

Business Studies B

General Certificate of Secondary Education **2323/01**

Business in its Environment

Mark Scheme for June 2010

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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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Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(a)	(i)	5.2.1.2	<p>Target: The ability to identify the type of market that a given business is operating in</p> <p>1 mark for each market identified correctly.</p> <p>PV Travel – Local market Eezee Travel – National market</p> <p>NB: If candidates tick more than one type of market then no marks are to be awarded.</p>	[2]	
1	(a)	(ii)	5.2.1.2	<p>Target: To assess the effect of competition on business activity</p> <p>Possible issues of relevance include:</p> <ul style="list-style-type: none"> • The number of firms selling cruise holidays has doubled in the past 4 years <ul style="list-style-type: none"> ○ Will this mean too much competition? ○ Will this mean that the peak has past and JGT travel will be too late? • Cruise holidays are expected to grow by 7% a year for the next 5 years <ul style="list-style-type: none"> ○ A growing market offers opportunities for JGT travel • The price of cruise holidays has risen by 20% in the past year <ul style="list-style-type: none"> ○ Will some customers be put off? ○ Is this an opportunity for higher profit margins? • There is a shortage of cruise ships available for customers <ul style="list-style-type: none"> ○ Could this mean a lack of availability and so customers might be disappointed? 		<p>Recommendation may occur at the start of the answer and becomes level 4 if followed by relevant analysis</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> <p>An increase in profits, if explained how this could be achieved, would be analysis.</p>

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(a)	(ii) cont		<ul style="list-style-type: none"> Specialisation in cruise holiday could bring benefits such as: <ul style="list-style-type: none"> Greater knowledge and understanding of this niche market Increased skills in handling customer requests Increased efficiency and lower costs Enhanced local reputation Repeat business Possible disadvantages: <ul style="list-style-type: none"> Loss of other sources of income from other types of holidays Additional costs of training and learning about this market <p>Additional costs of marketing</p> <ul style="list-style-type: none"> Small local businesses can be more flexible and responsive to customers' needs How much revenue/profits come from JGT Travel's sales of other types of holidays? Are the other areas of JGT Travel's operations doing well or not? Does JGT Travel have enough knowledge and experience of this market? How long might it take to be ready to fully specialise? The local economy: <ul style="list-style-type: none"> Current state Size Level of local disposable incomes/wealth 		

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(a)	(ii) cont		<p>Level 4 (7-9 marks) Discusses issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p>		
				<p>Level 3 (5-6 marks) Analyses issues in context by considering possible implications.</p> <p>Level 2 (3-4 marks) Explains issues in context.</p> <p>Level 1 (1-2 marks) Identifies any issue(s).</p> <p>Exemplar: 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).</p> <p>NB: One-sided argument maximum of 6 marks.</p> <p>Simple repetition of information from the stem of the question even in the candidate's own words is not Level 2.</p>	[9]	

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(b)		5.2.3	Target: The ability to identify the type of external factor that a given business is responding to Social	[1]	Mark the first answer unless it is clearly crossed out
1	(c)	(i)	5.2.3.1	Target: To demonstrate understanding of ethical issues Unethical Ethical Unethical Unethical	[4]	
1	(c)	(ii)	5.2.3.1	There are many reasons why ethical behaviour is important to a business including: <ul style="list-style-type: none"> • It can lead to repeat business • It helps to create a good reputation • It can be used in marketing the business • It shows social responsibility • The need to compete against other ethical businesses 2 marks for a clear explanation. 1 mark for a rewardable comment. Exemplar: 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).	[2]	Increase in profits is not in itself a reason for ethical behaviour but maybe an explanation of another motive. Examples of ethical behaviour are not explanation of why ethical behaviour is important.

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(d)	(i)	5.2.2.2	Target: to apply knowledge of holding stocks to a specified business Possible costs to JGT Travel of holding stocks of foreign currency include: <ul style="list-style-type: none"> • Security costs • Insurance costs • Working capital tied up • Losses made on currency values if exchange rates change • Opportunity cost, e.g. Interest (rates) 1 mark for each cost correctly identified. 2x1 mark	[2]	Do not allow 'Storage Costs'. Credit any reference to 'exchange rates' or changes in the currency.
1	(d)	(ii)	5.2.2.2	Target: The ability to calculate using changes in exchange rates Current value = \$5,000 ÷ \$1.25 (1 mark) £4,000 (1 mark) Answer of £4,000 receives 2 marks Allow if no £ sign. NB: OFR. If \$5000 * \$1.25 = £6250 then 1 mark as initial mistake is followed through correctly. If just \$4000, then 1 mark.	[2]	
		(iii)	5.2.2.2	Target: To identify the effects of changes in exchange rates True	[1]	
		(iv)	5.2.2.2	True	[1]	

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(e)		5.2.3.4	<p>Target: To evaluate how business might respond to the protection that customers are offered by the law</p> <p>Relevant issues that arise in this situation include:</p> <ul style="list-style-type: none"> • Paying refunds may placate the complainants • Will refunds be sufficient? • How much will the refunds be? • How much would it cost to refund to those who complained? • Cancelling next year's booking shows that JGT Travel is not content with the situation • Would cancelling next year's bookings be enough on its own? • Might it be better to undertake both options? • How many complaints have been received? <p>Other issues of relevance include:</p> <ul style="list-style-type: none"> • Consumers may have legal claims against JGT Travel and so the business could be sued • The reputation of the firm could be damaged by any bad publicity from: <ul style="list-style-type: none"> ○ The original complaints ○ Offering refunds that are too low for customers ○ Any failure to respond appropriately and speedily • Cancelling next year's bookings could be difficult if contracts have been signed 		Allow other reasonable suggestions, e.g. offering a discount.

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
1	(e) cont			<p>Level 3 (5-6 marks) Discusses issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p> <p>Level 2 (3-4 marks) Analyses issues in context by considering possible implications.</p> <p>Level 1 (1-2 marks) Explains issues in context.</p> <p>Exemplar: As JGT Travel had stated that the hotel swimming pool was finished and it was not then this could be a false description under consumer protection law (L1). I would advise JGT Travel to pay refunds to customers as this could avoid the company's reputation being damaged and loss of future sales (L2). However this will only succeed if the amount refunded was enough to please those who complained (L3).</p> <p>NB: One sided argument maximum of 4 marks.</p> <p>Simple repetition of information from the stem of the question even in the candidate's own words is not Level 2.</p>		
				Question Total	[6] [30]	

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
2	(a)	(i)	5.2.3.3	<p>Target: To identify and explain the use of technology within a specific business context</p> <p>Benefits could include:</p> <ul style="list-style-type: none"> • AGL receives payment before selling any products as customers 'top up' their credit • It reduces credit sales to zero as products cannot be bought without having 'topped up' a membership card • Cashless transactions reduce costs including: <ul style="list-style-type: none"> ○ Security (less cash on premises) ○ Reduced theft of cash by staff ○ Less time cashing up at the end of the day ○ Reduced staff errors, eg giving too much change ○ Automatic generations of customer bills at end of the month ○ Keeping track of what's selling ○ More likely to 'spend' <p>2 marks for a clear explanation. 1 mark for identification of a benefit.</p> <p>Exemplar: 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>2x2 marks</p>	[4]	<p>No credit for 'quick and easy'.</p> <p>Must be benefits to AGL, not the customer.</p> <p>'Employing fewer staff' can only be an explanation mark and not an identification mark.</p> <p>If the candidates follows on from a point made about a benefit with 'automated billing/self-service food/cashless premises requires fewer office/serving/security staff' is Ok for 2 marks.</p>

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
2	(a)	(ii)	5.2.3.3	<p>Target: To evaluate the use of technology in a specified business context</p> <p>Possible advantages of making telephone calls include:</p> <ul style="list-style-type: none"> • Follow up by telephone increases personal contact with members • Ensures that members do not miss information contained in e-mails <p>Possible disadvantages of making telephone calls include:</p> <ul style="list-style-type: none"> • Time spent making telephone calls (especially with a large organisation with many members) • Time spent repeating phone calls if members are unavailable • Annoyance from members that they have read the e-mail and so they know about the information sent from AGL and see the phone call as a waste of their time • Cost of additional telephone calls • Need to increase number of employees and associated costs <p>Other issues concerning the use of e-mail may be considered such as:</p> <ul style="list-style-type: none"> • Improved channels of communication with members such as: <ul style="list-style-type: none"> ○ Information on special offers ○ Reminders of renewals of membership, top ups required, etc. ○ Introduction of new services or facilities • Reduced cost of communication relative to post, telephone, etc. 		

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
2	(a)	(ii) cont		<ul style="list-style-type: none"> Increased speed of processing, ie bulk e-mails to every member Increased speed of communication Time spent composing e-mails Time spent by employees checking and processing replies (assuming recipient members can reply) Employees may be receiving so many e-mails that they do not read them all properly or may ignore or miss some E-mails are often treated as informal communication and so not always of the same standard as formal communications such as letters Members may treat e-mails as spam/junk e-mail and not bother reading them 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 Need to check contact lists and update periodically <p>Level 2 (4-6 marks) Evaluates issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p> <p>Level 1 (1-3 marks) Analyses issues in context by considering possible implications.</p>		<p>One piece of analysis (L1) with a judgement is worth 4 marks. Two pieces of analysis + judgement = 5, etc.</p> <p>No credit for simple statement of 'increased workloads' as that is in the stem.</p>

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
2	(a)	(ii) cont		<p>Exemplar: The increased use of e-mail accompanied by telephone calls by AGL would allow more personal contact with its members (L1). Making more phone calls could lead to a need for more employees in the administration department (L1). I would advise against insisting that each e-mail is accompanied by a telephone call. (L2)</p> <p>Simple repetition of information from the stem of the question even in the candidates' own words is not Level 1.</p>	[6]	
2	(b)	(i)	5.2.2.2	<p>Target: To demonstrate knowledge of the effects of changes in taxation upon businesses and their customers</p> <p>1 mark for each correct match of the effect of changes in taxation to the change in taxation:</p> <p>1 – C 2 – A 3 – B</p>	[3]	

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
2	(b)	(ii)	5.2.2.2	<p>Target: To evaluate the effect of a change in taxation upon a specific business</p> <p>Possible advantages of the relocation include:</p> <ul style="list-style-type: none"> • A significant reduction in local council taxation • Higher average incomes in new location might increase membership numbers • Higher average incomes might increase revenue from food and drinks • A local population to target in the new location <p>Possible disadvantages of the relocation:</p> <ul style="list-style-type: none"> • The possible costs of relocation <ul style="list-style-type: none"> ○ Removal costs ○ Recruitment costs in new location ○ Redundancy costs in old location • The possible loss of existing members (depending upon how far they might have to travel) • Bad publicity that such a move might create • Negative effects upon staff morale <p>Level 4 (7-9 marks) Discusses issues involved in order to put forward an overall recommendation or to make an overall judgement or judgements in context.</p> <p>Level 3 (5-6 marks) Analyses issues in context by considering possible implications.</p> <p>Level 2 (3-4 marks) Explains issues in context.</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	Marks	Additional Guidance
2	(b)	(ii) cont		<p>Level 1 (1-2 marks) Identifies any issue(s).</p> <p>Exemplar: Relocation to a new premises can be expensive (L1) 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>NB: One-sided argument maximum of 6 marks.</p> <p>Simple repetition of information from the stem of the question even in the candidate's own words is not Level 2.</p> <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>	<p>[9]</p> <p>[2]</p>	<p>Mark 0 with a X, give 1 or 2 ticks next to the mark allocation.</p>

Question			Syllabus Ref	Expected Answer	Marks	Additional Guidance
2	(c)	(i)	5.2.1.1	Target: To distinguish between private and public enterprise False	[1]	
		(ii)	5.2.1.1	True	[1]	
		(iii)	5.2.1.1	False	[1]	
		(iv)	5.2.1.1	Target: To identify examples of public sector provision of services The three correct responses are: Libraries Education Household waste collection NB: If candidates tick more than three options then the first three are to be accepted. 3x1 mark	[3]	
				Question Total	[30]	
				Total	[60]	

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