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Candidate Name	Centre Number				Candidate Number			



AS BUSINESS

UNIT 1

Business Opportunities

SPECIMEN PAPER

1 hour 15 minutes

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Answer all the questions in the spaces provided.

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

INFORMATION FOR CANDIDATES

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

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

1. Cogent Market Research is a long-established market research consultancy based in Flintshire, North Wales. They employ an in-house team of specialists who undertake both primary and secondary market research on behalf of their clients.

(a) With the use of examples, clearly distinguish between primary and secondary market research. [4]

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(b) Briefly explain two benefits to a business of using market research. [4] B

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- In recent years there are more and more consumer television programmes, such as 'Watchdog', and consumer magazines, such as 'Which', seeking to protect the rights of consumers in today's global markets.

Explain, using examples, reasons why consumers sometimes need protection. [8]

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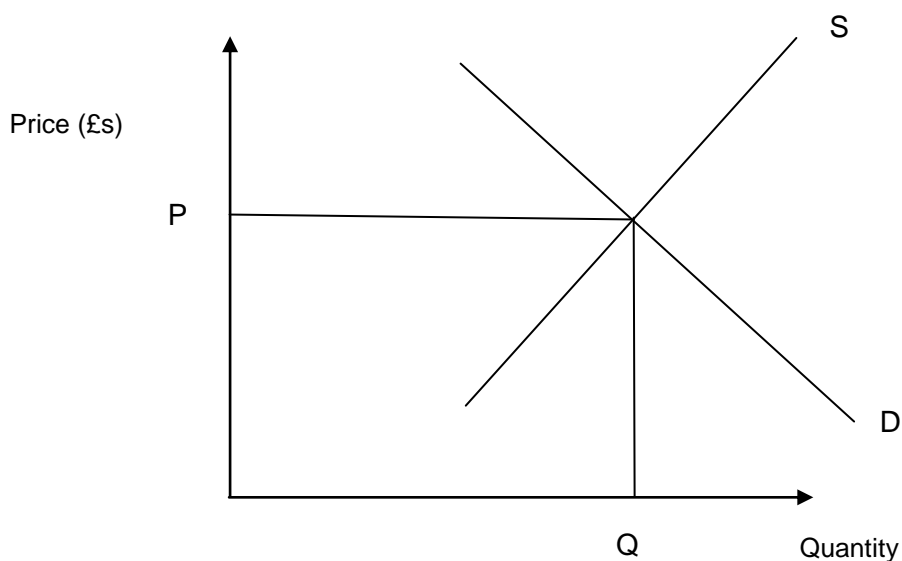
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3. Cardiff City Football Club's relegation from the Premier League was confirmed with the defeat at Newcastle on 3rd May 2014. Just twelve months earlier thousands of Cardiff fans had celebrated on the pitch at the Cardiff City Stadium after a wait of almost 50 years to reach British football's top division.

At Cardiff City, as well as many other football clubs, there is a market for copies of the shirts worn by players. These are called replica shirts.

Demand and supply of Cardiff City replica shirts



- (a) A
 Adapt the diagram above and explain what might happen to the market for Cardiff City replica shirts, in the 2014-15 season, as a result of the team's relegation from the Premier League. [4]

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4. Iestyn Jones, a keen surfer, decided to set up his own business. He believed that he had identified a niche market in the provision of quality surfboards for children aged between 6 and 12. He drew up a business plan and six months later he was up and running, manufacturing his boards in a small unit on an industrial estate near Porthcawl.
He hoped to sell his boards for £120 each.

Summary of Iestyn's costs for his first year of trading:

- Rent for unit - £4 000 per annum
- Machine hire - £2 000 per annum
- Marketing - £600 per annum
- Raw materials - £60 per board

- (a) Calculate the total fixed cost for Iestyn's business during his first year of trading. [2]

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- (b) Calculate Iestyn's contribution per board. [2]

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- (c) Calculate Iestyn's break-even output. [2]

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(d) Calculate the profit Iestyn would make if he manufactured and sold 300 boards. [4]

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(e) What is a niche market? [2]

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(f) Explain possible advantages to Iestyn of operating in a niche market. [6]

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- (g) Evaluate the view that, for a new business such as Iestyn's, constructing a business plan will guarantee that his business is successful. [12]

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Candidate Name	Centre Number				Candidate Number			



AS BUSINESS

UNIT 2

Business Functions

SPECIMEN PAPER

2 hours

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a 20 page answer book and a calculator.

INSTRUCTIONS TO CANDIDATES

Answer all the questions.

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Insert the numbers of questions you have answered on the front of your answer book.

INFORMATION FOR CANDIDATES

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

You are reminded of the need for good English and orderly, clear presentation in your answers.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions.

1. STORM INDUSTRIAL PAINTS PLC

In recent years the shareholders of Storm Industrial Paints have been very unhappy with the company's uninspiring performance and this has put a great deal of pressure on Lloyd Davies, the company chairman. A significant problem facing the business had been the sale of the old factory site near Wrexham; but this has, at last, been finally completed earlier in the year for the asking price of £7million.

Mr Davies believes that this year's profit and loss account (2015) is most encouraging and as a result shareholders' dividends have risen substantially. In a recent interview with a financial journalist he stressed his optimism for the coming financial year (2016) and predicted that a further increase in dividends would be likely.

An extract from Storm Industrial Paints plc Profit and Loss Account for 2014 and 2015

	2015 (£M)	2014 (£M)
Sales (Turnover)	75.8	76.4
Cost of Sales	27.6	29.6
Gross Profit	48.2	46.8
<i>Operating Expenses</i>	41.0	35.0
Net (Operating Profit)	?	11.8
Extraordinary Items (<i>from sale of factory</i>)	7.0	---
Net Profit before Tax	14.2	11.8
Taxation	3.4	3.0
Profit after Tax	10.8	8.8
Dividends	9.0	4.4
Retained Profit	1.8	4.4

- (a) What is the meaning of the following terms?
- (i) Cost of sales [2] C
- (ii) Shareholder Dividends [2] S
- (b) Calculate the percentage change in net operating profit from 2014 to 2015. [3]
- (c) Calculate the gross profit margins for 2014 and 2015. [3]
- (d) To what extent do you agree with Mr Davies that this year's profit and loss account is most encouraging? [8]
- (e) Identify two stakeholder groups who would be interested in a company's profit and loss account and explain the reasons for their interest. [6]

2. 400 jobs to go at Tata steelworks in Port Talbot

Around 400 jobs are to go at the Tata steelmaking plant in Port Talbot. Chief executive Karl Koehler said that 'the changes were vital if the company was to remain competitive in a very challenging European market'. He added, 'the company has invested over £250m in the past two years in **state-of-the-art technology** and is making further investments in its South Wales steelworks'.

Tata Steel is a huge organisation and the recent £250 million investment is a good example of a technological **economy of scale** that no small-scale steel producer could hope to take advantage of.

Tata Steel still has 7 000 staff working in Wales, with just over half working at Port Talbot. The 400 redundancies are part of the company's **workforce planning** procedures, which are vital if the organisation is to maintain its efficiency.

Mr Koehler said they would do everything possible to support staff 'through this unsettling time'. However, Roy Rickhuss, chair of the UK trade unions' steel committee, said they were very concerned at the news and would do 'all we can to support those affected by the announcement'.

Mr Rickhuss added: 'We recognise the company has been dealing with a long-term downturn in European steel markets for more than five years. However we have also expressed our own concerns that there are not sufficient workers being employed in some sections of the Port Talbot steelworks'.

Adapted: BBC News Wales 1 July 2014

- (a) Explain two possible benefits to Tata Steel of the £250 million investment in *state-of-the-art technology* in their South Wales steelworks. [4]
- (b) Explain the meaning of the term *economy of scale*. [2]
- (c) Identify two economies of scale, other than technological economies, and explain how they might benefit a large organisation such as Tata Steel. [6]
- (d) Explain what is meant by *workforce planning*. [2]
- (e) Explain the importance of workforce planning to Tata Steel. [6]
- (f) Consider the view that being a member of a trade union is of little value to a worker in the UK today. [8]

3. Sarah Bunton Luxury Chocolates continues to grow

As the company name implies, Sarah Bunton Luxury Chocolates is all about the creativity and skill of its young entrepreneurial founder, Sarah Bunton - who is still only in her early twenties.

In the 4 years since the business was established, it has developed enormously and won a number of prestigious awards that underline the quality of the chocolates that she produces.

Working from a kitchen in the popular tourist spot of Devil's Bridge, near Aberystwyth, Ceredigion, Sarah and her growing team create a broad range of filled chocolates and truffles, seasonal gift lines, bars and novelty items.

They have segmented their market, producing ranges of chocolates that are perfect for chocolate shops, fine food outlets, cafes, hotels and restaurants. The children's market is also catered for and the on-line shopping site has a wide range of innovative chocolate products.

2013 has seen interest growing from export markets too - with the brand already selling to Scandinavia and Japan. With so much growth and recognition in such a short time, it's hard to see what will happen next; but what they really want is for the Sarah Bunton name to become associated with fantastic luxury chocolates, and exciting flavours.

- (a) Explain why entrepreneurs, such as Sarah Bunton, are so important to the Welsh economy. [8]
- (b) Discuss the view that segmenting its market can only be a positive strategy for Sarah Bunton's Business. [8]
- (c) To what extent do you agree with the view that having a varied product portfolio and an extensive distribution network (place) will guarantee long-term success for Sarah Bunton's Luxury Chocolates? [12]

Candidate Name	Centre Number				Candidate Number			



A2 BUSINESS

UNIT 3

Business Analysis and Strategy

SPECIMEN PAPER

2 hours 15 minutes

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Answer all the questions in the spaces provided.

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

INFORMATION FOR CANDIDATES

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Answer **all** the questions in the spaces provided.

1. Two years ago Greg Davies and his girlfriend Annie Sergeant set up their own business, Tenby Ceramics, making and selling pottery. They have produced a range of mugs, bowls and candlesticks which they sell to local shops and art galleries.

One of their most popular items is a gift set made up of two mugs, two bowls and a candlestick which they sell for £20. Each gift set has a fixed cost of £4 and a variable cost of £6. Last year they sold 120 of these gift sets.

Annie thinks that they will make more money if they reduce their price to £18. She estimates that they will be able to sell 150 in the current year at this price. She expects the cost of production to remain the same. Greg is not so sure that this is a good idea as there are several qualitative factors that also need to be considered.

- (a) Calculate the price elasticity of demand for the gift sets based on Annie's estimates (*show your workings*). [3]

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- (b) Evaluate Annie's proposal to lower the price to £18. [6]

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2. Cambrian Tools Ltd manufactures parts for use in agricultural machinery. In recent years the company has expanded and it now needs to purchase a new machine.

The new machine will cost the company £26 000 and is expected to last for five years and have a disposal value of £8 000.

- (a) Calculate the annual rate of depreciation (*show your workings*). [2]

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- (b) Explain why it is important for Cambrian Tools Ltd to depreciate the value of its machinery. [5]

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3. DA Rogers Ltd is a manufacturer of traditional style confectionery. Its products include boiled sweets and toffees.

Dewi Rogers, the managing director, is worried that these products are too old-fashioned and wants to make sweets that will appeal to a younger generation.

He is now considering three alternatives: buying a rival confectionery manufacturer, called Losin Llani Ltd; refurbishing his existing factory with new machinery in order to make new products; or doing nothing.

Dewi asked a management consultant friend of his to estimate the probabilities of success of each of these alternatives together with their estimated revenue. The results are given in the table below.

	Cost £(000s)	Probability of success	Estimated Revenue £(000s)	
			Success	Failure
Buy Losin Llani Ltd	240	0.7	900	300
Refurbish the factory	160	0.6	750	250
Do nothing	0	0.8	400	100

- (a) Use the information in the table to draw a decision-tree diagram in the box below. [4]

(b) Explain which of the three options gives the best return. [2]

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(c) Explain other factors that Dewi Rogers might need to consider before making his final decision as to the best course of action to take. [4]

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4. AssetCo plc is a Welsh business, based in Monmouth, which is principally involved in the provision of management and resources to the fire and rescue emergency services in international markets.

The following table is extracted from its balance sheet for September 2013.

	2013 £'000	2012 £'000
Fixed (non-current) assets	2 543	2 116
Current assets		
Stock	29	377
Debtors	4 515	5 838
Cash and bank	6 623	5 266
Total current assets	11 167	13 523
Current liabilities		
Creditors	3 801	6 758
Total current liabilities	3 801	6 758
Shareholders' capital	9 909	8 881

Source: www.assetco.com

- (a) Calculate the acid test ratio for 2013. [3]

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- (b) Consider the view that, as far as AssetCo is concerned, the higher the acid test ratio the better. [6]

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- 5. Booster Juice is an established juice and smoothie bar concept serving natural fruit-based drinks and healthy snacks prepared according to a unique method and their own recipes in a lively and fun environment.

Currently trading from over 310 stores in 6 countries, Booster Juice is market leader in Canada and one of the fastest growing chains in the quick-service segment worldwide.

Booster Juice is now looking for franchisees in Wales to open up new outlets.

Analyse the advantages to Booster Juice of using franchising as a method of expanding the business as compared to other growth strategies.

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6. Idris Williams Ltd is a transport company with a small fleet of six lorries and a warehouse on an industrial estate in Mold. The company specialises in collecting goods from manufacturers and delivering them to its customers, mostly major retail businesses, throughout Wales and the Midlands.

The increase in the sale of goods over the internet in recent years has opened up a new market for the company. Instead of delivering in bulk to stores, more and more of its business involves delivering goods directly to the homes of customers.

In order to satisfy this new demand, the company ideally needs both to build a new warehouse and to purchase another lorry.

By building a new warehouse it will be able to respond more quickly to customer demands, keeping one section for trade customers and the other section for home deliveries. At the moment, some deliveries are late because they have not been loaded onto the correct lorry. However, there has been some opposition to this proposal from local residents as the warehouse would be built on a greenfield site. On the other hand it would also create a number of extra jobs.

By having an extra lorry, the company will be able to make more home deliveries and cover a wider area. This should enable it to gain new customers. Also by buying a new lorry, the company will make savings on fuel costs and it will make a small contribution towards reducing carbon emissions.

Unfortunately, in the current economic climate, the company's bank is unwilling to lend the business sufficient money this financial year to pay for both the new warehouse and the new lorry. A decision has to be made as to which of these two options to select.

Sara Thomas, the company accountant has looked into the problem and has come up with the following information.

Table 1: Building a new warehouse, initial cost £130 000

Year	Estimated Annual Return (£s)
1	32 000
2	40 000
3	48 000
4	60 000
5	64 000

Table 2: Purchasing a new lorry, initial cost £80 000

Year	Estimated Annual Return (£s)
1	36 000
2	36 000
3	32 000
4	24 000
5	18 000

Table 3: The discount rate used by Idris Williams Ltd is 5%, as shown in the table below:

Year	Discount rate at 5%
1	0.95
2	0.90
3	0.86
4	0.82
5	0.78

- (a) Calculate the payback period for each of the two options in years and months. [3]

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- (b) Calculate the net present value (NPV) of each of the two options. [7]

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- (c) With reference to both quantitative and qualitative factors advise the company as to whether it should buy a new lorry or build a new warehouse. [10]

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7. A plan for a Severn Barrage from Cardiff to Weston-super-Mare

In 2011 UK Government ministers were in talks with a private consortium, Corlan Hafren, over plans to build a multi-billion pound barrage across the Severn Estuary which would have harnessed tidal power between south Wales and Weston-super-Mare to create electricity.



It has been estimated that a barrage could generate up to 5% of the UK's electricity needs. A government spokesman at the time said that "this is an interesting proposition, particularly if it can contribute to the government targets for reducing carbon emissions by the year 2020. We are discussing with the consortium the next stages to develop the outline proposal, so it can be fully considered by the government to assess whether the benefits of the project in terms of economic growth and renewable energy justify the cost and the environmental consequences for the Severn Estuary."

The Department of the Environment said that potential environmental impacts of a barrage would have to be considered. A spokesman said that "any planned scheme needs to consider environmental impacts, for example on fish, birds and flooding as well as potential impacts on navigation and other sea users."

On its website the Corlan Hafren consortium stated that: "The Severn Barrage will act as a catalyst for regeneration in Wales and south-west England, bringing substantial new, permanent jobs to the region and creating an internationally recognised centre of expertise in renewable energy provision and manufacture.

The huge tidal range in the Severn Estuary could be a source of carbon-free electricity over a very long term, providing significant benefits in jobs, practical skills and supply chain.

We recognise the estuary is important for its special environmental features, and the potential impact on these must be considered in the assessment of different technologies for harnessing the energy of the tidal range."

Before making a final decision as to whether or not the consortium should be allowed to proceed with the plan the government decided that a cost-benefit analysis should be carried out.

Eventually, in June 2013, The House of Commons Energy and Climate Change Select Committee, after taking evidence from relevant organisations and individuals, published its findings 'A Severn Barrage?'

The report stated that although a tidal barrage across the Severn could contribute to energy and climate change objectives, the £34bn Hafren Power scheme had failed to demonstrate economic, environmental and public acceptability. It added that potential environmental impacts had not been adequately addressed, and that although the construction of the barrage was to be privately funded, potentially a significant government subsidy for the electricity would still be required for 30 years. The report concluded with the recommendation that the government should not support the proposed scheme in its present form and that Hafren Power should undertake and make available further assessments.

Sources: www.bbc.co.uk and www.severnestuary.net

- (a) Explain the possible reasons why the government decided that a cost-benefit analysis should be carried out. [4]

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- (b) Consider the view that the benefits of constructing the Severn Barrage are likely to outweigh the costs. [12]

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A2 BUSINESS

UNIT 4

Business in a Changing World

SPECIMEN PAPER

2 hours 15 minutes

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a 20 page answer book.

INSTRUCTIONS TO CANDIDATES

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

Answer **all** questions in Section A.
Answer **one** question from Section B.

You are advised to spend no more than: 80 minutes on Section A.
 55 minutes on Section B.

Insert the numbers of questions you have answered on the front of your answer book.

INFORMATION FOR CANDIDATES

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

You are reminded of the need for good English and orderly, clear presentation in your answers.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

SECTION A

*Answer **all** the questions in this section.*

1. *Read the case study below and answer the questions that follow.*

The John Lewis Partnership

ORIGINS OF THE BUSINESS

The John Lewis Partnership is one of the United Kingdom's top ten retail businesses, comprising the John Lewis Department Stores and Waitrose supermarkets.

Mr John Lewis founded the business in 1864 with a draper's shop in Oxford Street, London. His son, John Spedan Lewis, was a visionary and decided to change the foundation of the business because he wanted to improve the happiness of his employees. In 1949 an agreement was signed, which guaranteed that the partnership became the property of the people employed within it.

In 1937 the partnership bought Waitrose which at the time had a small chain of ten shops. Today there are 42 John Lewis shops, including one in the St David's Centre in the centre of Cardiff, and 325 Waitrose supermarkets, several of which are in Wales. The partnership also has an online and catalogue business and owns a farm.

The business is not a partnership in the ordinary sense of the word and is actually the country's largest employee co-operative, with over 90 000 partners. The partnership aims to ensure that everyone who works for it enjoys the experience of ownership, by sharing the profits, by having access to information and by sharing in decision-making.

A few years ago the partnership bought a lakeside hotel in Bala, Gwynedd for use by its staff. The firm paid £3m in buying and refurbishing the 24 room Bala Lake Hotel by Llyn Tegid, which opened in December 2008. It has created 18 permanent jobs and brings over 5 000 visitors a year to Bala. The firm now owns five holiday clubs in the UK, providing staff with subsidised breaks.

John Lewis Partnership Principles

The following is an extract from the John Lewis Partnership website:

The Partnership has long believed that commercial success is directly linked to being a good corporate citizen and our founder's ideals continue to shape our approach to operating responsibly. To build a successful, sustainable business in today's competitive market, we must continue to develop long-term relationships with our customers and suppliers, and demonstrate our keep sense of civic responsibility.

Being a responsible business is important to us. As co-owners of the business, our employees, known as Partners, work hard and have a shared passion for this. We are determined to embrace diversity and earn a reputation as an 'employer of distinction' by treating all our Partners with respect, honesty and fairness.

We act with integrity and courtesy and share the rewards and responsibilities of co-ownership. These principles underpin our environmental policies, our involvement with local communities and our approach to responsible sourcing and trading.

The following is adapted from an article that appeared in the Times newspaper on 7 March 2014:

John Lewis staff sing when they're winning as they share £202m bonus

In the John Lewis store on Oxford Street yesterday the partnership's choir sang to celebrate the fact that 90 000 employees would be sharing an average bonus of £2 225 - the equivalent of eight weeks' pay.

The £202.5 million bonus represented 15 per cent of the average staff salary. Annual profits increased by 9.6 per cent to £376.4 million after Waitrose and John Lewis achieved over £10 billion in gross sales with sales having increased by 5.1 per cent at Waitrose and 6.4 per cent at John Lewis. Sir Charlie Mayfield, chairman of the partnership, said that the bonus reflected a "strong trading year".

Mr Mayfield said that the partnership's success was down to its ownership structure, a model that has been praised by David Cameron. "We are able, as a result of our ownership, to take a longer-term approach to building our business as compared to some of our competitors."

He said that the "fundamental changes taking place in retail", driven by the internet, required significant long-term planning. "It's not about running the same business model. It's about changing it as you go along in order to serve customers in the way that they want to be served in the future. To do that you have to commit to that for the long-term and build the capability in the organisation to accomplish that over many years."

As the leading supermarkets struggle to contend with the challenge of the discounters Aldi and Lidl, Waitrose has developed an 'essential' offer that matches Tesco's prices and installed a range of premium products, which include a partnership with Heston Blumenthal, the celebrity chef.

The partnership has also successfully merged "bricks and clicks". Online sales at John Lewis were up 19.2 per cent to more than £1 billion and 29 per cent of sales were taken online. Waitrose's online gross sales were up 41 per cent to £262 million.

Mark Price, the managing director of Waitrose, said that its loyalty card was behind the rise in sales. Its 4.1 million members are entitled to a free cup of coffee, a promotion that prompted the Labour Party to accuse Waitrose of stealing trade from small high street shops. Mr Price said that the row was a "storm in a coffee cup" and represented the view of just a handful of customers and politicians.

There are plans to open a number of new John Lewis stores over the next few years and to increase the size of some of the existing stores. Waitrose plans to open 38 branches in this financial year, including 23 'little Waitrose' sites. It will also introduce new welcome desks at 140 stores and open new hospitality areas.

The following is adapted from an article by Sir Charlie Mayfield in the Times newspaper of 4 September 2014.

Companies can thrive when their staff take ownership of the business

I believe that it would also be good for our economy if there were greater differences in how companies are owned and run. This isn't to take anything away from the conventional model. Since its inception 150 years ago, the public limited company has been an undeniable success. Yet here in Britain we have embraced this particular form of ownership to a greater extent than in almost any other developed economy, including the United States. For example, there are four times as many non-plc-owned businesses in Germany than there are in the UK and, even in the US, as many as one in five companies possess some form of employee ownership.

There is, however, increasing evidence that companies that are owned by their employees deliver higher productivity and greater levels of innovation than other forms of business ownership. They are more resilient to economic downturns and have more engaged workers who experience less stress and more wellbeing.

For most owners, despite the consensus that long-termism is a 'good thing', it is perfectly rational to manage a company for short-term results. The average period of owning a share in a company listed on the London Stock Exchange is now only nine months.

In contrast, employee-owned businesses such as the John Lewis Partnership can never be sold and so we have no alternative but to focus on future earnings. It means that every one of our 90 000 partners at Waitrose and John Lewis has an incentive to make this Christmas better than the last one. And the same will be true next year and the one after. Because we don't have the option of selling our shares and investing in another business, we have no option but to throw all our energy, passion and talent into making this one better. Year after year. That relentless focus on continuous improvement is a powerful competitive advantage, especially in a retail market that's one of the most contested in the world.

The economy needs more employee-owned businesses because employee owners think and act for the long-term and because employee ownership retains jobs, skills and wealth in local communities to a greater extent than externally owned businesses.

The good news is that this government has done more than any in recent times to encourage more firms to become employee-owned — two tax changes coming into effect next month will remove tax disincentives to employee ownership, putting it on a more equal footing with plcs. Already there are promising signs. Membership of the Employee Ownership Association has doubled in the past year, with the number of employee-owned businesses in the UK growing at nearly 10 per cent. Moreover, the hottest growth is among high-tech, knowledge-intensive companies — precisely the kind that are forecast to be the greatest source of employment growth.

- (a) Explain the potential impact of political and economic factors on the John Lewis Partnership. [10]
- (b) Discuss the ways in which the John Lewis Partnership is similar to, or different from, other types of ownership structure. [10]
- (c) Consider which leadership style would be most appropriate for Sir Charlie Mayfield and the other managers of the John Lewis Partnership. [10]
- (d) Evaluate the impact of change on the John Lewis Partnership. [10]
- (e) "In today's competitive business environment, the ethical principles of the John Lewis Partnership may well prove to be a disadvantage." Discuss. [10]

SECTION B

Answer **one** question from this section.

2. Wales and Europe

- (a) Explain how the European Union (EU) and the single European Market affect businesses in Wales. [10]
- (b) Discuss the view that it would be in the best interests of the majority of businesses in Wales if the United Kingdom were to leave the European Union. [20]

3. Promotion

- (a) Explain the different types of promotion that might be used by a Welsh food manufacturing business. [10]
- (b) Discuss the view that, for most businesses, promotion is the most important aspect of the marketing mix. [20]

4. Motivation

- (a) Explain the ways in which a large Welsh business in the service sector, such as Admiral Insurance, could motivate its workforce. [10]
- (b) Discuss the view that, for most managers, motivation theory is of little practical use. [20]

UNIT 1: Business Opportunities

MARK SCHEME

GENERAL MARKING GUIDANCE

Positive Marking

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

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

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

Q		Total
1(a)	<p>With the use of examples, clearly distinguish between primary and secondary market research.</p> <p>Award 1 mark for each correct definition. AO1: 2 marks</p> <p>Indicative content: Primary research – the gathering of first hand data that is tailor made to a firm’s own products, customers and markets.</p> <p>Secondary research – the gathering of data that has already been collected for another purpose.</p> <p>Award 1 mark for any one correct example. AO1: 2 marks</p> <p>Indicative content: Primary – questionnaires, personal interviews, focus groups, telephone interviews, observation, test marketing, etc.</p> <p>Secondary – Sales figures, annual reports, government reports, E.U. data, commercial publications, retail audits, internet website pages, etc.</p>	4
1(b)	<p>Briefly explain two benefits to a business of using market research.</p> <p>Award 1 mark for each benefit identified. AO1: 2 marks</p> <p>Award 1 mark for explaining the impact on the business for each benefit. AO3: 2 marks</p> <p>Indicative content: <u>An aid to decision making</u> – especially important in fast-changing markets where informed decisions are crucial to a business. <u>Keeping ahead of the competition</u> – gives a business an advantage if it has information that a competitor may not have. <u>Reduces risk</u> – might spend large amounts of money on launching a product which research may indicate that the market does not really want. <u>Public relations</u> – customers may feel that their views are being considered and may lead to brand loyalty which can increase sales.</p>	4

2	Explain, using examples, reasons why consumers sometimes need protection.			[8]
Band	AO1	AO2	AO3	
	4 marks	2 marks	2 marks	
2	3-4 marks Demonstrates good knowledge and understanding of key reasons why consumers need protection.	2 marks Good application of the key reasons why consumers need protection. The key reasons are applied in context, using suitable examples.	2 marks A good analysis of the reasons why consumers sometimes need protection. Analysis shows a clear understanding of the impact of consumer protection on consumers.	
1	1-2 marks Demonstrates a limited knowledge of the reasons why consumers need protection.	1 mark Limited application of the key reasons why consumers need protection. The response is mainly theoretical with limited reference to the context, using suitable examples.	1 mark A limited analysis of the reasons why Welsh consumers sometimes need protection. Analysis shows a superficial understanding of the impact of consumer protection on consumers.	
0	0 marks No knowledge demonstrated.	0 marks No application to the context.	0 marks No analysis undertaken.	

Indicative content:

Before the introduction of consumer legislation consumers were expected to ensure that their purchases were satisfactory – caveat emptor – ‘let the buyer beware’. Whilst consumers still have to be aware changes have occurred in the market place which means that they need much more protection than ever before.

Some businesses carry out misleading or aggressive practices that are unfair to consumers e.g. – falsely stating that a product will only be available for a limited time.

Not all goods and services are of satisfactory quality (fit to be sold), fit for purpose for which they were bought.

When sold by description goods and services do not always match that description – fake goods are sold on streets all over the UK.

Damage can be caused to consumers by defective products – businesses are liable for this damage.

Credit agreements can be misleading and exploit consumers – businesses must be licensed to offer credit.

Unfit food is often sold and can cause illness or even death – horse meat scandal.
Goods can be sold at incorrect weights or measurements.

On line buying can be misleading – seven day cooling off periods are allowed so that consumers can cancel contracts.

Globalisation –Consumers may well need protection from goods coming in from abroad which may have been produced to standards below those required by the EU. Childrens toys from the Far East have been a good example.

Increasing technology means more and more complex products coming onto the market and consumers do not have the knowledge to assess the quality of the technology and in everyday products such as televisions and microwaves.

The Internet is still largely unregulated and consumers need protection in areas such as payment related fraud, non-delivery of goods and unauthorized use of their details.

Today we tend to have far more disposable income than in the past and therefore we are purchasing many more goods and services. It is argued that greater protection is therefore required in increasingly competitive and unregulated markets. Street markets and the sale of fake goods are a growing problem.

Scientific advances mean new products are being developed on a regular basis. Proper testing needs to be carried out before these products can be sold to consumers. Genetically modified products are an example of this, as well as pharmaceuticals.

Credit any other valid point.

Q		Total
3(a)	<p>Adapt the diagram above and explain what might happen to the market for Cardiff City replica shirts, in the 2014-15 season, as a result the team's relegation from the Premier League.</p> <p>Award 1 mark for shifting the demand curve to the left. AO1: 1 mark</p> <p>Award 1 mark for showing the new price and quantity on the diagram. AO2: 1 mark</p> <p>Award 2 marks for a full explanation of the reasons for the shift and the impact on price and quantity. AO3: 2 marks</p> <p>Award 1 mark for a limited explanation of the reasons for the shift and/or the impact on price and quantity.</p> <p>Relegation from Premier League explained as reason for shift.</p> <p>Price and quantity decreases – new equilibrium where D1 cuts original supply curve.</p>	4

3(b)	To what extent do you agree that the only factor to affect the demand for replica football shirts is the success or failure of the team? [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
2	<p>2 marks</p> <p>Demonstrates good understanding of the key factors that affect demand.</p> <p>Clear understanding of the reasons why demand in the market is affected by success or failure.</p> <p>Clear understanding of the other factors which affect demand.</p>	<p>2 marks</p> <p>Good application of the key factors that affect the demand for the replica shirts.</p> <p>The key factors are applied in context of the data.</p> <p>Clear reference to the context.</p>	<p>2 marks</p> <p>A good analysis of the impact of factors on the demand of replica shirts.</p> <p>Analysis shows a clear understanding of the impact of factors on demand.</p>	<p>3-4 marks</p> <p>Well-reasoned and balanced evaluation that considers the significance of the key factors that affect demand.</p> <p>Lines of evaluation are well-developed and informed judgements are made.</p> <p>Attaches weight and value to points in the evaluation.</p> <p>May offer an overall judgement on the most significant factor.</p>
1	<p>1 mark</p> <p>Demonstrates limited knowledge of the key factors that affect demand.</p> <p>Superficial understanding of how the success or failure of the team affects demand.</p> <p>Other factors may be identified.</p>	<p>1 mark</p> <p>Limited application of the key factors that affect the demand for the replica shirts.</p> <p>The learner's response is mainly theoretical with limited reference to the data.</p>	<p>1 mark</p> <p>Limited analysis of the impact of factors on the demand of replica shirts.</p> <p>A superficial understanding of the impact of factors on demand.</p>	<p>1-2 marks</p> <p>Limited evaluation of the key factors that affect demand.</p> <p>The evaluation maybe one-sided and include general comments.</p> <p>Judgements are superficial and unsupported.</p>
0	<p>0 marks</p> <p>No knowledge or understanding of what affects demand.</p>	<p>0 marks</p> <p>No application to the data.</p>	<p>0 marks</p> <p>No analysis of the key factors that affect demand.</p>	<p>0 marks</p> <p>No evaluation of the factors that affect demand.</p>

Indicative content:

There is no doubt that success or failure is linked to how many people attend matches and this is linked to those who wish to wear the team shirt to those matches.

However, the price of the shirts will be a key factor – if too expensive then supporters may stick to their current replica shirt.

Replica shirts tend to be expensive, and therefore the general level of income will have an impact. Depends on the price elasticity of demand.

The popularity and price of substitutes will also have an impact. If the Welsh rugby team is doing well, then fans may choose to buy a rugby replica shirt instead, especially if it is cheaper.

If the football team undertakes a promotional/advertising campaign to boost the sale of shirts e.g. an online offer.

It becomes fashionable for football shirts to be worn as fashion items and not just for going to matches.

Credit any other valid point.

4(a)	Calculate the total fixed cost for lestyn's business during his first year of trading.	2
	Award 1 mark for identifying correct fixed costs. AO2: 1 mark Award 1 mark for correct answer: £6 600 AO2: 1 mark	
4(b)	Calculate lestyn's contribution per board.	2
	Award 1 mark for correct formula. AO1: 1 mark Contribution = selling price per unit-variable costs per unit Award 1 mark for correct answer. AO2: 1 mark $£120 - £60 = £60$ Do not accept 60	
4(c)	Calculate lestyn's break-even output.	2
	Award 1 mark for correct formula. AO1: 1 mark Break-even output = fixed costs/contribution Award 1 mark for correct answer. AO2: 1 mark $6600/£60 = 110$ boards or units. Do not accept £110.	
4(d)	Calculate the profit lestyn would make if he manufactured and sold 300 boards.	4
	Award 1 mark for correct formula. AO1: 1 mark Profit = sales revenue – total cost Award 1 mark for calculation of sales revenue. AO2: 3 marks $300 \times £120 = £36\ 000$ Award 1 mark for calculation of total costs. $£6600 + (£60 \times 300) = £24\ 600$ Award 1 mark for correct answer. £11 400	

4(e)	What is a niche market?	2
	<p>Award 2 marks for full understanding of niche markets. AO1: 2 marks</p> <p>Indicative content:</p> <p>A small segment of a market that provides a unique product or service to a specific group of consumers.</p> <p>Award 1 mark for limited understanding of niche markets.</p> <p>Indicative content:</p> <p>A small segment of a market.</p>	

4(f)	Explain possible advantages to lestyn of operating in a niche market.			[6]
Band	AO1	AO2	AO3	
	2 marks	2 marks	2 marks	
2	2 marks	2 marks	2 marks	
	Demonstrates good understanding of the key advantages of operating in a niche market.	<p>Good application of the key advantages to lestyn's business.</p> <p>Clear reference to the context.</p>	<p>A good analysis of the impact to lestyn's business.</p> <p>Analysis shows a clear understanding of the advantages of operating in a niche market.</p>	
1	1 mark	1 mark	1 mark	
	Demonstrates limited knowledge of advantage(s) of operating in a niche market.	<p>Limited application of the advantages to lestyn's business of operating in a niche market.</p> <p>The response is mainly theoretical.</p>	<p>Limited analysis of the impact to lestyn's business.</p> <p>Analysis shows superficial understanding of the impact upon businesses such as lestyn's.</p>	
0	0 marks	0 marks	0 marks	
	No knowledge is demonstrated.	No application to lestyn's business.	No analysis of the impact of upon businesses such as lestyn's.	

Indicative content:

The first business to identify a niche market can often secure a solid market position as consumers may see the original product as superior.

Consumers are willing to pay a premium price for a more exclusive product.

This market may have been ignored or overlooked by other firms. Competition can be avoided – at least in the short-term.

lestyn can focus on the needs of his target market and specifically target his potential customers with his promotional strategies.

Credit any other valid point.

4(g)	Evaluate the view that, for a new business such as lestyn's, constructing a business plan will guarantee that his business is successful. [12]		
Band	AO2	AO3	AO4
	2 marks	4 marks	6 marks
3			<p>5-6 marks</p> <p>An excellent evaluation of how a business plan impacts on a new business venture.</p> <p>The evaluation is balanced and will focus on the key issues.</p> <p>Other key aspects for business success are evaluated.</p> <p>Judgements made with supporting comments.</p> <p>Attaches weight and value to points in the evaluation.</p>
2	<p>2 marks</p> <p>Good application of the role of business plans to lestyn's business.</p> <p>Clear and direct reference to lestyn's business.</p>	<p>3-4 marks</p> <p>Good analysis of how a business plan impacts on a new business venture.</p> <p>The analysis is balanced and detailed.</p> <p>The impacts of producing a business plan are clearly identified.</p> <p>Other factors affecting success are identified and discussed.</p> <p>Well-reasoned developments.</p> <p>The learner develops a logical chain of reasoning.</p>	<p>3-4 marks</p> <p>Good evaluation of how a business plan impacts on a new business venture.</p> <p>The evaluation will include some of the key issues.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the argument.</p> <p>Other important issues are identified but not developed.</p> <p>Judgements with some attempt to support the answer.</p>
1	<p>1 mark</p> <p>Limited application of the role of business plans to lestyn's business.</p> <p>Brief reference to lestyn's business.</p>	<p>1-2 marks</p> <p>Limited analysis of how a business plan will impact on a new business venture.</p> <p>Undeveloped points are made.</p> <p>Other factors affecting success may be identified.</p> <p>Superficial discussion on the impact of a business plan on business success.</p>	<p>1-2 marks</p> <p>Limited evaluation of how a business plan impacts on a new business venture.</p> <p>The evaluation includes an awareness of the key issues but with limited development.</p> <p>The evaluation will be uneven and focus on one-side of the argument.</p> <p>Unsupported judgements are made.</p>
0	<p>0 marks</p> <p>No reference to lestyn's business.</p>	<p>0 marks</p> <p>There is little or no analysis.</p>	<p>0 marks</p> <p>No evaluation is evident.</p>

Indicative content:

How a business plan may help achieve success:

Helps formulate an overall strategy for the business. A well-constructed business plan will force the entrepreneur to examine all aspects of the business and not just focus upon a narrow aspect, such as the unique features of the product.

Helps small businesses obtain start-up finance. Banks will expect to see a business plan to judge creditworthiness and will be very unlikely to consider offering a loan if no business plan is presented. Obtaining start-up finance is crucial. Iestyn needs to cover his fixed costs.

Helps the entrepreneur keep a check on his/her progress. When trading, a business plan can be a useful monitoring tool – comparing forecasts with reality. Any problems that emerge can then be tackled and help prevent failure. Iestyn's business is new, he needs a business plan to guide him in his new venture.

However:

Is it a good plan? Has the plan been properly researched – have all aspects for achieving success been covered. If Iestyn has not done a good job of the plan then it will be of limited value.

Is it realistic? Are the assumptions made in relation to sales and profits sensible? Are costs realistic? What research has Iestyn done? Has he been realistic?

New, unanticipated competition could hit the business unexpectedly and make the business plan much less meaningful.

Sharp economic downturns, such as the recession following 2008, make even the best business plans seem inadequate.

Exogenous shocks can throw the best prepared business plan into disarray. What effect will poor weather have on the demand for surfing?

Conclusion:

There is likely to be a greater chance of success with a well-constructed business plan but they do not guarantee success. If Iestyn does not need to borrow any money to set up and as he has no employees currently, then it may not be as great a value as it might be for other start-up businesses.

Credit any other valid point.

UNIT 2: Business Functions

MARK SCHEME

GENERAL MARKING GUIDANCE

Positive Marking

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

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

Q		Total
1(a)	<p>What is the meaning of the following terms?</p> <p>Award 1 mark for a brief definition of each term. AO1: 4 marks</p> <p>Award 2 marks for a full description of each term.</p> <p>Indicative content:</p> <p>Cost of Sales – Accountant’s calculation of the direct costs that can be attributed to the sales revenue over a trading period.</p> <p>It includes raw materials, overheads associated with production, such as heating and lighting and wages of direct labour. Adjustments are made for changes in stock.</p> <p>Shareholder Dividend – share of the profits of a company given to shareholders</p> <p>According to the rights which the shares give them. Declared annually by directors and voted on by shareholders.</p>	4
1(b)	<p>Calculate the percentage change in net operating profit from 2014 to 2015.</p> <p>Award 1 mark for correctly calculating net operating profit for 2015. AO2: 1 mark</p> <p>2015 Net Operating Profit = £7.2M</p> <p>Award 1 mark for correct formula to calculate % change. AO1: 1 mark</p> <p>% change = change in net operating profit divided by net operating profit 2014 x 100</p> <p>Award 1 mark for correct % change. AO2: 1 mark</p> <p>(11.8M - 7.2M) 4.6M/11.8M x 100 = 39% decrease.</p>	3
1(c)	<p>Calculate the Gross Profit Margins for 2014 and 2015.</p> <p>Award 1 mark for correct formula of Gross Profit Margin. AO1: 1 mark</p> <p>Gross Profit Margin Ratio - Gross Profit divided by Sales Turnover x100</p> <p>Award 1 mark for each correct calculation. AO2: 2 marks</p> <p>Gross Profit Margin 2014 = 61.26%</p> <p>Gross Profit Margin 2015 = 63.59%</p>	3

1(d)	To what extent do you agree with Mr Davies that this year's profit and loss account is most encouraging? [8]		
Band	AO2	AO3	AO4
	2 marks	2 marks	4 marks
2	2 marks	2 marks	3-4 marks
	Clear application to the profit and loss account of Storm Industrial Paints plc.	There is good clear analysis of the profit and loss account over both years. The learner shows a clear understanding of the impact of the financial data on the business. The analysis will refer to a number of key pieces of financial data.	Well-balanced evaluation of whether the 2015 profit and loss account is encouraging. Clear judgements are made on the key aspects of the profit and loss account. The learner will also consider other factors. An overall judgement may be offered.
1	1 mark	1 mark	1-2 marks
	Limited application to the profit and loss account of Storm Industrial Paints plc.	Limited analysis of the accounts is undertaken. A limited number of issues are analysed. Superficial analysis on the impact of the financial data on the business.	Limited evaluation of whether the 2015 profit and loss account is encouraging. Judgements are superficial and unsupported. Limited or no comment on other factors that should be considered.
0	0 marks	0 marks	0 marks
	There is no application to the profit and loss account of Storm Industrial Paints plc.	There is little or no analysis evident.	No evaluation is evident.

Indicative content:

Reasons for encouragement:

- Gross profit has improved over the last two years by £2M
- Sale of the old factory site has taken place for £7 million
- Shareholders are likely to be pleased with the increased dividend payout from £4.4M to £9M.

Less encouraging aspects:

- Operating profit is a worry
- Extra –ordinary item has given the P&L account a boost, but will not occur again
- Retained profit is low and this could hamper investment in new projects etc
- High dividend unlikely next year
- Sales turnover is down.

Other information would be helpful in forming an overall opinion:

- More years need to be examined – trends
- Have prices changed?
- Is the market growing or shrinking?
- Are there any external issues that are likely to impact on the business?
- Is competition increasing?

Credit any other valid point.

Q		Total
1(e)	<p>Identify two stakeholder groups who would be interested in a company's profit and loss account and explain the reasons for their interest.</p> <p>Award 1 mark for identification of each relevant stakeholder group. AO1: 2 marks</p> <p>Award 1 mark for a brief analysis of the impact the company's profit and loss account will have on each stakeholder. AO3: 4 marks</p> <p>Award 2 marks for a developed analysis of the impact the company's profit and loss account will have on each stakeholder.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • Shareholders – assessment of profitability • Government agencies – HMRC • Suppliers – reliability, credit worthiness, stability • Banks – prior to commitment of funds • Trade unions – when negotiating pay claim • Management – planning strategy • Job applicants – security/prospects • Current employees – security/prospects • Competition – mergers/takeovers • Pressure groups – damage to environment, noise pollution. 	6

Q		Total
2(a)	<p>Explain two possible benefits to Tata Steel of the £250 million investment in state-of-the-art technology in their South Wales steelworks.</p> <p>Award 1 mark for each benefit identified. AO1: 2 marks</p> <p>Award 1 mark for each benefit applied correctly to Tata Steel. AO2: 2 marks</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • <u>Reduced unit costs</u> – More efficient machinery will enable them to produce products at a lower cost and therefore make their products more competitive. • <u>Reduced labour costs</u> – Tata are making 400 workers redundant. • <u>Increased competitiveness</u> – European market is becoming increasingly competitive and Tata need to respond to this situation with greater productivity. • <u>Improved quality</u> – State-of-the-art technology is likely to improve the quality of the steel produced and enhance the company's reputation. 	4

Q		Total
2(b)	<p>Explain the meaning of the term <i>economy of scale</i>.</p> <p>Award 1 mark for brief/limited meaning of economy of scale. AO1: 2 marks</p> <p>Award 2 marks for a full understanding of economy of scale.</p> <p>Indicative content: Economies of scale are the factors that cause average costs to be lower in large-scale organisations than in small-scale ones.</p>	2

2(c)	Identify two economies of scale, other than technological economies, and explain how they might benefit a large organisation such as Tata Steel. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
2	2 marks	2 marks	2 marks
	Demonstrates knowledge of 2 economies of scale.	Clearly applies knowledge and understanding of how 2 economies of scale may benefit Tata Steel.	A good analysis of the reasons why businesses may benefit from economies of scale. Analysis shows a clear understanding of the impact of economies of scale on businesses.
1	1 mark	1 mark	1 mark
	Demonstrates knowledge of 1 economy of scale.	Limited application of knowledge and understanding of how economies of scale may benefit Tata Steel.	A limited analysis of the reasons why Tata steel may benefit from economies of scale. Analysis shows a superficial understanding of the impact of economies of scale on businesses.
0	0 marks	0 marks	0 marks
	No knowledge demonstrated.	No application to Tata Steel.	No analysis undertaken.

Indicative content:

- Financial economies - wider sources to choose from and lower rates of interest
- Purchasing economies – likely to get better rates when buying raw materials in bulk
- Marketing economies – costs of distribution, salesforce and administration costs do not rise in proportion to the size of the sale
- Managerial economies – can afford specialist managers who will improve efficiency and be better trained in dealing with specific operational issues
- Risk-bearing economies – as firm grows it may well be able to diversify and spread risk.

Q		Total
2(d)	<p>Explain what is meant by workforce planning.</p> <p>Award 1 mark for brief/limited understanding of workforce planning. AO1: 2 marks</p> <p>Award 2 marks for a full understanding of workforce planning.</p> <p>Indicative content:</p> <p>The process of determining the labour needs of a business now and in the future, then devising a plan to achieve those labour needs.</p>	2

2(e)	Explain the importance of workforce planning to Tata Steel.		[6]
Band	AO2	AO3	
	2 marks	4 marks	
2	<p>2 marks</p> <p>Good application of how workforce planning might impact upon Tata Steel.</p> <p>Clear reference to the data and relevant content used to support and develop their argument.</p>	<p>3-4 marks</p> <p>A good analysis of the reasons why workforce planning is important to businesses.</p> <p>Analysis shows a clear understanding of the impact of workforce planning upon businesses.</p>	
1	<p>1 mark</p> <p>Limited application is attempted to the context.</p> <p>The learner response is mainly theoretical with some brief reference to the data.</p>	<p>1-2 marks</p> <p>A limited analysis of the reasons why workforce planning is important to businesses.</p> <p>Analysis shows a superficial understanding of the impact of workforce planning upon businesses.</p>	
0	<p>0 marks</p> <p>No application to Tata Steel is evident.</p>	<p>0 marks</p> <p>No analysis is undertaken.</p>	

Indicative content:

Helps Tata Steel to plan and cost how many workers it will need in the future and whether they are part time or full time, internal or external?

It is important to identify the skills necessary for the vacancies they may wish to fill. New technology may require employees with different new skills.

It is important to know when these workers will be needed in order to put recruitment plans in place.

Where will these workers be needed – Tata is a very large organisation has many locations, both in UK and abroad.

Important to identify who may need training to improve skills or who can be redeployed to fill gaps where certain skills are necessary.

Important as downturn in the European market may result in further rationalisation. How might this be achieved? – Natural wastage, voluntary redundancy, compulsory redundancy, early retirement – the cost of these.

Credit any other valid point.

2(f)	Consider the view that being a member of a trade union is of little value to a worker in the UK today. [8]		
Band	AO1	AO3	AO4
	2 marks	2 marks	4 marks
2	<p>2 marks</p> <p>Demonstrates good knowledge of the advantages of trade union membership to a worker.</p> <p>The learner will focus on the key issues.</p>	<p>2 marks</p> <p>A good analysis of reasons why individuals benefit from trade union membership.</p> <p>Analysis shows a clear understanding of the impact of being a member of a trade union to an individual.</p>	<p>3-4 marks</p> <p>Detailed and well-balanced evaluation.</p> <p>Good, clear judgements are made on whether being a member of a trade union is of value to a worker.</p> <p>The evaluation will focus on the key issues.</p> <p>The learner is likely to offer an overall conclusion.</p>
1	<p>1 mark</p> <p>Demonstrates limited knowledge of the advantages of trade union membership to a worker.</p> <p>Superficial understanding.</p>	<p>1 mark</p> <p>A limited analysis of reasons why individuals benefit from trade union membership.</p> <p>Superficial arguments with limited development.</p>	<p>1-2 marks</p> <p>Limited evaluation.</p> <p>Limited judgement is made on whether being a member of a trade union is of value to a worker.</p> <p>Judgements are superficial and unsupported.</p> <p>The learner fails to come to an overall conclusion or does not really qualify their arguments.</p>
0	<p>0 marks</p> <p>No knowledge demonstrated.</p>	<p>0 marks</p> <p>No analysis undertaken.</p>	<p>0 marks</p> <p>No evaluation undertaken.</p>

Indicative content:

Trade unions aim to secure higher wages and maximise other financial and non-financial benefits for their members through collective bargaining.

Help to gain safer working conditions.

Help members gain welfare benefits if they fall ill or are made redundant.

Promote causes which may benefit their member e.g. equal opportunities.

Provide access to free legal advice and support.

However:

The power of the trade unions was significantly curbed by trade union 'reform' laws introduced by the Conservative government. This has subsequently made it more difficult to achieve some of their objectives.

Trade union membership has fallen as a result of the legislation and this has also served to weaken the position of trade unions in the workplace. Unions have found it more difficult to recruit members as some businesses do not recognise trade unions and collective bargaining has been limited as a result.

Individual pay bargaining and flexible working have become more common, lessening the traditional collective bargaining approach. Some individuals therefore see less need to be a trade union member as they negotiate their own pay, following appraisals.

The amount of value that a worker will gain from trade union membership will often depend upon the industry that they are employed in. Train drivers and teachers for example gain lots of benefits from being union members, whereas shop workers do not because of the dispersed nature of their members.

Credit any other valid point.

3(a)	Explain why entrepreneurs, such as Sarah Bunton, are so important to the Welsh economy.			[8]
Band	AO1	AO2	AO3	
	2 marks	3 marks	3 marks	
2	2 marks	2-3 marks	2-3 marks	
	Demonstrates a good understanding of the importance of entrepreneurs to the economy.	Good application of knowledge and understanding as to how the Welsh economy is affected by entrepreneurs such as Sarah Bunton. Clear reference to the data and relevant content used to support their argument.	A good analysis of the reasons why entrepreneurs are important to the Welsh economy. Analysis shows a clear understanding of the impact of their activities upon the Welsh economy.	
1	1 mark	1 mark	1 mark	
	Demonstrates a limited understanding of the importance of entrepreneurs to the economy.	Limited application of knowledge and understanding as to how the Welsh economy is affected by entrepreneurs such as Sarah Bunton.	A limited analysis of the reasons why entrepreneurs are important to the Welsh economy. Analysis shows a superficial understanding of the impact of their activities upon the Welsh economy.	
0	0 marks	0 marks	0 marks	
	No knowledge demonstrated.	No application to how the Welsh economy is affected by entrepreneurs such as Sarah Bunton.	No analysis undertaken.	

Indicative content:

Entrepreneurs organise businesses and buy/hire inputs such as raw materials. Sarah Bunton uses local products to create her chocolates.

Entrepreneurs employ people and create more jobs as their businesses grow. Sarah's business is growing and providing her employees with wages that will be used in the local economy.

Entrepreneurs are often innovative and provide goods and services that consumers wish to purchase. Sarah is creating innovative chocolate products which have already won a number of awards.

Entrepreneurs may also sell their products in overseas markets and help the balance of payments. Sarah is already selling in Scandinavia and Japan.

By creating wealth they make a positive contribution to tax revenues, both locally and nationally. Sarah's employees could be claiming benefits if they were not working for her.

3(b)	Discuss the view that segmenting its market can only be a positive strategy for Sarah Bunton's Business. [8]		
Band	AO2	AO3	AO4
	2 marks	2 marks	4 marks
2	2 marks Good application of the use of segmentation as a strategy by Sarah Bunton's Luxury Chocolates. Clear reference to the data and relevant content.	2 marks Good, clear analysis of how employing a segmentation strategy impacts upon Sarah Bunton's Luxury Chocolates. Shows an understanding why segmentation may help achieve success.	3-4 marks Detailed and well-balanced evaluation of how employing a segmentation strategy will impact upon Sarah Bunton's Luxury Chocolates. Supported judgements are made with qualifying statements. May offer a well-supported recommendation of the best segmentation strategy for achieving success.
	1	1 mark Limited application of the use of segmentation as a strategy by Sarah Bunton's Luxury Chocolates. The learner response is mainly theoretical with some brief reference to the data.	1 mark Limited analysis of how employing a segmentation strategy impacts upon Sarah Bunton's Luxury Chocolates. The learner demonstrates a superficial understanding why segmentation may help achieve success.
0	0 marks There is no application to Sarah Bunton's Luxury Chocolates.	0 marks There is no analysis of how employing a segmentation strategy impacts upon Sarah Bunton's Luxury Chocolates.	0 marks No evaluation of the strategy evident.

Indicative content:

Market segmentation involves the breaking down of a market into sub-groups with similar characteristics. Sarah Bunton's Luxury Chocolates have done this – the luxury market, the hotel and restaurant market, the childrens' market, the Scandinavian market etc.

Segmentation should allow a business to sell more products and perhaps increase its profits. The business has developed enormously over the last 4 years and she has a growing number of employees.

Segmentation should allow Sarah to understand her customers better and vary her chocolate products to suit their needs. She is targeting particular groups with particular products – for example, fine food outlets.

Segmentation may help to prevent products being promoted to the wrong people – it would be wasteful for Sarah to try and market her products to discount supermarkets, for example. Sarah's customers may feel that their needs are being better targeted and develop a loyalty to her business – for example, the cafes, restaurants and hotels that she services.

However, targeting too many segments may bring its own problems. It could be that the cost of producing too many products to satisfy different market segments may outweigh what Sarah's customers are prepared to pay.

Short production runs to satisfy a wide variety of market segments may result in high average costs and therefore impact upon profitability.

The business is doing very well, having won a number of prestigious awards. The overall impact of her segmentation strategy upon the business appears to be positive and successful.

Credit any other valid point.

3(c)	To what extent do you agree with the view that having a varied product portfolio and an extensive distribution network (place) will guarantee long-term success for Sarah Bunton's Luxury Chocolates?				[12]
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	6 marks	
3				<p style="text-align: center;">5-6 marks</p> <p>An excellent evaluation of the key factors that will help long-term success.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>Learners will include all elements of the marketing mix and other relevant factors.</p> <p>A well-informed overall judgement is made with qualifying statements.</p>	
2	<p style="text-align: center;">2 marks</p> <p>Demonstrates a good understanding of product portfolios and distribution networks.</p>	<p style="text-align: center;">2 marks</p> <p>Good application of how a quality product portfolio and a wide distribution network might affect Sarah Bunton's Luxury Chocolates.</p> <p>Clear reference to the data and relevant content.</p>	<p style="text-align: center;">2 marks</p> <p>Good, clear analysis of how product portfolios and distribution factors might impact on the success of Sarah Bunton's Luxury Chocolates.</p>	<p style="text-align: center;">3-4 marks</p> <p>A good evaluation of the key factors that will help long-term success.</p> <p>The evaluation will include some of the key issues.</p> <p>An attempt is made to evaluate other elements of the marketing mix and other factors.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p>	
1	<p style="text-align: center;">1 mark</p> <p>Demonstrates a limited understanding of product portfolios and distribution networks.</p>	<p style="text-align: center;">1 mark</p> <p>Limited application of how a quality product portfolio and a wide distribution network might affect Sarah Bunton's Luxury Chocolates.</p> <p>The response is mainly theoretical with some brief reference to the data.</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of how product portfolios and distribution factors might impact on the success of Sarah Bunton's Luxury Chocolates.</p>	<p style="text-align: center;">1-2 marks</p> <p>Limited evaluation of the key factors that will help long-term success.</p> <p>The learner may show an awareness of some of the other elements of the marketing mix and other relevant factors, but with limited development.</p> <p>The evaluation will focus on product portfolios and distribution networks.</p> <p>Judgement is superficial and unsupported.</p>	

0	0 marks No knowledge of product portfolios and distribution networks.	0 marks There is no application to Sarah Bunton's Luxury Chocolates.	0 marks There is no analysis of how product portfolios and distribution factors will impact on the success of Sarah Bunton's Luxury Chocolates.	0 marks No valid evaluation of the key factors that will help long-term success.
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Indicative content:

A quality product portfolio, in the markets that Sarah has chosen to operate in, is essential. Customers will be willing to place repeat orders and pay premium prices. Quality has also led to the attainment of awards, which can be used as a marketing tool when promoting the business. Customer loyalty will enhance success in the long term.

A wide distribution network will help spread the risk across numerous markets and help increase sales. With Japan and Scandinavia already buying the products things are looking positive and further efforts must be made to distribute the product to other countries too. Domestic distribution to a whole variety of customers is also very positive – hotels, restaurants, cafes, fine food outlets and luxury chocolate shops. This ensures that a wide range of customers are being targeted.

However, the other elements of the marketing mix are also most important in achieving long term success. Carefully targeted promotion, above and below the line, is key to raising awareness in this highly competitive market. The existing website needs to be constantly developed and can also be used as a market research tool. Staying close to her customers and being aware of any changes in the market is also a key element to long-term success.

A well thought out pricing strategy is also essential. Pricing must be consistent with the luxury image that she is trying to achieve. There may be a dilemma here if she produces more children's products, where there may be some resistance to premium pricing.

A whole range of issues combine to achieve long-term success and the image of the business is central to Sarah achieving her goals. For the Sarah Bunton name to become synonymous with fantastic luxury chocolates, and exciting flavours it will need all the elements of the marketing mix to work in harmony.

Credit any other valid point.

UNIT 3: Business Analysis and Strategy

MARK SCHEME

GENERAL MARKING GUIDANCE

Positive Marking

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

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

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

Q.		Total
1(a)	<p>Calculate the price elasticity of demand for the gift sets based on Annie's estimates.</p> <p>Award 1 mark for correct formula. AO1: 1 mark</p> <p>Percentage change in quantity demanded/percentage change in price.</p> <p>Award 1 mark for using the correct figures. AO2: 2 marks</p> <p>Award 1 mark for the correct answer.</p> <p style="margin-left: 40px;"> $30/120 / -2/20$ $= \frac{1}{4} / -1/10$ $= -2 \frac{1}{2}$ </p>	3

1(b)	Evaluate Annie's proposal to lower the price to £18.				[6]
Band	AO1	AO2	AO3	AO4	
	1 mark	1 mark	2 marks	2 marks	
2			<p>2 marks</p> <p>There is good clear analysis of the impact of price changes and qualitative factors on Tenby Ceramics.</p> <p>Good use is made of quantitative and qualitative information.</p>	<p>2 marks</p> <p>Well-reasoned evaluation of the impact of price changes and qualitative factors on Tenby Ceramics.</p> <p>Clear judgements are made on Annie's proposal to lower the price.</p>	
1	<p>1 mark</p> <p>Demonstrates understanding of the impact of price changes on a business.</p>	<p>1 mark</p> <p>The impact of price changes is applied to Tenby Ceramics.</p>	<p>1 mark</p> <p>Limited analysis of the impact of price changes on Tenby Ceramics.</p> <p>Brief or limited reference to qualitative factors.</p>	<p>1 mark</p> <p>Limited evaluation of the impact of price changes and qualitative factors on Tenby Ceramics.</p> <p>Judgements are superficial and unsupported.</p>	
0	<p>0 marks</p> <p>Little or no understanding.</p>	<p>0 marks</p> <p>Little or no application to Tenby Ceramics.</p>	<p>0 marks</p> <p>Little or no analysis of the impact of price changes on Tenby Ceramics.</p>	<p>0 marks</p> <p>Little or no evaluation of the impact of price changes on Tenby Ceramics.</p>	

Indicative content:

By reducing the price from £20 to £18 Greg and Annie's total revenue from the gift sets will increase by £300 from £2400 to £2700.

The cost of producing the extra 30 sets will be £180 (30 x £6). The fixed costs will stay the same. As a result their total profit on the gift sets will increase by £120. It was originally £1200, under Annie's proposal it will be £1320.

On the face of it this seems like a good idea. However, there may be other factors to take into account. Will it have a negative effect on their cash flow? They will need to buy the raw materials before they can make the gift sets.

Also, how will it affect the quality of their lives? Is the extra time that it will take them to produce the additional gift sets worth the extra £120?

There may be other issues. Will all of the extra gift sets sell? The figures are based on Annie's estimates, but she may not be correct. Have they got room to store the extra gift sets before they are sold?

Credit any other valid point.

Q.		Total
2 (a)	<p>Calculate the annual rate of depreciation.</p> <p>Award 1 mark for using the correct formula. AO1: 1 mark</p> <p>Award 1 mark for the correct answer. AO2: 1 mark</p> <p>$(£26\,000 - £8\,000)/5$ = £3 600</p>	2

2 (b)	Explain why it is important for Cambrian Tools Ltd to depreciate the value of its machinery. [5]		
Band	AO1	AO2	AO3
		1 mark	2 marks
2		<p>2 marks</p> <p>Detailed explanation of the importance of depreciation is clearly applied to Cambrian Tools Ltd.</p>	<p>2 marks</p> <p>A good analysis of the importance of depreciation to Cambrian Tools Ltd.</p> <p>Analysis shows a clear understanding of the impact of depreciation on Cambrian Tools Ltd.</p>
1	<p>1 mark</p> <p>A clear understanding of the nature of depreciation.</p>	<p>1 mark</p> <p>Limited explanation of the importance of depreciation is applied to Cambrian Tools Ltd.</p>	<p>1 mark</p> <p>A limited analysis of the importance of depreciation to Cambrian Tools Ltd.</p> <p>Analysis shows a superficial understanding of the impact of depreciation on Cambrian Tools Ltd.</p>
0	<p>0 marks</p> <p>No understanding of the nature of depreciation.</p>	<p>0 marks</p> <p>There is no application to Cambrian Tools Ltd.</p>	<p>0 marks</p> <p>No analysis of the importance of depreciation to Cambrian Tools Ltd.</p>

Indicative content:

It is essential for Cambrian Tools Ltd to depreciate the value of its machinery because otherwise it would not give a true reflection of its value. Over time machines become worn out and obsolete. If they were valued in the company's books at their cost price it would give a false picture of their true worth and it would cause the business in general to be overvalued.

If it was known that the business was window-dressing its accounts in such a way it would affect the company's reputation and may affect their ability to borrow money.

By depreciating the value of their machinery the company is in a better position to appreciate its real value and hence the need for putting money aside in order to purchase replacement machinery in the future.

There is also a legal requirement to devalue fixed assets in order to reflect their true worth.

Credit any other valid point.

Q.		Total
3(a)	<p>Use the information in the table to draw a decision tree diagram in the box below.</p> <p>Award 1 mark for correctly drawing the diagram. AO1: 1 mark</p> <div style="text-align: center;"> </div> <p>Award 1 mark for each correct final figure for each line. AO2: 3 marks</p>	4

Q.		Total
3(b)	<p>Explain which of the three options gives the best return.</p> <p>Award 1 mark for clear understanding of decision tree analysis. AO1: 1 mark</p> <p>Award 1 mark for correct interpretation of the decision tree and the impact of selecting the best option (allow for own figure rule). AO3: 1 mark</p> <p>The correct choice is to buy Losin Llani Ltd because it gives the best rate of return when compared to the other two options.</p>	2

3 (c)	Explain other factors Dewi Rogers might need to consider before making his final decision as to the best course of action to take. [4]	
Band	AO1	AO2
	2 marks	2 marks
2	2 marks	2 marks
	Good understanding of the factors that need to be considered by DA Rogers Ltd.	Factors are clearly applied to DA Rogers Ltd.
1	1 mark	1 mark
	Limited understanding of the factors that need to be considered by DA Rogers Ltd.	Limited application or only 1 factor is applied to DA Rogers Ltd.
0	0 marks	0 marks
	No understanding of other factors.	There is no application to DA Rogers Ltd.

Indicative content:

The calculations are based on probabilities and cannot be relied on 100%.

For that reason it may be better to do nothing as there is less risk involved and the figures are more likely to be correct.

He may need to consider how each of these options might affect the managers and employees.

He needs to make sure that he has sufficient finance.

He needs to consider the prospects for the future. For example, what types of confectionery are future generations of children likely to consume?

He may need to consider Losin Llani Ltd's reputation.

He needs to consider external factors such as the state of the economy.

Any sensible suggestions should be credited.

Q.		Total
4(a)	<p>Calculate the acid test ratio for 2013.</p> <p>Award 1 mark for correct formula. AO1: 1 mark</p> <p>(Current assets – stock)/current liabilities</p> <p>Award 1 mark for use of the correct figures.</p> <p>Award 1 mark for correct answer. AO2 : 2 marks</p> <p>(11 167 – 29)/3 801 : 1 = 2.93 : 1</p>	3

4(b)	Consider the view that, as far as AssetCo is concerned, the higher the acid test ratio the better.				[6]
Band	AO1	AO2	AO3	AO4	
	1 mark	1 mark	2 marks	2 marks	
2			<p style="text-align: center;">2 marks</p> <p>Good analysis of the value of the acid test to AssetCo.</p> <p>Good well-developed answer explaining the impacts of liquidity on the business.</p>	<p style="text-align: center;">2 marks</p> <p>Well-reasoned evaluation of the value of the acid test to AssetCo.</p> <p>The evaluation is supported with qualifying statements and reference to the data.</p>	
1	<p style="text-align: center;">1 mark</p> <p>Good and clear understanding of the acid test ratio.</p>	<p style="text-align: center;">1 mark</p> <p>Clear application of the acid test ratio to AssetCo.</p> <p>Clear reference to the calculation and data.</p>	<p style="text-align: center;">1 mark</p> <p>Limited attempt to analyse the value of the acid test to AssetCo.</p> <p>An attempt is made to explain the impacts of liquidity on the business.</p>	<p style="text-align: center;">1 mark</p> <p>Limited or brief evaluation of the value of the acid test to AssetCo.</p> <p>Unsupported judgements.</p>	
0	<p style="text-align: center;">0 marks</p> <p>No understanding of the acid test ratio.</p>	<p style="text-align: center;">0 marks</p> <p>No application of the acid test ratio to AssetCo.</p>	<p style="text-align: center;">0 marks</p> <p>No analysis of the acid test ratio.</p>	<p style="text-align: center;">0 marks</p> <p>No evaluation of the acid test ratio.</p>	

Indicative content:

The acid test measures the relationship between current assets minus stock and current liabilities.

It is often stated that an ideal ratio is of the order 1:1.

It is important that a business has sufficient current assets to pay any current liabilities, i.e. those that fall within one year. If the ratio is below this it may indicate that the business is having cash-flow problems.

However, this does not mean that current assets should greatly exceed current liabilities, especially after the subtraction of stock as it indicates that the business has funds that are not being put to productive use.

It may also indicate that the figure for debtors is too high and that not enough effort is being made to collect outstanding payments. This can lead to debtors defaulting and the business accumulating bad debts.

In the case of AssetCo, the acid test is nearly 3:1. In 2012 the amount owed to creditors exceeded the amount due from debtors but in 2013 the situation was reversed.

In both years there were considerable amounts of money in cash and bank: over £5m in 2012 and nearly £7m in 2013.

There may be special reasons why such large sums of money are lying idle, especially when interest rates are so low, but generally speaking, this is not desirable as the money should be being put to good use.

Therefore, it is not true that the higher the acid test ratio the better.

Credit any other valid point.

5	Analyse the advantages to Booster Juice of using franchising as a method of expanding the business as compared to other growth strategies. [9]		
Band	AO1	AO2	AO3
	2 marks	2 marks	5 marks
3			<p>4-5 marks</p> <p>Excellent analysis of the impact of franchising and other methods of growth on Booster Juice.</p> <p>Learner has a clear line of argument comparing the use of franchising over other growth strategies.</p>
2	<p>2 marks</p> <p>Good understanding of franchising and other methods of growth.</p>	<p>2 marks</p> <p>Good application to Booster Juice.</p> <p>The advantages of franchising and other methods of growth have been effectively applied to Booster Juice.</p>	<p>2-3 marks</p> <p>Good analysis of the impact of franchising and other methods of growth on Booster Juice.</p> <p>Some development is made on franchising and other growth strategies.</p>
1	<p>1 mark</p> <p>Limited understanding of franchising and other methods of growth.</p>	<p>1 mark</p> <p>Limited application to Booster Juice.</p> <p>Some attempt has been made to apply the advantages of franchising and other methods of growth to Booster Juice.</p>	<p>1 mark</p> <p>Limited analysis of the impact of franchising and other methods of growth on Booster Juice.</p> <p>Underdeveloped points are made.</p>
0	<p>0 marks</p> <p>Little or no understanding of franchising and other methods of growth.</p>	<p>0 marks</p> <p>Little or no application of franchising and other methods of growth to Booster Juice.</p>	<p>0 marks</p> <p>Little or no analysis of franchising and other methods of growth.</p>

Indicative content:

Advantages to Booster Juice of using franchising:

They will be able to grow their business quickly.

It will cost them less money than developing the business themselves as the franchisees will be contributing to the costs.

The franchisees are likely to be highly motivated so the chances of success are good.

Advantages to Booster Juice of using other growth strategies:

Organic growth – Booster Juice could open stores of its own. This would allow them to keep all of the profit rather than sharing it with a franchisee. They would have direct control over the management of each of the outlets.

Acquisitions – Booster Juice could take-over or merge with another similar business. The advantage of this is that the business would grow very rapidly. There may be synergies, for example if the other business was located in areas where Booster Juice did not have a presence they would get better geographical coverage of the market.

Credit any other valid point.

Q.		Total																																																						
6 (a)	<p>Calculate the payback period for each of the two options in years and months.</p> <p>Award 1 mark for correct method. AO1: 1 mark</p> <p>Award 1 mark for each correct payback period. AO2: 2 marks</p> <p>New lorry: 2 years and 3 months New warehouse: 3 years and 2 months</p>	3																																																						
6 (b)	<p>Calculate the Net Present Value (NPV) of each of the two options.</p> <p>Award 1 mark for correct method AO1: 1 mark AO2: 6 marks</p> <table border="1" data-bbox="292 846 1334 1200" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th></th> <th>New Warehouse</th> <th>Initial Cost</th> <th>New Lorry</th> <th>Initial Cost</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td style="text-align: center;">£130 000</td> <td></td> <td style="text-align: center;">£80 000</td> </tr> <tr> <th>Year</th> <th>Discount Rate</th> <th>Income</th> <th>Discounted Income</th> <th>Income</th> <th>Discounted Income</th> </tr> <tr> <td>1</td> <td>0.95</td> <td style="text-align: right;">32 000</td> <td style="text-align: right;">30 400</td> <td style="text-align: right;">36 000</td> <td style="text-align: right;">34 200</td> </tr> <tr> <td>2</td> <td>0.90</td> <td style="text-align: right;">40 000</td> <td style="text-align: right;">36 000</td> <td style="text-align: right;">36 000</td> <td style="text-align: right;">32 400</td> </tr> <tr> <td>3</td> <td>0.86</td> <td style="text-align: right;">48 000</td> <td style="text-align: right;">41 280</td> <td style="text-align: right;">32 000</td> <td style="text-align: right;">27 520</td> </tr> <tr> <td>4</td> <td>0.82</td> <td style="text-align: right;">60 000</td> <td style="text-align: right;">49 200</td> <td style="text-align: right;">24 000</td> <td style="text-align: right;">19 680</td> </tr> <tr> <td>5</td> <td>0.78</td> <td style="text-align: right;">64 000</td> <td style="text-align: right;">49 920</td> <td style="text-align: right;">18 000</td> <td style="text-align: right;">14 040</td> </tr> <tr> <td>Total</td> <td></td> <td style="text-align: right;">244 000</td> <td style="text-align: right;">206 800</td> <td style="text-align: right;">146 000</td> <td style="text-align: right;">127 840</td> </tr> </tbody> </table> <p>The new warehouse Present Value = £206 800 1 mark Net Present Value = £206 800 – £130 000 1 mark = £76 800 (OFR applies) 1 mark</p> <p>The new lorry Present Value = £127 840 1 mark Net Present Value = £127 840 – £80 000 1 mark = £47 840 (OFR applies) 1 mark</p>			New Warehouse	Initial Cost	New Lorry	Initial Cost				£130 000		£80 000	Year	Discount Rate	Income	Discounted Income	Income	Discounted Income	1	0.95	32 000	30 400	36 000	34 200	2	0.90	40 000	36 000	36 000	32 400	3	0.86	48 000	41 280	32 000	27 520	4	0.82	60 000	49 200	24 000	19 680	5	0.78	64 000	49 920	18 000	14 040	Total		244 000	206 800	146 000	127 840	7
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2	0.90	40 000	36 000	36 000	32 400																																																			
3	0.86	48 000	41 280	32 000	27 520																																																			
4	0.82	60 000	49 200	24 000	19 680																																																			
5	0.78	64 000	49 920	18 000	14 040																																																			
Total		244 000	206 800	146 000	127 840																																																			

6(c)	With reference to both quantitative and qualitative factors advise the company as to whether it should buy a new lorry or build a new warehouse. [10]		
Band	AO2	AO3	AO4
	2 marks	2 marks	6 marks
3			<p>5-6 marks</p> <p>An excellent detailed and balanced evaluation of the quantitative and qualitative issues.</p> <p>The evaluation will focus on the key issues.</p> <p>Clear reference to the data and content to support their argument.</p> <p>Relevant judgements are made with qualifying statements used to build an argument and clear advice is given.</p>
2	<p>2 marks</p> <p>Good clear application to Idris Williams Ltd.</p>	<p>2 marks</p> <p>Good analysis of the impact of quantitative and qualitative issues.</p> <p>A number of the key factors have been developed and clearly discussed.</p> <p>The analysis draws on the data.</p>	<p>3-4 marks</p> <p>A good evaluation of the quantitative and qualitative issues.</p> <p>The evaluation will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p> <p>The answer will contain advice, but this may not be qualified.</p>
1	<p>1 mark</p> <p>Limited application to Idris Williams Ltd.</p> <p>The learner response is mainly theoretical with brief reference to the data.</p>	<p>1 mark</p> <p>Limited analysis of the impact of quantitative and qualitative issues.</p> <p>The analysis is likely to refer to few factors and will not be developed.</p> <p>Superficial discussion.</p>	<p>1-2 marks</p> <p>A limited evaluation of the quantitative and qualitative issues.</p> <p>Statements may be brief or not fully apply to Idris Williams Ltd.</p> <p>Unsupported judgements are made.</p> <p>Brief or no advice is given.</p>
0	<p>0 marks</p> <p>Little or no application to Idris Williams Ltd.</p>	<p>0 marks</p> <p>Little or no analysis of the impact of quantitative and qualitative issues.</p>	<p>0 marks</p> <p>Little or no evaluation.</p>

Indicative content:

From the point of view of payback, the new lorry is the better option as it pays back in two years and three months compared to three years and two months for the new warehouse. This may be important as the money made could then be reinvested in other improvements.

On the other hand the return based on net present value is considerably better for the warehouse: £76 800 compared to £47 840 for the warehouse. On this basis they should opt for the warehouse.

However, there are other factors that need to be considered. The existing warehouse is causing some deliveries to be delayed. This may upset customers and result in the company losing business. On the other hand there is considerable local opposition to the plans for the new building which is on a greenfield site.

The lorry has the advantage that it is fuel efficient and will cause less pollution than one of the existing lorries.

The differences in the financial returns are significant and, if the company can overcome local opposition, the warehouse would probably be the best option.

Credit any other valid point.

7 (a)	Explain the possible reasons why the government decided that a cost-benefit analysis should be carried out.		[4]
Band	AO1	AO2	
	2 marks	2 marks	
2	2 marks	2 marks	
	Good understanding of the reasons for carrying out a cost benefit analysis.	Good application to the Severn Barrage. The learner uses relevant content and data to develop and support their argument.	
1	1 mark	1 mark	
	Limited understanding of the reasons for carrying out a cost benefit analysis.	Limited application to the Severn Barrage. The learner response is mainly theoretical with the inclusion of some reference to the data.	
0	0 marks	0 marks	
	No understanding of the reasons for carrying out a cost benefit analysis.	There is no application to the Severn Barrage.	

Indicative content:

An explanation of the process of CBA, i.e. all the costs and benefits are identified and then expressed in monetary terms. The benefits and costs are then compared.

The advantages of this method of analysis: by using a numerical/quantitative approach it is possible to compare different factors and come to a more objective decision.

In this case the government has most probably decided to use CBA because there are so many issues involved which make any decision complicated.

Also the cost of the barrage is enormous so the government will want to make sure that it is a worthwhile investment.

There may be also political reasons for using CBA it makes it seem as if the government is doing what is in the overall best interests of the country.

Credit any other valid point.

7(b)	Consider the view that the benefits of constructing the Severn Barrage are likely to outweigh the costs.			[12]
Band	AO2	AO3	AO4	
	2 marks	2 marks	8 marks	
3			<p style="text-align: center;">6-8 marks</p> <p>Excellent well-balanced evaluation of the impact of constructing the Severn Barrage.</p> <p>The evaluation will focus on the key benefits and costs.</p> <p>Relevant judgements are made with qualifying statements used to build an argument.</p> <p>To achieve the top marks in this band the learner will offer an overall conclusion.</p>	
2	<p style="text-align: center;">2 marks</p> <p>Clear reference is made to the data throughout.</p> <p>Relevant content and data used to develop and support their argument.</p>	<p style="text-align: center;">2 marks</p> <p>Good analysis of the impact of constructing the Severn Barrage.</p> <p>Realistic comments made on the costs and benefits of the Severn Barrage.</p>	<p style="text-align: center;">3-5 marks</p> <p>Good valid evaluation of the impact of constructing the Severn Barrage.</p> <p>The evaluation will include some of the key benefits and costs.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the argument.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p> <p>The answer may contain a brief conclusion.</p>	
1	<p style="text-align: center;">1 mark</p> <p>Limited use of the data.</p> <p>The learner response is mainly theoretical with the inclusion of some examples from the data.</p>	<p style="text-align: center;">1 mark</p> <p>Limited analysis of the impact of constructing the Severn Barrage.</p> <p>Superficial arguments with limited development.</p>	<p style="text-align: center;">1-2 marks</p> <p>Limited or brief evaluation of the impact of constructing the Severn Barrage.</p> <p>Unsupported judgements are made.</p> <p>Evaluation tends to be asserted rather than explained.</p>	
0	<p style="text-align: center;">0 marks</p> <p>No use of the data.</p>	<p style="text-align: center;">0 marks</p> <p>Little or no analysis of the costs and benefits of the Severn Barrage.</p>	<p style="text-align: center;">0 marks</p> <p>No valid evaluation of the costs and benefits of the Severn Barrage.</p>	

Indicative content:

It is often very difficult to quantify some of the costs and benefits, e.g. what monetary figure should be used to account for the loss of habitat for feeding birds?

The article mentions a variety of costs including:

The environmental costs of damming the river and the impact on wildlife, fishing etc. It may, for instance, be necessary to provide alternative feeding grounds for migratory birds and fish ladders for salmon, etc.

The costs of preventing ships passing beyond the barrage, perhaps expensive lock systems will need to be built into the barrage.

There will be external costs to local residents with massive numbers of lorries carrying materials to the site causing pollution and noise.

There may be a number of accidents and even fatalities during the project and estimates will have to be made of the monetary costs involved.

Benefits might include:- the amount of power generated by the turbines, 5% of the UK's energy demands. As fossil fuels begin to run out and as we want to cut carbon emissions, this is likely to become an increasingly important factor.

The benefits of economic regeneration, including the jobs created and the subsequent boost to the economy, these are particularly significant as far as Wales and the West Country are concerned. However these benefits are again difficult to quantify.

At the end of the day it is difficult to say whether or not the benefits outweigh the costs because it depends what monetary values are used.

Credit any other valid point.

UNIT 4: Business in a Changing World

MARK SCHEME

GENERAL MARKING GUIDANCE

Positive Marking

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

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

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

SECTION A

1(a)	Explain the potential impact of political and economic factors on the John Lewis Partnership.			[10]
Band	AO1	AO2	AO3	
	2 marks	2 marks	6 marks	
3			<p>5-6 marks</p> <p>An excellent detailed and well-balanced analysis of the potential impact of political and economic factors on the John Lewis Partnership.</p> <p>The analysis includes the key political and economic factors.</p> <p>The learner develops their argument with supporting analysis from the data.</p> <p>Logical chains of reasoning.</p>	
2	<p>2 marks</p> <p>Good identification and a clear understanding of the potential impact of the key political and economic factors on the John Lewis Partnership.</p>	<p>2 marks</p> <p>Good application to the John Lewis Partnership of the potential impact of political and economic factors.</p> <p>Information in the case study is used in development.</p>	<p>3-4 marks</p> <p>A good analysis of the potential impact of political and economic factors on the John Lewis Partnership.</p> <p>A number of key factors have been developed with reference to the case study.</p> <p>The argument is developed in context.</p> <p>The analysis may be unbalanced with a focus on either the political or economic factors.</p>	
1	<p>1 mark</p> <p>Limited understanding of the potential impact of the key political and economic factors on the John Lewis Partnership.</p> <p>Answers are brief and show limited understanding.</p>	<p>1 mark</p> <p>Limited application to the John Lewis Partnership of the potential impact of political and economic factors.</p>	<p>1-2 marks</p> <p>Limited analysis of the potential impact of political and economic factors on the John Lewis Partnership.</p> <p>A limited number of factors are analysed.</p> <p>Use of the data is descriptive with little development.</p> <p>Superficial understanding of the impact on the John Lewis Partnership.</p>	
0	<p>0 marks</p> <p>No understanding of the potential impact of political and economic factors on the John Lewis Partnership.</p>	<p>0 marks</p> <p>No application to the John Lewis Partnership.</p>	<p>0 marks</p> <p>No analysis of the potential impact of political and economic factors on the John Lewis Partnership.</p>	

Indicative content:

Political factors.

There is no indication that the John Lewis Partnership operates outside of the United Kingdom so it will be mainly affected by political factors controlled by the UK government and the EU. However, as an importer of goods, negative political factors could seriously disrupt supplies.

Retail businesses are regulated in terms of such things as: the quality of the goods that they sell; the labelling of products; the way that they treat their staff and the protection of consumers.

Economic factors.

Fiscal and monetary policies approved by the government and/or the Bank of England will affect them. They will be affected by any changes in taxation and national insurance regulations.

Inflation might affect the partnership as the costs of wages and goods start to increase they may find it difficult to pass these increases on to their customers and so their profit margins would be squeezed.

The general state of the economy could have a large impact on the business. For example, in a recession their customers will have less money to spend, which might adversely affect sales.

The exchange rate might also affect the partnership as many of the goods that they sell will have been imported. If the pound strengthens imports will be more expensive and if it weakens they will be cheaper.

Credit any other valid point.

1 (b)	Discuss the ways in which the John Lewis Partnership is similar to, or different from, other types of ownership structure. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				<p>3-4 marks</p> <p>An excellent well-balanced evaluation of the ways in which the John Lewis Partnership is similar to/different from, other types of ownership structure.</p> <p>The evaluation will focus on the key issues.</p> <p>Clear reference to the case study and context to support their argument.</p> <p>Relevant judgements are made with qualifying statements used to build an argument.</p>
2	<p>2 marks</p> <p>Good understanding of co-operatives and other types of ownership structure.</p>	<p>2 marks</p> <p>Good application to the John Lewis Partnership.</p> <p>Information in the case study is used in development.</p>	<p>2 marks</p> <p>Good analysis of the impact of the ownership of the John Lewis Partnership on the way in which it operates.</p> <p>Clear comparison with other forms of business ownership.</p> <p>The analysis is developed in context.</p>	<p>2 marks</p> <p>A good evaluation of the ways in which the John Lewis Partnership is similar to/different from, other types of ownership structure.</p> <p>The evaluation will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>
1	<p>1 mark</p> <p>Limited understanding of co-operatives and other types of ownership structure.</p>	<p>1 mark</p> <p>Limited application to the John Lewis Partnership.</p>	<p>1 mark</p> <p>Limited analysis of the impact of the ownership of the John Lewis Partnership on the way in which it operates.</p> <p>Superficial comparison with other forms of business ownership.</p>	<p>1 mark</p> <p>Limited evaluation of the ways in which the John Lewis Partnership is similar to/different from, other types of ownership structure.</p> <p>Statements may be brief or not fully apply to the John Lewis Partnership.</p> <p>Unsupported judgements are made.</p>
0	<p>0 marks</p> <p>No understanding of co-operatives and other types of ownership structure.</p>	<p>0 marks</p> <p>There is no application to the John Lewis Partnership.</p>	<p>0 marks</p> <p>No analysis of the impact of the ownership of the John Lewis Partnership on the way in which it operates.</p>	<p>0 marks</p> <p>No evaluation of the ways in which the John Lewis Partnership is similar to/different from, other types of ownership structure.</p>

Indicative content:

Often traditional businesses are hierarchical, power comes from the top downwards. Workers have little say in how the business is run. The business is primarily run to make profits and the profits belong to the shareholders. The culture is often one of 'them and us' depending on how autocratic/democratic the management are. This can demotivate the employees who play no part in important decision making.

Public limited companies have shareholders who are often too concerned with short-term profits. Shareholders can buy and sell shares when they wish, they may have no long-term interest in the business.

In the John Lewis Partnership all of the workers are partners. The profits are shared amongst them. Partners are likely to be more highly motivated than workers in other businesses as they feel that the business belongs to them. They gain financial rewards, as shown in the case study, for hard work.

The John Lewis Partnership is most like a communal organisation. The culture is one of co-operation and support for individuals. Everyone works to a common goal as they all benefit from the success of the organisation. It is likely that there is a low labour turnover rate as the employees are committed to the business.

Credit any other valid point.

1 (c)	Consider which leadership style would be most appropriate for Sir Charlie Mayfield and the other managers of the John Lewis Partnership. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				<p>3-4 marks</p> <p>An excellent well-balanced evaluation of appropriate styles of leadership for Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p> <p>The evaluation will focus on the key issues.</p> <p>Clear reference to the case study and context to support their argument.</p> <p>Relevant judgements are made with qualifying statements used to build an argument.</p>
2	<p>2 marks</p> <p>Good understanding of leadership styles.</p>	<p>2 marks</p> <p>Good application of leadership styles to Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p> <p>The learner makes effective use of the data in the case study.</p>	<p>2 marks</p> <p>Good analysis of the impact of different leadership styles on the John Lewis Partnership.</p> <p>The analysis is balanced, detailed and developed in context.</p>	<p>2 marks</p> <p>A good evaluation of appropriate styles of leadership for Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p> <p>The evaluation will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>
1	<p>1 mark</p> <p>Limited understanding of leadership styles.</p>	<p>1 mark</p> <p>Limited application of leadership styles to Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p> <p>The learner response is mainly theoretical with the limited use of examples from the case study.</p>	<p>1 mark</p> <p>Limited analysis of the impact of different leadership styles on the John Lewis Partnership.</p> <p>Superficial discussion on the impact of leadership styles.</p>	<p>1 mark</p> <p>Limited evaluation of appropriate styles of leadership for Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p> <p>Statements may be brief or not fully apply to the John Lewis Partnership.</p> <p>Unsupported judgements are made.</p>
0	<p>0 marks</p> <p>No understanding of leadership styles.</p>	<p>0 marks</p> <p>There is no application of leadership styles to Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p>	<p>0 marks</p> <p>No analysis of the impact of different leadership styles on the John Lewis Partnership.</p>	<p>0 marks</p> <p>No evaluation of appropriate styles of leadership for Sir Charlie Mayfield and the other managers of the John Lewis Partnership.</p>

Indicative content:

There are different styles of leadership which are appropriate in different circumstances: autocratic, democratic, bureaucratic, paternalistic and laissez faire.

In the case of the John Lewis Partnership, as it is a co-operative, it seems most likely that the appropriate leadership style is democratic. The case study states that all of the 90 000 plus partners have a say in decision-making.

At the same time it is clear that the business is focused on the future and it requires strong pro-active management to achieve the goals that the partnership has set itself. In that sense Sir Charlie Mayfield's and the other managers' role are likely to be crucial and in some exceptional cases a more autocratic style of management might be appropriate.

Credit any other valid point.

1 (d)	Evaluate the impact of change on the John Lewis Partnership.				[10]
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	4 marks	
3				<p>3-4 marks</p> <p>An excellent well-balanced evaluation of the impact of change on the John Lewis Partnership.</p> <p>The evaluation will focus on the key issues.</p> <p>Clear reference to the case study and context to support their argument.</p> <p>Relevant judgements are made with qualifying statements used to build an argument.</p>	
2	<p>2 marks</p> <p>Good understanding of the impact of change.</p> <p>The learner will have a clear understanding of the various key causes of change.</p>	<p>2 marks</p> <p>The impact of change is clearly applied to the John Lewis Partnership.</p> <p>The learner makes effective use of the data throughout their answer.</p>	<p>2 marks</p> <p>Good analysis of the impact of change on the John Lewis Partnership.</p> <p>The analysis is balanced, detailed and developed in context.</p>	<p>2 marks</p> <p>A good evaluation of the impact of change on the John Lewis Partnership.</p> <p>The evaluation will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>	
1	<p>1 mark</p> <p>Limited understanding of the impact of change.</p> <p>The learner will identify some of the key causes of change.</p>	<p>1 mark</p> <p>Limited application of the impact of change to the John Lewis Partnership.</p> <p>The learner response is mainly theoretical with the limited use of examples from the case study.</p>	<p>1 mark</p> <p>Limited analysis of the impact of change on the John Lewis Partnership.</p> <p>Superficial discussion on the impact of change.</p>	<p>1 mark</p> <p>Limited evaluation of the impact of change on the John Lewis Partnership.</p> <p>Statements may be brief or not fully apply to the John Lewis Partnership.</p> <p>Unsupported judgements are made.</p>	
0	<p>0 marks</p> <p>No understanding of the impact or causes of change.</p>	<p>0 marks</p> <p>There is no application to the John Lewis Partnership.</p>	<p>0 marks</p> <p>There is no analysis of the impact of change on the John Lewis Partnership.</p>	<p>0 marks</p> <p>No evaluation of the impact of change on the John Lewis Partnership.</p>	

Indicative content:

Various causes of change are identified, including: changes in the size of the business, developments in technology, changes in consumer tastes, changes in the law and changes in the economy.

Changes in the size of the business. The case study mentions the fact that there are plans to expand the number of both John Lewis and Waitrose stores. This will need careful planning and the recruitment and training of more staff. If done successfully this will mean greater profits for the partnership but it will put increased pressure on management and if the stores fail to attract customers, overall profits will be affected.

The John Lewis Partnership can use new technology in a number of ways, ranging from selling its products on the internet to using a loyalty card to gather information about its customers. New technology can be used effectively in advertising.

The case study states that: “The partnership has also successfully merged “bricks and clicks”. Online sales at John Lewis were up 19.2 per cent to more than £1 billion and 29 per cent of sales were taken online. Waitrose’s online gross sales were up 41 per cent to £262 million.” This clearly shows the benefits of having a well-organised multi-channel set-up. Technology, if properly used, can help improve every aspect of the organisation’s activity.

Changes in consumer tastes. It is essential to the success of the partnership that changes in consumer tastes are identified correctly. If not they will be left with a lot of unsold stock and their competitors will take some of their market share.

Changes in the law. The partnership will need to respond to changes in UK and EU legislation, for example, relating to the environment. This can be expensive but the alternative could result in fines and bad publicity.

Changes in the economy can have a significant impact on the business. For example, as incomes have failed to keep up with inflation in recent years Waitrose has introduced an “essential” range in order to compete with discount stores such as Aldi and Lidl.

Credit any other valid point.

1(e)	“In today’s competitive business environment, the ethical principles of the John Lewis Partnership may well prove to be a disadvantage.”			
	Discuss.			
	[10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				3-4 marks An excellent well-balanced evaluation of the impact of ethical principles on the performance of the John Lewis Partnership in a competitive business environment. The evaluation will focus on the key issues. Clear reference to the case study and context to support their argument. Relevant judgements are made with qualifying statements used to build an argument.
2	2 marks Good understanding of ethical principles.	2 marks Good application to the John Lewis Partnership. The learner makes effective use of the data throughout their answer.	2 marks Good analysis of the impact of ethical principles on the performance of the John Lewis Partnership in a competitive business environment. The analysis is balanced, detailed and developed in context.	2 marks A good evaluation of the impact of ethical principles on the performance of the John Lewis Partnership in a competitive business environment. The evaluation will include some of the key issues. The learner makes partial judgements, with some attempt to support their evaluation.
1	1 mark Limited understanding of ethical principles.	1 mark Limited application to the John Lewis Partnership. The learner response is mainly theoretical with the limited use of examples from the case study.	1 mark Limited analysis of the impact of ethical principles on the performance of the John Lewis Partnership in a competitive business environment. Superficial discussion.	1 mark Limited evaluation of the impact of ethical principles on the performance of the John Lewis Partnership in a competitive business environment. Statements may be brief or not fully apply to the John Lewis Partnership. Unsupported judgements are made.
0	0 marks No understanding of ethical principles.	0 marks There is no application to the John Lewis Partnership.	0 marks There is no analysis of the impact of ethical principles on the performance of the John Lewis Partnership in a competitive business environment.	0 marks No evaluation of the advantages and disadvantages of ethical principles.

Indicative content:

Arguments in favour of the view that their principles are a handicap:

One of their biggest problems, especially if they wish to expand, is raising money. It would be far easier to do so if they were a conventional plc. At the moment they either have to borrow money or pay for expansion out of their profits, which restricts the rate at which they can expand.

Not all partners may wish to work hard. In which case those who do are 'carrying' those that do not. This may cause resentment.

Sourcing products in an ethical way may reduce their product range or increase their costs which may affect sales.

They can only really compete in a niche market at the top end of the retail market. This is OK when the economy is doing well and people are buying luxury goods but in a recession they may be vulnerable to a downturn in sales.

Arguments against the view that their principles are a handicap:

Because all of the employees are active stakeholders in the business they work hard to make it succeed. They are committed to good customer service and see the need to make profits so that the business can survive and thrive.

In recent years intense competition and increased sophistication amongst consumers has put a premium on service. Because of their principles the partnership is able to deliver this better than other businesses whose staff are less well-motivated.

The reputation of the business as an ethically responsible organisation will attract customers.

They are actually one of the most successful businesses on the high street so they must be doing something right.

Credit any other valid point.

SECTION B

2 (a)	Explain how the European Union (EU) and the single European Market affect businesses in Wales. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	5-6 marks Excellent understanding of the European Union (EU) and the single European Market. Key aspects are identified and well explained.	
	3-4 marks Good understanding of the European Union (EU) and the single European Market. The learner identifies key aspects.	3-4 marks The learner clearly applies the key issues of EU membership and the single European Market to businesses in Wales. The learner will make specific reference to how the EU and single European Market affect Welsh businesses.
1	1-2 marks Limited understanding of the European Union (EU) and the single European Market. Understanding is superficial.	1-2 marks The learner applies limited key issues of EU membership and the single European Market to businesses in Wales. Answers will lack precision in terms of specific reference to how the EU and single European Market affect Welsh businesses.
	0 marks Little or no understanding of the European Union (EU) and the single European Market.	0 marks No meaningful attempt to apply EU and single European Market issues to businesses in Wales.

Indicative content:

The EU and the Single European Market affect businesses in Wales in a number of ways. The Single European Market means that people, goods and capital can move freely between EU countries.

Businesses that export will have a larger market into which to sell their goods. For example, Welsh farmers may sell some of their lamb to businesses in France.

Businesses in Wales will also face greater competition from businesses from other EU countries.

Welsh workers are free to work in any other EU country, this means that there are many job opportunities for those workers who are prepared to travel and learn another language. This may result in a shortage of skilled workers in some industries which may have a negative effect on businesses in Wales.

Conversely, there are many workers from other EU countries that have found employment with Welsh businesses. These workers may have the skills that employers are looking for and, in some circumstances, they may be prepared to work for lower wages.

The free movement of capital may mean that there is an increase in inward investment. For example, if a German company decides to open a factory in Wales it is likely to increase demand for components from Welsh businesses.

The EU is also responsible for passing laws which can affect Welsh businesses. It is sometimes argued that “red tape” from Brussels is ruining local businesses. However, some legislation actually benefits businesses. For example having common standards for goods means that goods produced in Wales can be sold anywhere in the EU.

Credit any other valid point.

2 (b)	Discuss the view that it would be in the best interests of the majority of businesses in Wales if the United Kingdom were to leave the European Union.			[20]
Band	AO1	AO3	AO4	
	4 marks	8 marks	8 marks	
3		<p style="text-align: center;">6-8 marks</p> <p>The learner gives an excellent analysis of the impact on businesses of leaving or staying in the EU.</p> <p>Key issues for both sides of the debate are discussed in detail.</p> <p>The analysis will be balanced, well-developed and with a clear line of argument.</p> <p>Analysis will be supported by specific reference to different types of businesses in Wales.</p> <p>In-depth of analysis is the key for this band.</p>	<p style="text-align: center;">6-8 marks</p> <p>The learner presents an excellent evaluation of the argument that it would be in the best interests of the majority of businesses in Wales if the United Kingdom were to leave the EU.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation will be offered with an overall conclusion.</p>	
	2	<p style="text-align: center;">3-4 marks</p> <p>The learner demonstrates good understanding of the key benefits and drawbacks to businesses of leaving the EU.</p> <p>A clear understanding of the impact to businesses of the UK leaving the EU.</p>	<p style="text-align: center;">3-5 marks</p> <p>The learner gives a good analysis of the impact on businesses of leaving or staying in the EU.</p> <p>A number of key issues for both sides of the debate are discussed.</p> <p>The analysis will be uneven, with some well-developed ideas and others where the development is more limited.</p> <p>The analysis will mainly focus on one-side of the argument.</p>	<p style="text-align: center;">3-5 marks</p> <p>The learner presents a good evaluation of the argument that it would be in the best interests of the majority of businesses in Wales if the United Kingdom were to leave the EU.</p> <p>The evaluation will include most of the key issues.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the argument.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer will contain a brief conclusion.</p>

1	1-2 marks The learner demonstrates limited understanding of the key benefits and drawbacks to businesses of leaving the UK. The learner identifies some of the impacts to businesses of the UK leaving the EU.	1-2 marks The learner gives a limited analysis of the impact on businesses of leaving or staying in the EU. A limited number of issues are analysed. The analysis will focus on one-side of the argument.	1-2 marks The learner presents a limited evaluation of the argument that it would be in the best interests of the majority of businesses in Wales if the United Kingdom were to leave the EU. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation will be uneven and focus on one-side of the argument. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of the implications of the UK leaving the EU.	0 marks Little or no analysis of the impact on businesses of leaving or staying in the EU.	0 marks No meaningful evaluation of the argument that it would be in the best interests of the majority of businesses in Wales if the United Kingdom were to leave the EU.

Indicative content:

Arguments in favour of leaving the EU:

There may be fewer regulations that have a negative impact on some businesses in Wales such as the working time directive and regulation of the banking industry.

Businesses in Wales would not have to contribute to the EU budget so there would be more money to spend which might benefit some businesses.

The UK Government would be able to follow a more independent course that could benefit Welsh businesses. For example, they could subsidise certain industries which is not allowed under EU legislation.

Arguments against leaving the EU:

Most of Wales trade is conducted with the EU, trade might suffer if the UK pulled out.

By having common standards across Europe it is easier for Welsh businesses to compete.

Many EU treaties would continue to affect Welsh businesses even after the UK left the EU so it would be in their interests for the UK to help shape these policies.

Many businesses in Wales benefit from EU subsidies, e.g. farming, and would suffer if those subsidies were withdrawn.

The EU might be weaker without Britain and some economies might suffer which could affect Welsh exports.

EU legislation states that all British businesses, including Welsh businesses, have the right to bid for contracts with EU country governments, these would be lost.

Credit any other valid argument.

3 (a)	Explain the different types of promotion that might be used by a Welsh food manufacturing business. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	5-6 marks Excellent understanding of different types of promotion. The key aspects are identified and well-explained. Relevant examples are used to develop understanding.	
	3-4 marks Good understanding of different types of promotion. Several key aspects are identified and explained. Examples are identified.	3-4 marks The learner demonstrates good and relevant application of the different types of promotion that might be used. There is direct and specific reference to Welsh food manufacturing businesses. The learner offers a clear explanation of how a Welsh food manufacturer will use the suggested types of promotion.
1	1-2 marks Limited understanding of different types of promotion. Answers will lack clear understanding Understanding is superficial. Some examples are given.	1-2 marks The learner attempts limited application of the different types of promotion that might be used by Welsh food manufacturing businesses. Answers lack precision in terms of reference to food manufacturing businesses.
	0 marks Little or no understanding of different types of promotion.	0 marks Little or no attempt at application to Welsh food manufacturing businesses.

Indicative content:

Methods of promotion may be either above-the-line or below-the-line.

Above-the-line promotion includes all types of paid-for advertising. This might include television advertising, commercial radio, cinemas, newspapers and magazines, posters, the internet and the use of social media and mobile phones. The method chosen will partly depend on the type of product they produce and whether or not they sell directly to the public.

Below-the-line promotion includes the use of public relations, in-store displays, sales promotions, exhibitions and trade fairs. The choice of packaging can also help to promote their products.

Answers should be related to a food manufacturing business.

Credit any other valid point.

3 (b)	Discuss the view that, for most businesses, promotion is the most important aspect of the marketing mix. [20]		
Band	AO1	AO3	AO4
	4 marks	8 marks	8 marks
3		<p>6-8 marks</p> <p>The learner gives an excellent analysis of the impact of promotion and the other aspects of the marketing mix on businesses.</p> <p>Key issues are discussed in detail.</p> <p>The analysis will be balanced, well-developed and with a clear line of argument.</p> <p>In-depth analysis is the key for this band.</p>	<p>6-8 marks</p> <p>The learner presents an excellent evaluation of the importance of promotion and the other aspects of the marketing mix.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation will be offered with an overall conclusion.</p>
	<p>3-4 marks</p> <p>The learner shows good understanding of promotion and the other aspects of the marketing mix.</p> <p>A clear understanding of the key issues relating to each aspect of the marketing mix.</p>	<p>3-5 marks</p> <p>The learner gives a good analysis of the impact of promotion and the other aspects of the marketing mix on businesses.</p> <p>A number of key issues are discussed.</p> <p>The analysis will be uneven, with some well-developed ideas and others where the development is more limited.</p> <p>The analysis will mainly focus on one-side of the argument.</p>	<p>3-5 marks</p> <p>The learner presents a good evaluation of the importance of promotion and the other aspects of the marketing mix.</p> <p>The evaluation will include most of the key issues.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the argument.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer will contain a brief conclusion.</p>
2			

1	1-2 marks The learner shows limited understanding of promotion and the other aspects of the marketing mix. The learner identifies some of the key issues for at least promotion and one other aspect of the marketing mix.	1-2 marks The learner presents a limited analysis of the impact of promotion and the other factors of the marketing mix on businesses. A limited number of issues are analysed. The analysis will focus on one-side of the argument.	1-2 marks The learner presents a limited evaluation of the importance of promotion and the other factors of the marketing mix. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation will be uneven and focus on one-side of the argument. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of promotion and other aspects of the marketing mix.	0 marks Little or no analysis of the impact of promotion and the other aspects of the marketing mix on businesses.	0 marks No meaningful evaluation of the importance of promotion and the other aspects of the marketing mix.

Indicative content

The marketing mix consists of the four Ps: product, price, promotion and place. Sometimes a fifth P is added, namely packaging.

All aspects of the marketing mix are important, however, depending on the nature of the business one or more of them may become relatively more important.

For most businesses the product or service that they sell is of the utmost importance. However, supermarkets, for example, that sell other companies' merchandise have little allegiance to any particular product. If it is of suitable quality and sells well they will stock it, otherwise they will drop the product and replace it with something else. On the other hand, for some businesses with a limited product portfolio, the product is more important. An example of this is Innocent Smoothies.

Some products are price sensitive whilst others are less so. If a product is unique and the manufacturer has a monopoly it will be possible to charge a high price. For other products, such as those sold by Lidl and Aldi, low prices are the USP.

Promotion is important to let potential customers know about a product and to reassure existing customers that they are purchasing the correct product. However, this is also dependent on the nature of the business. Some everyday products such as hardware items need little promotion, however many consumer products, such as detergents and beauty products are constantly promoted in order to maintain market share and increase sales.

Place can be critical for many businesses but less so for others. If a manufacturer can get his products stocked by a major supermarket its sales will benefit greatly. For footloose businesses, such as video games designers, place is not an important issue.

Overall it may be said that for some businesses promotion is the most important aspect of the marketing mix whilst for others this is not the case.

Credit any other valid argument.

4 (a)	Explain the ways in which a large Welsh business in the service sector, such as Admiral Insurance, could motivate its workforce. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	5-6 marks Excellent understanding of the main methods of motivation. A clear understanding of both financial and non-financial methods. Aspects of the main methods are identified and well-explained.	
	3-4 marks Good understanding of the main methods of motivation. The learner identifies and explains the main methods of motivation and will show an understanding of financial and non-financial methods. Key aspects of several of the main methods are identified with some explanation.	3-4 marks The learner applies the theory of the main methods of motivation to a large Welsh business in the service sector. There is direct and specific reference to how the methods will work in the service sector.
1	1-2 marks Limited understanding of the main methods of motivation. A limited number of the main methods of motivation are identified. The learner may focus on either financial or non-financial methods. Answers will lack a clear understanding of the main methods of motivation. Understanding is superficial.	1-2 marks The learner attempts some application of the main methods of motivation to a large Welsh business in the service sector. Answers may lack precision in terms of reference to the service sector.
	0 marks No understanding of the main methods of motivation.	0 marks No meaningful attempt to apply the main methods of motivation to a large Welsh business in the service sector.

Indicative content:

A company could use financial methods such as:

- performance related pay – perhaps based on a system of appraisals, whereby employees are set certain targets, possibly sales targets and if they achieve the targets they are paid a bonus
- fringe benefits such as a subsidised canteen, a company car and discounts on the company's products
- profit sharing whereby employees are given a proportion of the company's annual profits
- share ownership – by giving employees shares they are more likely to want to see the company be successful.

Alternatively a company might use non-financial methods such as:

- job design so that work is made more meaningful for the employee
- job enlargement whereby employees are given several different tasks to undertake
- team working – so that individuals feel a sense of group achievement
- setting specific goals for employees to achieve. This is related to the theory of management by objectives (MBO)
- maintaining a work-life balance – for example making sure that employees take all of their holiday allowance and that they do not feel tied to their desks all of the time.

N.B. The methods selected should be relevant to a service industry, answers such as piece work are not acceptable.

Credit any other valid point.

4 (b)	Discuss the view that, for most managers, motivation theory is of little practical use.			[20]
Band	AO1	AO3	AO4	
	4 marks	8 marks	8 marks	
3		<p style="text-align: center;">6-8 marks</p> <p>The learner gives an excellent analysis of the importance of motivation theory and the impact it has on business activity.</p> <p>Key issues are discussed in detail.</p> <p>The analysis will be balanced, well-developed and with a clear line of argument.</p> <p>Analysis will be supported by specific reference to examples of different types of business activity and products and services.</p> <p>In-depth of analysis is the key for this band.</p>	<p style="text-align: center;">6-8 marks</p> <p>The learner presents an excellent evaluation of the importance of motivation theory.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation will be offered with an overall conclusion.</p>	
	<p style="text-align: center;">3-4 marks</p> <p>The learner shows good understanding of motivation theory.</p> <p>A clear understanding of the key motivation theories.</p>	<p style="text-align: center;">3-5 marks</p> <p>The learner gives a good analysis of the importance of motivation theory and the impact it has on business activity.</p> <p>A number of key issues are discussed.</p> <p>The analysis will be uneven, with some well-developed ideas and others where the development is more limited.</p> <p>The analysis will mainly focus on one-side of the argument.</p> <p>Analysis will be supported by some reference to examples of different types of business activity and products and services.</p>	<p style="text-align: center;">3-5 marks</p> <p>The learner presents a good evaluation of the importance of motivation theory.</p> <p>The evaluation will include most of the key issues.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the argument.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer will contain a brief conclusion.</p>	
2				

1	1-2 marks The learner shows limited understanding of motivation theory. The learner identifies 1 or 2 theories. Superficial understanding.	1-2 marks The learner presents a limited analysis of the importance of motivation theory and the impact it has on business activity. A limited number of issues are analysed. The analysis will focus on one-side of the argument. Superficial discussion on the impact that motivation theory has on business activity.	1-2 marks The learner presents a limited evaluation of the importance of motivation theory. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation will be uneven and focus on one-side of the argument. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of motivation theory.	0 marks Little or no analysis of the importance of motivation theory.	0 marks No meaningful evaluation of the importance of motivation theory.

Indicative content:

Arguments in favour of the statement:

- Many motivational theories are very general and may be thought to have limited practical application, for instance, Maslow's hierarchy is descriptive rather than prescriptive. It is difficult for some jobs ever to go beyond the base of the hierarchy
- The theories may be wrong, Herzberg says that pay is a hygiene factor and yet for many people it would appear to be their main motivator.

Arguments against the statement:

- Taylor's work study methods are still widely used
- Teamwork, which is seen as essential to much of modern management practice, is based on the findings of the Human Relations School
- The fact that British managers have not heard of motivational theories may indicate a weakness in management rather than in the theories
- It is only necessary for certain key personnel to be familiar with theories for them to be successfully implemented
- Much of modern management practice incorporates the lessons of motivational theory without actually naming theorists
- The theories themselves were derived from best management practice and not vice versa, so it could be argued that the businesses were doing it in practice before it was ever written down as theory.

Credit any other valid argument.

MAPPING GRID OF ASSESSMENT OBJECTIVES

Unit 1 Business Opportunities						
	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
1(a)	4	-	-	-	4	-
1(b)	2	-	2	-	4	-
2	4	2	2	-	8	-
3(a)	1	1	2	-	4	2
3(b)	2	2	2	4	10	-
4(a)	-	2	-	-	2	2
4(b)	1	1	-	-	2	2
4(c)	1	1	-	-	2	2
4(d)	1	3	-	-	4	4
4(e)	2	-	-	-	2	-
4(f)	2	2	2	-	6	-
4(g)	-	2	4	6	12	-
Total	20	16	14	10	60	12

Unit 2 Business Functions						
	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
1(a)	4	-	-	-	4	-
1(b)	1	2	-	-	3	3
1(c)	1	2	-	-	3	3
1(d)	-	2	2	4	8	8
1(e)	2	-	4	-	6	-
2(a)	2	2	-	-	4	-
2(b)	2	-	-	-	2	-
2(c)	2	2	2	-	6	-
2(d)	2	-	-	-	2	-
2(e)	-	2	4	-	6	-
2(f)	2	-	2	4	8	-
3(a)	2	3	3	-	8	-
3(b)	-	2	2	4	8	-
3(c)	2	2	2	6	12	-
Total	22	19	21	18	80	14

	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
Total AS mark per series	42	35	35	28	140	26
Total mark as %	30%	25%	25%	20%	100%	19%

Unit 3: Business Analysis and Strategy						
	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
1 (a)	1	2	-	-	3	2
1 (b)	1	1	2	2	6	3
2 (a)	1	1	-	-	2	1
2 (b)	1	2	2	-	5	-
3 (a)	1	3	-	-	4	4
3 (b)	1	-	1	-	2	1
3 (c)	2	2	-	-	4	-
4 (a)	1	2	-	-	3	2
4 (b)	1	1	2	2	6	3
5	2	2	5	-	9	-
6 (a)	1	2	-	-	3	2
6 (b)	1	6	-	-	7	6
6 (c)	-	2	2	6	10	4
7 (a)	2	2	-	-	4	-
7 (b)	-	2	2	8	12	-
Total	16	30	16	18	80	28

Unit 4: Business in a Changing World						
	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
1(a)	2	2	6	-	10	-
1(b)	2	2	2	4	10	-
1(c)	2	2	2	4	10	-
1(d)	2	2	2	4	10	-
1(e)	2	2	2	4	10	-
2/3/4(a)	6	4	-	-	10	-
2/3/4(b)	4	-	8	8	20	-
Total	20	14	22	24	80	0

	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
Total A2 mark per series	36	44	38	42	160	28
Total mark as %	22%	27%	25%	26%	100%	18%

	AO1	AO2	AO3	AO4	Total marks	Quantitative skills marks
Total A level mark per series	78	79	73	70	300	54
Total mark as %	26%	26%	24%	24%	100%	18%