



A-LEVEL

Business Studies

BUSS3 Strategies for Success

Mark scheme

2130

June 2015

Version/Stage: 1.0: Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from aqa.org.uk

	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in students' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Students give accurate definitions of relevant terms. Students can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Students should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Students will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Students use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, students may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Students evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or it can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Students will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where students are required to produce extended written material. Students will be assessed according to their ability to: <ul style="list-style-type: none"> • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate. The assessment of the quality of written communication is included in Assessment Objective 4 .

The process of marking

When marking a response, it is important to follow the flow of the arguments. This means that you should read a paragraph as a whole to see how an argument develops. In some cases, you may need to read more than one paragraph to follow through an argument to its conclusion.

When reading, you need to identify the relevant skill, (eg application, analysis and evaluation) and then decide on the level. At the end of the response, you should reflect on the response as a whole - take a view of how the answer works in its entirety and, if necessary, be prepared to revisit particular paragraphs to consider the level.

At the bottom of the script you should write down the skills and levels, eg Reasonable Analysis and Reasonable Application. This determines the level you award - in this case Level 3. You then need to decide on where within the level the mark should fall.

Annotation

When rewarding knowledge, you annotate 'L1'. This is common, for example, at the start of an answer when there are often definitions. Once other skills have gone beyond Limited it is not necessary to keep annotating 'K' through the script.

For the other skills:

Limited Application: use Ap

Reasonable Application: use RAp

Good Application: use GAP

Limited Analysis: An

Reasonable Analysis: RAn

Good Analysis: GAn

Limited Evaluation: Eval

Reasonable Evaluation :R Eval

Good Evaluation: G Eval

Note: if you want to flag where a skill is within a level you can use the text box, This is not essential but some markers find this a useful way of showing if they feel it is as the top or bottom of level of a skill.

It is very important that you annotate the skills you see fully. This shows that all the script has been read and that you have taken relevant arguments into account. You must also tick or 'seen' blank pages – please read all plans and annotate, eg 'L1'.

Remember that once a student has reached a level they cannot go lower. For example, if a student achieves Good Analysis in one argument they stay at this level even if the rest of the response only demonstrates Limited Analysis.

GUIDANCE FOR MARKING

When marking a response it is important to take an overview of the answer at the end. You should read the response as a whole to see how the arguments develop and how the effective the skills are within the overall response.

Having read the whole response you must make a decision on the overall quality of the different skills demonstrated - is the quality of the application good? What about the analysis of the question? What about the quality of the evaluation of the question?

Markers should mark from the top down – is it good? If not, is it reasonable? If not, it is limited? Start with the top level and work downwards rather than the other way around.

In making a decision about whether a particular response is good or reasonable, use the following guidelines.

APPLICATION

Application occurs when a response is in context. For example, it relates to the given scenario or the particular issues and problems facing the business or industry.

Good application means the response is well applied to the context. It should be annotated as GAp. This can be demonstrated in different ways; for example, the response may:

- **Be firmly embedded in the context.** The arguments made within a response may, overall, relate well to the given context recognising key aspects of the situation. This insight into the context may occur in one instance or be a combination of insights that show a good awareness of the specific issues facing the business.
- **Combining information effectively.** Candidates may appreciate the meaning and significance of one aspect of the case in the context of another aspect of the business situation. This combination of factors can show a good insight into the context.
- **Manipulating data effectively.** Candidates may use some numerical data in one part of the case and relate this to another relevant and significant figure elsewhere; by combining these effectively candidates can show a good grasp of the context.

Reasonable application makes some reference to the context in support of the argument(s) but:

- is not necessarily well developed
- does not show much appreciation of the significance of aspects of the context.

It should be annotated as RAp.

Limited application. A mainly descriptive reference to the context.

ANALYSIS

Analysis occurs when students build arguments that show an understanding of cause and effect and may make use of relevant theory.

Good analysis should be annotated as GAn. It occurs when:

- the answer as a whole has analysed key issues in the question well
- is focused on the precise question and provides a logical, coherent, multi-stage argument examining the causes and effects of an event as appropriate and linking the different aspects of the question effectively
- it makes use of relevant theory to develop the argument, selecting relevant information and use appropriate methods effectively to build up the links between the stages.

Reasonable analysis should be annotated as RAn. It occurs when there are relevant arguments explained but:

- these are less developed
- there are less clear chains of argument (for example, stages in the argument may be missing or unclear or assumed)
- these are generic rather than addressing the issues in the question directly
- focuses on one aspect of the question.

Limited analysis: This is assertion or of little relevance to the question

EVALUATION

This occurs when a judgement is made. Judgements may occur throughout a response.

Good judgement directly answers the specific question set. It:

- provides a clear and well supported overall response to the question set
- is built on analysis and evidence and is in the context of the given question.

Reasonable judgement may:

- be making judgements on relevant arguments but not the question as a whole
- address some aspects of the question but not directly answers the specific question set may have some support but is not built on effective analysis. It may rather generic, may be incomplete or not fully consistent given the arguments made.

Limited evaluation is an assertion or a judgement with limited support.

The decision on the **Quality of Written Communication** may be used to adjust a mark within the level selected on the basis of the student's evaluation. For example, a student may have been awarded the lower mark in E2 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E2.

A well written answer without any evaluation can receive one mark for quality of language.

1

Total for this question: 10 marks

The Finance Director has advised Kate that Chocolatier’s investors would expect her proposal to achieve a net present value of at least £40m and payback within 3 years.

*Using the data in **Appendix B, Table 3**, calculate the net present value and payback for Kate’s proposal. State whether it meets the expectations of Chocolatier’s investors’.*

[10 marks]

Initial cost £500m

Year	Cash inflow £m	Cash outflow £m	Net return £m
1	175	30	145
2	260	42.5	217.5
3	315	50	265

Year	Net return	Discount factor	Present value
0	(500)	0	(500)
1	145	0.95	137.75
2	217.5	0.90	195.75
3	265	0.86	227.9

Net present value = + 61.4m

Accept in the range +61 to +62m

Payback

2 years plus $\frac{137.5}{265} \times 52 = 26.98$ weeks **or** 2 years plus $\frac{137.5}{265} \times 365 = 189.4$ days

Accept 2 years and 27 weeks

2 years and 190 days

Also $\frac{137.5}{265} \times 12 = 2$ years and 6.2 months

Do not award ‘rounding down’ of figures e.g 2 years and 6 months award 2 marks

Candidates must state that **both** investment appraisal methods meet the objectives (OFR applies) to gain the final mark

Ready reckoner

Correct calculation of both payback and NPV plus stating that they **both** meet objectives **10 marks**

Correct calculations but no statement linked to objectives **9 marks**

Correct calculation of payback **3 marks**

Correct calculation of NPV **6 marks**

Incorrect payback with one error **2 marks**

Incorrect payback with two errors	1 mark
Stating payback as '2 years plus' with no calculation	1 mark
Incorrect NPV with one error	5 marks
Incorrect NPV with two errors	4 marks
Definition of payback (if no calculation attempted)	1 mark
Definition of NPV (if no calculation attempted)	1 mark

2

Total for this question: 18 marks

Do you think that Chocolatier was right to adopt a 'soft' human resource strategy at its York factory? Justify your view.

[18 marks]

Level	Descriptor	Marks
L5	Good analysis and Good application	13–12
L4	Good analysis and Reasonable application or Reasonable analysis and Good application	11–9
L3	Reasonable analysis and Reasonable application or Good application or Good analysis	8–6
L2	Reasonable application or Reasonable analysis	5–4
L1	Limited response primarily based on knowledge.	3–1

A 'soft' HR strategy views employees as valuable assets that are of vital importance in achieving strategic objectives

Possible lines of application could include:

- Kate is not happy with the operational efficiency at the York factory
- labour productivity is lower than the industry average
- labour costs per unit are $\frac{500}{2250} = 0.22\text{p}$ per unit compared to industry average of $\frac{350}{2500} = 0.14\text{p}$
- days lost to sickness are half the industry average

- the company is viewed as a good employer
- the current 'Soft' HR strategy has resulted in lower labour turnover than the industry average
- extensive use of delegation and empowerment would have motivational benefits
- employees are highly skilled and produce high quality products.
- Improving profitability ROCE has risen from 10% to 13.6% and profits have risen from £30m to £50.5m

Good application could include:

- using the labour productivity and wage figures to calculate labour cost per unit
- linking the fact that Kate is not happy with operational efficiency with the labour productivity figures
- linking the fact that the employees are highly skilled to the motivational benefits of the 'soft' HR strategy such as low labour turnover, fewer days lost to sickness and good quality products.

Possible lines of analysis:

- the consequences resulting from lower labour productivity and higher costs per unit
- using motivational theory in relation to 'soft' HR
- the benefits resulting from lower labour turnover, absenteeism and good quality products

Good analysis is when the overall answer provides a well-founded response to the question set. This could be through:

- a line of analysis developed into a chain of argument with a clear focus on the question, eg linking lower productivity and higher labour cost per unit to higher prices or lower profit margins.

Points for evaluation:

- the 'soft' HR strategy has resulted in motivational benefits and good quality products
- it is appropriate for a skilled workforce
- operational efficiency is not as high as the industry average and the business consequently is not as profitable as it could be.

Level	Descriptor	Marks
E3	Good judgement well supported justification. Student answers the question directly by making a definite judgement regarding whether adopting a 'soft' strategy is a good idea, supported by prior analysis.	5–4
E2	Judgement shown with a reasonable attempt at justification. Student summarises arguments but fails to make a definitive judgement that directly answers the question.	3–2
E1	Assertion or judgement which is unsupported. Student fails to make a definitive judgement or	1

	makes a judgement based on assertion.	
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3

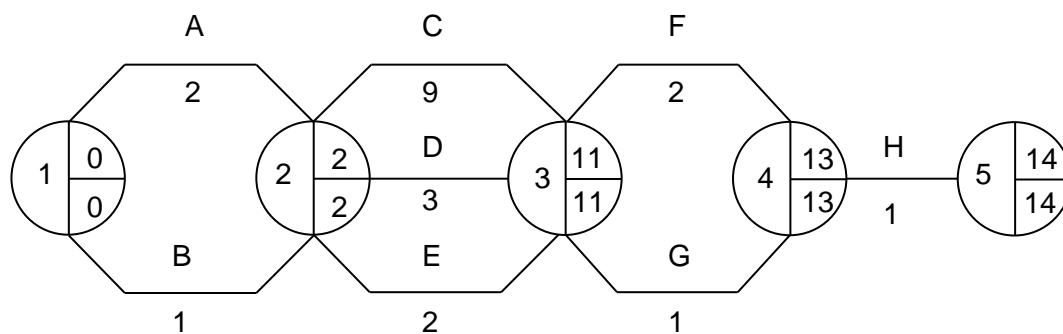
Total for this question: 18 marks

The Operations Director is concerned about whether the factory in Poland will be operational in 15 months' time. Do you think he is right to be concerned?

You should use numerical evidence to support your answer.

[18 marks]

Level	Descriptor	Marks
L5	Good analysis and Good application	13–12
L4	Good analysis and Reasonable application or Reasonable analysis and Good application	11–9
L3	Reasonable analysis and Reasonable application or Good application or Good analysis	8–6
L2	Reasonable application or Reasonable analysis	5–4
L1	Limited response primarily based on knowledge	3–1



Possible lines of application:

- based upon Kate's network diagram the factory in Poland would be operational in 14 months' time
- the critical path would be activities A, C, F and H – the identification of these activities enables Kate to prioritise them to ensure that the deadline is met
- data is provided by Kate Smith
- the operations director has raised concerns regarding moving the entire operational facilities overseas as well as implementing a totally different production method.
- The operations director considers Kate's figures to be too optimistic. He thinks it will take 3 months to obtain the site and 4 months to train the staff.

Good application could include:

- Calculation of the critical path using the figures estimated by the operations director resulting in the factory being operational in 17 months' time.
- Critical path would now be A,C,G,H
- Correct recalculation using either 3 months to obtain site (resulting in the factory being operational in 15 months) or 4 months to train staff (resulting in 16 months). N.B Candidates must explain these figures to gain good application
- linking the fact that the company is changing from labour intensive to capital intensive production to potential for delay.

Possible lines of analysis:

- the benefits of critical path analysis in meeting the deadline
- the consequences of the logistical and operational problems associated with the move to Poland.
- The consequences if the operations director figures are correct, resulting in the deadline not being met.

Good analysis is when the overall answer provides a well-founded response to the question set. This could be through:

- a line of analysis developed into a chain of argument with a clear focus on the question, eg linking the logistical and operational problems that could result in the factory not being operational in time with the supermarkets expectations.

Evaluation on next page.

Points for evaluation:

- Kate's figures may be too optimistic as she needs to reassure the supermarkets that the factory will be operational within 15 months' time
- arguably the Operations Director is more experienced than Kate, consequently he is right to be concerned
- Kate's use of critical path analysis is a valuable planning technique and as long as her figures are accurate, the factory will be operational in time.

Level	Descriptor	Marks
E3	Good judgement with well supported justification. Student answers the question directly by making a definite judgement regarding whether the Operations Director is right.	5–4
E2	Judgement shown with a reasonable attempt at justification. Student summarises arguments but fails to make a definitive judgement that directly answers the question.	3–2
E1	Assertion or judgement which is unsupported. Student fails to make a definitive judgement or makes a judgement based on assertion.	1

Markers note:

If student fails to provide any numerical evidence – maximum mark that can be awarded for application is 'reasonable'.

Correct calculation of original network diagram plus reference to other valid arguments – award 'good' application.

Arguments must flow from operational problems to be valid e.g. consequences of late delivery to supermarket must be based on operational issues

4

Total for this question: 34 marks

Using all the information available to you, complete the following tasks:

- analyse the key arguments **for** and **against** Kate's proposal
- make a justified recommendation on whether Kate's proposal should be accepted.

[34 marks]

Level	Descriptor	Marks
L5	Good analysis and good application	24–21
L4	Good analysis and Reasonable application or Reasonable analysis and Good application	20–16
L3	Reasonable analysis and Reasonable application or Good application and Limited analysis or Good analysis and Limited application	15–11
L2	Reasonable application and Limited analysis or Reasonable analysis and Limited application	10–6
L1	Limited response primarily based on knowledge.	5–1

Possible lines of application:**Arguments for could include:**

- Chocolatier plc has a reputation for good quality
- the luxury chocolate confectionery market is predicted to increase in value by 33% by 2017
- supermarkets account for 60% of luxury chocolate sales
- the business is low geared – for 2015: $\frac{120}{370} \times 100 = 32.4\%$
- larger capacity and capital intensive production methods
- potential maximum profit for the Poland factory is £300m - £5m = £295m compared to York factory £60m - £2m = £58m
- both payback and NPV meet the Finance Directors expectations
- ARR is 8.5%

Arguments against could include:

- strong competition from bigger rivals such as Kraft foods and Thorntons who currently hold significantly larger market shares
- possible negative reaction from existing customers
- improving profitability of current strategy - ROCE 2014 is 10% and 2015 13.6%
- fall in liquidity Current ratio 2014 1.5:1 fallen to 0.98:1 in 2015
- if the company borrows £400m required for the proposal gearing will rise to $\frac{520}{770} \times 100 = 67.53\%$
- loss of morale and possible industrial action from unionised workforce as a result of the shop and factory closures
- potential communication and co-ordination diseconomies of scale resulting from moving production to Poland
- break even for the Poland factory is $\frac{£5m}{£1.5} = 3.333m$ units
- break even for York is $\frac{£2m}{£1.5} = 1.333m$ units
- forecast deliveries from the Poland factory are 2 days longer and % defects 3% higher than York factory.

Good application could include:

- taking a theme, eg 33% forecast growth in the market and the opportunities that could be exploited by the additional capacity of the factory in Poland
- linking arguments, eg potential problems of longer deliveries from Poland and the delivery targets of the supermarkets
- relevant calculations, eg calculating the new gearing level if the company borrows the additional £400m and linking this to the additional financial risk of the proposal.

Possible lines of analysis:

- consequences on the image of the brand losing its exclusivity
- benefits resulting from gaining the supermarket orders
- potential operational problems of moving production from York to Poland.

Good analysis is when the overall answer provides a well-founded response to the question set. This could be through:

- a line of analysis developed into a chain of argument with a clear focus on the question, eg increased capacity and potential economies of scale from the Poland factory resulting in greater operational efficiency and opportunities for improved profitability.

Points for evaluation:

- potential sales from supermarkets appear to be greater than from high street stores – if the company wishes to expand Kate’s proposal should be accepted
- the Poland factory is potentially more efficient and profitable
- the orders from the supermarkets are dependent upon the Poland factory being operational in 15 months’ time plus being able to meet quality and delivery targets – the key issue is whether this is achievable
- the current strategy is working – profits have risen from £30m to £50.5m, gradual expansion is less risky than Kate’s proposal.

Level	Descriptor	Marks
E3	Good judgement with well supported justification. Student makes a supported judgement that states definitively whether or not to accept Kate’s proposal.	10–8
E2	Judgement shown with a reasonable attempt at justification. Student summaries prior arguments both for and against Kate’s proposal but fails to make a definite judgement.	7–4
E1	Assertion or judgement which is unsupported. Student fails to make a definitive judgement or makes a judgement based on assertion.	3–1

Markers’ note:

- **Credit correct Payback and NPV calculations as Reasonable Application**
- **Credit correct CPA calculations as Reasonable application**