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# **GCE AS MARKING SCHEME**

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**SUMMER 2016**

**BUSINESS – NEW AS UNIT 2  
2510U20-1**

## **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**

### **Positive Marking**

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

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

**GCE Business**

**SUMMER 2016 MARK SCHEME**

**UNIT 2: Business Functions**

<b>Q 1 1</b>	<b>What is an apprenticeship?</b>	<b>Total</b>
	<p data-bbox="1123 443 1302 477" style="text-align: right;">AO1:4 marks</p> <p data-bbox="309 477 847 510">Award 1 mark for each aspect described.</p> <p data-bbox="309 544 576 577"><b>Indicative Content:</b></p> <ul data-bbox="357 577 1294 1599" style="list-style-type: none"><li data-bbox="357 577 1166 645">• A form of training for young people whilst undertaking paid employment.</li><li data-bbox="357 678 1262 745">• Focuses on the skills and methods required to carry out a specific job in industry.</li><li data-bbox="357 779 1278 891">• These schemes cover traditional skills sectors such as engineering and construction as well as business administration, retail, banking and information technology.</li><li data-bbox="357 925 887 958">• Generally last for three to four years.</li><li data-bbox="357 992 1193 1025">• Consist of on-the-job training plus practical and written tests.</li><li data-bbox="357 1059 1294 1126">• Often combine workplace training with attendance at college on day release or evenings.</li><li data-bbox="357 1160 1289 1272">• Modern Apprenticeships offer people aged over 16 the chance of paid employment linked with the opportunity to train for jobs at craft, technician and management level.</li><li data-bbox="357 1305 959 1339">• Can be supported by government funding.</li><li data-bbox="357 1373 1190 1440">• Possibility of permanent employment if the apprenticeship is successfully completed.</li><li data-bbox="357 1473 1262 1541">• Qualifications are attained at the completion of the apprenticeship programme</li><li data-bbox="357 1574 1078 1608">• Remuneration can be less than the minimum wage.</li></ul>	<b>4</b>

<b>Q 1 2</b>	<b>Explain two benefits to Carry Light Ltd. of investing in training of its shop floor workers. (6)</b>		
<b>Band</b>	AO1	AO2	AO3
	2 marks	2 marks	2 marks
<b>2</b>	<b>2 marks</b> Two benefits of training shop floor workers identified.	<b>2 marks</b> Good application of the benefits of training its shop floor workers to Carry Light Ltd. Clear reference to the text.	<b>2 marks</b> Good analysis of the possible benefits of training shop floor workers. Analysis shows a clear understanding of the benefits of training.
<b>1</b>	<b>1 mark</b> One benefit of training shop floor workers identified.	<b>1 mark</b> Limited application of the benefits of training its shop floor workers to Carry Light Ltd. The response is mainly theoretical.	<b>1 mark</b> Limited analysis of the possible benefits of training shop floor workers. Analysis shows a superficial understanding of the benefits of training.
<b>0</b>	<b>0 marks</b> No identification of benefits of training evident.	<b>0 marks</b> No application evident.	<b>0 marks</b> No analysis offered.

**Indicative content:**

- Training may help improve job satisfaction and motivation. Confidence will grow and they should gain greater self –esteem. According to the HR director many of the shop floor workers are de-motivated.
- Offering training may make some workers feel that they have prospects at Carry Light or that they can improve their skills and enjoy their jobs to a greater extent. This may stop some of them leaving the company for other jobs.
- Training can make workers more productive. By teaching more effective and efficient ways of working Carry Light may be able to reduce costs – thereby impacting on their profitability and cash flow problems.
- Training may prepare workers for taking on greater responsibility or requiring less supervision. This may make any de-layering strategy easier to implement.
- Any other benefit of training shop floor workers correctly applied to Carry Light limited.

<b>Q 1 3</b>	<b>What is meant by the term <i>hierarchy</i>?</b>	<b>Total</b>
	<p style="text-align: right;">AO1:3 marks</p> <p>Award 1 mark for each aspect described.</p> <p><b>Indicative Content:</b></p> <ul style="list-style-type: none"> <li>• The <u>management structure</u> of an organisation – shows the levels of management from the top to the bottom.</li> <li>• Indicates who is responsible to whom – the way <u>authority is organised</u>.</li> <li>• Shows the <u>chain of command</u> – tall hierarchies have long chains of command and flat hierarchies have shorter chains of command.g</li> </ul>	<b>3</b>

<b>Q 1 4</b>	<b>What is <i>delaying</i> and to what extent will it benefit an organisation such as Carry Light Ltd?</b>		
<b>Band</b>	AO1	AO3	AO4
	2 marks	4 marks	2 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of the concept of delaying is demonstrated.</p>	<p><b>3-4 marks</b></p> <p>Good analysis of the benefits of delaying is evident.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the impact that delaying may have on an organisation is evident.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the concept of delaying is demonstrated.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the benefits of delaying is evident.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the impact that delaying may have on an organisation is evident.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the concept is demonstrated.</p>	<p><b>0 marks</b></p> <p>No explanation of the benefits of delaying is evident.</p>	<p><b>0 marks</b></p> <p>No evaluation is undertaken.</p>

**Indicative content:**

- It involves the removal of one, or more, levels of hierarchy from the management of an organisation.
- It creates a flatter structure to the management hierarchy leading to wider spans of control.
- By removing a layer of managers, considerable cost savings can be made on their salaries – overheads are reduced.
- Communication may improve because the organisation is flatter – managers and subordinates may develop a greater understanding.
- Some staff may now be empowered to make their own decisions and this could be motivating for them.
- However, those managers who remain may become demoralised and fearful that their job may be the next to go.
- May lead talented managers to seek other jobs as they see less chance of promotion in the new flatter management structure.
- Could lead to some managers being overburdened as they have to take on more subordinates – stress levels increase.
- Initially, this process can be very costly to implement if high redundancy payments have to be met.
- May result in the loss of some talented specialists within the management level that is removed.

<b>Q 1 5</b>	<b>With reference to motivation theorists you have studied, to what extent do you agree with Alex Owen's view, 'that raising wages is not a long- term solution to our workforce problems'?</b>				<b>(1)</b>
<b>Band</b>	AO1	AO2	AO3	AO4	
	2 marks	2 marks	3 marks	5 marks	
<b>3</b>				<p><b>4-5 marks</b> An excellent evaluation of the impact of pay on workforce performance is evident.</p> <p>A full range of relevant theories are integrated into the evaluation.</p> <p>Clear judgements are made.</p> <p>An overall judgement is offered.</p>	
<b>2</b>	<p><b>2 marks</b> Good knowledge of motivational theorists is demonstrated.</p>	<p><b>2 marks</b> Good application to the workforce problems at Carry Light Ltd.</p>	<p><b>2-3 marks</b> Good analysis of relevant motivation theories.</p> <p>Two or more theories might be analysed.</p>	<p><b>2-3 marks</b> A well-balanced evaluation of the impact of pay on workforce performance is evident.</p> <p>At least two relevant theories are integrated into the evaluation.</p>	
<b>1</b>	<p><b>1 mark</b> Limited knowledge of motivation theorists is demonstrated.</p>	<p><b>1 mark</b> Limited application to the workforce problems at Carry Light Ltd.</p>	<p><b>1 mark</b> Limited analysis of relevant motivation theories.</p> <p>Only one theory might be analysed.</p>	<p><b>1 mark</b> Limited evaluation of the impact of pay on workforce performance is evident.</p>	
<b>0</b>	<p><b>0 marks</b> No knowledge of motivation theories is demonstrated.</p>	<p><b>0 marks</b> No application to the workforce problems at Carry Light Ltd.</p>	<p><b>0 marks</b> No analysis of motivation theories is undertaken.</p>	<p><b>0 marks</b> No evaluation is evident.</p>	

### Indicative content:

- FW Taylor – this scientific approach to management would seem to support the use of financial incentives to create greater productivity. However, whilst efficiency may have improved in those mass production factories in which scientific management was implemented it is debatable if the motivation of the workers was increased as high levels of supervision and de-skilling are key elements of this approach.
- Maslow – the hierarchy of needs suggests that financial reward is needed to satisfy basic physical requirements and that each need has to be fulfilled before the next becomes important. This would seem to suggest that the Managing Director's decision to offer higher wages may be part of the process in motivating the shop floor workers. To some extent it depends on whether the pay they currently receive is sufficient to satisfy their physical requirements. If it does then those higher level needs become more relevant and support Alex Owens' point of view.
- Herzberg – the two factor theory suggests that pay is a hygiene factor. Better wages may make the shop floor workers at Carry Light less dissatisfied but that alone is unlikely to motivate them. Nonetheless, if hygiene factors are not met productivity could fall – something which the business certainly would not want.
- Vroom/ Porter and Lawler– Expectancy theories suggest that workers believe that there must be a connection between their activities and the goals that they are trying to achieve – if you perform well you get a reward. However, they point out that not all individuals value the rewards in the same way. If individuals are not motivated by a pay rise then the Managing Director's offer will do little to solve the problems on the shop floor.
- Mayo – the Hawthorne studies and the subsequent work of Mayo and the 'human relations school' suggest that management must work and communicate with informal groups – in this case trying to ensure that the goals of the shop floor workers fit in with the goals of Carry light Ltd. The studies carried out by the 'human relations school' suggest that changes in financial rewards had little or no effect on productivity and that greater cohesion and communication which groups developed made them more motivated to work together. These studies would seem to support Alex Jones' view that raising wages is not the long term solution to Carry Lights workforce problems.
- There are many and varied views as to the impact of financial remuneration upon the motivation of workers. It needs to be remembered that workers are individuals do not all react and behave in the same way. The extra pay offered by the MD may positively influence some of the workforce but may have little impact on others.
- Reference to McGregor's Theory X and Theory Y approach – Theory Y would concur with Alex Owen's view in relation to the motivation of the workers.



<b>Q 1 6</b>	<b>Taking into account the increases in both raw material costs and wages, recalculate the closing balance in September for Carry Light Ltd's cash flow forecast. (<i>Clearly show all your workings</i>)</b>	<b>Total</b>
	<p style="text-align: right;">AO2: 5 marks</p> <p>Award 1 mark for each correct calculation (Award all 5 marks if (151) is offered as a single figure.)</p> <p><b>Indicative content:</b></p> <p>980 plus 10% = 1078  300 plus 3% = 309  New Total Payments = 1935  New Net Cash Flow = (235)  New Closing Balance = (151)  <i>Own figure rule to apply</i></p>	<b>5</b>

<b>Q 1 7</b>	<b>What might be the implications for Carry Light Ltd of exceeding its overdraft limit?</b>	<b>Total</b>
	<p style="text-align: right;">AO2: 1 mark AO3: 2 marks</p> <p>Award 1 mark for identifying overdraft limit. Award up to 2 marks for explanation</p> <p><b>Indicative Content:</b></p> <ul style="list-style-type: none"> <li>• Overdraft limit for the company is £100 000</li> <li>• Closing balance for September is in excess of £100 000</li> <li>• Company has run out of cash and cannot continue with its day to day activities.</li> <li>• Cash flow is inadequate to continue trading/the business will close down.</li> <li>• If allowed to exceed the overdraft limit, then extra interest charges will be incurred.</li> <li>• Banks are likely to stop lending once an overdraft limit is exceeded.</li> </ul>	<b>3</b>

<b>Q 1 8</b>	<b>Carry Light Ltd. needs to improve its cash flow situation. Evaluate possible ways in which it might do this. (10)</b>			
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
<b>2</b>	<b>2 marks</b> Good knowledge of how to improve cash flow is demonstrated.	<b>2 marks</b> Good application to specific aspects of Carry Light Ltd's cash flow forecast.	<b>2 marks</b> A good analysis of the impact that any changes in the cash flow forecast may have.  Analysis will be supported by reference to the forecast.	<b>3-4 marks</b> An excellent evaluation of a variety of relevant options that may be open to the business to improve cash flow.  Lines of evaluation are well-developed.
	<b>1</b>	<b>1 mark</b> Limited knowledge of how to improve cash flow is demonstrated.	<b>1 mark</b> Limited application to Carry Light Ltd's cash flow forecast.	<b>1 mark</b> A limited analysis of the impact that any changes in the cash flow forecast may have.
<b>0</b>	<b>0 marks</b> No knowledge of how to improve cash flow is demonstrated.	<b>0 marks</b> No application to Carry Light Ltd's cash flow forecast.	<b>0 marks</b> No analysis undertaken.	<b>0 marks</b> No evaluation is undertaken.

### Indicative content:

- Increase prices in an attempt to increase revenue – this depends on the PED for the suitcases that they make. How competitive is the market? Could result in less revenue.
- Seek an alternative, cheaper supplier – this could have a negative impact on quality and be a poor move in the long run.
- Bring in measures to reduce administration costs. This depends on how efficiently they are operating presently. Could lead to a shortage of staff and inefficiency. Redundancies might also be very costly.
- Reduce marketing expenditure. This could have a negative impact on sales and thereby worsen cash flow. Depends on how effective the marketing spend actually is. Might be worthwhile increasing marketing expenditure in order to increase revenue.
- Find a cheaper insurance. Would the cover be the same or might they have to compromise on the risk?
- Renegotiate loan repayments so that less is paid off each month. In the long term this will result in higher interest payments and depends on how flexible the bank/lender is prepared to be.
- Could renegotiate a higher overdraft limit. This will result in higher interest payments. It is worth remembering that overdraft limits can be reduced without warning by the bank. Risky to rely on the overdraft too often.
- Find a cheaper leasing contract for staff cars. Remove the cars from certain levels of management. Depends how long the contract has to run. May not be possible in the short run. Could cause resentment and de-motivation amongst those managers who are affected. May cause some to leave or others not to apply for jobs at Carry Light.
- Any other relevant method of improving cash flow for this business - plus evaluation.

<b>Q 2 1</b>	<b>Calculate the labour productivity per week of both the Dewhurst workers in 2002, and the Hiut Denim Company workers in 2016.</b>	<b>Total</b>
	<p style="text-align: right;">AO1: 1 mark AO2: 2 marks</p> <p>Award 1 mark for correct formula Award up to 2 marks for correct calculations</p> <p><b>Indicative Content:</b></p> <ul style="list-style-type: none"> <li>• Output ( per week) divided by Number of employees (per week)</li> <li>• <math>35000/400 = 87.5</math> pairs of jeans per week.</li> <li>• <math>200/14 = 14.29</math> (accept 14.3) pairs of jeans per week.</li> </ul>	<b>3</b>

<b>Q 2 2</b>	<b>Explain why improving efficiency would be very important to a business such as Dewhurst.</b>	
	AO1	AO3
	2 marks	2 marks
<b>2</b>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good understanding of the concept of efficiency is demonstrated.</p>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good analysis of the importance of achieving efficiency to a business such as Dewhurst.</p> <p>Possible impact on such a business is clearly explained.</p>
<b>1</b>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited understanding of the concept of efficiency is demonstrated.</p>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited analysis of the importance of achieving efficiency to a business such as Dewhurst.</p>
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No understanding of the concept of efficiency is demonstrated.</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No analysis of the importance of achieving efficiency to a business such as Dewhurst.</p>

**Indicative content:**

- Efficiency is concerned with how well resources, such as raw materials, labour and capital can be used to produce a product.
- It is concerned with achieving high output per worker, the reduction of waste and generating as many sales as possible from the business' assets.
- Mass production companies in a competitive market, such as Dewhurst, would need to keep average costs as low as possible in order that they can match, or better, the prices offered by their competitors.
- If they are not efficient and do not deliver the right product, at the right price and at the right time then they may lose major contracts from large high street retailers. This could well threaten the survival of such businesses.

<b>Q 2 3</b>	<b>Assess the suitability to the Hiut Denim Company of using job production methods.</b>				<b>(8)</b>
<b>Band</b>	AO1	AO2	AO3	AO4	
	1 mark	3 marks	2 marks	2 marks	
<b>2</b>		<b>2-3 marks</b> A good application of the suitability of job production methods to Hiut Denim Company.	<b>2 marks</b> A good explanation of why job production methods suit certain businesses.	<b>2 marks</b> A good evaluation of the suitability of job production methods to the Hiut Denim Company.	
<b>1</b>	<b>1 mark</b> An understanding of job production methods is evident.	<b>1 mark</b> A limited application of the suitability of job production methods to Hiut Denim Company.	<b>1 mark</b> A limited explanation of why job production methods suit certain businesses.	<b>1 mark</b> A limited evaluation of the suitability of job production methods to the Hiut Denim Company.	
<b>0</b>	<b>0 marks</b> No understanding of job production methods.	<b>0 marks</b> No application demonstrated.	<b>0 marks</b> No explanation demonstrated.	<b>0 marks</b> No evaluation undertaken.	

**Indicative content:**

- Job production involves producing a one-off item that has been tailor made to suit a specific customer – Hiut jeans are produced for individual customers who send in their specific measurements.
- Job production is used when orders for the product tend to be relatively small – Hiuts currently produce 200 pairs a week. However, their inability to deal with a sudden upsurge in orders following the publication articles in two national newspapers did place them in a difficult position and might have led to negative PR.
- The workforce is usually made up of skilled craftspeople or specialists – a significant number of skilled cutters and machinists were available in the local workforce following the closure of Dewhurst.
- The work undertaken in job production is both demanding and interesting. The workers employed are highly motivated and proud of their expertise – so much so that the machinist responsible actually signs each pair that they make.
- Problems are readily dealt with – any issue/defect is directly attributable to a specific cutter or machinist. This ensures that quality issues are inspected easily at Hiut.
- Under job production lead times can be lengthy – if orders were to rise rapidly the business may not be able to satisfy customer demands. If many of Ant and Dec's followers decide they want Hiut jeans then production methods may have to change.
- Costs will tend to be higher and job production can only be used in small niche markets – however, this suits Hiut Jeans well as they are targeting a premium brand market and charge between £130 and £230.

<b>Q 2 4</b>	<b>Outline what is meant by <i>above-the-line</i> promotion.</b>	<b>Total</b>
	<p>Award 1 mark for each relevant point</p> <p><b>Indicative Content:</b></p> <ul style="list-style-type: none"> <li>• Above the line promotion is advertising.</li> <li>• Traditionally, advertising takes place through independent media such as print media and broadcast media - newspapers, magazines, television and radio.</li> </ul>	<p>AO1: 2 marks</p> <p><b>2</b></p>

<b>Q 2 5</b>	<b>Discuss the view that the most important element of the Hiut Denim Company's marketing mix is promotion.</b>				<b>(12)</b>
<b>Band</b>	AO1	AO2	AO3	AO4	
	1 mark	2 marks	4 marks	5 marks	
<b>3</b>				<p><b>4-5 marks</b></p> <p>An excellent evaluation is undertaken related to the other elements of the marketing mix.</p> <p>Clear judgements are made.</p> <p>An overall judgement is offered.</p>	
<b>2</b>		<p><b>2 marks</b></p> <p>Good application in the context of Hiut Denim's marketing mix.</p>	<p><b>3-4 marks</b></p> <p>Good analysis of the importance of promotion to Hiut's marketing strategy.</p>	<p><b>2-3 marks</b></p> <p>A good evaluation is undertaken related to the other elements of the marketing mix.</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Understanding of the marketing mix is demonstrated.</p>	<p><b>1 mark</b></p> <p>Limited application in the context of Hiut Denim's marketing mix.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the importance of promotion to Hiut's marketing strategy.</p>	<p><b>1 mark</b></p> <p>A limited evaluation is undertaken related to the other elements of the marketing mix.</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the marketing mix is demonstrated.</p>	<p><b>0 marks</b></p> <p>No application in the context of Hiut Denim's marketing mix.</p>	<p><b>0 marks</b></p> <p>No analysis undertaken.</p>	<p><b>0 marks</b></p> <p>No evaluation is evident.</p>	

### Indicative content:

- Hiut have no promotion budget and the product was launched with a series of tweets. This use of social media has proved to be a very important part of raising awareness. In turn, this prompted newspaper articles which gave impetus to the promotion of the jeans. In addition, the endorsement of the product by famous purchasers of the product has raised the company's reputation. This communication with interested parties – the development of Public Relations – has all been achieved at virtually no cost.
- The product is made from top quality raw materials and cut and put together by a skilled workforce. The USP (unique selling proposition) - a combination of the history tag, unique number and maker's signature – make the product stand out from its competitors. The products are made to fit the specific measurements of individuals, providing the buyer with a sense of ownership.
- The distribution of the product (place) is also a significant element of the marketing mix. A small proportion of the sales take place through exclusive Denim retailers. Whilst the margin that Hiut will receive will be lower; this does have the benefit of reinforcing the 'exclusivity and quality' image of the jeans. The use of e-tailing accounts for the majority of the sales. Direct sales to customers' homes results in Hiut receiving a high profit margin, which is clearly important to a business with relatively low sales.
- The pricing strategy is consistent with the quality and exclusivity of the product. Clearly they have to cover costs – which are relatively high per pair of jeans – but at £230 a pair they are expensive. They can be categorized as a luxury product and selling them at a lower price could even damage sales. Psychologically the price is telling potential customers that they are getting a quality product.
- To argue that the promotion is the most important element of the marketing mix is misleading. All four elements of the 'mix' should complement each other. The jeans may be a quality product, but if the target market does not know of their existence then the business will fail. Selling the product at a price that does not match what the potential customers anticipate will harm sales and if potential buyers cannot access the product readily, they will purchase from the competition. Getting one element of the 'mix' wrong could nullify the effectiveness of the other three. All elements of the 'mix' are important.