making required- more levels of management will affect communication <p style="text-align: right;">ARA</p>		
(f)	<p>Outline two advantages to a firm of using quality assurance techniques to help improve quality.</p> <p>Any TWO from:</p> <ul style="list-style-type: none"> • workers take more care (1) – as workers are given more responsibility/are empowered (1) • increased motivation – this may be due to job enrichment or may lead to other advantages (e.g. lower labour turnover) • reduced costs – no need to employ an inspection team or fewer defects/rejects should occur • fewer customer complaints/returns – as there is more of a zero defect (right first time) attitude to working • easier to identify where the quality problem occurs – as the problem is identified straightaway rather than at the end of the production process <p style="text-align: right;">ARA</p>	4	<p>One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations.</p> <p>Look for the actual advantage (1 mark) along with a brief explanation or an example (1 mark).</p> <p>Ensure the two suggestions are different.</p> <p>Only award the explanation mark for answers that implicitly or explicitly show understanding of quality assurance.</p> <p>To improve quality is not an answer as this is given in the question</p>

Question	Answer	Marks	Guidance
2 (a)	<p>Clearly label:</p> <ul style="list-style-type: none"> • the maximum stock • the buffer stock level • the re-order level. 	4	<p>1 mark for clear (at least 2 points or a line AND labelled) indication of maximum stock level at 700</p> <p>1 mark for clear (at least 2 points or a line AND labelled) indication of buffer stock level at 100</p> <p>1 mark for correct drawing of stock levels at a rate of 200 units per month (for a minimum of two cycles with verticals)</p> <p>1 mark for correct indication of re-order level at 500</p> <p>Allow OFR for re-order level if the stock level line is incorrectly drawn (2 months earlier than buffer level being reached)</p> <p>NB: The graph on the question paper only incorporates the period up to and including February 2017</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(b)	<p>Evaluate the possible impacts on SBL’s operational efficiency of changing from job production to batch production in its UK factory.</p> <p>Batch production has a number of advantages over job production (e.g. faster, lower unit costs, more responsive to demand) but has a number of disadvantages (e.g. lower worker motivation, higher stock levels, loss of individuality). There is lots of context that candidates may use to analyse these issues at SBL.</p> <p>It is clear that for SBL, quality is key, but without being too expensive. (“our bears looked more expensive than they really were”) and so batch production may damage the quality image. The bears are currently ‘handmade’ with one worker making a bear from start to finish. There is a danger that batch production will lose the uniqueness of each bear, so losing SBL’s USP.</p> <p>In addition, batch production, especially in the clothing industry, has a ‘sweatshop’ image which may not be what the ‘creative staff’ and relatively young staff employed by SBL would appreciate.</p> <p>SBL already has some storage issues which may only be made worse with batch production which is notorious for higher stock levels, especially work in progress. It may also be questioned whether batch production is appropriate (or efficient) when only producing low batch quantities (the UK factory only produces a maximum of 200 bears of a design).</p> <p>On the other hand, SBL has been experiencing long delays with customer deliveries and batch production can help with this (although better answers may argue that the UK factory</p>	16	<p>A Level 3 answer needs to consider the impact on SBL’s efficiency, although the way in which efficiency is considered can be quite general.</p> <p>Level 4 answers may consider what is meant by efficiency and/or the short-term impact verses the long-term impact.</p> <p>Another possible route into evaluation may be the fact that, at present, only 5% of production is carried out in the UK, so any changes will have minimal effect on SBL’s overall efficiency.</p> <p>A decision is not required to achieve any level, although a justified two-sided answer is likely to be rewarded at Level 4.</p> <p>If answers make reference to batch production improving SBL’s stock control issues it must be clear how this may happen and be plausible.</p>	<p>Level 4: 16-12 marks Some evaluation shown of whether the impact on SBL’s efficiency will be positive or negative, in the specific circumstances it faces.</p> <p>Level 3: 11-7 marks Some analysis of the impact on efficiency of changing from job to batch production with specific reference to the context of SBL.</p> <p>Level 2: 6-3 marks Some understanding shown of how a business may be affected by changing production method from job to batch, with no reference to the context of SBL. No context required.</p> <p>Level 1: 2-1 marks Some knowledge of job or batch production. Award zero marks for a response which is not worthy of credit</p> <p>The bottom mark in each level MUST only be used for a BOD answer at that level.</p>

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			<p>only produces <5% of the total world output). Also, George’s desire to improve the GPM may be achieved on these more exclusive bears, as batch production is seen to have a lower unit cost.</p> <p>Better answers may also suggest that if more production moves to the UK from South Korea then batch production will be absolutely necessary, given the higher labour costs in the UK, so that moving to batch production now will help in the long-run.</p>		<p>One L2 annotation = 3 or 4 marks Two L2 annotations = 5 or 6 marks</p> <p>One L3 annotation = 7, 8 or 9 marks Two L3 annotations = 9, 10 or 11 marks</p> <p>One L4 annotation = 12, 13 or 14 marks Two L4 annotations = 14, 15 or 16 marks</p>	

Question		Answer	Marks	Guidance	
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3		<p>Assess the extent to which SLB may benefit from completing more detailed and accurate cash-flow forecasts.</p> <p>Cash-flow forecasts are produced to help a business to control and monitor cash-flow in the business. There are a number of contextual issues that candidates may consider to help to answer this question.</p> <ul style="list-style-type: none"> • It is clear that not enough attention to cash-flow planning has been present in the past. The fact that George has been doing the absolute minimum is surprising for a business with a turnover of over £8m. • After spending six months looking into SBL, the business coach, Kathy Wu, has identified it as one of the three key areas which the business needs to focus on over the next one to two years. This implies it is in desperate need of improving. • As the company has grown so fast over such a short period of time, this does create an urgent need to have better cash-flow planning. In addition, if the move to batch production goes ahead, there will be a greater level of stock in the business which will place even greater pressure on cash-flow. • Evidence from the balance sheet shows that stock, debtors and creditors have increased significantly over the last 12 months. There has also been a large growth in the overdraft which seems excessive for such a cash-rich business. • The bank has raised concerns about SBL's balance sheet. This may limit SBL's ability to fund future growth for which cash-flow planning is a major contributory factor. 	16	<p>An attempt to consider the advantages against the disadvantages of improved cash-flow forecasting is the most likely way to reach Level 4, as long as it is in context.</p> <p>A two-sided answer does NOT automatically move into Level 4.</p> <p>Candidates may make reference to ratio analysis to consider SBL's working capital situation but this is not necessary for any level of response.</p> <p>One L2 annotation = 3 or 4 marks Two L2 annotations = 5 or 6 marks</p> <p>One L3 annotation = 7, 8 or 9 marks Two L3 annotations = 9, 10 or 11 marks</p> <p>One L4 annotation = 12, 13 or 14 marks Two L4 annotations = 14, 15 or 16 marks</p>	<p>Level 4: 16-12 marks Some evaluation shown by showing whether SBL will actually benefit or not from using better cash-flow forecasts.</p> <p>Level 3: 11-7 marks Some analysis of how better cash-flow forecasts may benefit or may not benefit SBL, with specific reference to the context available.</p> <p>Level 2: 6-3 marks Some understanding shown of how any business may or may not benefit from completing more detailed and accurate cash-flow forecasts, without any reference to the context of SBL. No context required.</p> <p>Level 1: 2-1 marks Some knowledge of cash-flow forecasting.</p> <p>Award zero marks for a response which is not worthy of credit</p> <p>The bottom mark in each level MUST only be used for a BOD answer at that level.</p>

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		Reference may be made to George's history of poor cash-flow planning possibly being indicative of his disinterest, or inability, with financial matters. It is unclear whether SBL has a Financial Director, but even if it does not, there is no need for George to do the job himself. A company of this size could afford to sub-contract this job out to an accountancy firm and the cost would be most likely outweighed by the potential benefits.			
4		<p>Should SBL use its website as an additional channel of distribution? Justify your answer.</p> <p>Channels of distribution refer to the way in which the producer ensures its products are available to the end consumer.</p> <p>There are a number of possible arguments for and against the proposal for SBL to sell through its website.</p> <p>ADVANTAGES</p> <ul style="list-style-type: none"> • Although currently SBL has a large number of stockists, it has virtually no direct control over its sales and customer contact. It is heavily reliant on the shopping channel's website. This may not be set out in a way that ties in with SBL's image (we are told it is plain and functional) and it is possible that many of SBL's customers never see its own 'all singing and dancing' website. This is not very efficient. • The modern business (especially one that sells as internationally as SBL) usually sells online. Recent data has shown the significant percentage of business carried out online. Given that SBL appears to use IT well (a modern interactive website, a high social media presence on Facebook and Twitter, secondary markets such as eBay and an app in the future) it 	16	<p>L2 answers are likely to only consider the pros and cons of selling via a website in a generic manner.</p> <p>L3 answers will consider these pros and cons with clear reference to SBL.</p> <p>One L2 annotation = 3 or 4 marks Two L2 annotations = 5 or 6 marks</p> <p>One L3 annotation = 7, 8 or 9 marks Two L3 annotations = 9, 10 or 11 marks</p> <p>One L4 annotation = 12, 13 or 14 marks Two L4 annotations = 14, 15 or 16 marks</p>	<p>Level 4: 16-12 marks Some evaluation shown by coming to a reasoned decision about the suitability of SBL using its website as an additional channel of distribution.</p> <p>Level 3: 11-7 marks Some analysis of the pros and cons of SBL selling via its website, with specific reference to the context available.</p> <p>Level 2: 6-3 marks Some understanding shown of possible pros and cons of a business selling via a website, without any attempt to discuss the context of SBL. No context required.</p> <p>Level 1: 2-1 marks Some knowledge of channels of distribution.</p>

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	<p>appears illogical that SBL does not do e-commerce. All of this social media is attracting potential customers who will expect to purchase online.</p> <ul style="list-style-type: none"> • We are told that stockists are inundated after appearances by SBL on shopping channels. If customers were able to buy direct, this may put less pressure on the retailers so that customers have fewer out of stock experiences. It will also help SBL’s stock control and distribution problems (it may also reduce its costs as customers expect to pay delivery costs on top of the normal price, whereas delivery costs to retailers have to be absorbed into the cost base.) • Selling online removes the ‘middleman’ so that SBL gets to keep more of the profit. <p>DISADVANTAGES</p> <ul style="list-style-type: none"> • Will having its own website for selling upset the shopping channels? At present, the shopping channels take a share of the price to cover costs. However, if SBL has its own website, customers may see the products on the shopping channel but then buy direct from SBL’s website. The shopping channel incurs costs but does not get its share of the revenue. • Anthony is already concerned about Caroline’s proposals. It is not made clear what the possible impact on HR may be, but it may be with regards to extra pressures on the production schedule where with orders coming online there is greater pressure on SBL to have the products in stock at all times. At present, it is the retailers who have to deal directly with the problems of running out of stock. 			<p>Award zero marks for a response which is not worthy of credit</p> <p>The bottom mark in each level MUST only be used for a BOD answer at that level.</p>

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5		<p>Discuss how the use of motivational theories may help SBL to decide on the most appropriate way to organise and motivate its production staff.</p> <p>Reference can be made to any motivational theory if it is linked to relevant contextual evidence. These <u>include</u>:</p> <p>Taylor Suggests 'a fair day's pay for a fair day's work'. So, if Anthony is suggesting that workers are given more control, particularly if team leaders are appointed, will they expect more pay to go with this. George hints at this issue when he says the workers will expect pay and time to go with a title. George also seems to think that money is the solution.</p> <p>Mayo 'Management does not pay any attention to staff'. Anthony tells of workers never seeing senior management on the shop floor, a lack of management support and Anthony himself did not get any real induction. This disagrees with Mayo's theory of making workers feel more appreciated and improving consultation and communication.</p> <p>Herzberg Anthony's proposal is linked to Herzberg's motivators. Team working and empowerment will increase, opportunities for greater promotion opportunities will occur, as well as improved division of labour and job rotation. This could especially help if the change to batch production goes ahead and/or more production is moved to Bristol from South Korea.</p>	20	<p>Do not forget that this question is marked out of 20.</p> <p>Unsupported explanations of motivational theories should not be awarded above Level 2.</p> <p>Answers which primarily consider whether Anthony's proposals should be implemented are unlikely to be answering the question, unless this decision is supported by use of appropriate motivational theory.</p> <p>One L2 annotation = 4, 5 or 6 marks Two L2 annotations = 6, 7 or 8 marks</p> <p>One L3 annotation = 9, 10 or 11 marks Two L3 annotations = 12, 13 or 14 marks</p> <p>One L4 annotation = 15, 16 or 17 marks Two L4 annotations = 18, 19 or 20 marks</p>	<p>Level 4: 20-15 marks Some evaluation shown of the usefulness (or otherwise) of motivational theories, in helping SBL to organise and motivate its staff.</p> <p>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.</p> <p>Level 3: 14-9 marks Some analysis of how motivational theories can be used when looking at the way in which the production staff are organised and/or motivated, with specific reference to the context available about SBL.</p> <p>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from 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.</p>

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		<p>Peters His work emphasises recognising champions, improving involvement and belonging of workers and encouraging participation. All of these would be likely to be achieved with Anthony's proposals.</p> <p>Maslow George's view that the 'creative sorts' want to be left alone ties in with self-actualisation needs. Is there a danger that this will be lost with the proposed changes?</p> <p>Given the potential increase in the size of the Bristol site and the problems we are told about when it first opened, it will be vital to keep the current workforce motivated. The changes to work visa rules introduced in 2013/14 will make it much harder for SBL to recruit suitable staff from outside the UK/EU. Incorporating theories of motivation when considering Anthony's proposal should help SBL to consider it more effectively.</p> <p>Only accept references to McGregor's theory if they are linked to methods of motivation.</p>		Poor QWC cannot prevent a candidate from accessing any level, but within any individual level QWC can affect, by up to two marks, the final mark given.	<p>Level 2: 8-4 marks Some understanding shown of how motivational theories can be used in a business context, without any reference to the context of SBL. No context required.</p> <p>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1: 3-1 marks Some knowledge of motivational theories.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p> <p>Award zero marks for a response which is not worthy of credit</p> <p>The bottom mark in each level MUST only be used for a BOD answer at that level.</p>

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