



GCE MARKING SCHEME

SUMMER 2016

**BUSINESS STUDIES - BS2 (LEGACY)
1082/01**

INTRODUCTION

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

It should be remembered that the candidates are writing under examination conditions and credit should be given for what the candidate writes rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for the less than perfect answer it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

Levels of Response

Questions are awarded marks on the basis of the levels of response. The purpose of this is to award the so-called higher level skills, particularly of analysis and evaluation. In practice, the good Business Studies candidate is likely to demonstrate a good grasp of the information presented to him/her, he/she will be able to weigh this up in the light of his/her theoretical understanding of the subject and will be able to suggest appropriate strategies to deal with the situation. Candidates who have a deficiency in their theoretical understanding or who are unable to analyse properly a situation, are unlikely to be able to synthesise or evaluate in a meaningful way.

In marking scripts reference should be made to the relevant part of the mark scheme and the candidate should be awarded a mark that corresponds to the highest level that he/she has demonstrated.

Quality of written communication

The QWC is assessed in question 3

GCE Business Studies
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Qu	Answer	Mark allocation	Assessment objectives
1.(a)	<p>Calculate the following for Blizzard Snowboards for 2015:</p> <ul style="list-style-type: none"> • Total Variable Cost • Total Fixed Cost • Profit <p>TVC = £570 000 (1 mark) TFC = £400 000 (1mark) Profit = TR-TC (1mark) = £305 000 (1mark)</p> <p>OFR for total costs in calculating profit</p>	4	AO1 1 AO2 3
1.(b)	<p>On the graph paper provided, construct and label the break-even chart for the year 2015. Write the break-even output in the box provided.</p> <p>1 mark for each - TR, TC, FC and B/E output line to horizontal axis correctly drawn. FC = £400000 TC = £970000 TR = £1275000 BE = 851 boards (Allow 840-860) 1 mark for writing correct B/E value in the box provided. 1 mark for correct labelling.</p> <div style="text-align: center;"> </div>	6	AO2 6

Qu	Answer	Mark allocation	Assessment objectives
1.(c)	<p>Consider the usefulness of break-even analysis to a business such as Blizzard Snowboards.</p> <p>Level 1 Candidate identifies one or two ways in which break-even analysis may be useful to a business such as Blizzard Snowboards.</p> <p>Level 2 Candidate attempts to explain the usefulness of break-even analysis to a business such as Blizzard Snowboards and may attempt some evaluation.</p> <p>Level 3 Candidate fully considers how useful break-even analysis may be to a business such as Blizzard Snowboards.</p> <p>Indicative content:</p> <p>Reasons why break-even analysis may be useful:</p> <ul style="list-style-type: none"> • <u>Easy visual means</u> of analysing a firm’s financial position at different levels of output • Profit and loss situation can be seen <u>at a glance</u> – good for non-financial specialists • Useful for making decisions in <u>‘what if’</u> situations • Breakeven analysis, as part of a <u>business plan</u>, can be useful in gaining finance • Allows to identify the margin of safety • May help in the setting of targets such as sales/production <p>Reasons why break-even analysis may be less useful:</p> <ul style="list-style-type: none"> • Often regarded as <u>too simplistic</u> as some assumptions are unrealistic • It <u>assumes all output is sold</u> which is often not the case • <u>Assumes that conditions remain unchanged</u> – wages, prices, technology can all change suddenly • <u>Relies on the data being accurate</u> and often under or over estimations are made • <u>Assumes that total revenue and cost curves are always linear</u> – this may not be the case • <u>Allocating fixed costs</u> in a multi-product firm can be problematic – thus making BE output inaccurate • <u>Fixed costs are often stepped</u> – this makes BE analysis difficult <p>Accept any other valid response.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>

Qu	Answer	Mark allocation	Assessment objectives
1.(d)	<p>Explain the importance to Blizzard Snowboards of having a strong brand.</p> <p>Level 1 Candidate identifies one or two reasons why having a strong brand may be important to Blizzard Snowboards</p> <p>Level 2 Candidate attempts to explain why having a strong brand may be important to Blizzard Snowboards.</p> <p>Level 3 Candidate fully explains why having a strong brand may be important to Blizzard Snowboards.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Important when creating brand <u>loyalty</u> - this will encourage repeat purchasing and generate increased sales • Important when <u>making pricing decisions</u> as there will be a greater degree of flexibility – demand will not fall significantly when the price is raised • Important because customers tend to <u>trust</u> the product and may purchase other products that are associated with the brand/ quality of product • Important because a strong brand gives a <u>clear and easily recognisable identity</u> which will help to differentiate products from those of competitors • Retailers are more willing to stock Blizzard Boards <p>Accept any other valid response.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p>
1 (e)	<p>Explain two ways in which Blizzard Snowboards might increase the strength of its brand.</p> <p>Level 1 Candidate identifies one or two ways in which Blizzard Snowboards might increase the strength of its brand.</p> <p>Level 2 Candidate explains two ways in which Blizzard Snowboards might increase the strength of its brand. Application to the case study needed.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Increased promotion – for example, BS may place adverts in magazines which have a high circulation or publications that appeal to potential customers with high levels of disposable income • Endorsement – to increase the appeal of their boards by encouraging top snowboarders or celebrities to use their product and increase awareness of the brand • Brand stretching – the brand name could be used for a new range of products related to snowboarding; such as developing a range of clothing for use by snowboarders 	<p>4</p> <p>1-2</p> <p>3-4</p>	<p>AO2 2</p> <p>AO3 2</p>

Qu	Answer	Mark allocation	Assessment objectives
	<ul style="list-style-type: none"> • Develop new ranges – the brand could be strengthened by, for example, developing boards for children or professional snowboarders • Sponsorship – sponsoring major events would promote the brand name, perhaps on a global basis • Public Relations – BS might support an environmental cause related to Alpine areas or promote snowboarding for the disabled • Improve quality of products through investing in production <p>Accept any other valid response.</p>		

<p>1 (f)</p>	<p>To what extent do you agree with Mike Halliday’s decision not to raise wages in 2016?</p> <p>Level 1 Candidate briefly describes possible impacts that not raising wages might have upon Blizzard Snowboards’ operations.</p> <p>Level 2 Candidate attempts to explain possible impacts that not raising wages might have upon Blizzard Snowboards’ operations and may undertake some basic evaluation.</p> <p>Level 3 Candidate fully assesses possible impacts that not raising wages might have upon Blizzard Snowboards’ operations.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • May lead to <u>lack of motivation</u> amongst the workforce – this could lead to lower productivity. This will depend upon how well the decision is communicated to the workforce and how loyal the workforce is • <u>Quality may suffer</u> too which would impact on reputation and long term sales figures • Workers may be <u>discouraged from joining the company</u> if wage rates are low compared to other employers in the area • Workers may <u>choose to leave</u> and work elsewhere if an opportunity arises. Could lead to the loss of skilled workers, who might be difficult to replace. Depends on the state of the job market and the economy. Many new manufacturers in this market • Increased absenteeism, lower productivity • Employee/employer relationships may suffer and result in trade unions getting involved and industrial disputes • Keeping costs as low as possible may make the business <u>more competitive and increase sales</u> significantly. This may lead to long term stability for the business and create job security for the workforce • Depends <u>how well the workforce is paid in relation to other businesses</u> where the workers may seek employment. If they are well paid then not raising wages will have a minimal impact • Mike knows the workforce is <u>very loyal</u> and he may well be able to take advantage of this <p>Accept any other valid response.</p>	<p>10</p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p> <p>AO4 4</p>
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Qu	Answer	Mark allocation	Assessment objectives
2.(a)	<p>Suggest three appropriate methods of industrial marketing that could be used by Redman’s Limited when selling its products.</p> <p>1 mark for each appropriate method suggested.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • <u>Attending trade fairs and exhibitions</u> in order to establish contacts and display goods • <u>Employing highly specialised sales personnel</u> who would deal on a one-to-one basis with industrial customers • <u>Buying space in trade magazines and journals</u> in order to advertise the goods or services to targeted customers • <u>Adopting a finely targeted approach</u> – homing in on the few people in any organisation whose responsibility it is to purchase goods and services from suppliers such as Redman’s <p>Accept any other valid response.</p>	3	AO1 3
2.(b)	<p>Identify three key components of a workforce plan.</p> <p>1 mark for each key component identified.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • To plan how many workers it will need in the future • To estimate the cost of employing the workforce • To estimate the balance between part time or full time workers • To identify the skills necessary for the vacancies they may wish to fill • To predict when these workers will be needed in order to put recruitment plans in place • To identify where workers will be needed if more than one location exists • To identify who may need training to improve skills • To identify who can be redeployed to fill gaps where certain skills are necessary • To support a rationalisation strategy – natural wastage, voluntary redundancy, compulsory redundancy, early retirement – the cost of these <p>Accept any other valid response.</p>	3	AO1 3

Qu	Answer	Mark allocation	Assessment objectives
2 (c)	<p>What is meant by <i>capacity utilisation</i> and how might Redman’s Limited measure it?</p> <p>1 mark for each valid point.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • The use that a business makes of its resources(x1), such as property, machinery and labour. (x1) • Measured by comparing actual output (x1) with potential output at full (maximum) capacity. (x1) • Can be measured as a percentage of maximum capacity: $CU = \text{current output}/\text{maximum output} \times 100$ (x2) 	4	AO1 4
2(d)	<p>To what extent would operating at full capacity be of benefit to Redman’s Industrial Clothing Limited?</p> <p>Level 1 Candidate briefly outlines one or two benefits to Redman’s of operating at full capacity.</p> <p>Level 2 Candidate attempts to explain possible benefits to Redman’s of operating at full capacity. May attempt some evaluation.</p> <p>Level 3 Candidate evaluates the issues related to Redman’s of operating at full capacity.</p> <p>Indicative content:</p> <p>Possible benefits:</p> <ul style="list-style-type: none"> • Redman’s average costs minimised – fixed cost spread – helps raise potential profits • Employees may feel more secure in their jobs – motivation raised • Improves Redman’s company image – busy business may encourage customers to place orders <p>However</p> <ul style="list-style-type: none"> • Redman’s may experience a strain on resources if over worked, may lead to poorer quality • Too much overtime for workers may lead to stress, tiredness – absences and accidents may result • Machinery may be overworked and breakdown if insufficient time put aside for maintenance at Redman’s • Insufficient staff training if employees working all the time • Orders may be lost if no capacity available to accommodate new customers <p>Accept any other valid response.</p>	<p>8</p> <p>1-2</p> <p>3-5</p> <p>6-8</p>	<p>AO1 2</p> <p>AO2 2</p> <p>AO3 2</p> <p>AO4 2</p>

Qu	Answer	Mark allocation	Assessment objectives
2 (e)	<p>What difficulties is Redman’s Limited likely to face when trying to increase its sales in Europe and across the rest of the world.</p> <p>Level 1 Candidate briefly describes one or two difficulties that Redman’s may face when trying to increase its sales in Europe and the rest of the world.</p> <p>Level 2 Candidate attempts to explain one or two difficulties that Redman’s may face when trying to increase its sales in Europe and the rest of the world.</p> <p>Level 3 Candidate fully explains difficulties that Redman’s may face when trying to increase its sales in Europe and the rest of the world.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Competition from domestic suppliers of industrial safety clothing may be very strong customers may be brand loyal to their current supplier. Additional costs of operating in an overseas market may make it difficult for Redman’s to be competitive • Fluctuations in exchange rates may present problems • Language difficulties – Whilst English is widely spoken it is not the first language in most countries and this may result in communication problems with potential customers. Agents may need to be employed and this raises costs further • Cultural differences – for example, names and colours have different meanings in different countries: what is acceptable in one country may not be in another • Different business practices may present difficulties. Some countries may anticipate longer periods of time to make payments and accounting practices may vary. Bribes may be an acceptable element of business practice in some countries, whilst in others it is frowned upon • Logistical challenges – transportation, supply lines, etc. • Variations in legislation – Issues may arise in relation to product safety, labelling and advertising. This will require detailed research into any market that they may consider entering which may prove costly • Economic systems may be very different and taxation requirements may vary – Redman’s needs to be aware of these • Political instability in some parts of the world may make entering the market very risky and could potentially lead to the loss of any investment made <p>Accept any other valid response.</p>	<p>6</p> <p>1-2</p> <p>3-4</p> <p>5-6</p>	<p>AO1 4</p> <p>AO3 2</p>

Qu	Answer	Mark allocation	Assessment objectives
3.	<p>Introducing robotic technology, whatever the size of your business, makes sound business sense. Discuss.</p> <p>Level 1 Candidate briefly outlines reasons why introducing robotic technology makes sound business sense.</p> <p>The candidate organises information and presents simple ideas in a clear manner using some appropriate terminology. Errors in grammar, punctuation and spelling may be noticeable and intrusive suggesting weaknesses in these areas.</p> <p>Level 2 Candidate explains at least two reasons why, whatever the size of your business, introducing robotic technology makes sound business sense. May attempt some evaluation.</p> <p>The candidate can organise relevant information and express moderately complex ideas clearly in a coherent manner. There is good use of specialist terminology. Occasional errors in grammar, punctuation and spelling occur but they are not sufficient to suggest a weakness in these areas.</p> <p>Level 3 Candidate fully evaluates the proposition.</p> <p>The candidate can organise effectively relevant information and express complex ideas extremely clearly and fluently. There is very good use of specialist terminology. There are few, if any, errors of grammar, punctuation and spelling.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Robotic technology is becoming smarter and faster and it makes sense to utilise it, especially if your competitors are doing so needs to be done to remain competitive • Robotic technology can carry out repetitive tasks with great accuracy time after time and are likely to improve product quality • In the long run, labour costs may be reduced • Repetitive tasks undertaken by humans can lead to boredom, lack of motivation and human error – robotic machinery will eradicate these problems • They do dirty, unpleasant and dangerous jobs without complaining – reduce human resource problems and the costs involved in improving motivation or compensation • They do not get tired, sick and take days off – productivity likely to be improved • More small to medium sized businesses may use new robotic technology – therefore those who do not may find competition greater and lose market share 	<p>10</p> <p>1-3</p> <p>4-7</p> <p>8-10</p>	<p>AO2 4</p> <p>AO3 2</p> <p>AO4 4</p>

	<p><i>However</i></p> <ul style="list-style-type: none"> • Initial purchase cost can still be very high for some businesses and breakdowns can also be very expensive to resolve. This can increase risk – especially for small businesses • Maintenance can be costly as downtime is required • Robots have proved to be too inflexible in final assembly where customer options have to be catered for – this problem is however being addressed as robotic machinery becomes more sophisticated • Reprogramming of robots can be very expensive indeed – whilst large manufacturers with huge revenue streams may be able to afford this SME's may not be able to undertake such regular reprogramming • Many robots cannot problem solve – this may not be the case for too much longer • The fact that 59% of US manufacturers already use some form of robotic machinery suggests that UK manufacturers may need to invest in order to be globally competitive • Some manufacturers, where handmade skills are part of their USP will remain unaffected – in fact, undertaking such investment would damage their success. Depends on the nature of the market in which the manufacture operates as to whether such investment would make sound business sense • Would customers react positively to products being manufactured by machines? <p>Accept any other valid response.</p>		
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