

## **Business Studies B**

General Certificate of Secondary Education **2323/02**

Business in its Environment

### **Mark Scheme for June 2010**

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Question			Syllabus ref	Expected Answer	Mark	Rationale
1	(a)	(i)	5.2.1.2	<b>Target: The ability to identify the effects of competition on business activity</b>  Possible benefits to consumers provided by EU firms such as ETF Travel competing in 2 the UK market include: <ul style="list-style-type: none"> <li>• Lower prices .</li> <li>• Improved quality of holidays .</li> <li>• Increased consumer choice .</li> <li>• Improved quality of customer service .</li> <li>• More innovation over new products</li> <li>• Better knowledge of some foreign markets</li> </ul> 1 mark for each benefit to consumers identified. <b>2 x 1 mark</b>		
1	(a)	(ii)	5.2.1.2	<b>Target: To assess the effect of competition on business activity</b> Possible issues of relevance include: <ul style="list-style-type: none"> <li>• The number of firms selling cruise holidays has doubled in the past 4 years <ul style="list-style-type: none"> <li>○ Will this mean too much competition?</li> <li>○ Will this mean that the peak has past and JGT Travel will be too late?</li> </ul> </li> <li>• Cruise holidays are expected to grow by 7% a year for the next 5 years <ul style="list-style-type: none"> <li>○ A growing market offers opportunities for JGT Travel .</li> </ul> </li> <li>• The price of cruise holidays has risen by 20% in the past year <ul style="list-style-type: none"> <li>○ Will some customers be put off?</li> <li>○ Is this an opportunity for higher profit margins?</li> </ul> </li> <li>• There is a shortage of cruise ships available for customers <ul style="list-style-type: none"> <li>○ Could this mean a lack of availability and so customers might be disappointed?</li> </ul> </li> <li>• Specialisation in cruise holidays could bring benefits such as: <ul style="list-style-type: none"> <li>○ Greater knowledge and understanding of this niche market</li> <li>○ Increased skills in handling customer requests</li> </ul> </li> </ul>	[2]	Recommendation may occur at the start of the answer and becomes level 4 if followed by relevant analysis  A recommendation following a single piece of analysis is 7 marks (level 4). Further relevant analysis may lead to 8 marks. Sound judgements of the relevant strengths of more than one option will lead to full marks (9 marks).  An increase in profits, if explained how this could be achieved, would be analysis.

Question			Syllabus ref	Expected Answer	Mark	Rationale
1	(a)	(ii) cont		<b>Exemplar:</b> Specialisation can lower costs of production (Level 1 ). But by specialising in cruise holidays JGT Travel could enter a niche market (L2). This could allow JGT Travel to develop a reputation in the local market and so charge a price to local customers above that charged by other travel agents and so increase the profit margin on each cruise sold (L3). However, specialising in cruise holidays is a risky strategy as it will involve focusing upon a niche market plus the need to build a local customer base in a market which is highly segmented by age and income (L4). <b>N.B. One-sided argument maximum of 6 marks.</b> <b>Simple repetition of information from the stem of the question even in the candidate's own words is not Level 2.</b>	[9]	
1	(b)		5.2.3	<b>Target: The ability to identify the type of external factor that a given business is responding to</b> Social		
					[1]	Mark the first answer unless it is clearly crossed out.

Question			Syllabus ref	Expected Answer	Mark	Rationale
1	(c)	(i)	5.2.3.1	<p><b>Target: To demonstrate understanding of ethical issues in a specified business context</b></p> <p>Possible examples of ethical behaviour include:</p> <ul style="list-style-type: none"> <li>• Using hotels that buy supplies for tourist meals from local farmers</li> <li>• Use of carbon reduction schemes, e.g. fuel offsetting schemes</li> <li>• Using suppliers committed to environmentally friendly business practices</li> <li>• Use of recycling by the business</li> <li>• Payment of fair wages</li> <li>• Involvement with charitable activities</li> </ul> <p>Examples do not have to arise from travel/tourism operations. It is perfectly acceptable for a candidate to provide more generic examples of ethical behaviour.</p> <p>2 marks for a clear explanation. 1 mark for an unexplained example</p> <p><b>Exemplar:</b></p> <p>JGT Travel could behave ethically by only using businesses that have a commitment to protect the environment (1 mark) which means that there should be less damage to the environment from tourism for future generations (1 mark).</p>		
					[4]	<p>Employment policies and consumer protection should only be rewarded where the example exceeds the law. Other activities may be relevant if they suggest lower profits.</p> <p>The explanation cannot be a benefit to JGT Travel.</p> <p>A similar explanation can be awarded marks if it is used to explain two different examples of ethical behaviour, eg recycling and carbon emissions both explained by environmental benefits</p>

Question			Syllabus ref	Expected Answer	Mark	Rationale
1	(c)	(ii)	5.2.3.1	<p>There are many reasons why ethical behaviour is important to a business including:</p> <ul style="list-style-type: none"> <li>• It can lead to repeat business</li> <li>• It helps to create a good reputation</li> <li>• It can be used in marketing the business</li> <li>• It shows social responsibility</li> <li>• The need to compete against other ethical businesses</li> </ul> <p>2 marks for a clear explanation. 1 mark for an unexplained reason.</p> <p><b>Exemplar:</b> Ethical behaviour is important because by acting ethically a business can create a good reputation (1 mark) which can help it to survive in the market (1 mark).</p>	[2]	<p>Increase in profits is not in itself a reason for ethical behaviour but maybe an explanation of another motive.</p> <p>Examples of ethical behaviour are not explanation of why ethical behaviour is important.</p>
1	(d)	(i)	5.2.2.2	<p><b>Target: The ability to calculate using changes in exchange rates</b></p> <p>Current stock = \$5,000 - \$1,000 = \$4,000 (1 mark)            3 Current value = \$4,000 ÷ \$1.60 (1 mark)                                          = £2,500 (1 mark)</p> <p>Answer of £2,500 receives 3 marks</p> <p><b>N.B. ECF.</b></p>	[3]	<p>£2580 (i.e 4000 ÷ 1.55) is worth 2 marks</p> <p>£2600 (3225.80-625) is worth 2 marks</p> <p>\$1000 / 1.60 OR \$5000 / 1.60 = 1 mark</p> <p>Any calculation which indicates stock taken away from \$5000 = 1 mark</p>

Question			Syllabus ref	Expected Answer	Mark	Rationale
1	(d)	(ii)	5.2.2.2	<p><b>Target: To evaluate the effects of changes in exchange rates on a specific business</b></p> <p>Possible arguments in favour of buying now include:</p> <ul style="list-style-type: none"> <li>£: € exchange rate is expected to fall so could be cheaper to buy now</li> <li>£: € exchange rate could fall even lower so better to buy now</li> </ul> <p>Possible arguments in favour of buying later include:</p> <ul style="list-style-type: none"> <li>Already holding enough stock to meet average weekly demand</li> <li>£: € exchange rate may not fall at all &amp; could even rise</li> <li>Increases cash outflow and could leave the business short of cash</li> </ul> <p>Other issues of relevance include:</p> <ul style="list-style-type: none"> <li>The degree of confidence and/or uncertainty about the future</li> <li>Is the demand for Euros likely to be &gt; or &lt; the weekly average?</li> <li>Current cashflow position of the business</li> <li>How much currency is the business planning to buy?</li> <li>Stockholding issues, e.g. security, insurance, level of stock etc.</li> </ul> <p><b>Level 4 (7-9 marks)</b> Discusses issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p> <p><b>Level 3 (5-6) marks)</b> Analyses issues in context by considering possible implications.</p> <p><b>Level 2 (3-4 marks)</b> Explains issues in context.</p> <p><b>Level 1 (1-2 marks)</b> Identifies any issue(s).</p>		<p>Calculation of 2000 euros costing £1600 then becoming £1740 is level 2, 4 out of 9</p> <p>A level 3 implication is that £1740 is greater than £1600/ £1600 has increased by £140 and worth 5 marks.</p> <p>A one sided argument may occur when the candidate gets the other side of the argument wrong – i.e. has said they will get a better deal next week.</p> <p>The response is then a max of 6 marks.</p> <p>Own example to illustrate exchange rate changes, eg £100 = €125 and becomes €115 is level 2 with a comparative statement becoming level 3</p>

Question			Syllabus ref	Expected Answer	Mark	Rationale
1	(d)	(ii) cont		<p><b>Exemplar:</b> Holding stock is a cost to a business (L 1) and the holding of currency by a travel agent would mean security costs such as insurance premiums (L2). If JGT Travel were to buy more Euros now this could save them money later if the exchange rate fell as they could buy more Euros for each Pound (L3). However, the most important issue here is how confident the business is that the exchange rate might fall because if the exchange rate was to rise then this could mean that Euros could be cheaper to buy next week (L4).</p> <p><b>N.B. One-sided argument maximum of 6 marks.</b> <b>Simple repetition of information from the stem of the question even in the candidate's own words is not Level 2.</b></p>	[9]	

Question			Syllabus ref	Expected Answer	Mark	Rationale
2	(a)	(i)	5.2.1.1	<b>Target: To explain why leisure services are provided by public enterprise</b>		
				<p>Possible reasons why leisure services are provided by local councils include:</p> <ul style="list-style-type: none"> <li>• Public provision can mean subsidies to encourage usage</li> <li>• Health benefits to users</li> <li>• Employment creation/ wider economic benefits.</li> <li>• To raise revenue to fund other local services</li> <li>• As part of their environmental policy e.g. fishing clubs, woodland walks etc.</li> <li>• Tourism</li> <li>• To help government meet objectives e.g. obesity etc.</li> </ul> <p>2 marks for a clear explanation. 1 mark for an unexplained reason.</p> <p><b>Exemplar:</b> Leisure services are provided by local councils to make them more affordable (1 mark) and this contributes to a healthier local population (1 mark).</p>	[2]	

Question			Syllabus ref	Expected Answer	Mark	Rationale
2	(a)	(ii)	5.2.1.1	<b>Target: To identify examples of public sector provision of services</b>		
				<p>Possible responses include:</p> <ul style="list-style-type: none"> <li>• Libraries</li> <li>• Education inc. nursery schools</li> <li>• Household waste collection</li> <li>• Trading standards</li> <li>• Roads</li> <li>• Road safety</li> <li>• Care for elderly</li> <li>• Police</li> <li>• Planning services</li> <li>• Births, deaths &amp; marriages</li> <li>• Travel, e.g. school transport, GAPs</li> <li>• Parking</li> <li>• Local environment</li> <li>• Economic regeneration</li> <li>• Local markets</li> <li>• Social housing</li> <li>• Fire services</li> </ul> <p><b>3 x 1 mark</b></p>	<b>[3]</b>	<p>Not NHS or healthcare, it's provided by the PCT</p> <p>Not leisure related eg parks, swimming, public events, sports facilities</p>

Question			Syllabus ref	Expected Answer	Mark	Rationale
2	(b)	(i)	5.2.2.2	<b>Target: To demonstrate knowledge of the effects of changes in taxation upon businesses and their customers</b>		
				<p>Possible effects for AGL of an increase in the rate of income tax on higher income 2 earners:</p> <ul style="list-style-type: none"> <li>Reduced disposable income for some gym members leading to: <ul style="list-style-type: none"> <li>Cancellation/non-renewal of membership</li> <li>Less visits and so less expenditure on food and/or drink</li> <li>Difficulties in raising membership fees</li> </ul> </li> </ul> <p>2 marks for a clear explanation. 1 mark for an unexplained effect.</p> <p><b>Exemplar:</b> As income tax rates increase for higher income earners this means a reduction in their disposable income (1 mark) and this could mean that some members do not renew their membership in future years (1 mark).</p>	[2]	<p>Not increase in wage costs, not increase in public provision.</p> <p>Not affect on owners or employees of AG Ltd</p>
2	(b)	(ii)	5.2.2.2	<p>Possible effects for AGL of a decrease in the rate of corporation tax:</p> <ul style="list-style-type: none"> <li>Increased post-tax profits for AGL leading to opportunities to: <ul style="list-style-type: none"> <li>Increase investment in replacing/modernising existing facilities/equipment</li> <li>Expand current facilities/equipment and/or into new locations</li> <li>Pay larger dividends to shareholders</li> </ul> </li> </ul> <p>2 marks for a clear explanation. 1 mark for an unexplained effect.</p> <p><b>Exemplar:</b> As the rate of corporation tax decreases this could mean an increase in post-tax profits (if profits are made) (1 mark) and this could lead to more expenditure on increasing the current range of facilities and equipment available to members (1 mark).</p>	[2]	<p>The candidate needs to recognise that there is an increase in net profit after tax (1 mark) and it is how this could be used (1 mark) that is examined.</p> <p>Do not accept price cuts as an answer.</p> <p>Answers need to refer to profit and not money</p>

Question			Syllabus ref	Expected Answer	Mark	Rationale
2	(b)	(iii)	5.2.2.2	<p><b>Target: To evaluate the effect of a change in taxation upon a specific business</b></p> <p>Possible advantages of the relocation include:</p> <ul style="list-style-type: none"> <li>• A significant reduction in local council taxation</li> <li>• Higher average incomes in new location might increase membership numbers</li> <li>• Higher average incomes might increase revenue from food and drinks</li> <li>• A larger local population to target in the new location</li> </ul> <p>Possible disadvantages of the relocation include:</p> <ul style="list-style-type: none"> <li>• The possible costs of relocation <ul style="list-style-type: none"> <li>○ Removal costs</li> <li>○ Recruitment costs in new location</li> <li>○ Redundancy costs in old location</li> </ul> </li> <li>• The possible loss of existing members (depending upon how far they might have to travel)</li> <li>• Bad publicity that such a move might create</li> <li>• Negative effects upon staff morale</li> </ul> <p><b>Level 4 (7-9 marks)</b> Discusses issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p> <p><b>Level 3 (5-6) marks)</b> Analyses issues in context by considering possible implications.</p> <p><b>Level 2 (3-4 marks)</b> Explains issues in context.</p> <p><b>Level 1 (1-2 marks)</b> Identifies any issue(s).</p>		<p>Possible implications may include the ability to change prices, implications on profits.</p> <p>A recommendation following a single piece of analysis is 7 marks (level 4). Further relevant analysis may lead to 8 marks. Sound judgements of the relevant strengths of more than one option will lead to full marks (9 marks).</p>

Question			Syllabus ref	Expected Answer	Mark	Rationale
				<p><b>Exemplar:</b></p> <p>Relocation to a new premises can be expensive (L 1) as AGL would need to rent or buy a new premises and then relocate its gym equipment by employing a removal firm (L2). However, the new town being considered has a higher average income and so this might increase the demand for membership of the gym so increasing turnover (L3). In the end, however, the decision to relocate will depend upon whether the potential benefits exceed the expected costs. In addition, is it important for a national company to consider the relocation of one of its premises and risk alienating its members? (L4)</p> <p><b>N.B. One-sided argument maximum of 6 marks.</b>  <b>Simple repetition of information from the stem of the question even in the candidate's own words is not Level 2.</b></p>	[9]	
			<b>QWC</b>	<p>Ideas are expressed clearly, fluently and in an appropriate way. There are few errors in spelling, punctuation and grammar. 2</p> <p>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and Grammar, but these do not obscure the meaning of the answer. 1</p> <p>Candidate fails to reach the threshold standard in all respects 0</p>	[2]	Mark 0 with a X, give 1 or 2 ticks next to the mark allocation.

Question			Syllabus ref	Expected Answer	Mark	Rationale
2	(c)	(i)	5.2.3.3	<b>Target: To evaluate the use of technology in a specified business context</b>		
				<p>Possible advantages include:</p> <ul style="list-style-type: none"> <li>• Improved channels of communication with members such as: <ul style="list-style-type: none"> <li>○ Information on special offers</li> <li>○ Reminders of renewals of membership, top ups required, etc.</li> <li>○ Introduction of new services or facilities</li> </ul> </li> <li>• Reduced cost of communication relative to post, telephone, etc.</li> <li>• Increased speed of processing, i.e. bulk e-mails to every member</li> <li>• Increased speed of communication</li> <li>• The use of attachments</li> <li>• Possible to conduct an audit trail of communications</li> </ul> <p>Possible disadvantages include:</p> <ul style="list-style-type: none"> <li>• Time spent composing e-mails</li> <li>• Time spent by employees checking and processing replies (assuming recipient members can reply)</li> <li>• Employees may be receiving so many e-mails that they do not read them all properly or may ignore or miss some</li> <li>• E-mails are often treated as informal communication and so not always of the same standard as formal communications such as letters</li> <li>• Members may treat e-mails as spam/junk e-mail and not bother reading them</li> <li>• People change e-mail addresses more frequently than moving house or changing their telephone number(s) and so contact lists may be out of date</li> <li>• Need to check contact lists and update periodically</li> </ul>		

Question			Syllabus ref	Expected Answer	Mark	Rationale
				<p><b>Level 3 (4-6 marks)</b> Evaluates issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p> <p><b>Level 2 (2-3) marks)</b> Analyses issues in context by considering possible implications.</p> <p><b>Level 1 (1 mark)</b> Explains issues in context.</p> <p><b>Exemplar:</b> The increased use of e-mail by AGL to contact its members would allow the business to increase the speed and frequency with which it communicates with its members (L 1) and this could make its marketing operations more effective so increasing sales revenue (L2). However, it is important that AGL does not send out too many e-mails per week as this could lead to members not bothering to read them all and so they miss out on important information (L3).</p> <p><b>NB One-sided argument maximum of 3 marks.</b></p> <p><b>Simple repetition of information from the stem of the question even in the candidate's own words is not level 1 because there are only 3 levels of attainment in this question, all response needs to be in context.</b></p>		<p>Level 1 <b>must be</b> in the context of AGL communicating externally with AGL's members.</p> <p>Wage costs are not a relevant issue.</p>
					[6]	

Question			Syllabus ref	Expected Answer	Mark	Rationale
2	(c)	(ii)	5.2.3.3	<p><b>Target: To identify and explain the use of technology within a specific business context</b></p> <p>Benefits could include:</p> <ul style="list-style-type: none"> <li>• AGL receives payment before selling any products as customers 'top up' their credit</li> <li>• It reduces credit sales to zero as products cannot be bought without having 'topped up' a membership card.</li> <li>• Cashless transactions reduce costs including: <ul style="list-style-type: none"> <li>○ Security (less cash on premises)</li> <li>○ Reduced theft of cash by staff</li> <li>○ Less time cashing up at the end of each day</li> <li>○ Reduced staff errors, e.g. giving too much change</li> <li>○ Automatic generation of customer bills at end of the month</li> </ul> </li> </ul> <p>2 marks for a clear explanation. 1 mark for identification of a benefit.</p> <p><b>Exemplar:</b> The use of swipe cards will improve cash flow for AGL (1 mark) as it receives payments from customers before they actually buy any products. (1 mark).</p> <p><b>2 x 2 marks</b></p>		
					[4]	<p>The answer has to be in the context of AGL <b>not the customer</b> e.g. no need to carry money, no need to queue, is worth 0 marks.</p> <p>Marketing based responses e.g. USP and increasing total spend may be rewarded with one mark, the application to the AGL context gets the 2<sup>nd</sup> mark.</p> <p>Nb. Staff still needed to operate cashless tills. Savings on staffing costs are not rewardable.</p>

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