

Business Studies

Advanced GCE **A2 7811**

Advanced Subsidiary GCE **AS 3811**

Mark Schemes for the Units

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Advanced Subsidiary GCE Business Studies (3811)

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2871 Businesses, their Objectives and Environment

1 Tony and Gina currently lease TGT's business premises (line 18).

State two characteristics of using leasing as a method of finance. [2]

- Payment for the use of the item (in this case the café) is in instalments (accept 'small amounts')
- Leasing 'can help avoid cash flow problems'
- The item leased is never owned by the lessee
- The lessee might end up paying more than if they had bought the item 'at the start'.

NB Allow any reference to leasing as a short/medium/long term method of finance

2 x 1 Mark (2).

2 TGT is a partnership. Outline two features of a partnership. [4]

Candidates do not need to answer in the context of TGT.

Unlimited liability – therefore, they could lose all personal possessions to pay the debts of the firm.

Partners are responsible for each other's debts – thus there needs to be a high degree of trust.

Maximum of 20 partners – therefore, may be limited in ability to raise capital to expand.

Work can be shared – cf. a sole trader.

Partners can bring new skills/specialise – cf. a sole trader.

Lack of continuity – legally the business ends when one partner dies – cf. a company.

Accounts can be kept private/partners pay income tax not corporation tax – so competitors cannot see 'what is going on'.

Losses/profits are shared – cf. a sole trader.

Allow references to Limited Liability Partnerships (began in 2001) – partners (actually called 'members') have limited liability, the partnership is a separate legal entity, the business is taxed as a partnership but accounts have to be disclosed like a company.

Also allow reference to Partnership Acts, eg if no Deed of Partnership the partnership is governed by the 1890 Act.

A partnership may have silent/sleeping partners – who take no part in the running of the business.

A partnership is the private sector – it is not owned/run by the government.

Etc.

For Level 2, the partnership feature must be **outlined**.

Level 2	Feature(s) outlined	(4-3)
Level 1	Feature(s) stated	(2-1)

3 Analyse the reasons why TGT's business objectives may change over time. [9]

Allow references to any 'period of time', ie short/medium/long-term. ARA on how long 'short term', 'medium term' and 'long term' actually are. Tony and Gina as the partners in TGT are 'the business'. Allow references to either or both.

Also allow references to either (or both) tactical and strategic objectives.

The candidate could answer from either, or both, of the following perspectives:

Changes in the Tony & Gina's/TGT's 'position'

- *Once an (initial) objective is reached then another will then be set – or it should be if TGT is not to 'drift', ie once TGT had become 'established' they 'built on this' and then the objective was to break even. When TGT broke even/became profitable the objective changed to 'developing and growing the business' (line 15).*
- *Tony and Gina now have the objective of early retirement. If they are going to be saving/'building up the business' in order to retire, then their objective must be to achieve a certain amount of profit or achieve a certain percentage growth in profit per year (or over some other period of time).*
- *If events such as the birth of more children or the expiry of the lease occur, this is likely to force changes in their objectives.*
Etc.

Changes in the external environment

The business environment is dynamic and they will need to review and revise objectives in the light of any change in influences, for example:

- *another business opportunity – such as the north Bridgeford site*
- *emergence of a competitor*
- *changes in costs (eg due to any change in supplier, rate of interest/minimum wage, etc) may well cause a change in TGT's current objectives*
- *changes in the state of the economy with concomitant changes in spending levels. NB to what extent will this affect TGT?*
- *changes in customer preferences (seems unlikely at present!).*

The two are of course interlinked and a candidate recognising this link should receive appropriate credit.

Level 3	Some analysis of the reason(s) for TGT's change of objectives	(9-8)
Level 2	Some application/understanding of the issues	(7-4)
Level 1	Knowledge of objectives/reasons for change stated	(3-1)

4 Evaluate the possible effects on TGT's stakeholders of Tony's attitude to business ethics. [14]

Customers - Mrs. Harper claims that TGT's food is 'unethical' but the students and lorry drivers clearly do not see it as such! They like what TGT sells. Even if the food is not very healthy, the customers are free agents as adults. Is it Tony's ethical responsibility as a retailer to 'protect someone from themselves'?

It could be argued that changing the menu 'because of ethical responsibility' would alter – and possibly destroy – the whole basis of the café's success! This would affect all of its stakeholders.

Although Tony's unethical treatment of staff is unlikely to affect his customers' choice of where to eat in itself, they have started to suffer and complain about the service (line 38).

Employees - They have a job and earn more than the minimum wage but "Tony is short tempered, often blames others for his mistakes, and is very unsympathetic to requests for time off for any reason". They have no job security. Behaving like this and disregarding the Employment Acts (which is illegal as well as unethical) have very negative effects. They will not be motivated and labour turnover is understandably high. This will (eventually) negatively impact on customers – which it already is.

Tony and Gina as owners - have made "loads of money" from running the business. (line 16) so they and their children have benefited.

Word of Tony's attitude may spread and it may well worsen his ability to recruit. This makes Tony's life more difficult at the café (and Gina's when she is there).

Tony's attitude to staff and the dismissal have resulted in having to pay 'double time'. This will start to impact on profits eventually – which may hinder the achievement of their objective. Gina has had to work extra hours as well – and she was not happy about this!

Would 'healthier' products and fair trade products be more expensive? Will TGT's profits (and, therefore, Tony and Gina) suffer? Can increases be 'passed on' to customers?

The landlord - has two secure tenants in Tony and Gina's booming business and so has benefited. He is unlikely to know or care how Tony treats staff, suppliers, etc.

Suppliers – Tony 'chops and changes' and delays payment. Their suppliers' position is not secure. They do not seem to be stakeholders in the true sense of the word. Tony's attitude may not matter too much at the moment – although Gina has expressed some surprise that they haven't reacted – but it might in the future when they move to a larger premises. Prompt payment and regular orders may encourage a stakeholder relationship which could be important in the success of the new café.

The government - (The Treasury anyway) will be 'happy', as it will get more tax revenue if TGT's profits rise.

NB Allow reference to Tony "changing his attitude" to ethical issues.

There are many negative aspects but evaluative comments could discuss the extent to which they are negative to a given group and/or which stakeholder(s) are most likely to be affected.

Level 4	Some evaluation of the impact of Tony's attitude on TGT's stakeholder(s)	(14-11)
Level 3	Some analysis of impact of Tony's attitude on TGT's stakeholder(s)	(10-7)
Level 2	Some application/understanding of the issues(s)	(6-4)
Level 1	Knowledge recalled about ethics or/& stakeholders	(3-1)

5 Assume that TGT does relocate to north Bridgeford.

Discuss the factors which are likely to affect the continuing success of TGT. [14]

Candidates could answer from sections 5 & 6 of the specification ("Economic & other influences") and/or Section 1 ("What businesses need").

A clear business plan – with SMART objectives to follow. The new business will be larger and more expensive to run and requires more staff than at the previous location. It will be important to budget properly, cover costs, etc.

The co-operation and enthusiasm of employees -Tony will have to change his attitude if he wants committed staff.

Reliable suppliers (as with employees above) – will the aim be to treat them as 'stakeholders' and build up a long term relationship or just as 'suppliers' in which case there may be problems if goods are needed at short notice?

The state of the (local/national) economy – to what extent are their products going to be affected by the economic cycle? Is café food 'steady state'?

The effect of any changes in interest rate/tax – to what extent is the demand for TGT's products likely to be affected?

Competitors – perhaps TGT will face more competition than before; presumably existing fast food businesses are not going to 'stand idle' while TGT takes their market share away.

The prices TGT charge - compared to competitors.

Promotion – what measures will TGT take to publicise itself and establish a sound customer base?

A change in the nature of the products sold (as suggested by Gina) – would this affect custom?

Would 'old' customers stay loyal? Would they have the same customer base? TGT's current clientele may not be able to access it quite so easily. Would this mean less demand?

Sufficient finance – to buy the café and stock.

Ensuring an adequate cash flow - probably not a problem as most customers are likely to pay with cash. (NB detailed knowledge not required on 2871).

Accept any other valid points not mentioned above.

Level 4	Some evaluation of the factor(s) affecting the success of STL	(14-11)
Level 3	Some analysis of the factor(s) affecting the success of STL	(10-7)
Level 2	Some application/understanding of the issues(s)	(6-4)
Level 1	Knowledge recalled about factor(s) affecting a business' success	(3-1)

2872 Business Decisions

1 Outline two issues Innocent should consider when setting budgets. [4]

- *What type of budget to set*
- *The timelines for the budgets*
- *How to make forecasts*
- *Level of demand*
- *Costs*
- *Variance analysis*
- *Seasonal issues*
- *Workforce planning*
- *Availability of ingredients*
- *Need for contingency plans*
- *Economy*

Any other relevant points

Level 2	Budgetary factors explained/applied to the business	(4-3)
Level 1	One or two budgetary factors stated.	(2-1)

2 Discuss the advantages and disadvantages to Innocent of its recruitment methods. [12]

Consideration of the pros and cons of:

- *the policy of not using recruitment agencies – not having to pay their fees vs the specialist knowledge of the agencies, especially' when wanting particular skills/experiences;*
- *recruiting from internal sources – candidates will already have knowledge of the firm, cheaper advertising costs, open to abuse/nepotism. May not encourage new ideas into the business*
- *putting job advertisements on its products – potential candidates are already consumers of the product so will believe in it. Cost of the advertisements – may be cheaper, but may also be losing marketing opportunities by taking up space on the labels;*
- *possible focus on more informal selection tools. However, much emphasis placed on the interview. Also, use of other selection tools to test problems solving;*
- *consideration that it must be doing something right to recruit so many staff.*

Level 4	Evaluation by weighing up the advantages and disadvantages of the recruitment methods used by Innocent.	(12-10)
Level 3	Analysis demonstrated by considering implications of the advantages and disadvantages of the recruitment methods identified in context.	(9-7)
Level 2	Understanding of concepts involved demonstrated	(6-4)
Level 1	Appropriate concepts and issues identified	(3-1)

3 (a) (i) Calculate Innocent's market share in 2001.**[2]**

$$\text{Market share in 2001} = \frac{\text{Turnover} \times 100}{\text{Market Size}} = \frac{\text{£4.2m} \times 100}{\text{£20m}} = 21\%$$

(1) (1) (2)

(ii) Calculate the percentage increase in Innocent's market share between 2001 and 2007.*OFR applies.*

$$\% \text{ change in market share} = \frac{\text{Change} \times 100}{\text{Original}} = \frac{(65-21) \times 100}{21} = \frac{44 \times 100}{21} (1)$$

$$= 209.5\% (1)$$

*Accept 209% and 210% if process shown.***(2)****(b) Discuss ways in which Innocent could continue to increase its market share.****[11]**

The massive increase in the market share clearly indicates that the company is doing something right with its product mix. It has a strong brand identity across its product range. The business which began with the smoothies now has a number of related products in its portfolio under the innocent brand. Look at the product life cycles and/or use of the Boston Matrix to consider the various products and ways that they could be extended to increase sales This may include the marketing mix e.g. promotion or price differentiation.. Examples of how the business has done this with new products such as the Thickies and Superfoods. The company has developed a successful way to try out new products with the Guest Smoothie before entering into full production. Smoothies for Kids is an example of an extension strategy into a new market. Suggestions of potential other new products related to the existing ones which could be introduced.

Some consideration of channels of distribution and finding new ways to reach existing consumers (eg smoothies for kids being sold in schools), or even new customers. The related flavoured water product was initially introduced under the same brand thus reducing risk. As it has been successful, it has now developed its own brand identity giving the business flexibility to develop it in a different direction to the smoothies, if this is relevant. Other potential related products which could be developed in the same way. Some indication of diversification into complementary products in terms of the books which the company has published.

Level 4	Evaluation of Innocents' product portfolio/marketing mix and the relative importance of the products.	(11-10)
Level 3	Analysis demonstrated by consideration of the implications of changes in Innocents' product portfolio/marketing mix in context.	(9-6)
Level 2	Understanding of concepts involved demonstrated	(5-4)
Level 1	Appropriate concepts and issues identified	(3-1)

4 Evaluate the issues which Innocent faces in maintaining the high quality of its products. [12]

- *The products are highly perishable – they need to get the shop shelves very quickly to be at optimum quality, so distribution has to be very effective.*
- *The quality of the food products may be very variable according to seasonal factors so it may be difficult to maintain consistent quality in the products.*
- *Issues around getting the quality consistent when it introduces new products*
- *The implication of adverse publicity when things go wrong, eg being featured on TV in a negative light. The cost of recalling the effected products – financial, reputation, etc.*
- *Food safety issues and the implications of being sued by customers who may become ill.*
- *The need for liaison between different departments, eg commercial and operations teams.*
- *Having quality systems in place. Discussion of TQM, quality control, quality assurance, etc.*

Level 4	Evaluation of the quality issues faced by Innocent and their relative importance	(12-10)
Level 3	Analysis demonstrated by consideration of the implications of the quality issues faced by Innocent methods in context.	(9-7)
Level 2	Understanding of concepts involved demonstrated	(6-4)
Level 1	Appropriate concepts and issues identified	(3-1)

2873 Business Behaviour

- 1 (a) The electrical shop has decided not to order any letterheads or envelopes and just to order 500 barcoded carbonised order forms. These forms have a unit price of 80 pence. The software upgrade for the printing machine will cost £150.

Calculate the total contribution for this order.

[6]

Method 1

Additional revenue from this order = $500 \times £0.80 =$ **£400** (1)

Total unit cost = £0.45

Total direct cost = $500 \times £0.45 =$ £225 (1)

Additional costs for this order = $£150 + £10 =$ £160 (1)

Total additional costs of this order = $£225 + £160 =$ **£385** (1)

NB: Award 3 marks when you see £385

Contribution = $£400 - £385 =$ **£15** (2)

NB: 1 mark for subtracting & 1 for correct answer

OFR

Method 2

Contribution per unit = Price – Directs Costs (1)

$£0.80 - £0.45 =$ £0.35 (1)

Total contribution = $£0.35 \times 500 =$ **£175** (1)

NB: Award 2 marks when you see £0.35 or 35p
or NB: Award 3 marks when you see £175

Additional costs for this order = $£150 + £10 =$ £160 (1)

Overall Contribution for this order = $£175 - £160 =$ **£15** (2)

NB: 1 mark for subtracting & 1 for correct answer

NB: No working needs to be shown to gain full marks.

OFR

(b) Should WPPS accept this order? Justify your decision.**[10]**

Such a small positive contribution, as calculated in part (a), may indicate that this order may not be worth taking on as it is hardly contributing to WPPS's overheads. The additional 'hassle' of producing a new product in terms of time, cost and effort may be off-putting. However, there are other things to consider before making a decision; both quantitative and qualitative.

The enquiry for carbonised forms from this potential customer was originally part of a larger order. The contribution from a larger order (for envelopes and letterheads) in the future is likely to be better as they are standard products so there will be no additional overheads.

The investment in the software upgrade means that WPPS can now add this product to the list of products they can produce. This will potentially attract further business in the future. Also, as with any new customer, WPPS need to consider the long-term benefits of attracting new business. The electrical shop may return in the future and purchase further products from WPPS, although it could be argued that as a small local business any future orders will be small and less likely. In addition, business colleagues of the electrical shop owners may find out about WPPS.

Considering the decline in the postcard market, it is true that WPPS need to attract more and more work from the other components of its product mix. Printing services make up over 50% of their total revenue now. With the industry being so competitive nowadays, WPPS need to be taking every realistic opportunity possible.

There are the usual arguments to consider when accepting a special order. However, most of these do not apply here (eg the electrical shop is not going to be able to sell on the product to another business at a profit).

*Candidates who use the case evidence to come to a **justified** decision should be awarded at Level 4.*

OFR/ARA

Level 4	Some evaluation shown by justifying any decision about whether the order should be accepted, based on the preceding analysis. A decision is required.	(10-9)
Level 3	Some analysis, in context, of the implications of accepting or not accepting this order for WPPS.	(8-6)
Level 2	Some understanding shown of issues that need to be considered before a decision can be made.	(5-4)
Level 1	Some factually correct statements about this order without any attempt to show their relevance.	(3-1)

2 Discuss the advantages and disadvantages to WPPS of reducing the typical print run of 5,000 postcards (line 41). [16]

Reducing the print run will have implications for unit costs, organisation and storage/stock control.

Smaller print runs will increase the average unit cost of printing a postcard. Due to much of the costs involved being fixed and/or overheads, a smaller print run will see these costs spread over a smaller output and so being a much larger component of each individual item. We are also told that there are changeover costs when producing each different type of postcard and so these costs will be incurred more frequently.

More frequent changeovers will also create more organisational problems. We are told that the printing equipment is very complex. Given the poor organisational structure at WPPS and the concerns currently being raised by the workforce, the additional work created by smaller print runs may be the 'straw that breaks the camel's back'.

However, smaller print runs will allow WPPS to reduce the number of postcards that they have to hold in stock. Given the fall in popularity of postcards this is only going to get worse in the future, unless WPPS can reduce its stock levels now. Given the delicate nature of postcards they cannot be stored in sunlight or damp conditions. They must also be kept flat and uncreased. Reduced stock levels will, therefore, considerably reduce the storage costs. Also, given the availability of numerous other printers who advertise their services locally or on the internet, offering very small print runs, WPPS will be at a competitive disadvantage if it is not able to offer smaller print runs as well.

The one advantage that WPPS has over its internet-based competitors is quality. It is all a matter of how important this is to the customers of WPPS, both now and in the future. This would be a clear evaluative point.

Candidates may refer to the burden that the high stock levels may put on WPPS's finances. We are told that stocks make up 85% of current assets. Although we do not know the monetary size of this figure and so the actual impact on the firm's working capital is difficult to judge. Better answers that would show evaluation may recognise that the importance of reducing stock levels is difficult to judge.

In summary, although reducing the size of the print run may increase unit costs and cause organisational problems, these may be offset by lower storage costs. Also, it may still be a better option than the more radical proposal of pulling out of postcard production entirely.

ARA

Level 4	Some evaluation shown by attempting to discuss the overall impact, possibly by weighing up the issues faced by WPPS specifically.	(16-13)
Level 3	Some analysis of how any changes in the print run may have an impact on WPPS and/or how WPPS may need to respond.	(12-9)
Level 2	Some understanding shown of how changes in the print run may affect WPPS.	(8-5)
Level 1	Some knowledge of issues raised related to changing the print run. Statements relying on mere repetition of the case study should not be rewarded.	(4-1)

3 Assess how any changes that Jan Bradley might make to her leadership style could affect the success of WPPS. [16]

Jan Bradley is clearly trying to follow a democratic leadership style. Evidence for this is demonstrated in her wish to involve managers and workers in the decision-making process, the introduction of quality circles and her willingness to listen to others point of view.

However, there is a growing feeling of opposition amongst managers (Hayley) and workers, to how Jan is leading the company. It can be argued that employees are receptive to, and motivated by, a greater sense of involvement in the decision-making process. However, there appears a danger here that Jan's style has a degree of laissez-faire to it, which can lead to workers lacking a sense of direction and cohesion.

We do not know what style of leadership the workforce at WPPS is used to. However, it may be that Jan's democratic style is radically different from what they have been familiar with in the past. Maybe Jan needs to be more autocratic. Hayley clearly has a negative feeling towards the day long strategy meetings that are held once a month. It appears that Jan needs to chair these meetings more tightly to ensure that they do not just become a 'talking shop'. Decisions must be reached and then stuck to. It is fine to be democratic and encourage input from different individuals, but ultimately the other managers will be looking for a decision to be made by Jan that they can then be turned into policy. It is also true that better managers use a range of leadership styles that are appropriate for a particular task. At present, Jan does not appear to appreciate this.

It would also appear that Jan's vague leadership style is shown up in the organisation of the company. The lack of a clear structure will make communication and planning throughout the business very difficult. A flat structure, and hence a large span of control for managers, can make decision-making and co-ordination very inefficient. Given the problems in the market facing WPPS at present, decisions and changes to strategy will often need to be made quickly.

Jan needs to change her leadership style to one where everyone in the business knows where they stand and what they have to do, without completely removing the opportunity for the workforce to feel consulted. Any changes that are implemented need to be justified by Jan, as currently there is a feeling that change is being made for changes sake. There appear to be more important issues that need to be resolved, such as the contracts and training and promotion schemes. If these are not resolved it appears that Jan will have an unhappy workforce on her hands with possible impact on industrial relations. This is something that WPPS can do without at the moment.

It is important that candidates do not just suggest that Jan should be more autocratic, without examining what this actually entails and what impact (good or bad) it may have on WPPS. Better answers may also recognise the need for Jan to alter her leadership style given the task in hand.

ARA

Level 4	Some evaluation shown by justified judgements being made about how successful for WPPS any changes to Jan's leadership style may be.	(16-13)
Level 3	Some analysis of the implications for WPPS of changes to Jan's leadership style and/or the benefits/problems of these changes.	(12-9)
Level 2	Some understanding shown of problems created by Jan's leadership style or changes that she could make to it, without any discussion of their impact on WPPS.	(8-5)
Level 1	Statements about the problems with Jan's current leadership style. Some knowledge of leadership and/or leadership styles.	(4-1)

4 Evaluate appropriate methods of market research which WPPS could use to find out about the changes in the holiday postcard market. [10]

Market research may be primary or secondary. There are two separate areas of investigation that WPPS can undertake – the purchasing of holiday postcards and the trends of people holidaying in the UK.

Primary research

Surveys/questionnaires – WPPS's customers are actually the shops and tourist venues that sell postcards. Any research could, therefore, be carried out using a selection of these firms. Candidates may comment on how the weight that information gained in this way should be dependent on the firm's share of WPPS's business found in Table 3. It may also be relevant to survey holiday makers in the UK about their purchase of postcards.

Experimentation – given Toby's thoughts on extension strategies, it is possible that any ideas he comes up with could be trialled in certain areas of the country within certain venues. Test marketing can be very effective at establishing whether a full-scale launch would be successful.

Advantages of primary research are that it is specifically relevant to WPPS and up-to-date. However, it can be expensive and time consuming to collect, especially given WPPS's location and the geographical size of its market.

Secondary research

Sales figures/customer data – past sales trends (more detailed than shown in Table 2) can be looked at to identify any patterns in the data. Maybe there are geographical or seasonal trends that can be identified and used to WPPS's advantage.

Government statistics/research organisations – trends in the holiday market can be easily obtained. This will highlight the rate of decline in those people holidaying abroad in preference to staying in the UK. Also, the increased incidence of people sending e-cards, via mobile phone or the internet, will be useful to know.

The advantages of secondary research are that it is cheaper to collect and readily available. However, it may be out of date and is available to everyone.

*It is vital that candidates discuss **appropriate** methods of market research for WPPS. Better answers will consider what the most effective method(s) in this case will be, given the context available.*

ARA

Level 4	Some evaluation shown by assessing the suitability of methods suggested in the context of WPPS and whether they will or will not work.	(10-9)
Level 3	Some analysis of market research methods, with specific reference to the context of WPPS.	(8-6)
Level 2	Some understanding of appropriate market research methods for WPPS.	(5-4)
Level 1	Some knowledge of market research methods.	(3-1)

2874 Further Marketing

- 1 (a) Analyse two possible advantages to RIR of personal selling. [6]

Personal selling is employed by Lucy and her staff. The main advantages relate to the direct contact that exists between the seller and the buyer. The services offered can be explained and features pushed. The removal business is very much tailored to the requirements of individual customers, especially in the corporate division. Other businesses need to be assured that they are getting personal attention and a high quality service. Personal selling is much more likely to give this.

Level 3	Analysis of advantages of personal selling using example(s).	(6-5)
Level 2	Application and/or understanding of personal selling.	(4-3)
Level 1	Knowledge of personal selling.	(2-1)

- (b) Calculate the final price quoted to a customer wanting to move from Birmingham to Coventry on a Saturday when the calculated costs are £400. [4]

Calculation: £400 + 200% mark up = £400 + £800 (1) = £1200 (1)
 Saturday premium = £1200 + 30% = £1200 + £360 (1)
 Final Price = £1560 (1)

- (c) Evaluate methods RIR could use to set prices. [16]

Prices can be set in a variety of ways. The text suggests that prices are set based on volume, time, distance, ie some attempt to consider likely costs. The mark up calculation in (b) confirms this. But, there are many different aspects to this business. It provides many different services and different methods could be used for different aspects of the business. Discussion could centre on competition-based, psychological based, plus aspects of marginal/contribution given the likely high fixed costs at RIR. To reach Level 4, it is important to discuss more than one possible method with an evaluation of those presented. Better answers will focus on the different aspects of the business and possibly the future expansion plans.

Level 4	Evaluation of the methods in relation to pricing, in context.	(16-10)
Level 3	Analysis of the method(s), in the context.	(9-6)
Level 2	Application/understanding of the method(s).	(5-3)
Level 1	Identification of pricing method(s).	(2-1)

- 2 (a) RIR has used a number of closed questions in its surveys to allow it to quantify the results effectively.

Analyse two reasons why the use of open questions may give more useful results to RIR. [4]

Open questions are those which allow the respondent to give a wide-ranging response. They are questions that allow the respondent to deviate from a set pattern of responses and away from the 'tick box' approach. Open responses tend to demand more than just a factual answer, allowing the respondent to give more opinion-based answers. Closed questions may be useful to RIR to quantify performance when 'scoring' particular aspects of the work but open questions may go further giving RIR the opportunity to find out different types of problems or positive information. Development of new ideas may well follow.

Level 3	Analysis of the use of open questions, using the context.	(6-5)
Level 2	Application/understanding of the use of open questions.	(4-3)
Level 1	Knowledge of different ways of setting questions in surveys.	(2-1)

- (b) Other than surveys, discuss the advantages and disadvantages to RIR of two methods of gathering information from its customers. [10]

Information could be gathered by a number of different methods. These include interviews, surveys (not allowed in this answer), questionnaires and consumer panels. Detailed customer interviews may be used – either face-to-face or over the telephone. Both open and closed questions could be used and the whole process could be recorded. The main advantage is the ability to question and probe further to get a point fully explained. The main disadvantage is the possible introduction of bias. Consumer panels could also be used. This would have the advantage of a more open debate about the features, etc, of RIR. Cost and attracting the right people to the panel may be constraining factors. Generally, discussion should focus on time, cost, type of information gathered, etc. To reach the highest level, there needs to be an evaluation of the main advantages/disadvantages of the methods offered.

Level 4	Evaluation of the use of other methods of gathering information, in context.	(10-9)
Level 3	Analysis of advantages/disadvantages of methods gathering information in the context.	(8-6)
Level 2	Application/understanding of methods gathering information.	(5-3)
Level 1	Some knowledge of methods.	(2-1)

- (c) Evaluate the factors that Peter would need to consider before RIR develops its European market. [16]

Peter may well have to consider the current relationship with partner organisations very carefully. The factors may well include: the possible demand for the products; competition; the extent of currency problems; promotion difficulties (language etc); transport and wider distribution issues; etc. Demand is a key issue and discussion should focus on the means of identifying this demand. Aspects of market research may be important - secondary consideration of competition may be mentioned. Non-marketing factors can also be discussed; these might include aspects of finance (sources), staffing, logistics of transport, etc. To reach Level 4, it is important to prioritise the factors related to RIR. It has experience of working abroad; maybe it will be easier to make this move?

Level 4	Evaluation of the factors, in context.	(16-10)
Level 3	Analysis of the factor(s), in the context.	(9-6)
Level 2	Application/understanding of factor(s).	(5-3)
Level 1	Some knowledge of factor(s).	(2-1)

2875 Further Accounting and Finance

1 (a) Calculate the average amount of cash owed to UWL by its customers in 2008 [4]

Sales in 2008	£1.3m (1)
50 days' sales outstanding [1]	
1 day's sales are	£3561 (1)
Therefore, total amount outstanding	<u>£178,082</u> (1)

Award 4 marks for correct answer.

(b) Evaluate options available to UWL to reduce its overdraft to meet the target set by the bank. [16]

The bank requires the overdraft to be reduced by £60,000. Thus, this is the target that UWL is aiming for. This could be achieved by a combination of reducing debtor payment periods, holding less stock and, hence, releasing cash and/or delaying payment to creditors.

Figures suggest outstanding debtors = £178,082

Amount of cash tied up in stock = £80,136

Creditors = £42,740

Therefore, working capital = £215,479

The target could be met by reducing debtors by 17 days or by combinations of debtor reduction, stock level reduction and creditor payment lengthening. Thus, in theory, it is possible to achieve the banks target. Evaluative comments will assess the feasibility of carrying out such policies.

The level of stock is determined by the relationship between purchase levels and speed of sale. Given that UWL is having problems in selling stock, this problem probably needs to be addressed by reducing the frequency of purchase.

Debtor monitoring needs to be carried out. It may be difficult to reduce debtors significantly as the business might be using this as an incentive to buy, given the competitive nature of the market. The speed of creditor payments needs to be looked at to determine exactly why UWL has increased its speed of payment.

In all cases reference to the industry average should help assess the desirability and feasibility of the strategy. Answers should look at alternatives and assess their feasibility. Then, the figures need to be analysed to demonstrate the scale of the problem.

Level 4	Evaluative comments based upon analysis of options	(16-10)
Level 3	Analysis of options in context	(9-6)
Level 2	Understanding of implications of options	(5-3)
Level 1	Knowledge of options	(2-1)

(c) Analyse the causes of the profit variance shown by the data in Table 2[6]

The profit variance occurred for the following reasons:

- *sales volume fell;*
- *the selling price per item was reduced;*
- *the gross profit margin per item fell;*
- *the fall in gross profit margins implies increasing costs of sales and falling selling prices.*

Budgeted gross profit = £18,000

Actual profit = £7200

Unfavourable variance of 60%

Causes of this variance

On a unit basis:

Budget selling price = £90, Actual = £80

Thus, adverse value variance of 11.1%

Volume variance = 25% adverse (600 – 450)

Unit cost budgeted at £60/actual £64

Thus, adverse variance of 6.6%.

Level 3	Analysis of profit variance using data to show causes	(6-5)
Level 2	Understand concept of variance and investigates causes	(4-3)
Level 1	Knowledge of variance shown	(2-1)

(d) Discuss the usefulness of budgeting as an aid to decision making in UWL. [10]

Budgeting is a process of setting targets covering all aspects of costs and revenue in a business. It turns the business's plans into a strategy. It represents a financial plan of action. It sets targets for revenue and limits for costs and, hence, sets profit targets. It, thus, sets targets to be achieved and goals to be reached.

By analysing actual results against targets, areas of under and over performance can be identified. It, thus, allows for management control systems to be put in place so that corrective action can be carried out. In this context, it would allow UWL to have a clearer idea of what product lines are selling better than expected (or worse). It would allow the management to identify costs which exceeded anticipated levels. Variance analysis, especially when flexed, can identify precisely why profits might have fallen short of expected levels in 2008. The analysis identifies symptoms and allows management to probe further.

Table 2 provides contextual opportunities for the answer to assess the value of budgeting as an aid to UWL. The selling price was cut yet, the volume of sales was down. Unit costs have also risen. Therefore, the management need to know:

- *who authorised the price cuts?*
- *why have unit costs risen?*
- *what problems happened regarding sales volumes?*
- *what can be done to prevent this happening again in the future?*

It is, thus, an essential aid to decision making because the decision maker is better informed.

Level 4	Evaluative comments based on thorough analysis of the technique	(10-9)
Level 3	Analysis of the technique but little by way of consideration of its usefulness	(8-6)
Level 2	Answers shows understanding of budgeting	(5-3)
Level 1	Knowledge of technique shown	(2-1)

2(a) Analyse how the liquidation of a customer will effect the accounts of UWL [6]

Liquidation of a customer implies that the business ceases to trade and has been declared insolvent. This means that the outstanding debts owed to UWL may remain unpaid. In this case they will not be repaid. Therefore, UWL will have to make a provision for bad debt. This means that there is recognition that sales have occurred which will no longer generate cash inflow that was expected. This will have an effect on both the profit and loss account and the balance sheet. This means that £40,000 will have to be deducted from the revenue in the profit/loss account and from current assets (debtors) in the Balance Sheet. The shareholders funds will also have to be adjusted downwards. This reduces the apparent size, profitability and liquidity of the business. It is an example of the concept of prudence being adopted in the construction of the accounts.

Level 3	Analysis of the provision focuses on how the profit and loss account and Balance Sheet are changed	(6-5)
Level 2	Understanding of bad debt provision shown	(4-3)
Level 1	Knowledge of bad debt provision shown	(2-1)

(b) Evaluate the financial implications of the options being considered by Sanjit. [16]

Sanjit's policy options revolve largely around growth strategies. These can be summarised as follows:

- *increased warehouse capacity in Birmingham – buy or rent;*
- *increased warehouse capacity in Solihull - rent;*
- *existing warehouse with rationalised stock.*

Any growth strategy will have fixed and working capital implications for the business. The fixed capital requirements involve acquiring the space. The working capital involves increased stock and debtor levels. Given that the business is currently facing liquidity issues, these are not implications can easily be ignored.

Another issue involves the basis upon which any warehouse is acquired – purchased or leased. What would happen to the existing warehouse?

Analysis of issues might focus on the following:

Present working capital = £215,479. New warehouse aims to increase capacity by 200% (and turnover?) Thus, new working capital might be approximately £646,250, ie an increase of £430,000. This figure would be same in all possible locations.

Purchase cost of warehouse = £1,275,000

If purchased on 95% mortgage, annual cost = £78,000 plus £63,750 deposit.

Can this level of debt be sustained?

If the warehouse is rented, then cost is obviously affected by location chosen. If inner Birmingham, then £120000 pa. If outer Birmingham, then £300,000

If turnover did increase by capacity growth then predicted sales = £3.9m and with similar margins then profit = £300,000.

The rationalisation strategy suggested by the accountant would entail no extra fixed capital/reduced working capital (because of faster stock turn)/some increase in profits.

Indeed, sales might increase because of an ability to better satisfy the customers

Strategy needs to be evaluated in terms of:

- *feasibility;*
- *capital requirements;*
- *profitability;*
- *risk.*

Any growth strategy really hinges on Sanjit's view that the current problems faced by the business are caused by capacity constraints. If this assumption proves invalid, then creating more warehouse space merely makes the problems worse. A conservative approach would be to rationalise the business as given the situation, this would probably be the most appropriate option. However, the quality of the candidates' justification is crucial to determining a Level 4 response.

Level 4	Answer evaluates alternatives and arrives at a reasoned recommendation	(16-10)
Level 3	Answer analyses financial implications of options	(9-6)
Level 2	Answer understands the issues	(5-3)
Level 1	Answer shows knowledge of issues involved in the decision	(2-1)

2876 Further People in Organisations

- 1 (a) Assuming that shop turnover increases from £6000 to £7200 in the first week after a bonus scheme is introduced, calculate the weekly bonus received by a member of sales staff. [4]

Sales staff weekly basic pay = £7 x 40 = £280 (1)

Increase in turnover (%) on £7200 turnover = $\frac{£1200}{£6000} \times \frac{100}{1}$ (1)
= 20% (1)

Bonus payable on 20% increase in turnover = 7% of £280 = £19.60 (1)

For correct answer without workings award 4 marks.

- (b) Discuss the potential consequences to FFL of the introduction of a bonus scheme. [16]

Patrick will need to negotiate the actual format of the bonus scheme with the employees of FFL. He is not really in favour of any form of PRP and so will want to negotiate terms best suited to him, whilst the employees will want to get the best possible deal for themselves. This could be time consuming, stressful and complex. However, assuming that agreement is reached as in Table 1, Patrick will have the added responsibility of collating information from the shops provided by the managers. He will probably need to check this against sales records to verify levels of turnover and work out the amount of bonuses to be paid to managers and sales staff, dealing with any arguments about the accuracy of the information/the amount of bonus due.

He will spend more time working out wages/salaries and his record keeping will become more complex. He will also need to work out the benefits of the bonus scheme in terms of increased profit levels in relation to the costs of the bonuses on FFL's wage bill. If levels of turnover fluctuate, as they almost certainly will, this will complicate the records he has to keep and return for tax and national insurance purposes on a weekly/monthly basis, and record keeping in general. The company staffing costs may also increase, but this may be offset by an increase in profits as a result of increased sales, despite the potential increase in staffing costs - calculation from part 1(a) could be used here, or more calculations could be used from Table 1 in support of any argument about profit levels (Patrick wants to maximise profits).

However, he may find that he has less problems with staff in relation to pay offered by competitors, and is able to retain his staff because they feel more valued and are better rewarded; recruitment may also be easier as FFL will be offering a better overall payment package. Levels of motivation will probably increase as staff try harder to sell more products and services to qualify for their bonus, but only if they are motivated by money.

It would seem that the managers may not be included in the bonus scheme. This would probably mean that they will not be very pleased that the scheme has been introduced because they stand to gain nothing from it financially. This may lower their personal levels of motivation and may even make them jealous of their sales

staff. Furthermore, Patrick may expect them to work out the bonuses for their own staff which will cause them extra work.

Staff may try extra hard to sell more flowers, etc, but may not always generate extra turnover/sales in relation to their extra effort as customers may not want to buy/spend more - this may frustrate the staff and cause their levels of morale and motivation to fall - a reverse affect to that which was hoped for.

Level 4	Candidate demonstrates evaluative skills when considering the potential consequences of the introduction of the bonus scheme.	(16-10)
Level 3	Candidate demonstrates analytical skills when considering the potential consequences of the introduction of the bonus scheme.	(9-6)
Level 2	Candidate applies knowledge of performance related pay.	(5-3)
Level 1	Candidate offers relevant theoretical knowledge about performance related pay.	(2-1)

- (c) Analyse two possible disadvantages to FFL of Patrick relying on the telephone to communicate with his shop managers. **[6]**

Firstly, it tells us in the case study that he only visits the shops when there is a problem - if he only communicates by phone the managers will probably assume that if anything negative is reported in a the telephone conversation that may well trigger a visit from Patrick, which will mean that they will be likely to face a barrage of criticism. In consequence they will probably be less likely to answer the phone if they know it is Patrick ringing or if they are told by a member of their sales staff that it is Patrick on the phone, or they may not tell him anything negative or feel that they might need to be "economical with the truth". This would mean that Patrick would not be able to build up a good relationship with his managers and sales staff, but also he would not get honest feedback about what is happening in the shops.

Betty Brown's conversation with Patrick demonstrates that the shop managers feel that Patrick does not listen/does not get to know about any ideas they may have which will de-motivate the managers and have a negative impact on their self-esteem. This may also mean that they do not perform to the best of their ability - these attitudes may rub off on the rest of the sales staff and may be contributing to falling levels of sales turnover and profit due to increased levels of absenteeism, etc.

Level 3	Candidate demonstrates analytical skills when considering the disadvantages of Patrick relying on the telephone to communicate with his shop managers.	(6-5)
Level 2	Candidate applies knowledge of communication methods.	(4-3)
Level 1	Candidate demonstrates relevant theoretical knowledge of communication methods.	(2-1)

- 2 (a) Analyse two advantages to FFL of using ACAS in the creation of a suitable disciplinary procedure. [6]

ACAS will be able to help both sides by facilitating negotiations, to give advice as to how the issue might be solved, and advice about the legal ramifications should Patrick go ahead with the threatened dismissals as a result of his version of the “unpublished” disciplinary procedure. ACAS could help him evolve a more suitable policy/procedure and help explain the procedure to the staff, or help negotiate a more suitable procedure based on the ACAS “model”. It can give advice to each side, and conciliate during any discussions/negotiations. However, it will not be able to make any binding decisions/suggestions and any agreement reached will depend on Patrick’s/the employees willingness to reach a satisfactory conclusion but ACAS will be able to provide him with a template procedure which he will not have to create himself, and will be one which is generally accepted as being appropriate by many businesses and will take into account any relevant aspects of employment legislation,

However, if Patrick decides to go ahead with the dismissals, and ignores any advice from ACAS, it may well mean that the employees will then decide what action they are going to take. Both sides are likely to understand better what action is most appropriate based on advice from ACAS, but ACAS is powerless to enforce any particular suggestion/potential outcome. Because Patrick appears to be a very autocratic leader he will probably take the course of action he wants and, as such, any contribution during the process by ACAS will ultimately carry little or no weight. He may just decide to carry on with his unwritten version of the disciplinary procedure he has evolved. On the other hand he may become aware of the dangers involved in having an unwritten policy which has not been explained to the staff, and probably would not conform with employment law requirements. If this was the case it would probably save Patrick the time, effort and cost of legal issues/employment tribunals, etc.

Level 3	Candidate demonstrates analytical skills when considering the contribution ACAS might make to the creation of a suitable disciplinary procedure.	(6-5)
Level 2	Candidate applies knowledge of the contribution ACAS might make to disputes over disciplinary issues.	(4-3)
Level 1	Candidate offers relevant theoretical knowledge of ACAS.	(2-1)

- (b) Discuss why training would be beneficial to FFL in helping to achieve Patrick's objective of maximising FFL's profits. [10]

Patrick currently only uses the local job centre for referrals, which whilst generating some potential employees, will severely restrict his ability to have a wide range of applicants from which to choose. Whilst there are no costs involved, Patrick may find that the range/quality of candidates is more limited than if he were to use a wider range of appropriate recruitment methods. Little information is given to people by the job centre, so he may find that people who are referred are not really interested, or do not have the necessary skills or experience. As a result it is likely that anyone recruited by this method would need induction training and job skills training to be able to understand the requirements of the job and the necessary skills to carry out their new role as effectively as possible. There are complaints from the shop managers about the quality of the staff that Patrick is recruiting in general. This may well be one of the reasons why sales turnover and profits have been falling - appropriate training would probably go some way towards rectifying these problems and would also make the jobs of the shop managers less trying/problematical.

In the telephone call to Patrick from Betty Brown, we are also told that any interviews Patrick carries out only last for approximately ten minutes and the interviews are unstructured. Patrick probably does not have job descriptions and/or person specifications either. This is all likely to mean that that Patrick has very limited information about the potential candidates and has no criteria to assess them against. It would also suggest that Patrick himself requires some management training, particularly in interview skills and techniques - this would enable him to understand the importance of job descriptions, person specifications and enable him to recruit more suitable candidates. This would benefit FFL by reducing recruitment costs and enable the business to recruit more appropriate new starters.

Similarly, if Patrick is likely to agree to the wishes of his shop managers and devolve some of the personnel policies to shop manager level, the shop managers will also find a range of appropriate skills training beneficial in order to be able to take up these new responsibilities in an effective and efficient manner.

However, it must be borne in mind that Patrick seems to have two conflicting objectives - minimising costs and maximising profits. There is a danger that he may not be prepared to spend the necessary money on training to achieve the desired outcomes, although a more effective workforce, as a result of an investment in training, may contribute towards the maximisation of profits.

Level 4	Candidate demonstrates evaluative skills when considering why training might be beneficial to FFL.	(10-9)
Level 3	Candidate demonstrates analytical skills when considering why training might be beneficial to FFL.	(8-6)
Level 2	Candidate applies knowledge of the benefits of training.	(5-3)
Level 1	Candidate offers relevant theoretical knowledge of training only.	(2-1)

- (c) **Should Patrick allow his shop managers more control over personnel policy? Justify your views.** [16]

The shop managers are not happy that Patrick insists on keeping control over all aspects of personnel policy. Betty Brown is annoyed that none of the managers at FFL's other three shops are allowed to have any involvement in the methods of recruitment used to acquire new staff, and are also not involved in the interviewing process.

This will mean that they have to train and work with staff at their shop from the day they start work, and have to deal with any problems/staff who are unsuitable and may make their job more difficult. We know from the case study that Patrick is concerned about the performance of the shops and has sent a letter threatening to dismiss everyone - this might be due to unsuitable staff appointed by Patrick - and could be used as evidence to suggest that the managers should have some involvement/more control over the methods of recruitment and appointment of new staff in order to alleviate such problems.

More control over personnel matters at their shops might increase levels of motivation of the managers through a greater feeling of responsibility, and it will allow them to bring in initiatives which they think are appropriate. However, in order for such a policy to work the managers will need to have the knowledge, skills and ability in personnel matters.

Patrick is autocratic and will probably resist their demands, but there are several personnel matters which he does not seem to be handling very well and, as a result, some devolvement to the managers might be beneficial to minimise some of the problems. However, any such devolvement may mean that different personnel policies are operating at each of the shops which may cause confusion, jealousy and conflict between the staff, and cause even more problems than currently exist. On the other hand, it may enable the managers and sales staff to feel more ownership and involvement over their own activities, reducing levels of labour turnover and increasing morale and motivation.

Level 4	Candidate demonstrates evaluative skills when considering whether Patrick should allow the shop managers more control over personnel policy.	(16-10)
Level 3	Candidate demonstrates analytical skills when considering whether Patrick should allow the shop managers more control over personnel policy.	(9-6)
Level 2	Candidate applies knowledge of personnel policy in businesses.	(5-3)
Level 1	Candidate offers relevant theoretical knowledge of personnel policy.	(2-1)

2877 Further Operations Management

1 (a) Analyse two benefits to PFSW of having its own in-house design teams. [6]

- *The design teams can come up with design ideas for new products, which are appropriate for the business's market segment. This means PFSW can charge premium prices for "exclusive products".*
- *The two design teams can bring their own expertise to each of the businesses and they might be able to exchange design ideas.*
- *May keep costs down as don't have to pay sub-contractors who would include an element in the price for their profits.*
- *The design teams can work directly with manufacturers cutting down on lead/delivery times.*
- *The design teams can be market leaders coming up with new ideas quickly and also responding quickly to any new ideas from customers/competitors.*
- *It is good for the company's image.*
- *Should help with employee motivation – staff can satisfy their higher order needs of self-esteem and self-actualisation, being able to carry a project through to fruition.*

Although the mark scheme asks for benefits, candidates might "demonstrate analysis" by discussing possible drawbacks of having its own in-house design teams. If the answer is balanced accept this approach. Some of the following disadvantages might be discussed/mentioned:

- *design and research is expensive – it would be a significant overhead expense for the business*
- *there is no guarantee that products designed will sell well. Tastes and preferences in the furniture market can change quite quickly*
- *the productivity of a design team is difficult to measure – it is hard for PFSW to know if its getting value for money.*

The design is for the company's products – not processes. Production is in the hands of the sub-contractors for everything but the sofas. PFSW would look for better ways of producing the products.

Level 3	For analysing the operational benefits and drawbacks to PFSW of having its own design team to develop its new product range(s).	(6-5)
Level 2	For demonstrating an understanding of the operational benefits and/or drawbacks to a firm of having its own design team to develop its new product range(s).	(4-3)
Level 1	For knowledge of the operational benefits to a firm of having its own design team to develop its new product range(s).	(2-1)

(b) Analyse two ways that value analysis might be useful to PFSW.

[6]

Issues for consideration

Value analysis is a procedure whereby the product is examined to see if there are ways in which costs can be reduced without compromising the quality of the finished product. It is also known as value engineering. Value analysis usually focuses on design issues relating to the function of a product or service, looking at the properties that make it work, or which are unique selling points.

Possible benefits might be:

- *could cheaper materials or components be used or the manufacture of parts be sub-contracted? However both firms use high quality materials as a selling point*
- *could any products be redesigned so they could be made using fewer components? A possibility but both firms have their own design teams and SW offer a bespoke design service in two of its product ranges*
- *is the product better than the consumer wants? In this context the customers are looking for high quality!*

Although the mark scheme asks for benefits, candidates might “analyse” commenting on possible drawbacks of value analysis.

Possible drawbacks might be:

- *the firm’s success is built on design and quality, any reduction might affect its reputation and, therefore, sales and profits*
- *the approach is negative and might lead to poorer workmanship leading to quality control problems.*

Level 3	For analysing the ways that value analysis might be useful to PFSW.	(6-5)
Level 2	For demonstrating an understanding of why value analysis might be useful to a firm.	(4-3)
Level 1	For showing knowledge of reasons why value analysis might be useful to a firm.	(2-1)

- (c) Evaluate the extent to which economies of scale might have arisen from the merger of Perfect Finish and Sofa World. [16]

Economies of scale lead to lower unit costs; they arise from the expansion of a business – i.e. a change in the business's scale of operations through either investment or acquisition.

Candidates might suggest the merger of PF and SW could lead to a number of possible economies of scale such as:

- *technical – the use of bigger machines. Not so likely in this case as the businesses are being kept separate. They are also fairly small firms and, therefore, there is little opportunity to use large-scale machinery. Also, the non-sofa part of the business is outsourced – any economies would be for suppliers.*
- *managerial – The business can employ specialists in area of the business, eg in finance or HRM. Possibilities here, although again not so likely on the production side. More likely in other functional areas such as marketing.*
- *financial – the new merged company is bigger, with more assets, therefore, is more secure. Likely to be able to borrow funds more cheaply.*
- *marketing – quite likely as it can sell the products of both firms to a bigger market geographically due to more outlets. Can use a bigger range of marketing techniques, eg. the Internet. The firm is now big enough to sell products in other countries, eg the EU. This could be a significant factor.*
- *risk bearing – a more diverse range of products reduces risk – but both firms tend to sell to the same market segment. This could also be an important factor.*
- *purchasing – on the face of it would seem possible especially if the firm decides to produce more furniture itself or outsource more production abroad. However, again the opportunities are limited.*

Candidates might also discuss the point in line 28/29 that the two businesses were going to be kept separate and, therefore, the scope for economies of scale is likely to be limited, especially on the production side. This would be a good evaluative comment.

Level 4	For evaluating the potential economies of scale that might arise from the merger of PF & SW.	(16-10)
Level 3	For analysing the economies of scale that might arise from the merger of the PF & SW.	(9-6)
Level 2	For demonstrating an understanding of the economies of scale that might arise from the merger of two businesses.	(5-3)
Level 1	For showing knowledge of economies of scale that might arise from the merger two businesses.	(2-1)

- 2 (a) Calculate the average monthly usage of packs of timber at Sofa World for the six months over the period shown. [4]

For calculating monthly usage:

July 50 packs

August - October 350 packs

November 250 packs

December 100 packs

Total used 750 packs of wood

Average monthly $750/6$ months = 125 per month

1 per calculation max. 2 marks

(1)

(1)

4 marks for the correct answer

- (b) Discuss the factors that could influence the levels of stock held by PFSW. [10]

Stock could mean either raw material, (eg. timber at Sofa World, or semi- finished goods or finished goods either for Perfect Finish or Sofa World).

It is important for businesses to maintain the correct levels of stock. This means keeping stock levels as low as possible to minimise cost but not allowing the stock to run out.

There are a number of factors that influence stock levels:

- *the demand for the product. Many firms aim to keep an adequate buffer stock as shown in the graph for SW which aims for 100 packs of timber*
- *the costs of holding stock. If timber is cheap, then stock holding is fairly cheap. However, in the case of this business expensive timber is used and the stocks of finished goods will have a high value*
- *the amount of working capital PFSW has to finance stock holding*
- *the type of stock – is it perishable – in the case of timber this is not an issue. However timber is a bulky product so stock levels may be limited by storage capacity*
- *lead time – the time it takes for suppliers to deliver – in the case of PFSW the supplier is becoming less reliable, so the firm might want to hold a larger buffer stock. Timber for Sofa Worlds mainly comes from North America and Sweden*
- *external factors – might there be shortages of timber or the exchange rate might rise for example pushing up the costs. Also, interest rates affect housing demand, which affects the demand for new furniture. A recession or downturn in mortgage lending could lead to fewer sales, therefore, less stock being held*
- *seasonality of the products – this does not seem to be an issue at PFSW – but the housing market does tend to be more buoyant in spring and summer.*

Level 4	For evaluating the factors that could influence the levels of stock held by PFSW	(10-9)
Level 3	For analysing the factors that could influence the levels of stock held by PFSW	(8-6)
Level 2	For demonstrating an understanding of the factors that could influence the levels of stock held by a business	(5-3)
Level 1	For showing knowledge of the factors that could influence the levels of stock held by a business	(2-1)

- (c) Evaluate the implications to PFSW of “switching production of some sofas to Perfect Finish’s current overseas furniture suppliers” (line 42). **16 marks**

The advantages of out sourcing some of the sofa manufacturing are that:

- *there could be cost savings, which could increase the profitability of the firm*
- *there should be few problems with quality and delivery as the suppliers have been good so far*
- *removes some of the other costs/risks, such as stock holding, from PFSW*
- *it improves the flexibility of the business as it only orders the precise products which customers want.*

However there also could be problems such as:

- *an unfavourable movement in the exchange rate – raising the cost*
- *problems of meeting delivery times eg if there are distribution difficulties.*
- *quality issues*
- *negative impact on the brand image of PFSW as products no longer “made in the UK”, which could be a USP for the company*
- *logistical issues – lead times would be longer*
- *communication/language problems – misunderstandings over orders, designs, etc.*
- *demotivating effect on staff of having to make workers redundant.*

As an evaluative point candidates might point out that outsourcing “The Simple Choice” and possibly The Flexible Choice” sofas could be a more advantageous/sensible option than “The Ultimate Choice”, which is a “one-off” product made to the customer’s specifications.

Level 4	For evaluating the implications of “outsourcing some sofa manufacturing to Perfect Finish’s current overseas furniture suppliers”.	(16-10)
Level 3	For analysing the implications of “outsourcing some sofa manufacturing to Perfect Finish’s current overseas furniture suppliers”.	(9-6)
Level 2	For demonstrating an understanding of the implications to a business of outstanding manufacturing to overseas suppliers.	(5-3)
Level 1	For showing knowledge of the implications to a business of outsourcing manufacturing to overseas suppliers.	(2-1)

2879 Business Thematic Enquiry

Marking Strategy

This unit is assessed by applying the criteria designed for the Business Project. In those criteria a levels of response strategy is used but it is fundamentally different from levels as used in other units. In this component and in Unit 2878 the four statements in each criterion are levels of excellence of the same skill. Level 4 represents the best that we can reasonably expect in the time available and not perfection. Level 1 represents the least rewardable achievement.

In using the criteria:

- (a) **The whole work should be read before deciding on any level for any criterion.**
It is possible to meet the requirements of each criterion at any point in the work and it is the total achievement which must be assessed.
- (b) *The approach must be **positive** working from the top down in each case. The object is to define the highest statement which fits the work the candidate has presented.*
- (c) *It is sufficient that a given level is identified once. Any further demonstrations of that level simply serve to increase the mark awarded within the band.*
- (d) *There are no right conclusions to the report, what we look for is sufficient use of evidence in the logical support of a stated conclusion, recommendation or strategy.*
- (e) *There are many routes through the report and it is sufficient that the route chosen could be supported by evidence in the case.*
- (f) *There are 90 marks available for the report and the plan together. These marks will be awarded by reference to the detailed criteria found on pages 45-49 of the OCR Business Studies specification. These criteria enable distinct features of the whole work to be assessed.*
- (g) *All discussion and use of theory should be within the context of the case and in relation to the long term survival problem posed. Candidates are expected to focus on their perceptions of the factor(s) which they see as most relevant to the question posed, but their line of argument must lead to an answer to that question.*

Criterion 1: The skill with which the problem has been explained in context. (5 marks)

This criterion requires the candidate to define, explain and discuss the problem and the choices available. Parameters within which the problem is presented and aspects of it measured, should be explained and justified. The candidate should show that there is a problem to be solved and present the context in which it needs solution. In this examination the context is strategies for survival and the features of the present position of the business which might impinge upon the problem or the solution selected.

Level 4	The nature of the problem is well demonstrated, the need to solve it clear and the context is well developed.	(4-5)
Level 3	The quality of the presentation of the problem is sufficient to enable the development of a solution strategy.	(3)
Level 2	The presentation might make it difficult to develop a solution.	(2)
Level 1	There is an attempt to define or explain the problem.	(1)

Assessing the Plan

The plan has four requirements and is capable of satisfying criterion 1 completely (5 marks available). The definition of the problem and aspects of its context which explain the need for solution satisfy this criterion.

*If there is no plan at all, or if it fails to address Tasks 1(i) or 1(ii), then the mark awarded for criterion 1 should be **zero**. A plan which shows a clear perception of the problem and a context which is well explained should gain **five marks**.*

Criterion 2: The skill with which appropriate and realistic objectives have been set and used. (10 marks)

This criterion requires the candidate to set objectives for the investigation as a whole and for distinct stages of it. Once these are set and their realism established, they should provide the framework within which the research will take place. The success of the investigation should also be assessed by comparing actual achievements with the intended outcomes.

Level 4	The objectives set are appropriate to the investigation and have been used as a framework of the report and to evaluate outcomes.	(8-10)
Level 3	Good use has been made of objectives but there are some limitations to their effectiveness or to the candidate's use of them.	(5-7)
Level 2	Either the overall use of objectives is below average or good objectives have been set but not used.	(3-4)
Level 1	There is some evidence of attempts to make, explain, or refer to objectives.	(1-2)

*The objectives have to relate to the answering of the question set as the title of the report. They should be listed in the plan, together with any assumptions related to them and relevant to the work undertaken. If not in the plan, objectives can be rewarded in the report itself. Objectives which are merely listed and play no further part in the report can **only satisfy level 2**. To reach higher levels there must be some use of the objectives in the body of the report and/or in the concluding stages of the work. The fact that there is no list of objectives does not preclude reward under this criterion, provided that there is evidence in the report of an objective based approach.*

Normally, it is expected that level 2 will have been satisfied in the plan and that higher levels will be evidenced in the report.

Criterion 3: Evidence of appropriate research methods**(10 marks)**

This criterion requires the candidate to give careful thought to the nature of the problem, the purpose of the research, the data available and the form in which it is best collated. Candidates should refer to research undertaken and the methodology involved, where it is relevant to the problem and the choices being considered.

Level 4	A method of approach has been selected and effectively justified in the context of the problem and its potential solutions.	(8-10)
Level 3	The approach is good but there is a weakness in it which is not crucial but which should have been avoided.	(5-7)
Level 2	There are sufficient weaknesses in the method or its use to make the solution of the problem difficult.	(3-4)
Level 1	There is some attempt to develop and apply a method.	(1-2)

Rewardable effort to meet this criterion is to be found in the way the candidate collates evidence. The majority of that evidence should come from the case itself and need not be fully spelt out-provided it is being accurately and contextually presented. This criterion should be applied in the knowledge that candidates may sensibly adopt an approach or a focus which sees one or two aspects of the situation as more relevant than others. The extent to which candidates must use external information is not great but such use must be of value to the line of argument adopted and certainly more than mere presentation.

Criterion 4: Evidence of appropriate primary and secondary research**(10 marks)**

This criterion looks at the evidence collected and the justification for doing so. Sufficient primary research will be expected but it should be supplemented by appropriate secondary research, including specialist reading around the theme of 'strategies for survival'. Candidates are recommended to make good use of the Internet as a source and to have collected their evidence in a form likely to facilitate analysis and evaluation as the basis of solution. Data is presented in the case which is not necessarily relevant to the issue being considered and candidates are expected to select effectively. The evidence presented should be a balance of that collected in preparatory work and that selected from the case.

Level 4	Evidence collected is balanced, appropriate, sufficient and in a usable form. It is collated in ways which will make analysis and evaluation effective.	(8-10)
Level 3	The evidence is sufficient to enable analysis and evaluation but there are non-crucial weaknesses.	(5-7)
Level 2	The quality and/or sufficiency of the evidence collected is likely to make analysis and evaluation unrealistic or difficult.	(3-4)
Level 1	Evidence has been collated.	(1-2)

We are most concerned with the appropriateness, quality, sufficiency and balance of the evidence used for the line of argument adopted. In judging sufficiency factors such as critical awareness of the context and the evidence offered in the case should be rewarded. We should also bear in mind that the time constraint in the examination does not permit the treatment of a large amount of evidence.

Criterion 5: Evidence of collection, understanding and use of appropriate business studies knowledge. (15 marks)

This criterion requires that the candidate has selected from subject knowledge, concepts which are appropriate to long term survival and to the choices available. Theories or techniques should be critically explained, justified in their selection and effectively used. This use may be in methodology, the collection, collation and presentation of evidence or in its analysis and evaluation. It is expected that the candidates will draw upon and use knowledge from across the specification and not limit themselves to highly specialised areas.

Knowledge which, though correctly explained or presented, has not been used will not be rewarded. The knowledge used in compiling the report should relate to the case and the approach adopted.

Level 4	There is evidence of good explanation and use of knowledge consistently throughout the report.	(12-15)
Level 3	Opportunities for the use of knowledge have not been consistently taken and/or understanding and application have been occasionally unclear.	(7-11)
Level 2	Understanding and/or application are consistently flawed or subject based support is lacking in significant areas of the work.	(3-6)
Level 1	There is evidence of application and/or use of relevant subject knowledge.	(1-2)

Criterion 6: Selectivity, analysis and synthesis (15 marks)

This criterion assesses the candidate's ability to turn data into evidence, to reject some which will not be relevant, to draw some together (synthesis) and to break other bits down and interpret them (analysis). It looks at the selection of methods of presentation and their appropriateness for the data collected and the use to be made of it. It may become clear that some evidence is weak and candidates who show understanding of this and evaluate the consequences will be credited. Candidates should be using the data which they consider relevant both from the case and from their preparatory studies.

Level 4	Evidence is appropriately presented and considered forming a good basis for decisions or for strategy development.	(12-15)
Level 3	The overall handling is good but there is a non-crucial weakness.	(7-11)
Level 2	Skills shown will give a basis for some limited evaluation.	(3-6)
Level 1	Some analysis can be identified.	(1-2)

Criterion 7: Evaluation, recommendation or strategy development**(15 marks)**

This criterion looks for the ability to make logical and reasoned judgements and to select and justify best solutions. Evaluation may be shown at all stages of the work, eg in developing criteria for explaining and presenting the problem, in determining a method of approach or in deciding which business studies ideas to use. We do not look for 'right answers', but we do expect that any judgements made will also be supported by reference to evidence and to logical argument. We also expect that candidates will evaluate in the light of their own objectives and will show understanding of the limitations placed on their findings by weaknesses at earlier stages in the report. The candidates must also show an awareness of the extent to which any strategies or recommendations are realistic in business terms, and appropriate to the problem the business faces and the solutions available.

Level 4	Reasoning and logic are of a high standard throughout the work. There is clear evidence of critical awareness in the recommendations.	(12-15)
Level 3	Good in the main but some non-crucial opportunities to show evaluation or critical skills have been missed.	(7-11)
Level 2	Judgements made and critical awareness shown are weak in at least one crucial aspect of the report.	(3-6)
Level 1	There is evidence of attempts to support judgement.	(1-2)

Criterion 8: Presentation**(5 marks)**

The report is meant to be well structured and easy to read. This criterion gives credit for features which add to the cohesion and readability of the report. This includes such aspects as work sectioned into paragraphs, diagrams correctly labelled and explained, statistics and other data sourced and quotations attributed. This criterion is not concerned with communication skills, but it is concerned with the effective use of specialist subject language and diagrammatic or graphical presentations.

There is a specific demand for a report. Candidates should be aware of the structural nature of a report and be able to write in that format. Those who write in essay form are limited to a maximum mark of 2 and, in most instances, 1 mark.

Level 4	The report is excellent or good in nearly all presentational aspects.	(4-5)
Level 3	The standard is acceptable but there are some weaknesses.	(3)
Level 2	The standard detracts from the readability of the work.	(2)
Level 1	There is some evidence of an attempt to develop structure.	(1)

Criterion 9: Written communication skills**(5 marks)**

*This criterion is concerned with the ability of candidates to use the English language effectively. It relates to the clarity of expression, the structure and presentation of ideas, grammar, punctuation and spelling. **The standard required is not as demanding as that for the Business Project because the candidate is under the time and other pressures of a closed examination.***

Level 4	Communication skills are consistently good throughout the report.	(4-5)
Level 3	The overall standard of written communication is acceptable.	(3)
Level 2	The standard of written communication is acceptable in some respects.	(2)
Level 1	There is some evidence of written communication skills.	(1)

2880 Business Strategy

1 How might ACE's growth plans be affected by an increase in UK interest rates? [18]

The interest rate is both the cost of borrowing and the reward for saving. An interest rate increase impacts on ACE internally (costs) and externally (market).

ACE's growth plans; 2007 5.1m passengers, set to rise to 11.4m by 2016, ie 123.5% in nine years, or a simple (not compound) growth percentage of 13.7% pa.

ACE's currently geared at 58.1%, so any increase in variable rate borrowing will increase interest expense by £3.2m per 1% increase. Last year ACE's net profits were (£54m x 10.5% margin) £5.67m. This means a 1% increase in finance costs would reduce profits by 56.4%, so ACE is very sensitive to changes in interest rates, meaning less internal resources available for expansion plans. Impact is, therefore, likely to be either scale down expansion plans or to borrow further, but at an ever increasing cost, making any such plans less profitable and so less attractive to the owners. However, this assumes that to grow to 11.4m passengers requires further investment in facilities, rather than ACE currently having a huge amount of under-utilised resources.

2008			
Return on net assets	1.04%	ROE	2.48%
Net asset turnover	0.1x	Gearing	58.1%
Profit margin	10.5%		

Market demand likely to fall if interest rate rises. The driver of profits for ACE is two fold, freight and passengers; no passengers means no car parking, shop rents, landing fees. But note, passengers are not ACE's direct customers; these are the airlines and the retailers in the terminal building. ACE has a three year contract with retailers, meaning an increase in interest rates will take a while to feed through. Airlines might see a reduction in demand, but this may not be significant given they are mainly budget carriers and so their prices will be already very low, so a 10% rise (for example) might mean little uplift in £ terms. However, the flight is just one part of the cost to a passenger of a trip; there are all the other costs as well. So if interest rates rise then demand for leisure travel may well fall, especially if the passengers have variable rate mortgages to pay. Some balance is offered by the expected increase in the value of sterling if UK interest rates rise, meaning UK residents are more likely to travel to foreign destinations – given the appreciation of the currency. Impact on passengers depends, therefore, on what proportion are net borrowers and the extent to which travel is a discretionary purchase.

Freight customers could be effected if the interest rate rise is part of a larger economic slow down, but this depends on the profile of the freight; mainly imports or exports and the nature of what is being moved – interest sensitive products?

Level 4	Discussion is evaluative in balancing different possibilities	(18-13)
Level 3	Case material is subject to analysis in considering the external influence on objectives	(12-8)
Level 2	Demonstrates understanding of how interest rates might affect a business' ability to meet its objectives	(7-4)
Level 1	Demonstrates knowledge of objectives or interest rates	(3-1)

- 2 Evaluate, from the perspective of different stakeholders, whether ACE is a successful business.** [19]

Stakeholders; anyone (group) which has an interest in the business. Typically, includes employees, owners, community, customers and so on. See Appendix 1. Better answers may well recognise that stakeholders are not a homogenous group. For example, different sections of the community may well view the success of ACE using their own individual criteria.

Two types of answer likely. One, a discussion of each stakeholder group; or two, a discussion of what successful means in this context to each group.

For owners (shareholders/company) Ace is not a success financially. Yes it makes profit, £54m, but this is a pittance compared to its investment (ROE is 2.48%) and what it could achieve elsewhere (other investments and bank deposits). However, profit margin is healthy (10.5%), so the key to more return is asset utilisation. Whether this is possible depends on so many external factors. One way to increase ROE is to depreciate the fixed assets faster. Shareholders will need to balance current poor financial performance against the longer term benefits if the growth projections materialise. Cost structure of the airport is likely to mean that costs would not rise as fast as passenger numbers, so as capacity utilisation increases so will profit margins, and so ROCE, ROE, etc.

Passengers (quasi customers), big growth in numbers suggest that they see ACE as a success. Note the degree of local competition (Table 1). ACE is operating in a competitive environment, so to be a success it must be doing something right. Same argument can apply to freight, but less so due to ACE's ability to operate around the clock which its competitors cannot do (does this give ACE the ability to raise prices for this market?). Passenger growth projected to be 73.7% in ten years (2006 – 2016), again suggests that ACE is a success.

Community will need to balance nuisance (noise, traffic, etc) against the job opportunities that ACE brings, either directly or through the firms it has attracted to the area (eg DHL). Note, big increase in night movements, but this is to be off set by the incentive to use quieter aircraft – if this is adopted by the carriers of the noisier planes. Wider community will have similarly mixed views. Aviation is allegedly a big contributor to climate change, so some may see ACE, or any airport, as being environmentally evil and so unsuccessful. However, being a regional airport it can be argued that the 11m people who live nearby would have driven to another airport further away if ACE did not exist. But, most journeys to ACE are made by car, another source of environmental damage.

Level 4	A view or view(s) is reasoned explicitly in context	(19-14)
Level 3	Consideration of possible view(s) of the stakeholder(s) is supported by analysis of case material	(13-9)
Level 2	Demonstrates understanding of stakeholder(s) within the context of the opinion taken	(8-5)
Level 1	Identifies knowledge of stakeholder(s)	(4-1)

3 Should ACE enter the premium business market? Justify your view. [19]

This can be approached from several starting points.

Operations. Does ACE have the capacity? AE want three flights with B767 early morning and early evening. Standard operating procedures mean a five minute separation, so AE wants 15 minutes of capacity at peak times. Appendix 2 suggests that this is not available, so would either need to offer AE another slot or bump an existing airline – better candidates will recognise the issue of opportunity cost.

Where will AE's planes park during the day? ACE has 30 passenger gates, would AE tie up three of these all day or could its aircraft be parked remotely (we are told that there is ample space on the cargo side)? If it uses a passenger gate, then thought needs to be given to the reduction in the ability to service other customers. AE also wants its own separate check-in and lounge facilities, are these available? If not, at what costs could they be made available?

Finance. Essentially a cost benefit issue; revenue gained by selling space to AE against the lost income from other airlines. B767 needs five minutes separation in which time two and a half B737s could have "moved", so £400 v £375 (2.5 x £150), but also needs to consider the other revenue streams from a typical B737 passenger – retail sales, car parking, etc. ACE also needs to think about profile of customer – AE's customers are less likely to park and to shop – so both streams of income will be lost to ACE.

Marketing. Is there any strategic benefit to ACE in broadening its customer base? We already know that ACE has a wide product portfolio (scheduled and non scheduled passengers; cargo). Possible use of Ansoff to consider risk.

People. Are ACE's staff able to deal with the different customer (AE) and its passengers? Typical business traveller will have a different need profile to the leisure traveller, are staff trained?

Overall/strategy; this is about which markets ACE wants to serve. Further, what are the sunk costs of the venture/exit routes? Does not appear to require any significant capital outlay by ACE, so could argue zero risk. However, need to consider the reaction of other users given the competitive nature of the market place. If AE is given the movement priority it demands, then budget carriers/current scheduled operators might decide to switch to other nearby airports. So, it comes down to whether ACE can add this additional market without prejudicing its relationships with existing customers.

Level 4	Discussion is balanced in evaluating recommendation	(19-14)
Level 3	Analyses case material in support of recommendation	(13-9)
Level 2	Recommendation is supported by descriptive use of material	(8-5)
Level 1	Offers a view without support	(4-1)

4 Recommend a strategy whereby managers at ACE could seek to reduce the Fire Crew's resistance to changes in their employment conditions. [20]

Two approaches. Macho management – tell them it is happening with no negotiation. Problem is the disruption that the Fire Crews (FC) can cause. As key safety workers they are highly influential stakeholders who have the potential to cause ACE to shut down if they were to strike. If so, how readily can they be replaced? ACE is part of ERA, does ERA have enough spare FC elsewhere who could be redeployed to ACE to cover whilst a strike is in operation? Even if there are spare staff, would they cross picket lines? If they are part of the same trade union then this is very unlikely?

Local labour market. Are there any unemployed FC who could be hired under the new conditions to replace the existing FC? If so, this weakens the TU's hand in any dispute. But how quickly could these be recruited, selected and inducted?

Second, softly softly, negotiation. Seek to involve the TU in winning over the FC. Seek to discover what their concerns are. Are they genuine or is this simply an opportunity to gain more money? Without overtime, FC currently earn a basic of £22,235.70 (£24,585.70 with SA), which is less than the offer from ACE, however, the TU demand is for £24,150 (£26,818 with SA), an increase of 8.6% (or 9.1% with SA). Depends on how much overtime FC normally do, and how often they gain the other allowances. However, even with SA the management offer is better than the TU demand by some £1,722 pa, or about 38 days of "Away allowance". All the foregoing suggests that money is not the nub of the dispute, unless FC work a significant amount of overtime as part and parcel of their normal working pattern. So, the cause of the resistance might be pension entitlement. Is this something ACE is willing and able to concede, bearing in mind that the FC are being used as the first group – so the bigger picture needs to be considered, it is not just about FC but all employees.

Given ACE's growth plans, and the competitive nature of the industry, can it afford to experience any disruption? How easy would it be for a customer to stop using ACE and switch its operations to another airport, eg B, C or D? In pure flying time switching to a competitor which is only 57 miles away is only a few minutes, so how loyal/tied in, are ACE's customers? Cargo customers will be less able to move and so their needs, whilst important, can be lower priority for ACE.

The question requires a strategy. This is likely to have some explicit priority or sequence within it. So, first do x, then do y and so on. Longer term ACE might want to ask itself why this group of employees are resistant to change and what that might say about the employment culture at ACE. Strategy is, therefore, not limited to just this event, there is a bigger picture to consider.

Level 4	Achieves an overall view having evaluated different sides	(20-15)
Level 3	Analysis of material supports discussion of recommendation	(14-9)
Level 2	Recommendation supported by the application of case material	(8-4)
Level 1	Offers an unsupported recommendation	(3-1)

Grade Thresholds

Advanced GCE Business Studies (3811/7811)
June 2009 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
2871	Raw	45	32	30	28	26	24	0
	UMS	90	72	63	54	45	36	0
2872	Raw	45	28	25	23	21	19	0
	UMS	90	72	63	54	45	36	0
2873	Raw	60	37	33	29	26	23	0
	UMS	120	96	84	72	60	48	0
2874	Raw	60	35	32	29	26	24	0
	UMS	90	72	63	54	45	36	0
2875	Raw	60	39	35	31	27	24	0
	UMS	90	72	63	54	45	36	0
2876	Raw	60	41	37	33	30	27	0
	UMS	90	72	63	54	45	36	0
2877	Raw	60	36	32	28	25	22	0
	UMS	90	72	63	54	45	36	0
2878	Raw	90	72	63	54	46	38	0
	UMS	90	72	63	54	45	36	0
2879	Raw	90	71	65	60	55	50	0
	UMS	90	72	63	54	45	36	0
2880	Raw	80	49	44	39	35	31	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
3811	300	240	210	180	150	120	0
7811	600	480	420	360	300	240	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
3811	19.6	44.9	70.5	87.2	98.8	100.0	1253
7811	13.7	41.2	71.7	91.0	98.9	100	4835

4835 candidates aggregated this series

For a description of how UMS marks are calculated see:

http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.

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