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# **GCE A LEVEL MARKING SCHEME**

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**SUMMER 2022**

**A LEVEL  
BUSINESS – UNIT 3  
1510U30-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2022 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 - UNIT 3 (NEW)**

**SUMMER 2022 MARK SCHEME**

<b>Q.</b>		<b>Total</b>
<b>1 (a)</b>	<b>Use extrapolation to state how many guests are expected to stay at the Seaways Hotel chain in July 2022.</b>  AO2: 1  Award <b>1</b> mark for  2 300 (Guests)	<b>1</b>

<b>1 (b)</b>	<b>Explain how the data in the graph could be used to aid the future planning of the Seaways Hotel chain. [6]</b>	
<b>Band</b>	<b>AO2</b>	<b>AO3</b>
	<b>4 marks</b>	<b>2 marks</b>
<b>3</b>	<p><b>4 marks</b></p> <p>Excellent application to the Seaways Hotel chain.</p> <p>The candidate makes direct and clear reference to the data to explain how it could aid the future planning of the Seaways Hotel chain.</p>	
<b>2</b>	<p><b>2-3 marks</b></p> <p>Good application to Seaways Hotel chain.</p> <p>The candidate makes some reference to the data to explain how it could aid the future planning of the Seaways Hotel chain.</p>	<p><b>2 marks</b></p> <p>Good analysis of how the data shown could aid the future planning of the Seaways Hotel chain.</p> <p>The analysis is detailed.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited application to Seaways Hotel chain.</p> <p>The candidate response is mainly theoretical with some reference to how the data could aid the future planning of the Seaways Hotel chain.</p>	<p><b>1 mark</b></p> <p>Limited analysis of how the data shown could aid the future planning of the Seaways Hotel chain.</p> <p>The analysis may be limited.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No application.</p>	<p><b>0 marks</b></p> <p>No analysis.</p>

**Indicative content:**

- The data could be used to plan the stock holding of goods such as food for the meal options. By forecasting the number of guests visiting the hotels the managers can order sufficient levels of stock to ensure that there is limited waste which saves the business money. However, it is also important to order enough stock to cater for the demand of the guests otherwise they could gain poor reviews on hotel review sites.
- The data will also allow the management to arrange for suitable entertainment by identifying the likely periods to be busier.
- The management could also plan the workforce to ensure that there are suitable levels of staff to cater for the needs of the guests. Again, if this is not planned correctly the business could either waste resources or may not be able to provide the level of service required to satisfy customers.
- The management will also use the data to create a marketing plan. For example, during periods that are quieter they could create a promotional campaign to attract customers or put a package together that may attract a certain market segment e.g. older customers during the quieter months of November and December with entertainment options.
- Can be used to budget e.g. to create a revenue budget and a cost budget by using the forecasted sales and predicted costings.

Credit any other valid point.

<b>1 (c)</b>	<b>Describe factors that could influence the reliability of the sales forecast for the Seaways Hotel chain for July 2022.</b> <span style="float: right;"><b>[5]</b></span>	
<b>Band</b>	<b>A01</b>	<b>A02</b>
	<b>2 marks</b>	<b>3 marks</b>
<b>3</b>		<p style="text-align: center;"><b>3 marks</b></p> <p>Excellent application of the factors that could influence the reliability of the forecast for the Seaways Hotel chain in July 2022.</p> <p>The candidate makes direct and clear reference to the data and makes reference to factors relevant to the hotel and leisure industry.</p>
<b>2</b>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good understanding of the factors that could influence the reliability of the forecast for the Seaways Hotel chain in July 2022.</p>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good application of the factors that could influence the reliability of the forecast for the Seaways Hotel chain in July 2022.</p> <p>The candidate makes some reference to the data and/or makes some reference to factors relevant to the hotel and leisure industry.</p>
<b>1</b>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited understanding of the factors that could influence the reliability of the forecast for the Seaways Hotel chain in July 2022.</p>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited application of the factors that could influence the reliability of the forecast for the Seaways Hotel chain in July 2022.</p> <p>The candidate response is mainly theoretical with brief reference to the data and/or to factors relevant to the hotel and leisure industry.</p>
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No understanding.</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No application.</p>

**Indicative content:**

- Historical data is not always a good indication of what might happen in the future – trends may change with customers choosing to stay in alternative accommodation such as glamping.
- Human error in data entry / accuracy of data
- External factors such as increased/reduced competition or inclement weather may impact on the number of guests. For example, in 2018 there was a warm summer with lots of sun but this may be different in 2020, therefore decisions made on past data would be inaccurate.
- A fall in disposable income may lead to more or less customers paying to stay at hotels e.g. more staycation or less people staying in hotels due to less spending on luxuries.
- Increased costs in the future may impact on the number of guests – price may be raised to overcome costs making the Seaways Hotels less competitive in comparison to larger chains that benefit from cost advantages.
- Cancelled events such as the Elvis festival leading to lower than forecasted sales.
- Airline/flight cancellations which may lead to a rise in staycations and more than forecasted sales.
- Issues around the pandemic e.g. National Lockdowns causing a fall in guests and lower than forecasted sales.

Credit any other valid point.

<b>1 (d)</b>	<b>With reference to the Delphi method and intuition, evaluate the usefulness of qualitative forecasting techniques.</b> <span style="float: right;"><b>[8]</b></span>		
<b>Band</b>	<b>A01</b>	<b>A03</b>	<b>A04</b>
	<b>2 marks</b>	<b>3 marks</b>	<b>3 marks</b>
<b>3</b>		<p><b>3 marks</b></p> <p>Excellent analysis of the usefulness of the Delphi Model and intuition as a qualitative forecasting technique.</p> <p>The analysis is fully balanced, detailed and developed in context.</p>	<p><b>3 marks</b></p> <p>Excellent evaluation of the usefulness of the Delphi Model and intuition as a qualitative forecasting technique.</p> <p>The evaluation is fully balanced and includes most of the key issues for advantages and disadvantages.</p> <p>The candidate makes judgements to support their evaluation.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of the usefulness of the Delphi Model and/or intuition as a qualitative forecasting technique.</p>	<p><b>2 marks</b></p> <p>Good analysis of the usefulness of the Delphi Model and/or intuition as a qualitative forecasting technique.</p> <p>The analysis may be unbalanced if it is detailed and developed in context.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the usefulness of the Delphi Model and/or intuition as a qualitative forecasting technique.</p> <p>The evaluation is balanced and will include some of the key issues for advantages and disadvantages.</p> <p>The candidate makes partial judgements, with some attempt to support their evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the usefulness of the Delphi Model and/or intuition as a qualitative forecasting technique.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the usefulness of the Delphi Model and/or intuition as a qualitative forecasting technique.</p> <p>The analysis may be one-sided or provide limited development to arguments.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the usefulness of the Delphi Model and/or intuition as a qualitative forecasting technique.</p> <p>Unsupported judgement.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding.</p>	<p><b>0 marks</b></p> <p>No analysis.</p>	<p><b>0 marks</b></p> <p>No evaluation.</p>

### **Indicative content:**

Qualitative methods involve the use of opinions to predict future events and are subjective. The Delphi method is a forecasting technique which is based on researching the views of a panel of experts whereas intuition is based on the gut feelings of leaders and managers.

The main benefits of the Delphi Model are that:

- It is flexible enough to be used in a variety of situations and can be applied to a range of complex problems
- It provides a structured way for a group of people to make decisions. The Delphi method begins with the initial development of a questionnaire focusing on the problem. The panel of experts answer the questionnaire independently and then independently rate and prioritise ideas on second questionnaire devised from their initial responses. From this, the group of experts to arrive at a consensus forecast on the subject being discussed.
- Participants have time to think through their ideas leading to a better quality of response which may lead to better and more informed decisions about the future.
- The Delphi method creates a record of the expert group's responses and ideas which can be used when needed such as future problems or issues.

The main weaknesses to the Delphi Model are that:

- The method will more than likely require a substantial period of time to complete as the process is time consuming to coordinate and manage – this provides an opportunity cost whereby decisions could be made a lot quicker using quantitative forecasting or computerised forecasts.
- It assumes that experts are willing to come to a consensus and allow their opinions to be altered by the views of other experts.
- Monetary payments to the experts may lead to bias in the results of the study.

The main benefits of intuition are that:

- It is useful when there is very little historical data available for new markets or if the market a business operates in is unstable and is constantly changing. Therefore managers may have experience of other existing markets and products that can be transferred to new markets and products.
- The use of intuition is cheap, and fast. There is no need for data gathering, market testing etc.

The main weaknesses of intuition are that:

- Gut feeling and experience should not be the only guide. There are many examples of experienced entrepreneurs and business managers who have lost a lot of money due to their intuitive decision making.

Credit any other lines of argument such as the use of brainstorming and expert opinions.



<b>2 (a)</b>	<b>Explain the advantages and disadvantages of horizontal integration for Sainsbury's.</b>			<b>[8]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	
	<b>2 marks</b>	<b>3 marks</b>	<b>3 marks</b>	
<b>3</b>		<p><b>3 marks</b></p> <p>Excellent application to Sainsbury's as a result of horizontal integration.</p> <p>The candidate makes direct and clear reference to the data and effectively uses the data throughout their answer.</p>	<p><b>3 marks</b></p> <p>Excellent analysis of the advantages and disadvantages to Sainsbury's as a result of horizontal integration.</p> <p>The analysis is fully balanced, detailed and developed in context.</p>	
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of horizontal integration.</p>	<p><b>2 marks</b></p> <p>Good application to Sainsbury's as a result of horizontal integration.</p> <p>The candidate makes some reference to the data and attempts to use the data throughout their answer.</p>	<p><b>2 marks</b></p> <p>Good analysis of the advantages and disadvantages to Sainsbury's as a result of horizontal integration.</p> <p>The analysis may be unbalanced if it is detailed and developed in context.</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of horizontal integration.</p>	<p><b>1 mark</b></p> <p>Limited application to Sainsbury's as a result of horizontal integration.</p> <p>The candidate response is mainly theoretical with brief reference to the data.</p>	<p><b>1 mark</b></p> <p>Limited analysis of advantages and/or disadvantages to Sainsbury's as a result of horizontal integration.</p> <p>Superficial analysis.</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding.</p>	<p><b>0 marks</b></p> <p>No application.</p>	<p><b>0 marks</b></p> <p>No analysis.</p>	

## Indicative content:

The main advantages for horizontal integration include:

- Reduce competition which may lead to increased customers and increased sales.
- Instant increase in market share leading to more dominance within the market.
- The takeover of Argos will lead to **diversification**. Sainsbury's will instantly expand its product portfolio to meet the needs of different customers and generate greater sales revenue.
- Ready-made network for distributing products via the online platform and mail order catalogue.
- **Marketing Economies** – could advertise other brands in the different outlets.
- Retail is something they already know about – higher chance of success.
- **Economies of scale** are derived from becoming larger therefore this will lead to a cost advantage for Sainsbury's. This can either lead to greater profitability which can be reinvested into further growth such as widening their product range or investing in new technology to improve customer service or the savings can be passed on to the customer to create more competitive pricing with Amazon and/or other supermarkets such as Tesco and Morrison's.
- The takeover may be followed by a significant numbers of redundancies in the short term. With Argos stores being located in Sainsbury's supermarkets – **cost savings** will result from shedding staff and fixed costs attributed to the premises previously occupied by Argos. These costs savings may enable Sainsbury's to compete with Amazon in relation to the sale of toys and household product ranges as well as other supermarkets.
- The business may benefit from **Synergy** – the idea that  $2+2=5$ . The synergy argument is that by combining the two businesses, total profits can be increased by reducing duplicated services such as head office costs, or the two businesses fit together in a way that allows costs to be reduced and profits increased.
- In the long term there may be **higher returns to shareholders**. This could encourage shareholders to continue to invest as well as attracting new investors. This increased investment can provide Sainsbury's with the financial resources to improve operations such as investing in new technology to improve customer service or to invest in distribution systems to enhance the speed and accuracy of delivery. This will enable Sainsbury's to compete with Amazon.

The main disadvantages of horizontal integration include:

- In the **short term costs will be high**. The initial takeover costs £1.4billion and this may be too high. This high cost may impact on shareholder returns or investment in vital strategy. This could negatively impact on the operations of Sainsbury's and may result in a lack of competitiveness. For example, expensive promotional campaigns may be restricted or there may be reduced investment in technology. This may result in Tesco or Amazon having the edge with attracting customers or with customer service.
- **Diseconomies of scale** can occur. The growth may be too fast and unmanageable which can impact negatively on business operations. There may be coordination and communication problems which can cause poor performance.
- If there is some form of rationalisation, this could **negatively affect the motivation levels** of existing staff that may fear job losses as well as **a loss of customers** if Argos and Habitat stores are closed in local communities that may already be lacking from retail outlets. These customers may look elsewhere for their groceries, toys and household products.
- Clash of culture and resistance from workers.

Credit any other valid point.

Q.		Total
2 (b)	<p><b>To what extent do you agree that horizontal integration was the best form of growth for Sainsbury's?</b></p> <p>AO4: 3 marks</p> <p>Award <b>1</b> mark for each evaluative comment/judgement/conclusion</p> <p><b>Indicative content:</b></p> <p><b>Agree:</b></p> <ul style="list-style-type: none"> <li>• It will lead to increased efficiency due to possibility of rationalisation – reduced wastage and increased profitability</li> <li>• It may improve profitability as a result of reduced costs – through rationalisation or removal of duplicate costs</li> <li>• It will lead to instant increase in market share in certain markets e.g. homeware and toys – increased dominance</li> </ul> <p><b>Disagree:</b></p> <ul style="list-style-type: none"> <li>• Lead to negative publicity – may reduce customers and sales due to rationalisation</li> <li>• Lower short-term profits – initial cost of takeover – negative impact on shareholders.</li> <li>• Management issues with clash of culture</li> <li>• A merger may be better – less costly</li> <li>• Organic growth may have been better – it would have been more manageable than takeovers. However, it would have taken far too long making it difficult to compete with Amazon.</li> <li>• Vertical integration may be best – take over supplier – reduced costs of supplies and greater control over quality.</li> <li>• Diversification may be best – taking over a different business that sells completely different goods/services to a completely different market.</li> </ul>	3

<b>3 (a)</b>	<b>With reference to the non-financial data, analyse the performance of PD Home Builders Ltd. [5]</b>	
<b>Band</b>	<b>AO2</b>	<b>AO3</b>
	<b>3 marks</b>	<b>2 marks</b>
<b>3</b>	<p><b>3 marks</b></p> <p>Excellent application of the non-financial measures of performance to PD Home Builders Ltd.</p> <p>The candidate makes direct and clear reference to the data and uses the data to analyse the performance of PD Home Builders Ltd.</p>	
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear application of the non-financial measures of performance to PD Home Builders Ltd.</p> <p>The candidate attempts to use the data to analyse the performance of PD Home Builders Ltd.</p>	<p><b>2 marks</b></p> <p>Good analysis of the performance of PD Home Builders Ltd in relation to non-financial measures.</p> <p>The analysis may be unbalanced if it is detailed and developed in context.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited application of the non-financial measures of performance to PD Home Builders Ltd.</p> <p>The response is mainly theoretical with brief reference to the data.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the performance of PD Home Builders Ltd in relation to non-financial measures.</p> <p>Superficial analysis.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No application.</p>	<p><b>0 marks</b></p> <p>No analysis.</p>

**Indicative content:**

There are many positive aspects of PD Home Builders Ltd performance in relation to non-financial measures to suggest that the company has been successful.

**Firstly**, the business has grown significantly over the years to develop a wide product range to meet the needs and wants of different types of customers, producing housing for all income levels. This has allowed them to access a wide market.

**Secondly**, the company has won awards that suggest the builds are of high quality. This enhances the strength of the brand and helps to generate a good reputation. This can lead to attracting more customers and therefore generating more sales or helping to improve market share.

**However**, PD Home Builders Ltd may not achieve a number of their 2022 objectives.

**Firstly**, the customer recommendation rating has only grown by 0.2% which suggests that with a continuing trend, the customer recommendation rating will be below the 90% target at just 85.3%. This suggests that PD Home Builders Ltd may not be improving the quality of their homes and customer service as much as they intended. Therefore, this could be deemed as being unsuccessful.

**Secondly**, the Labour Turnover is increasing and is well above the 5% objective of 2022. This again suggests that objectives may not be met. This could be impacting on business costs and reducing profitability. More importantly in relation to non-financial measures of performance, this may suggest demotivation among the staff which could impact on worker performance resulting in lower quality work and potentially increased waste in relation to materials and time. **However**, it was 5% in 2020 and there is one year for this target to be achieved. Therefore, this increase may be linked to other factors such as workers leaving to pursue other careers or pathways.

**Thirdly**, accident or incident rates are growing slightly from 2020 to 2021 which suggests that PD Home Builder Ltd will not meet their safety standards outlined in the 2022 objective. This may also be a cause of demotivation amongst the workforce if they feel unsafe in the work environment and could negatively impact on staff turnover or rates of absenteeism. This will affect the time taken to complete projects and could increase waste.

Credit any other valid point.

<b>3 (b)</b>	<b>Discuss the impact of achieving the 2022 objectives on PD Home Builders Ltd, its customers and its employees. [10]</b>		
<b>Band</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>4 marks</b>	<b>2 marks</b>	<b>4 marks</b>
<b>3</b>	<p><b>4 marks</b> Excellent application of the impact of PD Home Builders Ltd 2022 objectives on the business, customers and employees.</p> <p>There is consistently direct and clear reference to PD Home Builders Ltd objectives and the impact on the business, customers and/or employees.</p>		<p><b>4 marks</b> Excellent discussion of the impact of PD Home Builders Ltd 2022 objectives on the business, customers and employees.</p> <p>The evaluation is balanced and includes a wide range of relevant factors.</p> <p>Judgements are made to support the discussion.</p>
<b>2</b>	<p><b>2-3 marks</b> Good application of the impact of PD Home Builders Ltd 2022 objectives on the business customers and/or employees.</p> <p>The candidate attempts to use the data throughout the answer.</p>	<p><b>2 marks</b> Good analysis of the impact of PD Home Builders Ltd 2022 objectives on the business, customers and/or employees.</p> <p>The impacts are developed. The analysis may be unbalanced.</p>	<p><b>2-3 marks</b> Good discussion of the impact of PD Home Builders Ltd 2022 objectives on the business, and customers and/or employees.</p> <p>The evaluation may be unbalanced and will include a range of relevant factors.</p> <p>Partial judgements are made, with some attempt to support the discussion.</p>
<b>1</b>	<p><b>1mark</b> Limited application of the impact of PD Home Builders Ltd 2022 objectives on the business or customers or employees.</p> <p>The response is mainly theoretical with brief reference to the data.</p>	<p><b>1 mark</b> Limited analysis of the impact of PD Home Builders Ltd 2022 objectives on the business or customers or employees.</p> <p>Superficial analysis.</p>	<p><b>1 mark</b> Limited discussion of the impact of PD Home Builders Ltd 2022 objectives on the business, and/or customers and/or employees.</p> <p>Unsupported judgement.</p>
<b>0</b>	<p><b>0 marks</b> No application.</p>	<p><b>0 marks</b> No analysis.</p>	<p><b>0 marks</b> No discussion.</p>

## Indicative content:

### Business:

- If the business achieves the **financial objectives** then it will be more successful in the future, with increased profitability there would be more sources of finance available to continue to expand and improve the quality of house builds. This will then ensure that customers are satisfied and recommendations would continue to improve.
- If the business achieves the customer recommendation rating it will ensure that the business is satisfying customers and this may lead to good publicity which will help to attract customers to purchase homes from PD Home Builders in the future. This leading to further increases in the turnover of the business and potential profits.
- The labour turnover will be a sign of motivation in the workplace. If this is low then clearly the business will have a highly motivated workforce who will not only produce better quality homes and provide a better service for customers but may also help to minimise waste of materials and/or capital. There may be lower levels of staff absenteeism which costs money and may impact on the time it takes to build homes. Secondly, the accident or incident rate will also link with motivation but also it can reduce costs with less staff absences due to injury or lower levels of compensation payments if the business is negligent.

**However**, to achieve these aims will lead to significant investment in areas such as marketing, recruitment of highly skilled workers, staff training and health and safety procedures. This will lead to an increase in costs which may prevent the business from achieving its profitability targets. Also, it is questionable as to whether or not the business will have enough capital to fund the achievement of all of its objectives. **Secondly**, reducing labour turnover is difficult without knowing the cause. For example, if the business does invest in motivational factors then it must identify what motivated the workers because they will be motivated by different things.

### Employees:

- Meeting the financial objectives may enable PD Home Builders Ltd to increase wages and salaries for staff. This will clearly benefit workers by improving standards of living and satisfying their basic needs. It may also allow the business to expand and there may be promotion opportunities available with more sites to build on e.g. foreman jobs or site managers. **Secondly**, jobs will be secure with good financial results so there will be less risk of job losses. **Thirdly**, there will be more capital available to improve the working environment or invest in staff training, to ensure staff safety whilst working on building sites.
- The fact that the business aims to have a low labour turnover rate suggests that they appreciate and value workers. This may suggest that there will be greater investment in training, motivational strategies and staff development or improving the working environment. **However**, it may simply be that the staff are leaving despite being valued by their employer. It may simply be that they have changed to larger Home Building businesses that can provide more opportunities.
- The accident/incident rate objective suggests that staff will be safe whilst working on PD Home Builders Ltd sites. **However**, it is clear that this is an aspirational target and it may not be achievable based on previous year's figures.

### Customers:

- The fact that the business has won awards for quality in house builds suggests that customers are going to receive a high standard when purchasing a home from PD Home Builder Ltd. **However**, it is unlikely that the business will achieve the customer recommendation rating based on the previous two years which suggests that despite winning awards, customers who have already bought homes from the business are not fully satisfied. This suggests that the quality of the homes may not be good enough for new customers.
- Credit any other valid point.

Q.		Total
4 (a)	<p><b>With reference to Classy Bows Ltd, state what is meant by a special order.</b></p> <p>AO1: 1 mark AO2: 1 mark</p> <p>Award <b>1</b> mark for the correct definition</p> <p><b>Indicative content:</b></p> <p>A business may receive orders for their products that differ in terms of the profile of their regular orders.</p> <p>Award <b>1</b> mark for application to Classy Bows Ltd</p> <p><b>Indicative content:</b></p> <p>In relation to Classy Bows Ltd, the special order is different because it is based on the price paid, for example the French retailer is only willing to pay £3.00.</p>	2
4 (b)	<p><b>Calculate the total contribution that would be made if Classy Bows Ltd accepts the new order from the French retailer. (Show your workings).</b></p> <p>AO1: 1 mark AO2: 2 marks</p> <p>Award <b>1</b> mark for the correct formula</p> <p>Total Contribution = Contribution per item x Number of items sold</p> <p>Award <b>2</b> marks for correct calculations</p> <p>Contribution per unit = £3.00 - £2.50 = £0.50 (1) Total contribution = £0.50 x 2000 = £1 000 (1)</p> <p>(or 3 marks for the correct answer without working) (No £ sign -1 mark)</p> <p>OFR applies</p>	3



<b>4 (c)</b>	<b>Discuss the factors which Classy Bows Ltd should consider before deciding whether to accept the special order from the French retailer. [8]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of the factors that should be considered before taking on a special order.</p>	<p><b>2 marks</b></p> <p>Good application of the factors that Classy Bows Ltd should consider before taking on a special order.</p> <p>The candidate makes use of the data throughout their answer.</p>	<p><b>2 marks</b></p> <p>A good analysis of the factors that should be considered before taking on a special order.</p> <p>Good progression of points in order to demonstrate impact of factors on the decision to accept the order.</p>	<p><b>2 marks</b></p> <p>A good evaluation of the factors that should be considered before taking on a special order.</p> <p>Judgements are used to support the evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the factors that should be considered before taking on a special order.</p>	<p><b>1 mark</b></p> <p>Limited application of the factors that Classy Bows Ltd should consider before taking on a special order.</p> <p>The candidate response is mainly theoretical with brief reference to the data.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the factors that should be considered before taking on a special order.</p> <p>Unsupported judgements are made.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the factors that should be considered before taking on a special order.</p> <p>Partial judgements are used to support the evaluation.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding.</p>	<p><b>0 marks</b></p> <p>No application.</p>	<p><b>0 marks</b></p> <p>No analysis.</p>	<p><b>0 marks</b></p> <p>No evaluation.</p>

### Indicative content:

In general, if an order covers all of the variable costs and makes some contribution to overheads it can be accepted. However, there are a number of other factors that have to be considered before accepting a special order; these will include qualitative (non-financial) factors:

- It should not be accepted if there are **other orders available** that allow a greater contribution to be made, especially if these other orders cover all of the fixed costs and make a profit.
- If there is **spare capacity** in the factory it may be reasonable to accept the order in order to keep workers and machines occupied. With sales slowing in the UK there may be spare capacity in the factory and this could be used to complete new orders and spread fixed costs. **However**, if there is not spare capacity, then the order impacts too greatly on **Labour demands**. If the order cannot be completed in normal hours then any extra hours have to be paid to workers which will impact further on fixed costs.
- Offer of **repeat business in the future**. It is a new customer who may be able to offer repeat business in the future then it may well be worth taking the order. As the company is trying to break into an overseas market it should be willing to accept the order as there is potential to generate more sales with other retailers. **However**, the impact on existing customers within the UK will need to be assessed. There may be a backlash from existing customers who pay a higher price for the same goods. This could result in a loss of customers who may have been loyal. Also, the French retailer may expect this price indefinitely and others in France may expect the same.
- **Product adjustment** – As this is for a different market, it could involve changing the production process, using different materials and training workers which may incur additional costs and/or impact on current production.

Credit any other valid point.

Q.		Total
5 (a)	<p><b>With the use of an example, outline what is meant by the term ‘current liability’.</b></p> <p>AO1: 2 marks</p> <p>Award 1 mark for the correct definition</p> <p>Debts that are normally paid within a year / money owed that needs to be paid back within a year.</p> <p>Award 1 mark for an example</p> <p><b>Indicative content:</b></p> <p>Trade Creditors (Creditors) / Payment to Suppliers Short Term loans Overdraft Payment / Credit Card Payments</p>	2
5 (b)	<p><b>Assess the current ratio of Sheds for Wales Ltd between 2021 and 2020.</b></p> <p>AO1: 2 marks AO2: 1 mark AO4: 2 marks</p> <p>Award 2 marks for knowledge of current ratios Award 1 mark for application to Shed for Wales Ltd Award 2 marks for evaluating the ratios</p> <p><b>Indicative content:</b></p> <p><b>AO1</b> – The current ratio is a measure of the liquidity of a business – it shows whether or not a business has sufficient levels of working capital to pay day-to-day expenses – the ideal ratio for the current/working capital ratio is usually given as 1.5 – 2.0</p> <p><b>AO2</b> – Sheds For Wales Ltd is just below the recommended level in 2020 and/or within the ideal range in 2021.</p> <p>Reference to issues from the case study e.g., struggling to pay suppliers on time so a good current ratio will reassure suppliers and foster good relationships between the business and suppliers.</p> <p><b>AO4</b> – The 2020 ratio would be a problem in relation to paying day-to-day expenses – with suppliers already concerned about payment, this could prevent suppliers offering trade credit in the future.</p> <p>It is likely then that the company would consider the ratios to be satisfactory since it has sufficient working capital to meet its requirements in 2021 – this may alleviate the concerns of suppliers allowing the trade credit to continue.</p> <p>However, kept from sale of assets to improve liquidity – so may not be good.</p> <p>Whether or not the current ratio is good depends on industry averages.</p>	5

<b>5 (c)</b>	<b>With reference to the data, describe how and why window-dressing has been used by Sheds for Wales Ltd.</b> <span style="float: right;"><b>[4]</b></span>
<b>Band</b>	<b>AO2</b>
	<b>4 marks</b>
<b>3</b>	<b>4 marks</b>
	Excellent description of how and why Sheds for Wales Ltd have used window dressing.
	There is consistently direct and clear reference to Sheds for Wales Ltd.  Information in the data is used in development.
<b>2</b>	<b>2-3 marks</b>
	Good description of how and/or why Sheds for Wales Ltd have used window dressing.
	There is some direct reference to Sheds for Wales Ltd.  There is an attempt to use the data in development.
<b>1</b>	<b>1 mark</b>
	Limited description of how and/or why Sheds for Wales Ltd have used window dressing.  The candidate response is mainly theoretical with limited use of examples from the data.
<b>0</b>	<b>0 marks</b> No description.

**Indicative content:**

- Sheds for Wales Ltd clearly used window dressing when they sold a number of fixed assets including vehicles and machinery – they did this by adding the sale of an extraordinary item to the profit and loss account.
  - The reason for this may have been to improve the accounts – firstly, the net profit rose significantly and secondly, this would increase the NPM and the ROCE.
  - This may have been done to help the business achieve sources of finance including more shareholder funds.
- Sheds for Wales Ltd also used window dressing when they decided to use some of the money raised from the sale of fixed assets to include as a current asset on the balance sheet.
  - This may have been the reason why the current ratio improved significantly – this clearly improved liquidity.
  - It may have benefited Sheds For Wales Ltd because they could show suppliers that the business has sufficient working capital to pay bills – resulting in better trade credit agreements.

Credit any other valid point.

<b>6.</b>	<b>To what extent do you agree that access to markets is the most important factor affecting the relocation of Pendragon Furnishing Ltd?</b> [10]			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>	<b>4 marks</b>
<b>3</b>				<p><b>4 marks</b> Excellent evaluation of the factors that affect the relocation of a furniture factory.</p> <p>The evaluation includes a wide range of relevant factors affecting relocation.</p> <p>Judgements are made to support the evaluation.</p>
<b>2</b>	<p><b>2 marks</b> Good understanding of the factors that affect the relocation of a furniture factory.</p>	<p><b>2 marks</b> Good application of the factors that affect the relocation of a furniture factory.</p> <p>The candidate makes use of the data throughout the answer.</p>	<p><b>2 marks</b> Good analysis of the factors that affect the relocation of a furniture factory.</p> <p>The analysis is balanced, detailed and developed.</p>	<p><b>2-3 marks</b> Good evaluation of the factors that affect the relocation of a furniture factory.</p> <p>The evaluation will include a range of relevant factors affecting relocation.</p> <p>Partial judgements are made, with some attempt to support the evaluation.</p>
<b>1</b>	<p><b>1 mark</b> Limited understanding of the factors that affect the relocation of a furniture factory.</p>	<p><b>1 mark</b> Limited application of the factors that affect the relocation of a furniture factory.</p> <p>The response is mainly theoretical with brief reference to the data.</p>	<p><b>1 mark</b> Limited analysis of the factors that affect the relocation of a furniture factory.</p> <p>Superficial discussion.</p>	<p><b>1 mark</b> Limited evaluation of the factors that affect the relocation of a furniture factory.</p> <p>Unsupported judgement.</p>
<b>0</b>	<p><b>0 marks</b> No understanding.</p>	<p><b>0 marks</b> No application.</p>	<p><b>0 marks</b> No analysis.</p>	<p><b>0 marks</b> No evaluation.</p>

## Indicative content:

### Arguments to agree:

For some businesses it is the availability of, and access to, markets that is the prime consideration that determines the location of the business. **However**, this is most obvious for retailers of consumer goods, who need to be near their customers. Nevertheless:

- Manufacturers in many industries need to be located close to the users of their products. This is particularly important for Pendragon Furnishings Ltd when using JIT. If they are to distribute their goods efficiently, then being close to the retail customers is essential. However, it is also essential because they are producing bulky items and distribution costs will be lower if they are located close to the main retail customers.
- Type and quality of infrastructure also affect access to markets. Infrastructure used to mean roads, rail, and shipping but a more modern definition includes electronic communication systems, training agencies, financial services as well as the traditional components. The current location will benefit from excellent training services, financial services and communication services because it is based in the city centre. However, locating on the outskirts of Cardiff or closer to the M4 Corridor would improve the speed of delivery of supplies and finished goods to retail customers as well as reducing costs.

### Arguments to disagree:

For bulk-increasing manufacturers such as Pendragon Furnishings Ltd, other factors may be far more important:

- Cost and nature of factors of production is vital. Pendragon Furnishings Ltd require a wide variety of small raw materials and components, therefore locating close to the source of these raw materials can substantially reduce costs. In conjunction with this, using JIT will require quick deliveries therefore it is important to consider locating near suppliers.
- As a factor of production, 'labour' can be a deciding factor in determining location. This includes the cost, availability and skills of labour.
  - The cost of labour is also a determining factor. The cost of labour can be higher in city centre locations due to the high cost of living. Therefore, it may be better off locating on the outskirts of the city.
  - The availability of low cost and suitable land resources can also be an important factor when determining location. National governments, along with regional development agencies, often work hard to ensure that planning permission is available to allow large developments to proceed and they also offer incentives such as tax breaks and help with recruitment and training of workers. If this is available in Wales, then relocating will not be too expensive.
  - Pendragon Furnishings Ltd needs skilled sewing machinists and upholsterers therefore the company may find it easier to attract skilled labour if they are located close to other manufacturers or training centres.
- Many UK manufacturing businesses have relocated to the where labour costs are very low. This may be something that the Directors of Pendragon Furnishings Ltd needs to consider to remain competitive in a very competitive market.

To conclude, for Pendragon Furnishings Ltd access to markets is very important because they not only distribute large, finished goods but they also depend on supplier's to be able to deliver quickly. If these deliveries are not received then production could stop, leading to retailers receiving orders late. Other factors are important but as they are only moving to the outskirts of Cardiff it is likely that skilled staff will move with them.

*(Some candidates may approach this by arguing that being close to customers is the most important factor and then evaluate the importance of other factors such as transport links, being close to suppliers etc.).*

Credit any other valid point.