APPLIED

WJEC Level 3 Applied Certificate and Diploma in

BUSINESS

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SAMPLE ASSESSMENT MATERIALS - EXTERNAL

Teaching from 2017
For award from 2019



WJEC Level 3
Applied Certificate and Diploma in Business

SAMPLE EXTERNAL ASSESSMENT

For teaching from 2017

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Candidate Name	Centre Number	Candidate Number

LEVEL 3 APPLIED CERTIFICATE AND DIPLOMA IN BUSINESS

Unit 1

THE ORGANISATION:
SURVIVAL AND PROSPERITY

AM/PM [*date*]

2 hours

For Examiner's use only		
Section	**Maximum Mark**	**Mark Awarded**
A.	**20**	
B.	**80**	
Total	**100**	

Instructions to candidates

Answer **all** questions.

Write your answers in the spaces provided in this booklet.

Use black ink or black ball-point pen. Do not use pencil or gel pen. Do not use correction fluid.

Information for candidates

The total for the paper is 100 marks.

The number of marks is given in brackets at the end of each question or part question.

Calculators may be used.

Quality of written communication is assessed through Question B1(a)

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Introduction

Theatre 900

A county council in your region owned an old theatre located in a town near where you live. The theatre was in an old Victorian building that had become increasingly out-of-date and costly to run, and the county council commissioned a new theatre to be built.

Theatre 900, named to commemorate the 900th anniversary of the town being granted a Royal Charter to hold a street market, opened three years ago in the same town. Although it is owned by the county council, it operates as an independent organisation.

Theatre 900's construction included recycled materials being incorporated into the Theatre's structure. The main theatre seats 650 people and hosts a wide programme of live performances, including ballet, comedy, drama and musicals. A second, 200 seat studio theatre hosts more experimental programmes and provides local amateur groups with somewhere to perform. In addition to the two theatres, other facilities include a dance studio, hospitality room and, for the general public, a restaurant, bar and parking facilities.

Theatre 900 is a popular venue with its customers, who live both locally and further afield. It employs over 20 full-time staff and the same number of part-time staff. In its first year, *Theatre 900* grossed over £2m, having sold well over 100 000 tickets. Its main source of income is from ticket sales. To encourage regular custom, *Theatre 900* runs a 'Friends' scheme whereby people pay an annual fee to become a Friend of the Theatre, in return for which the Friends receive discounts on show prices as well as advance notification of upcoming shows. The Theatre also receives some sponsorship money from businesses in the area. Local business sponsors include Lee & MacLean, a local accountancy partnership, and Forssi plc, a major engineering firm with a factory in the same town.

The Council and the local tourist organisation regard *Theatre 900* as a key way to promote the town as an attractive place to live and work, and a major factor in bringing visitors to the town.

Answer ***all*** questions.

SECTION A

1. *Theatre 900's* business plan includes a statement that the Theatre plans to increase its income by 2.5% in the next 12-month period. This statement is an example of a business:

A. ☐ mission statement

B. ☐ aim

C. ☐ objective

D. ☐ enterprise

Which of the above statements is correct: A, B, C or D? Place a tick (□) in your chosen response. [1]

2. With which of these activities is *Theatre 900* most closely associated?

A. ☐ Primary

B. ☐ Secondary

C. ☐ Tertiary

D. ☐ Quaternary

Which of the above statements is correct: A, B, C or D? Place a tick (□) in your chosen response. [1]

3. *Theatre 900* prints promotional leaflets and posters that give information about its programmes. What type of resource is its printer?

A. ☐ Human

B. ☐ Physical

C. ☐ Financial

D. ☐ Informational

Which of the above statements is correct: A, B, C or D? Place a tick (□) in your chosen response. [1]

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4. Incorporating recycled materials into *Theatre 900*'s structure is an example of the constructors taking account of a:

A. ☐ legal influence

B. ☐ political influence

C. ☐ technical influence

D. ☐ environmental influence

Which of the above statements is correct: A, B, C or D? Place a tick (□) in your chosen response. [1]

5. The management of *Theatre 900* need to ensure it offers a quality product for its customers. Match the descriptions given in boxes 1-4 with the most appropriate quality initiative by entering A, B, C, D, E, or F in each of the four boxes. [3]

1	2	3	4
Staff test small samples of food cooked for the Restaurant	All staff contribute to a culture of continuous improvement	Theatre staff meet to discuss work-related matters	The managers systematically check the service being offered

A	TQM	D	Quality circles
B	Zero defects	E	Quality control
C	Quality engineering	F	Quality assurance

6. *Theatre 900* managers have written a business plan for the Theatre. The business plan includes a section on Marketing.

Suggest **three** items that are likely to be included in the Marketing section. [3]

1 ……

2 ……

3 ……

7. The county council owns Theatre 900. Name two services for which this Council is likely to be responsible. [2]

1. ……

2. ……

8. *Theatre 900* is sponsored by different organisations, including Lee & MacLean (a local ordinary partnership) and Forssi plc, a national company.

(a) State how Lee & MacLean and Forssi plc differ in terms of their:

- Ownership [2]

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- Control [2]

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(b) Explain the legal liability status of each of these organisations. [4]

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Answer ALL questions

Section B

1. The facilities at Theatre 900 have been used almost to capacity. The original flooring laid for the dance studio was not good quality, and as a result of its heavy usage it is being replaced with a specialist sprung wooden floor, expected to cost in the region of £4 500.

The Theatre controls its own finances and will need to arrange finance for this new floor. It could either use its existing overdraft facility it has arranged with its bank, or the bank will be willing to offer a 12-month loan.

(a) What factors relating to bank loans and overdrafts will managers at Theatre 900 have to take into account when deciding which source of finance to choose? [8]

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In addition to its Finance department, other functional departments at the Theatre include Marketing, Buying, Human Relations (HR) and Customer Service.

(b) Explain the different roles of the HR and Customer Service departments at *Theatre 900*. [6]

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(c) How is the laying of a new specialist floor in the dance studio likely to affect the work of the Buying and Marketing departments? [6]

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2. The managers at *Theatre 900* recognise the importance of good communication between the Theatre and both existing and potential customers.

(a) State **four** criteria that will have influenced Theatre employees when choosing which communication methods and media to use. [4]

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Theatre employees carry out a wide range of activities. To do so, they use a variety of communication methods and media. Activities and methods/media include:

- sending information to Friends and other customers whose details are held on its database – using email
- advertising future shows – buying advertising space in the local paper, and advertising time slots on local radio
- details about, and online booking/payment for, upcoming shows – the Theatre's website, which contains links to its social media pages
- information about upcoming shows for the general public – printing posters and leaflets
- offering 'behind the scenes' educational tours to Friends and local schools – producing leaflets

(b) Explain how Theatre employees can judge the effectiveness of the communication messages that are delivered by these methods and media. [6]

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(c) How will the following areas of law affect the work of these employees that relates to the above activities and their communication methods/media? [10]

- Health and safety
- Data protection
- Copyright

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3. *Theatre 900's* Friends and its owners (the Council) are two of its external stakeholders. [2]

(a) Using the information given in the Introduction, identify:

- one other external stakeholder
- one internal stakeholder.

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As stakeholders, the Friends and the Council will have goals they want *Theatre 900* to achieve.

(b) Analyse, giving reasons for your decisions, how these two stakeholders are likely to:

- agree
- differ

in the goals they are likely to have for *Theatre 900.* [8]

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(c) The Restaurant in *Theatre 900* is popular with its Friends.

Suggest **one** external Social influence, and **one** external Economic influence, that are likely to have an impact on the Restaurant's operation. For each influence:

- analyse how it is likely to affect the work of *Theatre 900*'s Restaurant
- examine responses the Restaurant should make. [10]

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4. As a result of its success and growth over the last three years, the managers of *Theatre 900* are planning to recruit two additional part-time employees. One vacancy is for 'Front of House' work, which will bring the successful applicant into contact with Friends and other customers. The other vacancy is for a specialist in web page design: the successful applicant will work with two other members of staff but will not come into contact with customers.

(a) For each vacancy, state **two** attributes of an efficient employee that the managers should look for in applicants. Explain why these attributes are relevant to the particular vacancy in *Theatre 900.* [6]

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(c) Each new employee will be required to undergo training. Both will receive induction training, which will be followed by some on-the-job training

(i) Outline the purpose of giving induction training to the new 'Front of House' employee at *Theatre 900*.[2]

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(ii) Describe **one** benefit to *Theatre 900* and **one** benefit to the new employees from on-the-job training. [2]

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(d) Theatre 900's managers realise the value of a motivated workforce. One manager has studied the work of Frederick Herzberg and is aware of his two-factor theory.

To what extent are motivators and hygiene factors likely to affect the workplace satisfaction of the two new employees? [10]

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LEVEL 3 BUSINESS

UNIT 1 - THE ORGANISATION: SURVIVAL AND PROSPERITY

MARK SCHEME

Section A

Question	Answer	Mark	LO
1.	C	1	1
2.	D	1	1
3.	B	1	2
4.	D	1	1
5.	1 = E 2 = A 3 = D 4 = F (2 marks for 3 or 2 correct; 1 mark for 1 correct)	3	2
6.	(Items include) Nature of the local market, local/regional competition, SWOT analysis, pricing policy, promotion plans (3 x 1 mark)	3	1
7.	(Examples include) Education, transport, planning, fire/public safety, social care, libraries, waste management, trading standards (2 x 1 mark)	2	1
8. a.	Ownership: partners (1), shareholders (1) Control: partners (1), managers/board (1)	4	1
8. b.	Partnership: unlimited liability (1) meaning business debts can be claimed from partners' personal assets (1) PLC: limited liability (1) meaning shareholders can lose no more than their investment in the PLC (1) (2 x 1 mark simple statement) (2 x 1 mark development)	4	1

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Section B

Question	Answer	Mark	LO
1. a.	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of loans and overdrafts by giving a basic description only of either or both. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers describe in some detail and include some explanation of factors relating to both forms of finance. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers include full explanation of all main factors relating to the choice to be made. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Security/charge – whether required, more likely for loan. Comparative rate of interest – paid on full amount of loan, whether fixed (likely for 12-month loan) or variable (for overdraft). Length of time to repay – loan 12 months, overdraft up to the Theatre so more flexible. Effects of non-payment – likely actions the bank would take. Guarantee from bank – loan known amount/term, overdraft can be recalled. Setup costs – overdraft already exists, loan needs setting up.	8	1
1. b.	**0 marks**: Nothing worthy of any marks. **1 – 3 marks:** Answers show a limited understanding of these functional roles. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **4 – 6 marks**: Answers show detailed understanding of functional roles and the key differences between them. Answers clearly communicate meaning with some use of specialist vocabulary. Likely answers include: Focus – HR internal, Customer Service external; HR employees, Customer Service customers. HR seeks to (e.g.) keep existing Theatre staff happy/motivated, recruit quality staff experienced in entertainment/leisure; Customer Service to (e.g.) ensure Theatre customers satisfied through gaining feedback.	6	2

Question	Answer	Mark	LO
1. c.	**0 marks**: Nothing worthy of any marks. **1 – 3 marks:** Answers show a limited understanding of these functional roles. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **4 – 6 marks**: Answers show detailed knowledge and understanding of both functional roles and the key differences. Answers clearly communicate meaning with some use of specialist vocabulary. Likely answers include: (Buying) Discover exactly what is needed (floor spec, deadlines etc); check if existing suppliers suitable/find new suppliers; check prices; check delivery/terms; liaise with Finance to discuss/arrange payment; arrange delivery. (Marketing) Arrange to promote new floor; arrange to publicise opening of 'new' studio; contact existing customers to promote; liaise to discover work completion date.	6	2
	Total for Question 1	**20**	

Question	Answer	Mark	LO
2. a.	Criteria: (e.g.) Accuracy of the message being delivered; speed of the message being delivered; cost of the methods/media; suitability of the content for the methods/media; any security issues; equipment available/relevant to the recipient.	4	2
2. b.	**0 marks**: Nothing worthy of any marks. **1 – 3 marks:** Answers show a limited understanding of measuring effectiveness in this context. Answers convey meaning but lack detail and/or exemplification. Little/no use of specialist vocabulary. **4 – 6 marks**: Answers show detailed knowledge and understanding of measuring effectiveness in this context. Answers clearly communicate meaning with some use of specialist vocabulary. Likely answers include: Clarity of message e.g. show times/stars given; ease of accessing medium e.g. website accessibility; number/percentage of respondents; adequacy of response; speed of response e.g. meets booking deadlines.	6	2

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Question	Answer	Mark	LO
2. c.	**0 marks**: Nothing worthy of any marks. **1 – 3 marks**: Answers show a limited understanding of legislation relating to health and safety, data protection, and copyright by giving a basic description only, supported by limited examples of their application in this context. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **4 – 7 marks**: Answers describe and explain in some detail the legal issues relating to these areas, together with illustration of how they can apply in this situation. Answers communicate meaning with some use of specialist vocabulary. **8 – 10 marks**: Answers show detailed knowledge and understanding of the main legal issues explanation associated with these areas. Points made are supported by clear and relevant examples. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: (Health/safety) application of HASAW/related legislation and regulations such as 1992 Workplace Regulations and COSHH – e.g. electrical safety when using emails/updating the website; safe practices when operating the printer and handling heavy printout volumes; adequate ventilation when printing/using computers; safe storage of any hazardous materials used when printing; safety procedures when conducting tours. (Data protection) application of DPA – e.g. using customer database for specific purpose of promoting future shows; removing Friends from database if subscription not renewed; keeping customers' personal information/online payment information safe and secure. (Copyright) copyright/related regulations 2014 and the 1988 Act as amended – e.g. liaising with shows regarding use of phrases/images on leaflets/posters used to promote; checking website information against copyright regulations; reviewing any use of trade marks or patents in publicity materials.	10	2
	Total for Question 2	**20**	

Question	Answer	Mark	LO
3. a.	External (1 mark): members of the public/customers, Lee and MacLean, Forssi plc, local tourist board. Internal (1 mark): employees.	2	1
3. b.	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of stakeholders by giving a basic explanation/analysis of their likely goals. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers describe in some detail and include some analysis of both common and differing goals of both stakeholders. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show full understanding by detailed reasoned analysis showing ways that these stakeholders' goals are likely to agree and to differ. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Agree: e.g. long-term survival – continuing entertainment for Friends/income for Council; offer suitable service/entertainment for the local area – status for Council, entertainment for Friends; encourage more visitors/wealth into the town – support local businesses (Council), more finance for local services (both). Differ: e.g. make (higher) profits to repay any debts/to contribute to income (benefits Council), compared to offering (an improved) service (benefits Friends); higher prices for more income (Council) but lower prices for lower personal costs (Friends).	8	1

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Question	Answer	Mark	LO
3. c.	**0 marks**: Nothing worthy of any marks. **1 – 3 marks**: Answers show a basic understanding of external social and economic factors by making a weak analysis and/or evaluation supported by limited examples in this context. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **4 – 7 marks**: Answers analyse in some detail and offer some evaluation of both a social and an economic influence on the Restaurant, together with illustrations of their application. Answers communicate meaning with some use of specialist vocabulary. **8 – 10 marks**: Answers show detailed understanding of a social and an economic factor associated with these areas. Arguments made are supported by clear and relevant examples. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: (Social) e.g. change in food tastes – affects the Restaurant's range of food offered, food buying sources and patterns, food costs – responses include changing menus, reviewing pricing strategies, consulting Friends on their food preferences. (Economic) e.g. wage rate increase – higher costs increase Restaurant prices – responses include reviewing costs/controlling costs better, absorbing costs rather than increase prices, increasing menu prices and monitoring customer responses to the increase.	10	1
	Total for Question 3	**20**	

Question	Answer	Mark	LO
4. a.	**0 marks**: Nothing worthy of any marks. **1 – 3 marks:** Answers show a limited understanding of attributes in this context. Answers convey meaning but lack detail and/or exemplification. Little/no use of specialist vocabulary. **4 – 6 marks**: Answers show detailed knowledge and understanding of attributes in this context. Answers clearly communicate meaning with some use of specialist vocabulary. Likely answers include: Front-of-house: e.g. punctuality; politeness; lack of prejudice. Relevance: e.g. representing the 'face' of The Theatre so politeness is expected; these are good customer service qualities. Website: e.g. can work as part of a team; good written communication skills; use of initiative. Relevance: e.g. need to work with other people; website creates an image of The Theatre so good spelling/communication is important.	6	3
4. b. (i)	Purpose: e.g. to help the Theatre's new employee contribute quickly to Front of House operations (1) and to ensure no costly mistakes involving customers (1) (2 x 1 mark)	2	3
4. b. (ii)	Benefit: e.g. cost-effective (1) no transport costs/expenses/not paying for specialist trainers (1) Employees still in the Theatre (1) so still contributing to its work (1) Involving other Theatre employees (1) which can motivate them (1) 1 mark simple statement, 1 mark development Drawback: e.g. because other employees are involved (1) their work is interrupted (1) Quality an issue (1) because non-specialist trainers (1) Environment not dedicated to learning (1) so can be ineffective (1) 1 mark simple statement, 1 mark development.	2	3

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Question	Answer	Mark	LO
4. c.	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of Herzberg's theory by giving a basic explanation of its content. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers explain the theory in some detail and include some analysis of the relevance of motivators and/or hygiene factors. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show full understanding and contain detailed analysis and judgement of the influence of both motivators and hygiene factors. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Herzberg's work suggests that the presence of Motivators will encourage the new Theatre employees to work harder, if their work includes for example being greater responsibility, more interesting work and receiving praise from customers/colleagues. The influence of Hygiene factors on the employees' workplace satisfaction is that by themselves they will not motivate the new employees but, if they are not present, demotivation can occur. The new employees will expect to be paid, and to work in a good working environment. Motivators and hygiene factors are therefore both relevant in achieving workplace satisfaction, and can influence the Theatre's management adopt strategies such as job enlargement and job enrichment, which will further increase workplace satisfaction.	10	3
	Total for Question 4	**20**	

Question	LO1	LO2	LO3	Total
Section A				
1 - 4	3	1		4
5		3		3
6	3			3
7	2			2
8(a)	4			4
8(b)	4			4
Section B				
1(a)	8			8
1(b)		6		6
1(c)		6		6
2(a)		4		4
2(b)		6		6
2(c)		10		10
3(a)	2			2
3(b)	8			8
3(c)	10			10
4(a)			6	6
4(b)(i)			2	2
4(b) (ii)			2	2
4(c)			10	10
Total LO	**44**	**36**	**20**	**100**
% LO	**44**	**36**	**20**	**100**
Marks	**35 - 45**	**35 - 45**	**20 – 30**	**100**

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Candidate Name	Centre Number	Candidate Number

LEVEL 3 APPLIED DIPLOMA IN BUSINESS

Unit 3

THE ORGANISATION: STRATEGIES AND DECISION MAKING

AM/PM [*date*]

2 hours

For Examiner's use only		
Section	**Maximum Mark**	**Mark Awarded**
A.	**20**	
B.	**40**	
C.	**40**	
D.	**40**	
Total	**100**	

Instructions to candidates

Answer **all** questions in Sections A and B.
Finance Route candidates will also answer **all** questions in Section C.
Marketing Route candidates will also answer **all** questions in Section D.

Information for candidates

The total for the paper is 100 marks.
The number of marks is given in brackets at the end of each question or part question.

Introduction The BlueTower Hotel

The BlueTower Oceanfront Leisure and Spa Hotel ('*BlueTower*') is a 4 star resort located near the coast. It was once the main house on a large country estate, and it still retains the luxury and elegance that is sometimes associated with 'landed gentry' life.

BlueTower has over 80 bedrooms and luxury suites, which offer stunning views of the ocean and/or the hotel grounds. It offers its guests wedding packages together with business conference and other facilities, including:

- spa facilities, where guests can relax and enjoy a range of beauty and health-related treatments, such as bridal and other make-up, tanning, massage and holistic therapy treatment;
- a nine-hole private golf course for exclusive use by guests, and a golf shop owned by the golfing professional employed at *BlueTower*;
- cafés and a restaurant offering a wide range of local and other food, prepared and cooked to a high standard;
- a pool and a gymnasium that contains exercise equipment, for the use of guests;
- a gift shop and food outlet for guests.

BlueTower's Mission is: to remain the pre-eminent regional hotel, and therefore the first choice of guests and employees, through offering first class guest care and facilities, delivered at a high standard of service by well-trained and well-motivated employees.

BlueTower is owned by *Arthur plc*, a large leisure group with outlets throughout the UK and the rest of Europe. *BlueTower* has close business links with its bank and main suppliers, one of which is *Fri-From*, a supplier of health and beauty products used and sold in *BlueTower's* spa.

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Section A Answer ALL questions

1. The ability of *BlueTower* to meet its financial obligations is an indication of its [1]

   A solvency

   B efficiency

   C profitability

   D productivity.

   Which of the above statements is correct: A, B, C or D?

2. For its power *BlueTower* pays a standing charge plus a cost per unit of power used. The standing charge is an example of a [1]

   A stepped cost

   B fixed cost

   C semi-variable cost

   D variable cost.

   Which of the above statements is correct: A, B, C or D?

3. The internal focus of any SWOT analysis carried out by *BlueTower* will be on its [1]

   A strengths and threats

   B opportunities and weaknesses

   C weaknesses and strengths

   D threats and opportunities.

   Which of the above statements is correct: A, B, C or D?

4. The cost of buying new machinery for *BlueTower's* Sales section will appear in which budget? [1]

   A Purchases

   B Marketing and promotion

   C Wages and salaries

   D Capital expenditure.

   Which of the above statements is correct: A, B, C or D?

5. (a) Describe the difference between margin (gross margin) and mark-up. [2]

A *BlueTower* employee was asked to price a spa beauty product, cost price £7.70, using a 65% gross margin. In error, she priced the product using a 65% mark-up.

(b) Explain the effect to *BlueTower* of making this error. [4]

6. The management team of *BlueTower* keeps records of price movements. One source is the Retail Prices Index (RPI). The information below is being examined by the management team.

Leisure services index based on RPI	
Year	**Index**
2010	100
2011	103.9
2012	107.7
2013	111.4
2014	113.7
2015	116.6

Source: Consumer Trends 2016 (adapted)

(a) Explain why the year 2010 appears to be significant for *BlueTower* in this information. [2]

The managers expect the index for 2016 to increase by 2.1%.

(b) Calculate the expected index for 2016. [2]

The managers plan to use this information to review their costs and prices.

(c) Explain the relevance or otherwise of using this information for decisions about costs and prices. [6]

Total Section A 20 marks

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Section B Answer ALL questions

Question 1

Blue Tower is owned by *Arthur plc*, a large leisure group with outlets throughout the UK and the rest of Europe. *Arthur plc's* headquarters and main offices are in London, where many other leisure sector businesses are also located. Its outlets and activities are promoted using commercial television and other mass media, and the Group's directors are continually seeking to expand, borrowing from the financial markets to do so. Some items, such as certain stationery and consumables used by all the Group's companies, are bought centrally.

(a) Identify from the above information, quoting relevant evidence, three internal economies of scale from which the group is likely to benefit. [6]

(b) State and explain one advantage to *Arthur plc* of being in an area where similar businesses in the same market sector are also located. Your explanation should include an appropriate example related to *Arthur plc*. [4]

(c) State and explain one disadvantage to *Arthur plc* of being in an area where similar businesses in the same market sector are also located. Your explanation should include an appropriate example related to *Arthur plc.* [4]

(d) Using examples of how diseconomies of scale can occur, explain how such diseconomies could affect the efficiency of *Arthur plc* and the competitiveness of *Blue Tower.* [8]

Question 2

BlueTower's golfing professional owns a small shop selling golf and related products. One major supplier to the shop is *Letsgogolf*, which manufactures golfing equipment. *Letsgogolf* has recently supplied the shop with new season product lines that will replace older versions. At present, therefore, the shop is stocking certain *Letsgogolf* lines that, though recently onto the market are now selling well elsewhere, and existing lines that will shortly become unavailable from *Letsgogolf*.

(a) (i) Name and describe briefly the two product lifecycle stages indicated by the above information. [4]

(ii) Name and describe the key features of any two other stages of the product lifecycle. [4]

(iii) Identify and explain one limitation to *BlueTower* of using product life cycle analysis. [2]

(b) For each situation below, explain one key decision that will be made as a result of these newer models/versions of products being sold:

- one key financial decision that managers at *Letsgogolf* (the supplier) need to make regarding selling the newer versions of these products [4]

- one key marketing decision the *BlueTower* golf shop owner needs to make regarding selling the old versions of these products [4]

Total Section B 40 marks

Finance – Section C

Question 1

BlueTower sets fixed budgets rather than flexible budgets. The management team plans to move to using flexible budgeting.

(a) What is the difference between a fixed budget and a flexible budget? [4]

(b) Analyse the benefits to *BlueTower* if flexible budgeting replaces the use of fixed budgets. [6]

A fixed budget for the first four weeks of the new financial year has already been prepared for one of *BlueTower's* cafés. The budget has been prepared on the assumption that all café food and drink available for sale will in fact be sold.

(c) (i) Using the table below:

- create a flexed budget* for the given levels of activity in the café [6]
- calculate the expected profit or loss at both activity levels, stating clearly whether it is a profit or a loss. [2]

* Employee wage costs are treated as follows: Kitchen – fixed; Café – variable.

	Activity levels (%)		
	80	**90**	**100**
	£	**£**	**£**
BlueTower Café sales:			9 250
BlueTower Café costs:			
Wages (Kitchen)			3 200
Wages (Café)			2 125
Cost of food and drinks consumed			1 875
Fixed overheads			550
Variable overheads			250
Profit/(loss)			1 250

(c) (ii) This café has a present activity level of 85%. What will happen financially if the activity level remains at 85%? [2]

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Question 2

BlueTowers' managers are considering whether or not to invest in new equipment to upgrade the swimming pool and gymnasium. They wish to calculate the net present value (NPV) of this investment. The equipment will cost £200 000 in total, is expected to last four years before having to be replaced, and the managers believe it will increase profits over its lifetime as follows:

Year	Increase in profits (£000)
1	70
2	70
3	60
4	51

The equipment will have no residual (scrap) value.

The cost of capital for *BlueTower* is 10% and the discount factors are as follows:

Year 1	0.909
Year 2	0.826
Year 3	0.751
Year 4	0.683

(a) What is 'net present value' (NPV)? [2]

(b) Calculate the NPV for the proposed new equipment. [6]

The managers could use Accounting Rate of Return (ARR) and Payback as alternative methods for reviewing the proposed investment.

(c) Compare Payback and ARR, recommending with reasons which of these two would, in your opinion, be more helpful in reviewing the proposed investment. [12]

Total Section C 40 marks

Paper total: 100 marks

Marketing – Section D

Question 1

The managers at *BlueTower* regularly review market trends. At present they are exploring information relating to playing golf, to decide how best to market its 9-hole golf course. They have been given the following information.

Table A: Number of adults using 9-hole and 18-hole golf courses in the UK. Source: Sports Marketing Surveys 2015 (adapted)

Year	Number (million: 2011 = 100)	
2011	3.94	100
2012	3.51	89.2
2013	3.36	85.5
2014	3.30	83.9

Table B: Number of registered golfers in Europe. Source: Statista.com 2015 (adapted)

Year	Number (million: 2010 = 100)	
2010	4.44	101.1
2011	4.39	100
2013	4.39	100
2014	4.15	94.5
2015	4.14	94.3

(a) Comment on any trends shown by the figures in both Tables. [4]

(b) Analyse the limitations of the information in both Tables if *BlueTower's* managers decide to use these figures to plan the marketing strategy for the 9-hole golf course. [6]

One of the *BlueTower* managers has suggested obtaining the views of guests concerning the 9-hole golf course.

(c) Explaining how each sampling method operates, recommend with reasons whether simple random sampling or quota sampling is the more appropriate method to use for collecting this information. [10]

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Question 2

Fri-From Ltd is *BlueTower's* main supplier of spa products. *Fri-From* has recently launched a range of organic ('green') health and beauty products. This range replaced a non-organic range that had a small market share in what had become a low-growth market for health and beauty products. The new organic range is sold in what is a high-growth market for organic health and beauty products, and it has as yet only a low share of this market.

(a) Using the above information, how would the following be classified using the BCG Matrix ('Boston Box') analysis? [4]

- *Fri-From's* new product range
- *Fri-From's* old product range.

(b) Assess the extent to which the BCG Matrix could help *Fri-From* when deciding whether or not to continue marketing this new product range. [8]

Fri-From has only recently introduced this new product range into its existing market.

The company's directors are now considering whether or not to start selling the new range elsewhere in Europe, even though the company has not exported its products before.

(c) How will using the Ansoff Matrix help *Fri-From* establish its product and market-growth strategy in both the above situations? [8]

Total Section D 40 marks

Paper total: 100 marks

Unit 3 Mark Scheme

Section A

Question	Answer	LO	AC	Mark
1	A	1	1.2	1
2	B	2	2.3	1
3	C	2	2.1	1
4	D	1	1.3	1
5a	Margin relates profit to the selling price (1) and mark-up relates profit to the cost price (1)	1	1.2	2
5b	Product should be priced at £22 (£7.70 + £15.30) (1) – was priced at £12.70 [accept £12.71] (£7.70 + £5) (1) – underpriced by £9.30/loss of £9.30 per unit gross profit/lower unit contribution of £9.30 towards costs (1) – though likely to sell more items (1) OF to be allowed.	1	1.2	4
6a	(Examples include) Education, transport, planning, fire/public safety, social care, libraries, waste management, trading standards (2 x 1 mark)	1	1.5	2
6b	119.0 (116.6 x 1.021) (2) (1 mark correct workings)	1	1.5	2
6c	**0 marks**: Nothing worthy of any marks. **1 – 3 marks:** Answers show a limited understanding of the nature of this information. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **4 – 6 marks**: Answers show clear understanding of both the relevance and otherwise of this information. Answers clearly communicate meaning with some use of specialist vocabulary. Likely answers include: Relevant: e.g. refers to leisure industry so relevant sector; RPI focuses on consumer prices so an indicator of broad price movements. Not relevant: e.g. a measure of consumer price movements rather than industry costs; very general, relating to the whole industry/lacks local application; information is largely out of date.	1	1.5	6

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Section B

Question	Answer	LO	AC	Mark
1a	Financial (1) – a large plc borrowing from the financial markets (1) Marketing (1) – promoted using mass media (1) Purchasing (1) – central buying (1)	1	1.4	6
1b	**0 marks**: Nothing worthy of any marks. **1 – 2 marks:** Answers show a limited understanding of the advantages associated with external economies of scale. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed understanding of both the nature of external economies and their likely advantages in this situation. Answers clearly communicate meaning with some use of specialist vocabulary. Appropriate and relevant exemplification. Likely answers include: Advantages: e.g. external economy of training – courses being put on by specialist agencies, external specialists available to train in-house; external economy of labour – workforce in the area has relevant skills such as ICT and foreign languages; external economy of co-operation – research into trends can be shared, because other leisure-based businesses also interested in research findings.	1	1.4	4
1c	**0 marks**: Nothing worthy of any marks. **1 – 2 marks:** Answers show a limited understanding of the disadvantages associated with external economies of scale. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed understanding of both the nature of external economies and their likely disadvantages in this situation. Answers clearly communicate meaning with some use of specialist vocabulary. Appropriate and relevant exemplification. Likely answers include: Disadvantages: e.g. greater competition – for labour/skills, for shared resources; effect of other businesses – e.g. one local competitor gains a bad reputation, this spreads through the area.	1	1.4	4

Question	Answer	LO	AC	Mark
1d	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of diseconomies of scale by giving a description/basic explanation supported by few or no examples of how they arise. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers explain diseconomies in some detail and include appropriate examples of how they arise. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show full understanding of diseconomies by detailed reasoned explanation showing ways that these diseconomies are likely to arise. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Efficiency of *Arthur plc* falls as a result of (e.g.) increased bureaucracy – leads to poor communication with *BlueTower*/other subsidiaries; lack of employee motivation leads to poor co-ordination/control of *BlueTower*/other subsidiaries; high costs of geographical expansion leads to fewer resources available for *BlueTower* existing subsidiaries. Competitiveness of *BlueTower* affected by (e.g.) slower decision-making so slower response to actions of local competitors, possible loss of market share/custom.	1	1.4	8
	Total for Question 1			**22**

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Question	Answer	LO	AC	Mark
2a(i)	Growth (1) – sales and profits grow strongly (1) Decline (1) – product sales falling due to (e.g.) saturated market (1)	2	2.2	4
2a(ii)	Stages named (2 x 1 mark) Stages described (2 x 1 mark)	2	2.2	4
2a(iii)	Limitations of using product life cycle Identify a limitation(1) eg: Cannot be accurately plotted (1) Explanation - It is not possible to have a clear understanding of which stage the product is in until all stages have been completed (1)	2	2.2	2
2b	**0 marks**: Nothing worthy of any marks. For each decision: **1 – 2 marks**: Answers show a limited understanding of a key decision relating to finance/marketing/retailing by giving a simple description or basic explanation only, supported by limited application in this context. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed knowledge and understanding of key decisions associated with these contexts. Points made are supported by clear and relevant examples. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: (Finance) e.g. price to sell at and implications for margin/mark-up/profitability; whether promotion and related costs can now be reduced because of establishing market/whether to increase if competition is stronger; whether additional support services are needed and costs therefrom. (Marketing) e.g. price to sell at, whether to lower; whether to increase promotion/change promotion to acknowledge limited time left; whether to withdraw product or continue to offer to existing customers.	2	2.2	8
	Total for Question 2			**18**

Section C – Finance Route

Question	Answer	LO	AC	Mark
1(a)	A fixed budget is prepared using one activity level only (1) and does not change regardless of the actual activity level (1) A flexible budget is designed to change depending on the activity level (1) and therefore reflects the way different costs behave as activity changes (1)	3	3.2	4
1(b)	**0 marks**: Nothing worthy of any marks. **1 – 3 marks**: Answers show a limited understanding of fixed and flexible budgets by giving a basic explanation/analysis only, with little consideration of likely benefits from replacing fixed with flexible. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **4 – 6 marks**: Answers show full understanding by detailed reasoned analysis of likely benefits from replacing fixed with flexible, underpinned with clear understanding of these types of budget. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: A fixed budget's figures will differ from the actual amounts assuming the two activity levels are not the same, so in such cases control/monitoring of the restaurant's costs should not be based on a simple comparison of actual against budget. A flexible budget is adjusted for output so it will show the accurate position by calculating what the budgeted costs would have been for the actual activity level. It gives more meaningful information about the restaurant's performance because it compares 'like with like'.	3	3.2	6

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Question	Answer	LO	AC	Mark
1(c)(i)	7 x 1 mark each correct row of figures. 2 x 1 mark statement of profit. See below. OF to be allowed.	3	3.2	8

	Activity levels (%)	
	80	90
	£	£
BlueTower Café sales:	**7 400**	**8 325**
BlueTower Café costs:		
Wages (Kitchen)	**3 200**	**3 200**
Wages (Restaurant)	**1 696**	**1 908**
Cost of food and drinks consumed	**1 504**	**1 692**
Fixed overheads	**550**	**550**
Variable overheads	**200**	**225**
Profit/(loss)	**250 profit**	**750 profit**

1(c)(ii)	The café will make £500 (1) profit (1)	3	3.2	2
	Total for Question 1			**20**

Question	Answer	LO	AC	Mark
2(a)	The sum of the present values of the individual cash flows/annual cash flows (1), and therefore the present day value of a project which is obtained by summing its discounted future cash flows (1)	3	3.3	2
2(b)	Cash flows (5 x 1 mark): year 0 = (£200 000) (1); year 1 = 363 630 (1); year 2 = £57 820 (1); year 3 = £45 060 (1); year 4 = £34 833 (1). NPV is £1 343 (1) OF to be allowed.	3	3.3	6
2(c)	**0 marks**: Nothing worthy of any marks. **1 – 4 marks**: Answers show a limited understanding of Payback and/or ARR by giving a basic explanation of its content, reaching a simple decision at best as to which to use. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **5 – 8 marks**: Answers explain and compare Payback and ARR in some detail and are supported by a reasoned though limited argument as to which to use. Answers communicate meaning with some use of specialist vocabulary. **9 – 12 marks**: Answers show full understanding of both methods through detailed explanation and comparison, and a justified choice is made. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: The managers will find both easy to use: both are familiar concepts. ARR compares (average) profits against investment; Payback establishes how quickly investment/outflow is recouped. ARR takes all years into account when making this decision, whereas Payback only takes into account cash flows for years up to the payback point. ARR ignores timing of profits, but Payback ignores profits completely. With both, there is no account of the time value of money, thereby ignoring the fact that future money is not worth as much as today's money. Because ARR is based on accounting figures/profits and not cash flow, it will not take into account any working capital/cash requirements for this project whereas Payback gives a clearer statement about cash needs. Recommendation: ARR because it focuses on profits, whereas Payback is more similar in some ways to DCF/NPV through its concentration on cash.	3	3.3	12
	Total for Question 2			**20**

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Section D – Marketing Route

Question	Answer	LO	AC	Mark
1(a)	Both declining (1) though a faster decline in Table A (1), having fallen by roughly one-sixth in three years (1), whereas Table B shows a less even, though steadier overall, decline (1)	3	3.2	4
1(b)	**0 marks**: Nothing worthy of any marks. **1 – 3 marks**: Answers show a limited understanding of information that could be used for forecasting by giving a basic explanation/analysis only, with little consideration of the limitations. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **4 – 6 marks**: Answers show full understanding by detailed reasoned analysis of the limitations of the information in both these tables. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Table A: No information on male/female, adult/youth etc; outdated; numbers only not length of time playing/spending patterns, number of rounds etc; UK-based not regional/local. Table B: Europe-wide, not only UK; only up to 2015; incomplete (no 2012); no age/sex information.	3	3.2	6

Question	Answer	LO	AC	Mark
1(c)	**0 marks**: Nothing worthy of any marks. **1 – 3 marks**: Answers show a limited understanding of random and/or quota sampling by giving a description or basic explanation of operation, and reaching a simple decision at best as to which to use. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **4 – 7 marks**: Answers explain both sampling methods in some detail, and are supported by a reasoned though limited argument as to which to use. Answers communicate meaning with some use of specialist vocabulary. **8 – 10 marks**: Answers show full understanding of both methods through detailed explanation, and a justified choice is made. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Simple random: a sample is chosen from the population purely at random, everyone having an equal chance of being selected for the sample. It requires a sampling frame, which in this case could be constructed from guest records. It is easy to assemble the sample and will be representative of the population, although its use is likely to result in data being collected from guests who are have no interest whatsoever in golf. Quota: a sampling method that requires that representative individuals are chosen from a specific subgroup of the population – e.g. the researcher asks for a sample of 100 females or 100 people aged 20-39. The population is first segmented into mutually exclusive subgroups, and a non-random sample is then taken from the relevant subgroup. Although non-random, and therefore potentially unreliable/biased because not everyone has an equal chance of selection, it is easy to carry out because a sampling frame is not needed. Using quota sampling in this situation is likely to mean that the views of the sample are relevant to marketing the golf course by angling the sample towards users e.g. by age/sex. Quota sampling is arguably the more appropriate method to use because specific population characteristics relating to the golf course can be identified and surveyed through the sample.	3	3.2	10
	Total for Question 1			**20**

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Question	Answer	LO	AC	Mark
2(a)	New product range: Question marks/problem child (1) because it a low share of a high-growth market (1). Old range: Dogs (1) because a small share of a low-growth market (1)	3	3.1	4
2(b)	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of BCG by giving a basic analysis only of its likely use in this context. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers analyse in some depth and include some assessment of the likely value of using BCG in this situation. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show detailed assessment of the likely use of BCG, underpinned by appropriate analysis of both strengths and limitations. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: BCG is a good indicator of the market's present strength so the supplier can place organic health & beauty products in one of the four sections to show expected profitability/cash flows. It encourages the supplier to define (the 'green' market's) market share and/or the growth rate. The new range is a 'question mark' so there is moderate risk and possibility of low return, so the supplier can analyse its development, e.g. as a possible star. However, the BCG model does not show the rate of overall market growth/it can be difficult to define the growth rate for 'green' products, and market growth is not the only positive feature of a market. The BCG model implies profitability but will not guarantee it for the supplier, and a low market share can still be profitable.	3	3.1	8

Question	Answer	LO	AC	Mark
2(c)	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of Ansoff by giving a basic description or explanation of how it relates to either or both of the given situations. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers explain Ansoff in some depth and apply it well to both given situations. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show full understanding of both the relevance of Ansoff in these situations, and the information its use will give to the managers. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Ansoff informs *Fri-From* that new products in an existing market is a Product Development growth strategy. This is particularly suitable if *Fri-From* can differentiate these products from those of competitors. R&D and detailed customer research are probably key elements in the marketing strategy leading up to this new range being launched. Ansoff informs *Fri-From* that new products in new markets is a Diversification growth strategy. The Matrix emphasises the high-risk element of such a strategy, and therefore *Fri-From* will need a clear idea of what it expects to gain from this strategy together with a full appraisal of the risks involved.	3	3.1	8
	Total for Question 2			**20**

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Question	LO1	LO2	LO3	Total
Section A				
1 - 4	2	2		4
5	6			6
6	10			10
Section B				
1(a)	6			6
1(b)	4			4
1(c)	4			4
1(d)	8			8
2(a)(i)		4		4
2(a)(ii)		4		4
2(a)(iii)		2		2
2(b)		8		8
Finance Section C				
1(a)			4	4
1(b)			6	6
1(c)(i)			8	8
1(c)(ii)			2	2
2(a)			2	2
2(b)			6	6
2(c)			12	12
Total LO	**36**	**24**	**40**	**100**
% LO	**60**		**40**	**100**
Marks	**55 – 65**		**35 – 45**	**100**

Marketing Section D					
1(a)				4	4
1(b)				6	6
1(c)				10	10
2(a)				4	4
2(b)				8	8
2(c)				8	8
Total LO		**36**	**24**	**40**	**100**
% LO		**60**		**40**	**100**
Marks		**55 – 65**		**35 – 45**	**100**

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Candidate Name	Centre Number	Candidate Number

LEVEL 3 APPLIED DIPLOMA IN BUSINESS

Unit 4

STRATEGIES AND DECISION MAKING FOR RETAIL ORGANISATIONS

AM/PM [*date*]

2 hours

For Examiner's use only		
Section	**Maximum Mark**	**Mark Awarded**
A.	**20**	
B.	**40**	
C.	**40**	
Total	**100**	

Instructions to candidates

Answer **all** questions in **all** sections.

Information for candidates

The total for the paper is 100 marks.
The number of marks is given in brackets at the end of each question or part question.

Introduction XLR Sports

XLR Sports is a sports retailer that has been located in a large unit on a retail park near Cwmbran for the past ten years.

The business started by selling sports merchandise, however, in the last three years it has expanded by introducing a gym facility in the unit next door and an online platform.

The retail outlet and the gym offer customers a wide range of branded sports and leisure products and services including:

Footwear – all major and a number of minor sports are catered for. There is a facility to analyse running styles and there are trained staff available to advise on appropriate products.

Golf – clubs, clothing and accessories are sold. A swing analysis service is available to help improve performance.

Multi sports – clothing and equipment is offered for many other sports and leisure activities including replica football shirts and gym wear.

Gym – the fully equipped gym houses a range of fitness equipment from cardio vascular machines including treadmills to weight training areas and a host of fitness classes in a studio setting. Gym members are able to receive a discount in the retail outlet.

The model of the retail outlet with the combined gym has proved to be very successful and the owners of XLR Sports are aiming to expand this business model into other locations.

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Section A Answer ALL questions

1. The ability of *XLR Sports* to meet its financial obligations is an indication of its [1]

   A solvency

   B efficiency

   C profitability

   D productivity.

   Which of the above statements is correct: A, B, C or D?

2. For its outlet heating and lighting *XLR Sports* pays a standing charge plus a cost per unit of power used. The standing charge is an example of a [1]

   A stepped cost

   B fixed cost

   C semi-variable cost

   D variable cost.

   Which of the above statements is correct: A, B, C or D?

3. The internal focus of any SWOT analysis carried out by *XLR Sports* will be on its [1]

   A strengths and threats

   B opportunities and weaknesses

   C weaknesses and strengths

   D threats and opportunities.

   Which of the above statements is correct: A, B, C or D?

4. The cost of buying new machinery for *XLR Sports'* gym will appear in which budget? [1]

   A Purchases

   B Marketing and promotion

   C Wages and salaries

   D Capital expenditure.

   Which of the above statements is correct: A, B, C or D?

5. (a) Describe the difference between margin (gross margin) and mark-up. [2]

An *XLR Sports* employee was asked to price a box of golf balls, cost price £7.70, using a 65% gross margin. In error, she priced the product using a 65% mark-up.

(b) Explain the effect to *XLR Sports* of making this error. [4]

6. The managers of *XLR Sports* keeps records of price movements. One source is the Retail Prices Index (RPI). The information below is being examined by the management team.

Leisure services index based on RPI	
Year	**Index**
2010	100
2011	103.9
2012	107.7
2013	111.4
2014	113.7
2015	116.6

Source: Consumer Trends 2016 (adapted)

(a) Explain why the year 2010 appears to be significant for *XLR Sports* in this information. [2]

The managers expect the index for 2016 to increase by 2.1%.

(b) Calculate the expected index for 2016. [2]

The managers plan to use this information to review their costs and prices.

(c) Explain the relevance or otherwise of using this information for decisions about costs and prices. [6]

Total Section A 20 marks

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Section B Answer ALL questions

Question 1

XLR Sports is owned by *Ashton plc*, a large leisure group with outlets throughout the UK and the rest of Europe. *Ashton plc's* headquarters and main offices are in London, where many other leisure sector businesses are also located. Its outlets and activities are promoted using commercial television and other mass media, and the Group's directors are continually seeking to expand, borrowing from the financial markets to do so. Some items, such as certain stationery and consumables used by all the Group's companies, are bought centrally.

(a) Identify from the above information, quoting relevant evidence, three internal economies of scale from which *XLR Sports* is likely to benefit as a result of being part of *Ashton plc*. [6]

(b) State and explain one advantage to *XLR Sports* of being in an area where similar businesses in the same market sector are also located. Your explanation should include an appropriate example related to *XLR Sports*. [4]

(c) State and explain one disadvantage to *XLR Sports* of being in an area where similar businesses in the same market sector are also located. Your explanation should include an appropriate example related to *XLR Sports.* [4]

(d) Using examples of how diseconomies of scale can occur, explain how such diseconomies could affect the efficiency of *Ashton plc* and in turn the competitiveness of *XLR Sports.* [8]

Question 2

One of XLR Sports' most successful sections is dedicated to golf. A major supplier to this section is *Letsgogolf*, which manufactures golfing equipment. *Letsgogolf* has recently supplied the section with new season product lines that will replace older versions. At present, therefore, the section is stocking certain *Letsgogolf* lines that, though recently onto the market are now selling well elsewhere, and existing lines that will shortly become unavailable from *Letsgogolf*.

(a) (i) Name and describe briefly the two product lifecycle stages indicated by the above information. [4]

(ii) Name and describe the key features of any two other stages of the product lifecycle. [4]

(iii) Identify and explain one limitation to *XLR Sports* of using product life cycle analysis [2]

(b) For each situation below, explain one key decision that will be made as a result of these newer models/versions of products being sold:

- one key <u>financial</u> decision that <u>managers at *Letsgogolf*</u> (the supplier) need to make regarding selling the <u>newer versions</u> of these products [4]

- one key <u>marketing</u> decision the *XLR Sports* <u>golf section</u> needs to make regarding selling the <u>old versions</u> of these products [4]

Total Section B 40 marks

Section C

Question 1

XLR Sports values are stated in the staff handbook all staff receive during induction. These values include:

- creating respect and dignity at all times through treating customers and colleagues in a way we wish to be treated
- having an open, honest and supportive work culture by operating together as a team to create excellence, and in a safe working manner.

Many *XLR Sports* employees have direct or indirect contact with customers. Such employees include those working on the shop floor and in the gym.

(a) Explain how legislation is likely to affect the work of the following *XLR Sports* employees: [8]

- health and safety laws in relation to the work of employees in the gym
- data protection legislation in relation to the work of employees dealing with memberships.

The managers at *XLR Sports* are aware of the importance of retail security.

(b) Explain the different types of retail crime that are likely to occur at *XLR Sports* over time. [6]

(c) Describe one way in which retail crime at *XLR Sports* could be reduced by: [6]

- human activity
- mechanical means
- electronic methods

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Question 2

XLR Sports is a 'brick-and-click' business.

(a) What is a 'brick-and-click' business? [2]

Customers are able to buy *XLR Sports'* products either online or when they visit the outlet.

(b) What are the advantages and disadvantages to *XLR Sports* from having an online selling facility? [8]

XLR Sports are aiming to expand their business model into new locations outside of Cwmbran.

(c) Analyse the factors that will influence the directors when deciding where to locate the new combined outlet and gym facilities. [10]

Total Section C 40 marks
Paper total: 100 marks

Unit 4 Mark Scheme

Section A

Question	Answer	LO	AC	Mark
1	A	1	1.2	1
2	B	2	2.3	1
3	C	2	2.1	1
4	D	1	1.3	1
5a	Margin relates profit to the selling price (1) and mark-up relates profit to the cost price (1)	1	1.2	2
5b	Product should be priced at £22 (£7.70 + £15.30) (1) – was priced at £12.70 [accept £12.71] (£7.70 + £5) (1) – underpriced by £9.30/loss of £9.30 per unit gross profit/lower unit contribution of £9.30 towards costs (1) – though likely to sell more items (1) OF to be allowed.	1	1.2	4
6a	(Examples include) Education, transport, planning, fire/public safety, social care, libraries, waste management, trading standards (2 x 1 mark)	1	1.5	2
6b	119.0 (116.6 x 1.021) (2) (1 mark correct workings)	1	1.5	2
6c	**0 marks**: Nothing worthy of any marks. **1 – 3 marks:** Answers show a limited understanding of the nature of this information. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **4 – 6 marks**: Answers show clear understanding of both the relevance and otherwise of this information. Answers clearly communicate meaning with some use of specialist vocabulary. Likely answers include: Relevant: e.g. refers to leisure industry so relevant sector; RPI focuses on consumer prices so an indicator of broad price movements. Not relevant: e.g. a measure of consumer price movements rather than industry costs; very general, relating to the whole industry/lacks local application; information is largely out of date.	1	1.5	6

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Section B

Question	Answer	LO	AC	Mark
1a	Financial (1) – a large plc borrowing from the financial markets (1) Marketing (1) – promoted using mass media (1) Purchasing (1) – central buying (1)	1	1.4	6
1b	**0 marks**: Nothing worthy of any marks. **1 – 2 marks:** Answers show a limited understanding of the advantages associated with external economies of scale. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed understanding of both the nature of external economies and their likely advantages in this situation. Answers clearly communicate meaning with some use of specialist vocabulary. Appropriate and relevant exemplification. Likely answers include: Advantages: e.g. external economy of training – courses being put on by specialist agencies, external specialists available to train in-house; external economy of labour – workforce in the area has relevant skills such as ICT and foreign languages; external economy of co-operation – research into trends can be shared, because other leisure-based businesses also interested in research findings.	1	1.4	4
1c	**0 marks**: Nothing worthy of any marks. **1 – 2 marks:** Answers show a limited understanding of the disadvantages associated with external economies of scale. Answers convey meaning but lack detail and/or exemplification. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed understanding of both the nature of external economies and their likely disadvantages in this situation. Answers clearly communicate meaning with some use of specialist vocabulary. Appropriate and relevant exemplification. Likely answers include: Disadvantages: e.g. greater competition – for labour/skills, for shared resources; effect of other businesses – e.g. one local competitor gains a bad reputation, this spreads through the area.	1	1.4	4

Question	Answer	LO	AC	Mark
1d	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of diseconomies of scale by giving a description/basic explanation supported by few or no examples of how they arise. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers explain diseconomies in some detail and include appropriate examples of how they arise. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show full understanding of diseconomies by detailed reasoned explanation showing ways that these diseconomies are likely to arise. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Efficiency of *Ashton plc* falls as a result of (e.g.) increased bureaucracy – leads to poor communication with *XLR Sports*/other subsidiaries; lack of employee motivation leads to poor co-ordination/control of *XLR Sports*/other subsidiaries; high costs of geographical expansion leads to fewer resources available for *XLR Sports* existing subsidiaries. Competitiveness of *XLR Sports* affected by (e.g.) slower decision-making so slower response to actions of local competitors, possible loss of market share/custom.	1	1.4	8
	Total for Question 1			**22**

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Question	Answer	LO	AC	Mark
2a(i)	Growth (1) – sales and profits grow strongly (1) Decline (1) – product sales falling due to (e.g.) saturated market (1)	2	2.2	4
2a(ii)	Stages named (2 x 1 mark) Stages described (2 x 1 mark)	2	2.2	4
2a(iii)	Limitations of using product life cycle Identify a limitation(1) eg: Cannot be accurately plotted (1) Explanation - It is not possible to have a clear understanding of which stage the product is in until all stages have been completed (1)	2	2.2	2
2b	**0 marks**: Nothing worthy of any marks. For each decision: **1 – 2 marks**: Answers show a limited understanding of a key decision relating to finance/marketing/retailing by giving a simple description or basic explanation only, supported by limited application in this context. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed knowledge and understanding of key decisions associated with these contexts. Points made are supported by clear and relevant examples. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: (Finance) e.g. price to sell at and implications for margin/mark-up/profitability; whether promotion and related costs can now be reduced because of establishing market/whether to increase if competition is stronger; whether additional support services are needed and costs therefrom. (Marketing) e.g. price to sell at, whether to lower; whether to increase promotion/change promotion to acknowledge limited time left; whether to withdraw product or continue to offer to existing customers.	2	2.2	4 4
	Total for Question 2			**18**

Section C

Question	Answer	LO	AC	Mark
1a	For each effect: **1 – 2 marks**: Answers show a limited understanding of how either or both sets of laws are likely to influence activity by giving a simple description or basic explanation only, supported by limited application in this context. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 4 marks**: Answers show detailed knowledge and understanding of legislation in both areas, and points made are supported by clear and relevant examples. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: (Health and safety): e.g. safe use of equipment, floors free from obstacles, spillages cleaned up; appropriate plasters/safety equipment/hygiene equipment used; general employee duties such as take care of themselves and others, co-operate with employer. (Data protection): e.g. will be dealing with personal data; ensure data obtained for specific purpose of guests' stay; adequate, relevant and not excessive for this purpose; accurate and up-to-date e.g. correct address and phone numbers; removed or edited once guests leave; if any related future e-marketing, positive consent of guest required.	3	3.2	8
1b	Types of crime: e.g. customer direct theft (1) such as opportunistic stealing or organised shoplifting from *XLR Sports's* shop outlet, also refund or return fraud (e.g. return of goods stolen from the shop outlet) (1) employee-based crime (1) such as pilfering/theft, collusion between employees or between employee and guest (1) fraud-based crime (1) such as fraudulent use of credit cards either face-to-face or online, or use of counterfeit money.(1)	3	3.3	6

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Question	Answer	LO	AC	Mark
1c	Human activity: e.g. • direct supervision of employees at work (1) to act as visual deterrent (1) • employ security staff (1) who will patrol/remove cash safely (1) Mechanical means: e.g. • stockroom lockable areas (1) to control access to products (1) • safes in staff offices (1) to reduce employee pilfering (1) Electronic methods: e.g. • anti-shoplifting tagging (1) for goods such as golf clothing on sale (1) • electronic alarms (1) on doors/fire escape routes to control unauthorised movement (1)	3	3.3	6
	Total for Question 1			**20**

Question	Answer	LO	AC	Mark
2a	Brick and click: an organisation having both a retail outlet (1) and a website enabled for e-commerce (1)	3	3.1	2
2b	**0 marks**: Nothing worthy of any marks. **1 – 2 marks**: Answers show a limited understanding of online selling by giving a basic explanation of its nature and advantages and/or disadvantages. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **3 – 5 marks**: Answers explain online selling in some detail and include some consideration of the main advantages and disadvantages associated with it. Answers communicate meaning with some use of specialist vocabulary. **6 – 8 marks**: Answers show full understanding of online selling and contain detailed explanations of both likely advantages and disadvantages in this situation. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Advantages: e.g. easy access to the market and 24/7 access; wider/worldwide market; lower overheads e.g. sales staff; gain customer intelligence through e.g. website analytical tools. Disadvantages: e.g. costs of planning, designing and upkeep of the website; out-of-date or inaccurate website information damages image; security/fraud issues.	3	3.1	8

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Question	Answer	LO	AC	Mark
2c	**0 marks**: Nothing worthy of any marks. **1 – 3 marks**: Answers show a limited understanding of location-related issues by giving a basic explanation only. Answers convey meaning but lack detail. Little or no use of specialist vocabulary. **4 – 7 marks**: Answers explain location-based issues in some detail by including reference to some of the key areas of consideration such as cost, convenience and sales. Answers communicate meaning with some use of specialist vocabulary. **8 – 10 marks**: Answers show full understanding of issues affecting location and contain detailed points relating to key considerations such as cost, convenience, custom, competition, catchment, building specifics, infrastructure and expansion potential. Answers are well structured and clearly expressed. Specialist terms are used with ease and accuracy. Likely answers include: Factors: e.g. physical location such as traditional high street, mall or out-of-town; location of local competitors; local catchment area/custom; whether a new or existing build, whether the need to adapt existing build – all related costs; customer convenience, e.g. parking; convenience and cost of delivery, unloading facilities; expansion potential; whether to lease or buy, related costs; expected operational costs; availability of local labour; infrastructure, storage and parking.	3	3.1	10
	Total for Question 2			**20**

Question	LO1	LO2	LO3	Total
Section A				
1 - 4	2	2		4
5	6			6
6	10			10
Section B				
1(a)	6			6
1(b)	4			4
1(c)	4			4
1(d)	8			8
2(a)(i)		4		4
2(a)(ii)		4		4
2(a)(iii)		2		2
2(b)		8		8
Section C				
1(a)			8	8
1(b)			6	6
1(c)			6	6
2(a)			2	2
2(b)			8	8
2(c)			10	10
Total LO	**36**	**24**	**40**	**100**
% LO	**60**		**40**	**100**
Marks	**55 – 65**		**35 – 45**	**100**

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