

GCE

Business Studies

Unit **F291**: An Introduction to Business

Advanced Subsidiary GCE

Mark Scheme for June 2015

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	No use of text
	Own figure rule
	Repetition
	Noted but no credit given
	Too vague
	Tick

PLEASE ENSURE THAT EVERY PAGE IS ANNOTATED TO SHOW THAT IT HAS BEEN LOOKED AT. IF A PAGE IS BLANK PLEASE ANNOTATE WITH 'BP'.

**Subject-specific Marking Instructions
Crossed Out and Multiple Responses****Crossed Out Responses**

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

Question		Answer	Marks	Guidance	
				Content	Levels of response
1	a	<p>Nissan UK, as a manufacturer, operates in the secondary sector of the economy. Identify the other two sectors of economic activity.</p> <ul style="list-style-type: none"> • primary OR extractive • tertiary OR service(s) 	2	<p>Do not allow Quaternary sector.</p> <p>Do not allow examples of the sector, e.g. 'mining' or 'banking', as the question asks for the sectors to be identified not exemplified.</p> <p>Do not penalise incorrect spelling.</p>	2 x 1 mark
	b	<p>State one cost and one benefit to the local community which may result from Nissan UK's manufacturing of cars.</p> <p><i>External costs which may be created by Nissan's car production.</i></p> <ul style="list-style-type: none"> • pollution/noise pollution/air pollution • congestion • destruction of natural habitat/land (which factory is built on) • opportunity cost (the term does not have to be used) • health issues/problems (from exhaust fumes) <p><i>External benefits which may be created by Nissan's car production.</i></p> <ul style="list-style-type: none"> • jobs (created in Sunderland/'local area') • multiplier/'knock on' effect (due to creation of jobs with suppliers) • other firms attracted to Sunderland/area (as it is more prosperous/ to supply Nissan thus creating even more jobs) • rise in house prices (due to growing prosperity of the area) • fall in crime/antisocial behaviour (as more people are in employment) • (More) tax revenue for the government (from employees in work and firms with more profit) 	2	<p>NB: This is not a technical economics question. Allow any cost and benefit that arises outside of the business.</p> <p>NB: Information in brackets does not need to be stated. Allow reference to 'car use', as well as 'car production'.</p> <p>NB: Do not allow 'accidents' as these are not necessarily a direct consequence of the rise in output of Nissan.</p>	2 x 1 mark

Question		Answer	Marks	Guidance	
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	c	<p>The local community is one of Nissan UK stakeholders. Discuss whether <u>other</u> stakeholders of Nissan UK will benefit from the production of the Leaf.</p> <p>Employees – want job security, pay rises, and want the best conditions of work and service. The Leaf certainly seems to offer this to them. At a time when manufacturing jobs are declining in the UK this is an important benefit. Building the cars may need new skills/training which may motivate them. Presumably Nissan will not adopt a ‘you are lucky to have a job’ attitude and use this to hold down wages.</p> <p>Customers – more choice in the market and they are getting a car for which there is a demand. The price of the car is high and so not all who would like a Leaf can afford one. In the longer term if Nissan gets economies of scale unit costs and, therefore, prices will fall making it more affordable. Will usage be limited by a lack of ‘charging points’ across the UK? Nissan must have tested prototypes but the Leaf does not have the track record of existing models. Perhaps problems may be discovered in the future.</p> <p>Suppliers – accept answers along the lines that “a more successful Nissan will mean more orders” and that success means greater security (of revenue/profit) for them. New opportunities to supply may be created. Much depends on whether Nissan treats them as ‘true stakeholders’ (involving them with plans, paying on time, placing regular orders etc) or ‘suppliers’.</p> <p>Nissan’s car dealers – opportunity cost of having the Leaf on the forecourt instead of another car? What will their profit on each car be? Alternatively, they may adopt an “I can get you one to drive if you like” attitude so this does not occur. May attract curious customers who end up buying a petrol model! If something goes wrong, dealerships will be at the forefront of customer dissatisfaction.</p>	14	<p>Candidates could consider the short and long term situation. Nissan has undertaken market research and has spent £420m so it must be pretty sure of success. Nissan presumably hopes it gives it a USP and a competitive advantage (NB: these terms do not have to be used). But if the Leaf failed there will be adverse effects on stakeholders, as well as benefits.</p> <p>The question revolves around ‘who benefits (most)?’ or ‘to what extent?’</p> <p>Any answers referring to ‘the local community’ implicitly or explicitly should be ignored as they are mentioned in the question stem.</p>	<p>Level 4: 14-11 marks Some evaluation of the extent to which Nissan’s stakeholder(s) will benefit or not.</p> <p>Level 3: 10-7 marks Some analysis of the benefits and/or disadvantages to Nissan’s stakeholders.</p> <p>Level 2: 6-4 marks Some understanding of the benefits of expansion to stakeholder(s). No context required.</p> <p>Level 1: 3-1 marks Stakeholder(s) defined/stakeholder need(s) identified.</p> <p>The bottom mark in each level MUST only be used for a BOD answer at that level.</p>

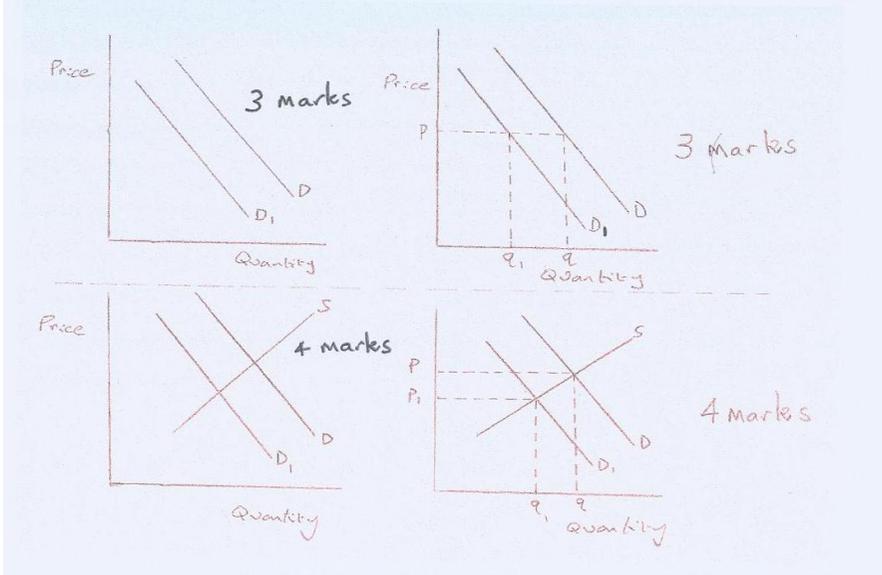
Question	Answer	Marks	Guidance	
			Content	Levels of response
	<p>Shareholders/'the owners' – if the Leaf is a success more profit will be made. Dividends should rise in long term. If it goes wrong, matters will be different. Share price and profit and dividends will probably fall. Good publicity for being 'green' via the Leaf may spill over into sales of Nissan's petrol cars which have low emissions generating more profit. Also, allow references to Nissan Japan/Parent company – "more profit being sent back to it"/"will get their loan back" (assuming they loaned Nissan UK some of the £420m capital).</p> <p>The government – will be 'happy', as it will get more tax revenue from Nissan UK, employees, suppliers etc. if the Leaf is a success. Jobs are secured/created. Income tax and NI from employees will be immediate; higher corporation tax is likely to be longer term and dependent on success.</p> <p>Environmental/Pressure groups – These will benefit from the Leaf because it is enabling them to <u>succeed in their aims</u>/get publicity etc.</p> <p>Nissan's rivals – if the Leaf is a success then it will probably take business from them so they will lose sales and profits unless they can successfully 'fight back' either in terms of marketing existing models or developing a similar product.</p> <p>Exemplar responses <i>Shareholders (L1) would be considered a major stakeholder and are likely to benefit the most. If Nissan do well and the leaf is successful and sales rise, revenue will be expected to increase which should lead to greater profits (L2). This may result in a higher dividend for the shareholders (L3).</i> <i>We know that Nissan have invested £420 million in the production of the leaf and as such the shareholders are unlikely to see large returns on their investment in the short term. However, if the leaf is successful revenues and therefore profits of Nissan are likely to</i></p>		<p>One L2 annotation = 4 or 5 marks Two L2 annotations = 5 or 6 marks</p> <p>One L3 annotation = 7 or 8 marks Two L3 annotations = 9 or 10 marks</p> <p>One L4 annotation = 11 or 12 marks Two L4 annotations = 13 or 14 marks</p>	

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			<p>increase, thus increasing the dividend in the long term (L4). The extent to which they benefit will depend on the level of their investment – a larger investment may lead to a higher total dividend (L4).</p> <p>Pressure groups (L1) are likely to benefit as they want to reduce the levels of pollution created by cars, and with the launch of the Leaf, their objectives will be met (L2). However, the extent to which they will benefit will depend on how successful the leaf is in the market (L3).</p> <p>The extent to which Customers (L1) are likely to benefit will depend on whether they care about their commitment to the environment (L2). If they do, then they will benefit as their needs are being met with the Leaf. However, the high price of the Leaf may mean they cannot afford to buy the car and will not have their needs met, therefore not benefitting (L3).</p> <p>Overall, I feel that the customers will benefit the most from the production of the leaf as although pressure groups will be happy that an eco-friendly car has been produced, they are unlikely to be very happy with the added pollution that would be caused during the production process (L4). Whereas the customers will not be as interested in this as they will be able to buy the car and, providing the price is affordable, meet their objective to care about the environment (L4).</p>			
2	a		<p>Outline two sources of finance which Nissan UK could have used to raise the £420m for the production of the Leaf.</p> <ul style="list-style-type: none"> • Funds from parent company in Japan – may have to be paid back or maybe a grant (candidates are not expected to know). If a loan it could be at lower rate of interest than borrowing commercially in the UK/EU. • Issuing more shares/rights issue - issues of control. More shares may mean lower dividends in short run. Existing shareholders may not be 'happy'. • Loans – no issues of control but commitment to payment of interest and capital sum for duration of the loan. Ability to 	4	<p>1 mark for identification of method of finance + 1 for the outline.</p> <p>To gain the second mark for Leasing/HP/Overdraft the outline MUST include a recognition that these sources are for capital equipment/fixtures etc.</p>	2 x (1 + 1) mark

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			<p>borrow in this way may depend on amount of existing loans. (Candidates are <i>not</i> expected to know about gearing on F291).</p> <ul style="list-style-type: none"> • Mortgage – long-term loan specifically for purchase for fixed assets, Usually backed by the asset itself for security. • Selling off assets they do not want - can asset sale get a 'good price'? Redundancy issues arising from closed plants/offices. Also allow sale and leaseback. • Grant from the government - the government keen to see employment levels in the area maintained. Also allow reference to grant for development of low emission cars. • Retained profit'. (Also allow 'reserves of cash') - unlikely to be £420m (which would be a 'mountain of cash' doing very little) but some could have been contributed to the total. Opportunity cost of use of these funds? • Debtors – (unlikely to be £420m but) allow 'calling in debts'/ 'pressurising debtors into making faster payment'. Also allow debt factoring/invoice discounting. • Leasing/HP/Overdraft – allows the business to pay for equipment/capital items in installments/spreads the cost (over a number of years) Nissan will never actually own the equipment. Some equipment may have been leased (e.g. office equipment). 		<p>and not for the full £420m</p> <p>Allow a Loan and Mortgage as separate possible answers</p> <p>Allow 'investors' as a source of finance the second mark will be awarded for a reference to shareholders/parent company/debenture holders etc.</p>	
	b		<p>Outline the likely relationship between risk and reward.</p> <p>Level 1 Accept definitions along the lines of:</p> <ul style="list-style-type: none"> • risk: "Nissan/a business/a person takes a chance/gamble/makes an investment, etc." With a risk something bad could happen," etc. (1 mark) • reward: "What you get back"/the return you get"/"the revenue/profit," etc. (1 mark) 	4	<p>Full marks are to be awarded for the understanding that taking a risk does NOT necessarily/automatically gain a reward.</p> <p>The key issue to look for to award 4 marks is the fact that the relationship between risk and reward is not guaranteed.</p>	<p>Level 2: 4-3 marks Relationship outlined.</p> <p>Level 1: 2-1 marks Risk and/or reward defined.</p>

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			<p>Level 2 The candidate gives the likely relationship. Statements such as:</p> <ul style="list-style-type: none"> • if Nissan takes a (big) risk it will get/gets a (big) profit (3 marks) • the bigger the risk the bigger the profit (3 marks) • small risk = small profit (3 marks) • if Nissan (or a company/a person) takes a (big) risk it hopes/anticipates/expects/is likely to make a (big) profit, i.e. it is not guaranteed (4 marks) • the bigger the risk the bigger potential reward (4 marks) • the bigger the risk the bigger the reward but also the bigger the chance for failure (4 marks) 			
3			<p>Analyse one possible effect on Nissan UK if the UK government introduces more schemes such as road pricing and congestion charges.</p> <p>The effect of this will almost certainly be to reduce the demand for new cars which will shift the demand curve for Nissan cars to the left. This will lower price and equilibrium quantity demanded and supplied.</p> <p>Level 2 There will be recognition that this has implications for Nissan, for instance, in terms of sales/output, revenue and profit,</p> <p>The following sorts of statements <i>accompanied by a diagram or not</i>, will attract credit at this level.</p> <ul style="list-style-type: none"> • the fall in demand will cause price to fall OR the fall in demand will cause quantity (of cars/supply/equilibrium quantity) to fall (3 marks) • Nissan's costs will fall (3 marks) • revenue/profit goes down (3 marks) • the fall in demand will cause price AND quantity (of cars demand/supply/equilibrium quantity) to fall (4 marks) 	6	<p>NB: Candidates who show the effect as a shift of Nissan's supply curve on the grounds that "taxes raise costs and lower quantity (supplied)" should be rewarded at L1 only. This is valid knowledge of how a tax works but in this instance the taxes in the question are on the consumer NOT on Nissan UK.</p>	<p>Level 3: 6-5 marks Some analysis of the effect on Nissan UK.</p> <p>Level 2: 4-3 marks Understanding demonstrated of concepts involved. No context required.</p> <p>Level 1: 2-1 marks Knowledge of demand/supply/price/tax</p>

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	<ul style="list-style-type: none"> • Nissan's costs fall because it now makes less cars (4 marks) • the price fall OR the fall in quantity will reduce revenue/profit. (4 marks) <p>Level 3 Award the level for simple statements, accompanied by a diagram or not, of the effect on, implication of, or reaction by Nissan.</p> <ul style="list-style-type: none"> • the price fall AND the fall in quantity will reduce Nissan's revenue/profit. (5 marks) <p><i>For a level 3 default mark of 6 the candidate needs to give a specific example of the effect on Nissan UK e.g.</i></p> <ul style="list-style-type: none"> • the price fall AND the fall in quantity will reduce Nissan's revenue/profit so they will have to do more marketing/introduce special offers. (6 marks) • the price fall AND the fall in quantity will reduce Nissan's revenue/profit but Nissan may decide not to anything as all other car manufacturers will be similarly affected. (6 marks) • Demand for Nissan's cars will fall but the fall may not be immediate/may depend on the alternatives available (public transport). (6 marks) • "If Nissan's costs fall, this may offset the loss in revenue and keep Nissan's profit the same"(6 marks) <p>Candidates could also recognise that as electric cars are not subject to the congestion charge then sales of the Leaf may increase so demand will shift the right. This would be beneficial to Nissan (in terms of revenue/profit) and may offset falling sales of petrol fuelled cars.</p>			

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	<p>Diagrams are likely to be along the following lines:</p> 			
4	<p>Analyse two ways in which changes in demographics or other social influences may affect Nissan UK's sales of new cars.</p> <p>Demographic changes include: 'Older drivers' - currently the UK has an aging population and so amongst the older drivers there may well be a demand for more cars which are reliable and cheap to run rather than 'high performance/high speed' vehicles. Older people, especially if retired, tend to live within their means and may be unlikely to borrow to buy a car. Allow reference to both 'older people do not have much money' and also 'older people can be quite wealthy'.</p>	10	<p>Probably the most important demographic change is any change in the <i>age structure of the population</i>. Different age groups seek different benefits from a car. Buying habits are usually linked to age. Most car manufacturers try to have a wide customer base which means</p>	<p>Level 3: 10-7 marks Some analysis of effect(s) of these factors on Nissan UK.</p> <p>Level 2: 6-3 marks Some understanding of how demographics/social influences may affect a business.</p> <p>No context required.</p>

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	<p>Families - cars for families have to be designed with safety and convenience in mind. Allow reference to ‘families may not have much money’. These people may be more willing (indeed it may be a necessity) to accept ‘financial deals’ with the purchase of a new car. If the number of families is increasing, Nissan will need to take this into account.</p> <p>‘Young drivers’ Nissan needs to take account of the fact that this group is more likely to be swayed by advertising than older age groups. More willing to embrace technological changes/innovations such as the Leaf as they often care (more) about the environment (than older drivers). Allow reference to ‘young people do not have much money’ (perhaps because they have been to university?); they may therefore also need ‘financial packages’ to get them to buy a new car (especially as insurance costs are so high).</p> <p>There is also an argument that if people are targeted effectively when they first buy a car, then they may well stick with that car manufacturer for most/all of their driving life. A car is an expensive purchase and to maximise revenue and profit, Nissan needs to have the right models available for the different age groups.</p> <p>Social influences include:</p> <ul style="list-style-type: none"> concern for the environment and reducing carbon footprint - this could lead to a desire to drive a car that is ‘green’ such as the Leaf. Therefore a need to develop low emission models. concern with ‘green’ issues may mean use public transport more, casual care hire, or car share, going to work – instead of buying a car . If people are becoming more health conscious they may walk or go by bicycle for short journeys - and so choose not to buy a (second?) car for this sort of journey. Alternatively allow references to people becoming lazier and more unhealthy and buying cars instead of walking/cycling. smaller easy to park ‘around town’ cars are popular with young, single people. 		<p>appealing to different age groups so they do not lose market share when demographics change.</p> <p>Marketing starts with the needs of the customer and Nissan will need to take account of the age related implications of this.</p> <p>Two factors analysed award 9/10 marks. One factor analysed award 7/8 marks. Two factors explained award 5/6 marks. One factor explained award 3/4 marks.</p> <p>Allow the two factors to come from the same issue e.g. an ageing population may mean (very old) people are unable to drive (so demand for Nissan’s cars may fall) but older drivers will still be able to and will also have the disposable income in retirement to buy Nissan’s cars (so</p>	<p>Level 1: 2-1 marks Knowledge of demographics and/or social trends stated.</p>

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			<ul style="list-style-type: none"> alternatively, for reasons of status, a large 'Chelsea Tractor' may be seen as important by some people (in certain areas?) greater use of technology to communicate at work and for leisure, e.g. Skype and videoconferencing means less travel by car. <p>If these influences can be identified, Nissan UK can potentially make more profit and increase market share. Incorrectly identifying these could mean missed opportunities (for profit) and/or allowing competitors to gain an advantage.</p> <p>Income and spending. Allow these to be used as a social trend. Macroeconomic factors are not on F291 but "how people spend their money" is clearly a social trend. Therefore, allow references to what might happen to spending on Nissan's new cars if income changes but be aware that explicit reference to the economic cycle (also recession, boom, etc.) is not necessary.</p>		<p>sales/revenue/profit rises).</p> <p>'Social influences' could refer to peoples' desire to drive a particular type of car - or even whether to drive at all. Therefore, there is a need for Nissan to conduct both market research and R & D to ensure that trends are identified and consumer preferences built into the cars both in terms of updating existing models and developing new ones.</p>	
*5			<p>Other than demographics or other social influences, evaluate factors which are likely to determine the future success of Nissan UK.</p> <p>Indicative Content:</p> <ul style="list-style-type: none"> adequate cash flow – accept 'enough money for Nissan UK to pay it's bills' adequate/appropriate finance for continued growth the 'right staff' at 'frontline' and managerial level. Also high employee morale/motivation "Good" dealerships/garages - selling the cars i.e. helpful, customer focussed, etc effective management and coordination/communication between Nissan's 'Head Office' and its dealers. ongoing training is for employees – important in a competitive market if Nissan are to maintain a competitive position and to maintain its good productivity levels 	18	<p>Candidates could discuss what is meant by 'success'; what constitutes 'success' for Nissan is likely to change over time as objectives evolve. Candidates recognising the difference between the short and longer term in this context should be rewarded at the appropriate level.</p> <p>The answer is likely to be drawn from several sections of the specification, e.g." What</p>	<p>Level 4: 18-14 marks</p> <p>Some evaluation e.g. supported judgment concerning the factors that are likely to determine the future success of Nissan UK.</p> <p>Complex ideas have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p>

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	<ul style="list-style-type: none"> • continuing effective market research to ensure customer needs are met. Developing new cars and improving features of existing cars, e.g. safety, comfort • appropriate marketing (NB detailed knowledge not required on F291). meeting customer needs in terms of prices charged, cars demanded, “trade in deals”, etc • ability to respond to ‘the market’, e.g. competitors’ actions, changes in income, etc • import taxes on models NOT made in the EU • a clear business plan - for the Sunderland plant and branches at Nissan UK • appropriate (i.e. SMART) strategic and tactical objectives at the Sunderland plant and other branches of Nissan UK • regular evaluation of progress towards objectives • ability to respond to technological changes in the car industry • state of the UK economy and the consequences for the demand for Nissan’s products that might follow from it. NB Detailed knowledge not required. A recession might mean an increased demand for fuel efficient, low emission (and, therefore, low ‘car tax’) cars. Vice versa • state of EU economy. Nissan exports cars to the EU and if incomes fall there then demand for Nissan’s cars is likely to fall. <p>Exemplar response A key factor for Nissan would have to be the amount of profit (L1) made each year and the amount that directors decide to invest into the production and the launch of the Leaf. We know that Nissan has already invested £420 million and have a further £125 million to build another car so finance is not a problem (L2). However, the Leaf is at the very beginning of the product life cycle and will need a continual level of investment in order to ensure that marketing activities, including continuing market research, are carried out. There will almost certainly be a high level of competitor activity</p>		<p>businesses need”/”Objectives”/”The market” and “Other influences”. Possibilities might therefore include:</p> <p>Suitable contextual issues may include the new factory, development of the Leaf, market research (to minimise risk), access to finance (not likely to be an issue for such a large company), cars are a ‘big ticket’ item, explicit mention of competitors’ name.</p> <p>Answer may refer to Nissan UK, its factories and/or its dealerships.</p> <p>One L2 annotation = 5 or 6 marks Two L2 annotations = 7 or 8 marks</p> <p>One L3 annotation = 9, 10 or 11 marks Two L3 annotations =</p>	<p>Level 3: 13-9 marks Some analysis of factors which are likely to determine the future success of Nissan UK.</p> <p>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2: 8-5 marks Some understanding of factors affecting a firm’s future success.</p> <p>No context required.</p> <p>There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1: 4-1 marks Knowledge recalled about the factors that are likely to determine the success of a business. Some simple ideas have been expressed. There will be</p>

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			<p>which will mean that Nissan will need aggressive marketing campaigns in order for them to establish and maintain market share which will be very costly and affect profit levels in the short term (L3).</p> <p>Obviously this is a serious risk for Nissan and the money invested into the Leaf has a huge opportunity cost which, if unsuccessful, carries a large financial risk which could impact on their ability to be profitable in the long term (L4).</p>		<p>11, 12 or 13 marks</p> <p>One L4 annotation = 14, 15 or 16 marks</p> <p>Two L4 annotations = 16, 17 or 18 marks</p>	<p>some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</p> <p>The bottom mark in each level MUST only be used for a BOD answer at that level.</p>

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

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