



GCE MARKING SCHEME

SUMMER 2019

**BUSINESS – UNIT 2
BUSINESS FUNCTIONS
2510U20-1**

INTRODUCTION

The marking scheme which follow were those used by WJEC for the 2019 examination in GCE BUSINESS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were 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' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

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 2019 MARK SCHEME
UNIT 2: BUSINESS FUNCTIONS

Question	Mark Scheme	Total
1:1	What is meant by the term 'buffer stock'?	2
	<p>AO1: 2 marks</p> <p>Award 1 mark for each feature outlined</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • The amount of stock held below the minimum stock level and zero stock. • Stock held for unforeseen rises in demand • Stock held as a precaution in case of a break in supply 	
1:2	<p>With reference to the stock control chart identify the volume of:</p> <p style="padding-left: 40px;">(i) The buffer stock</p> <p style="padding-left: 40px;">(ii) The maximum stock holding</p>	2
	<p>AO2: 2 marks</p> <p>Award 1 mark for each correct figure</p> <ul style="list-style-type: none"> • Buffer stock – 1500 • Maximum stock holding – 3500 	

1:3	Discuss the view that ‘having too much stock is always better than having too little’ for a manufacturing business such as Relax Sofas Ltd. [10]			
Band	AO1	AO2	AO3	AO4
	1 mark	1 mark	3 marks	5 marks
3			3 marks Excellent analysis of the impact that holding different levels of stock might have upon a business.	4-5 marks Excellent evaluation of the benefits and drawbacks of either holding too much stock or too little. Judgements are made An overall conclusion may be made
2			2 marks Good analysis of the impact that holding different levels of stock might have upon a business.	2-3 marks Good evaluation of the benefits and drawbacks of either holding too much stock or too little.
1	1 mark An understanding of the concept of stock holding is evident.	1 mark Application in relation to stock holding in a large manufacturer is evident.	1 mark Limited analysis of the impact that holding different levels of stock might have upon a business.	1 mark Limited evaluation of the benefits and drawbacks of either holding too much stock or too little.
0	0 marks No understanding is demonstrated	0 marks No application undertaken	0 marks No analysis undertaken	0 marks No evaluation is evident

Indicative content:

- Storage of large amounts of material can be costly in terms of lighting, handling costs, insurance etc.
- Lots of space is required, especially for bulky raw materials such as foam and wood. The space may be costly in terms of rent or be used for something more productive.
- Very high stock level could result in unsold stock, although this is less likely with raw materials with a long shelf life, as in this case. However, the longer stocks are stored the greater the likelihood of damage or deterioration.
- Money tied up in storing high levels of raw materials could be used productively elsewhere – the concept of opportunity cost.
- On the other hand..... when stocks are too low, unexpected rises in demand may not be met. Customers will be dissatisfied and competitors may benefit. Reputation may be damaged.
- Out of stock situations may occur, leaving employees on the shop floor with nothing to do. This could result in labour being laid off periodically, causing dissatisfaction.
- Bulk discounts may be lost if a manufacturer orders only small amounts of stock. Some suppliers, especially those located a long way from the customer, may refuse to deliver small amounts as it may not be cost effective.
- The phrases 'too little' and 'too much' indicate that neither situation is ideal. It very much depends on the circumstances facing the business. If supplies can be readily obtained at very short notice then a low level of stock would seem sensible. However, if there is lengthy lead time then a higher stock level might be beneficial.

Questions	Mark Scheme	Total
2:1	Calculate the added value when constructing one of their yachts.	3
	<p>AO1: 1 mark AO2: 2 marks</p> <ul style="list-style-type: none"> • Added value = Price of finished good – total cost of raw materials (x1) • Added value = £110 000 - £42750 (x1) • Added value = £67 250 (x1) <p>OFR for calculation of total cost of materials Max 2 marks if no £</p>	
2:2	Explain the difference between added value and profit.	2
	<p>AO1: 1 mark AO3: 1 mark</p> <p>Award 1 mark for knowledge of added value and profit Award 1 mark for explaining the difference</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Added value is the price of the finished good minus the cost of raw materials. • Profit is the difference between the price at which goods are sold and all the costs of production. • The profit figure will be lower than the added value figure because expenses need to be paid for. • Costs such as employees' wages, fuel, taxation and insurance all need to be accounted for. 	

Questions	Mark Scheme	Total
3:1	With the use of examples, describe what is meant by the term 'industrial action'.	3
	<p>AO1: 3 marks</p> <p>Award 1 mark for each valid point</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Work to rule/go-slow – employees do not carry out duties which are not in their employment contract. • Overtime ban – workers only work the normal hours stated in their employment contract. • Strikes – workers withdraw their labour. Can be official or unofficial. • Sit-ins – employees occupy the premises as a protest against management decisions, hoping to prevent the closure of a factory or transfer of machinery to another business. • Work-ins – workers continue production whilst occupying the premises in order to demonstrate that the business is still viable. <p>Maximum 2 marks for examples only.</p>	
3:2	Explain two reasons, other than industrial action, why productivity may fall in a business such as Cosy Homes Radiators Ltd.	4
	<p>AO1: 2 marks AO3: 2 marks</p> <p>Award 1 mark for identification of possible reason (maximum 2) Award 1 mark for valid development (maximum 2)</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Workforce may be <u>demotivated</u> - this could occur for a variety of reasons such as change in management style, dissatisfaction with working conditions etc. • The technology and <u>machinery may be outdated</u> and unreliable – breakdowns may be occurring regularly. • <u>Experienced staff may be leaving</u> - new staff may not have the skills to produce goods as fast as those who have been in a job for a long time. • Lack of funds may have resulted in <u>less training</u> – untrained staff may be more prone to making mistakes and have less confidence. • <u>The shop floor may have been reorganised</u> - new ways of working will take time to adjust to in the short run. • <u>Supply issues</u> – this could include late delivery of stock, poor logistics. • Any other valid reason. 	

3:3	Assess the view that having trade union membership in a business such as Cosy Homes Radiators Ltd benefits both the workers and employers. [9]		
Band	AO1	AO3	AO4
	3 marks	3 marks	3 marks
3	3 marks Excellent understanding of the role of trade unions	3 marks Excellent analysis of the benefits that trade union membership brings to workers and employers	3 marks Excellent evaluation of the impact that trade union membership may have on workers and employers.
2	2 marks Good understanding of the role of trade unions	2 marks Good analysis of the benefits that trade union membership brings to workers and employers	2 marks Good evaluation of the impact that trade union membership may have on workers and employers
1	1 mark Limited understanding of the role of trade unions	1 mark Limited analysis of the benefits that trade union membership brings to workers and/or employers	1 mark Limited evaluation of the impact that trade union membership may have on workers and/or employers
0	0 marks No knowledge evident.	0 marks No analysis undertaken.	0 marks No evaluation evident.

Indicative content:

Workers

- Unions engage in collective bargaining on behalf of their members, thus making their negotiating position stronger in relation to issues concerning pay and conditions.
- As individuals, union members can be represented by their union in relation to issues such as redundancy, disciplinary matters and grievances. Union officials will be well-versed in these matters and help achieve the best outcome for their member.
- Unions attempt to ensure high standards of health and safety by training representatives to ensure that workplaces comply with government legislation.
- Unions also offer a range of services to their members outside the workplace. These might include discounts on insurance, welfare support and legal advice.
- Unions are prominent in monitoring inequality in the workplace and support members who feel that they have suffered from discrimination at work. Employers must ensure that they comply with all the new legislation related to equal opportunities.
- Some employees resent being asked to join a trade union and do not wish to be represented by trade union officials.
- Union power has decreased, with less members and political influence
- They do not wish to pay union fees and may not agree with taking industrial action (especially for part time employees).

Employers

- Not only does collective bargaining help employees, it also has benefits for employers. Negotiating with each individual in a large organisation would be prohibitively time consuming. Negotiating with the union is far less disruptive for the business.
- Communication between management and workers can be much more straightforward if union officials explain the outcome of complex negotiations. This can also help ensure compliance from the workforce.
- Trained and experienced union officials may be able to understand complex issues facing a business and appreciate the long-term consequences of any action their employees may wish to undertake. For example, a strike could terminally damage a business in a highly competitive market, resulting in redundancies. Better to wait and seek improvements in the future.
- Demands made by strongly unionised workforce may raise costs for a business if improved facilities are demanded.
- In addition, numerous meetings with union representatives can be time consuming and expensive. Employees may request time off to attend trade union meetings and training which can have a negative impact on productivity.

3:4	Explain the role of ACAS and how it might attempt to resolve conflict in a business such as Cosy Homes Radiators Ltd.	Total 6
	<p>AO1: 4 marks AO3: 2 marks</p> <p>Award 1 mark for each valid point related to ACAS - to a maximum of 4</p> <p>Award 1 mark for each development point – to a maximum of 2</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • The role of ACAS (The Advisory, Conciliation and Arbitration Service) is divided into three elements – to advise, to conciliate and to arbitrate in relation to employer/employee negotiations. • The <i>advisory</i> element relates to dealing with enquiries from both employers and employees concerning complex employment law. Guidance may be offered to assist in <u>resolving employment issues</u>. • Independent ACAS <i>conciliators</i> can be invited to help employers and employees better understand each other’s position. They <u>encourage the parties to reach an agreement</u> in order to avoid industrial action. The recommendations are not, however, binding on either party. • ACAS arbitrators act impartially to make a decision in the case of a dispute. <u>Both sides must agree to go to arbitration and accept that the arbitrator’s decision is final</u>. • If a union and an employer are in dispute over a pay claim the arbitrator appointed from ACAS will <u>listen to the arguments from both sides</u>. An <u>independent, impartial</u> decision will then be made in relation to the level of pay rise to be awarded (or not) which both parties must accept and abide by. 	

3:5	Consider Janet Ashley's view that 'the impact of pay increase for our shop floor workers can only be disastrous for every stakeholder connected with this business' [12]		
Band	AO2	AO3	AO4
	4 marks	3 marks	5 marks
3	<p>4 marks</p> <p>Excellent application to the situation facing the various stakeholders of Cosy Homes Radiators Ltd</p> <p>Clear and consistent reference to Cosy Homes Radiators Ltd throughout</p>	<p>3 marks</p> <p>Excellent analysis of the possible implications of a pay increase for a number of stakeholders.</p>	<p>4-5 marks</p> <p>Excellent evaluation of the impact of the pay rise for shop floor workers on a number of stakeholders.</p> <p>Balanced and supported judgements made</p> <p>A conclusion may be offered.</p>
2	<p>2-3 marks</p> <p>Good application to the situation facing the various stakeholders of Cosy Homes Radiators Ltd.</p>	<p>2 marks</p> <p>Good analysis of the possible implications of a pay increase for at least two stakeholders.</p>	<p>2-3 marks</p> <p>Good evaluation of the impact of the pay rise for shop floor workers on at least two stakeholders.</p> <p>Clear judgements</p>
1	<p>1 mark</p> <p>Limited application to the situation facing the various stakeholders of Cosy Homes Radiators Ltd.</p>	<p>1 mark</p> <p>Limited analysis of the possible implications of a pay increase for at least one stakeholder.</p>	<p>1 mark</p> <p>Limited evaluation of the impact of the pay rise for shop floor workers on at least one stakeholders</p> <p>Superficial judgements</p>
0	<p>0 marks</p> <p>No application undertaken.</p>	<p>0 marks</p> <p>No analysis undertaken.</p>	<p>0 marks</p> <p>No evaluation evident.</p>

Indicative content:

- The awarding of a 7% pay increase to the **shop floor workers** would give them greater disposable income and improve their standard of living. They have not had an increase in four years and it would appear that the company has been successful until recent times.
- Increasing pay may also increase motivation and have a positive impact on productivity. Some motivational theorists do not regard money as a motivator and suggest that such pay awards have a limited short term benefit only.
- The industrial action would stop - this would have a positive impact on output and orders would be met. This would be good for both **customers** and **suppliers**.
- Those workers who might be tempted to leave may no longer do so. Experienced workers can be costly and difficult to replace and this would ease the burden on **management** when trying to maintain staffing levels.
- However, can the business afford to meet the workers' demands? Trading conditions seem to be difficult and if the business runs into financial difficulties then the only stakeholders to benefit would be Cosy's **competitors**.
- The **shareholders/owners** would appear to have done well over the majority of the last 20 years so perhaps they should forego any dividends in order that the strike can be avoided. This depends on whether they have been taking profits or reinvesting into the business in order to fund growth.
- **Employees**, other than those on the shop floor may resent the pay increase if it is met. They are, however, in the minority and it will depend on how well they can put their case for a similar increase.
- Perhaps a smaller increase or some kind of compromise can be reached which will allow the business to return to normal working. The **union** would have a key role to play here.
- If the business genuinely cannot afford to meet the pay demands, and the business is in real financial difficulties, then the outcome could be disastrous for all involved and the **local community**. Short term sacrifice would be preferable if long term security for the business can be secured.

Question	Mark Scheme	Total
4:1	What is meant by capacity utilisation?	1
	AO1: 1 mark Award 1 mark for valid understanding Indicative content: The use that a business makes of its resources.	
4:2	Calculate the number of caravan bookings per week Dafydd's business would have to take in order to operate at full capacity.	2
	AO2: 2 marks Currently only 78 are booked – 65%. Max number of booking is therefore $78/65 \times 100$ (x1) 120 bookings (x1)	
4:3	With reference to Green Valley Caravan Park, explain what is meant by asset-led marketing.	4
	AO2: 2 marks AO3: 2 marks Award 1 mark for each correct application to Green Valley Caravan Park – maximum of 2 marks Award 1 mark for valid development – maximum of 2 marks Indicative content: <ul style="list-style-type: none"> • Relating the customer's taste to the business's strengths. • Using the skills, knowledge, brands, patents and unique selling points to meet and satisfy customer needs. • Green Valley has many assets – new heated swimming pool, quality clubhouse and restaurant, proximity to surf beach, staff with computing expertise. • A database of customers tastes, hobbies etc. should be compiled and then different sectors of the market should be targeted with those features of the business that may appeal to them. 	

4:4	Explain how businesses in the tourism industry in Wales might use new technology when marketing their goods and services.			[8]
Band	AO1	AO2	AO3	
	2 marks	3 marks	3 marks	
3		3 marks Excellent application to the tourist industry in Wales of the use of new technology when undertaking marketing.	3 marks Excellent explanation of the beneficial impact that the use of new technology may have when used to market goods and services.	
2	2 marks Good knowledge of the new technology available to businesses when marketing their goods and services.	2 marks Good application to the tourist industry in Wales of the use of new technology when undertaking marketing.	2 marks Good explanation of the beneficial impact that the use of new technology may have when used to market goods and services.	
1	1 mark Limited knowledge of the new technology available to businesses when marketing their goods and services.	1 mark Limited application to the tourist industry in Wales of the use of new technology when undertaking marketing.	1 mark Limited explanation of the beneficial impact that the use of new technology may have when used to market goods and services.	
0	0 marks No knowledge evident.	0 marks No application undertaken.	0 marks No analysis undertaken.	

Indicative content:

- Information technology has improved the marketing capabilities of those involved in the tourist industry in Wales. Most businesses have a **web presence**, giving customers immediate access to their products and services. Accommodation providers - hotels, cottages, campsites etc. – are able to display what is on offer, take bookings on line and let potential customers read reviews. The web is now the holidaymaker’s first port of call. Trip Advisor is an example of a wide reaching website where holiday businesses in Wales can promote their services free of charge. **Videos** can be posted **on line** to give potential clients a virtual ‘tour’ of the resort.
- Data bases** are compiled allowing businesses to target different segments of the market – matching customer profiles with what they have to offer. Family holidays, activity holidays, weekend breaks etc. can all be matched socio-economic, age or gender profiles.
- Social Media** allows businesses to advertise directly to potential customers, especially the younger demographics. Facebook, Instagram, Snapchat and Twitter, for example, have a huge potential in this field.
- E-tailing, M-commerce, e-mails, text messaging, blogs, influencers, apps

4:5	To what extent do you agree with Siân’s statement ‘...with a strong promotional strategy this business will be a huge success.’ [12]			
Band	AO1	AO2	AO3	AO4
	2 marks	3 marks	2 marks	5 marks
3		3 marks Excellent application to Green Valley Caravans and the market in which it operates.		4-5 marks Excellent evaluation of promotional strategies and other factors that may affect the success of the business. Balanced and supported judgements made A conclusion may be offered.
2	2 marks Good understanding of the concept of a promotional strategy.	2 marks Good application to Green Valley Caravans and the market in which it operates.	2 marks Good explanation of the importance of implementing a strong promotional strategy.	2-3 marks Good evaluation of promotional strategies and/or other factors that may affect the success of the business. Clear judgements
1	1 mark Limited understanding of the concept of a promotional strategy.	1 mark Limited application to Green Valley Caravans and the market in which it operates.	1 mark Limited explanation of the importance of implementing a strong promotional strategy.	1 mark Limited evaluation of promotional strategies and/or other factors that may affect the success of the business. Superficial judgements
0	0 marks No knowledge demonstrated.	0 marks No application undertaken.	0 marks No analysis undertaken.	0 marks No evaluation is evident.

Indicative content:

- A promotional strategy attempts, through various forms of media, to draw attention to a product or service, with the intention of gaining new customers and retaining existing customers.
- Currently Green Valley Caravan Park does not carry out a great deal of promotional activity - leaflets at the local tourist information office do not constitute a strong promotional strategy.
- The business does seem to have a loyal customer base but bookings are down. This suggests that attracting new customers is important if success is to be achieved. Matching the promotional efforts of its competitors is therefore important to this business.
- However, promotion is only one element of the marketing mix. The product/service that the business offers seems to be attractive. Location is good, restaurant and club house have a good reputation and there is a new heated swimming pool.
- Pricing is a key issue in a competitive market and the business needs to get this right. The business has spent £30 000 more than anticipated on the new pool and this may need to be recouped through higher prices. Competition would appear to be on the increase – a new log cabin business – so demand may be price sensitive. Changes in the exchange rates may benefit or damage the demand for UK holidays.
- There are numerous external factors that the business has no control over but could well impact on the success of the business. The state of the economy influences the demand for 'luxuries' such as holidays. Income elasticity of demand is an issue.
- The weather too may impact on the success of such a business. Consecutive poor summers may discourage visitors to Wales and they may switch to destinations abroad where better weather is likely.
- A strong promotional strategy alone will not guarantee that the business will be a huge success, but it is important in an environment where consumer choice is enhanced through the changes in information technology.
- The market in which this business operates is a highly competitive one and sensitive to changes in external factors. No business is a guaranteed success – risk is a feature of all entrepreneurial activity and the holiday industry in Wales is no exception.