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Mark Scheme (Results)

January 2014

International A Level Business Studies
(6BSA4/01)

Unit 4A: Making Business Decisions

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January 2014
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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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International A Level Business Studies

January 2014 Unit 4a: Making Business Decisions

Marking Scheme

Question Number	Question	Marks
1.	What is meant by the term 'ethical behaviour'? (See Additional Evidence I line 6)	2 marks
	Answer	
	Knowledge and Understanding up to 2 marks • Ethical behaviour is acting in the 'right way'(1 mark) based on the moral code/rather than the most profitable way (1 mark) • Ethical behaviour might reject the most profitable solution (1 mark) in favour of one of greater benefit to society as a whole /or particular stakeholder groups (1 mark) 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative	1-2 marks

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Question Number	Question	Marks
2.	What is meant by the term 'corporate strategy'? (See Additional Evidence I line16)	2 marks
	Answer	
	Knowledge and Understanding up to 2 marks: • Corporate strategy is how the business is trying to achieve its objectives/goals (1 mark) for the long-term (1 mark) • This strategy might refer to the markets in which the business will operate (1 mark) and the resources it will use in operating in these (1 mark) • Corporate strategy is often expressed in the mission statement (1 mark) as a guide to the company's overall aims (1 mark) 1 mark for partial or vague definition but a valid example lifts to 2 marks. Any other suitable alternative.	1-2 marks

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Question Number	Question	Marks
3.	Explain **one** likely benefit of contingency planning to Cassidy's bakery. (Additional Evidence I)	4 marks
	Answer	
	Knowledge and Understanding 1 mark • Preparing resources for predictable/quantifiable crises (1 mark) • Preparing resources for unexpected/unwelcome events (1 mark) **Application 1 mark** • Cassidy's knows of Greggs plans to expand in Kimberley (1 mark) • Cassidy's could draw up a plan for how they might react to Greggs opening (1 mark) **Analysis up to 1-2 marks** • Cassidy's could reduce their prices in advance of Greggs opening (1 mark) to become more competitive (1 mark) • Cassidy's have time to make a contingency plan (1 mark) in order to minimise the loss of sales (1 mark) • The contingency plan will allow Cassidy's to explore possible issues with Greggs opening before they arrive. (1 mark) to avoid making hasty decisions (1 mark)	1 mark 1 mark 1-2 marks **Total 4 marks**

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Question Number	Question	Marks
4.	Using **one** of Ansoff's generic strategies, explain Greggs decision to open new stores away from its traditional high street locations. (Evidence C)	4 marks
	Answer	
	Knowledge and Understanding 1 mark • Product development means selling new products to an existing market of customers (1 mark) • Market development means selling the same products to new markets of customers (1 mark) • Accurately drawn Ansoff Matrix (1 mark) **Application 1 mark** • Greggs is opening Moments coffee shops in areas close to its Newcastle base (1 mark) • Greggs is opening outlets in motorway services off the M6/train stations/bus stations (1 mark) **Analysis up to 1-2 marks** • Opening Moments coffee shops could be seen as Product development as Greggs are selling new products to existing customers (1 mark) by offering services (cafe service) not available in existing shops (1 mark) • Opening outlets in motorway services or at train stations is Market development as they are attempting to attract customers eg motorists/commuters (1 mark) who don't normally buy from their high street outlets (1 mark) • Market development or Product development (or diversification) has an increased element of risk (1 mark), as in Greggs case they are moving away from their core of high street bakeries (1 mark)	1 mark 1 mark 1-2 marks **Total 4 marks**

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Question Number	Question	Marks
5. (a)(i) **(ii)** **(iii)**	a) Using the network diagram below: (i) calculate the Earliest Start Time (EST) for Activities E and F at node 4 **(**ii) calculate the Latest Finish Time (LFT) for Activities E and G (iii) calculate the total float for Activity E.	 1 mark 1 mark 2 marks
	Answer	
	Application 1 mark (i) 15 (1 mark) **Application 1 mark** (ii) **54 (1 mark)** **Knowledge and Understanding 1 mark** (iii)**Total float = LFT(54) – duration (12) – EST (15)** **(1 mark)** **Application 1 mark** (iii) **27 (1 mark)**	1 mark 1 mark 2 marks

Question Number	Question	Marks
5. (b)	Comment on your answer to (a) (iii)	4 marks
	Answer	
	Application up to 2 marks – actually uses data in commentary **Analysis up to 2 marks – interpreting results** • Activity E has a float of 27 hours because parallel activities such as B,D,G (1 mark application) take longer to complete (1 mark analysis) • Activity E is updating the electrical connections (1 mark application) this means that with 27 hours float time there is flexibility as to when the electricians can start (1 mark analysis) • Because this Activity E has float time it cannot be on the critical path (1 mark application) because any delays of activities on the critical path will result in all subsequent activities being delayed (1 mark analysis) **NB: OFR applied to Application and Analysis.**	4 marks **Total 8 marks**

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<table>
<tr><th>Question Number</th><th colspan="3">Question</th></tr>
<tr><td>6.</td><td colspan="3">Using appropriate ratios, evaluate Greggs' liquidity position in 2010 and 2011(Evidence B) (10 marks)</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th><th>Possible Content</th></tr>
<tr><td>Level 1</td><td>1-2</td><td>Candidate shows knowledge and understanding of liquidity, measured by the current ratio and/or acid test ratio.</td><td>Current ratio = <u>Current assets</u>
Current liabilities

Acid test ratio
= <u>Current assets (minus stock)</u>
Current liabilities</td></tr>
<tr><td>Level 2</td><td>3-4</td><td>Answers should be applied to Greggs financial information (Evidence B)</td><td><table><tr><td></td><td>2010</td><td>2011</td></tr><tr><td>Current</td><td>57982/
77546
= 0.75/74</td><td>55447/
80893
= 0.69/68</td></tr><tr><td>Acid Test</td><td>46099/
77546
= 0.59</td><td>41173/
80893
= 0.51</td></tr></table></td></tr>
<tr><td>Level 3</td><td>5-6</td><td>Candidate analyses using reasons/causes/consequences/costs to explain how the liquidity performance of the business has/has not changed.

Arguments will be one-sided.</td><td>According to the current/acid test ratio Gregg's liquidity position has reduced (1 mark) so Greggs might find it more difficult to meet current liabilities (1 mark)

According to the acid test ratio Gregg's liquidity position has reduced (1 mark), this suggests that liquidity has fallen for reasons other than a reduction in stock (1 mark)</td></tr>
<tr><td>Level 4</td><td>7-10</td><td><u>Low Level 4: 7-8 marks</u>
Arguments for and against the liquidity position having worsened between 2010 and 2011.

<u>High Level 4: 9-10 marks</u>
Expect to see a contextualised conclusion making a judgement about Greggs liquidity.</td><td>The changes in both ratios are small, so it is difficult to judge how important these changes are

Without industry figures it is difficult to judge Greggs liquidity performance – it is likely that businesses selling fresh food will hold a low level of stock due to its perishable nature which explains why the acid test and current ratios are so similar
Greggs liquidity position has worsened suggesting that it might find it more difficult to pay its short-term liabilities. However, without further information such as previous years information for Greggs or competitors' information it is difficult to make a complete judgement</td></tr>
</table>

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Section B

Question Number	Question
7.(a) QWC i-iii	Evidence F states that in 2009 Greggs 'labour turnover was high'. Assess the likely value of labour turnover data to Greggs management. **(20 marks)**

Level	Mark	Descriptor	Possible Content
Level 1	1-3	Candidate shows knowledge and understanding of labour turnover data. *Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text*	Labour turnover measures the proportion/percentage of staff that leave an organisation in a year. This data can be compared over time and with other businesses
Level 2	4-7	Candidate applies knowledge of labour turnover to Greggs and/or employment in this profession. <u>Low Level 2: 4-5 marks</u> Application is weak – general application. <u>High Level 3: 6-7 marks</u> Application of labour turnover to Greggs. *The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.*	Reference to Perma (without reference to figures) Labour turnover was 33-50% in 2009 Up to 50% of Greggs staff leave each year Greggs employ 20 000 people
Level 3	8 -14	<u>Low level 3: 8–9 marks</u> Candidate will attempt very basic analysis of how useful (or not) labour turnover figures are. One reason/cause/cost and /or consequence is outlined. **Cap at 8 for no context.** <u>Medium level 3: 10–11 marks</u> Candidates looks at two reasons/causes/costs and/or consequences of how useful (or not) labour turnover figures are to Greggs.	Labour turnover figures are useful as they tell Greggs' managers the proportion of staff leaving within 12 months – this helps with Human Resource Management Labour Turnover figures give one measure of Human Resource Competitiveness and will indicate other issues such as staff motivation and happiness at work

		<u>High Level 3: 12–14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined. Answer will be one-sided (could be for or against). *The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar.*	The data can be compared over time and with other similar businesses to help managers assess HR effectiveness
Level 4	15-20	<u>Low Level 4: 15-16</u> A limited attempt to assess the likely value of labour turnover figures. <u>Mid Level 4: 17-18</u> Detailed assessment of likely value of labour turnover calculations. (Arguments for and against) <u>High Level 4: 19-20</u> Candidates will draw an overall conclusion to the question, drawing on the Market Objectives, Products, or Situation of Greggs *Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.*	Labour turnover is only one measure of Human Resource Competitiveness, we would also need to look at measures such as the productivity of Greggs bakers and sales assistants as this may be a better indicator of competiveness The figures quoted are out of date – we would need more up to date figures to identify whether this was a typical figure Labour turnover figures can only be a starting point for Greggs' managers: they would need to discuss with bakers and sales staff why they left and what their levels of motivation are e.g. another bakery opened close by

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Question Number	Question		
7.(b) QWC i-iii	Evaluate Greggs decision to pursue further growth in 2012. **(30 marks)**		
Level	**Mark**	**Descriptor**	**Possible Content**
Level 1	1-4	Candidate shows knowledge and understanding of business growth. *Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text*	Business growth is when a business increases in size It can grow by opening more outlets Businesses can grow either internally or externally Growth can be organic or through mergers/takeover
Level 2	5-7	Candidate applies knowledge of growth to Greggs. *The candidate may use some business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.*	Greggs is opening 90 stores in 2012 It is planning to open stores in railway stations, motorway service stations, and new cafes in some of the areas in which Greggs already operate 30% of new stores would not be in traditional town centre locations
Level 3	8-16	<u>Low level 3: 8–9 marks</u> Candidate will attempt very basic analysis of Greggs' plans to expand. One reason/cause/cost and /or consequence is outlined. **Cap at 8 for no context**. <u>Medium level 3: 10–12 marks</u> Candidate looks at two of the reasons/causes/costs and/or consequences of Greggs' expansion plans. <u>High Level 3: 13–16 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined. Answer will be one-sided (either for or against the plans).	Greggs are expanding via organic growth and this is much less risky than alternative approaches such as mergers/takeovers This plan continues Greggs previous rapid growth and could be seen as an extension of their overall objective to ultimately open 600 more outlets so that less than the current 50% of people who don't have access to a Greggs can be targeted Consumers are being more cost conscious during the recession and low prices is part of Greggs' strategy – it makes sense to take advantage of this situation and expand now Greggs have low external

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		The candidate uses Business terminology quite well/style of writing is appropriate for the question/ reasonable to good spelling, punctuation and grammar	borrowings and they still have potential to raise the capital to expand The recession means that rents are lower and competitors are going out of business e.g. local bakeries hit by rising costs – this is a big opportunity
Level 4	17-30	<u>Threshold Level 4: 17-18 marks</u> One limited attempt to evaluate the decision of Greggs to expand <u>Low Level 4: 19-20 marks</u> Two attempts made to evaluate the decision of Greggs to expand <u>Mid Level 4: 21-24 marks</u> Candidates will make three or more evaluative points on Greggs' plans to expand <u>High Level 4: 25-30 marks</u> Balanced conclusions and/or recommendations based on sound analysis of the business situation and case study information. Candidate will make a clear conclusion on whether or not Greggs should expand in the context of Greggs MOPS. *Answer is clear, and the candidate makes good use of terminology and toolkit. Candidate uses business terminology fluently with good spelling, punctuation and grammar.*	Some of their expansion is into new markets (market development) which is outside their previous area of expertise – this could prove to be risky as for e.g. national and international coffee chains react to the perceived threat from Greggs Greggs may suffer from diseconomies of scale as they move further away from their roots in the North East of England – this may take the form of communication and management problems associated with the size of Greggs Greggs have been very successful recently in terms of profit levels (evidence B), but the large gap between GPM and NPM (61% vs. 9%) suggests that expenses are high - financially this may provide reasons not to expand The image of Greggs may suffer as more local bakeries are driven out of business by Greggs opening in their area and driving down prices. If the recession worsens the decision to open Moments may backfire as consumer spending on these services may decline as disposable income falls

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Assessment objectives

Question No.	Knowledge	Application	Analysis	Evaluatio	Total
1	2				2
2	2				2
3	1	1	2		4
4	1	1	2		4
5a	1	3			4
5b		2	2		4
6	2	2	2	4	10
7 (a)	3	4	7	6	20
7 (b)	4	3	9	14	30
Total	16	16	24	24	80
Total Required	16	16	24	24	80

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