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General Certificate of Education
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GCE Business Studies BUSS4

The Business Environment and Managing Change

Unit 4

Final

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Demonstrate knowledge and understanding of the specified content	Candidates give accurate definitions of relevant terms. Candidates can also gain credit for identifying a point relevant to the question.
AO2 Apply knowledge and understanding to problems and issues arising from both familiar and unfamiliar situations	Candidates should apply their knowledge to the business context in which the question is set, through recognition of some specific business aspect, the management of the business or the problems or issues faced by the business. Candidates will not be rewarded for simply dropping the company name or product category into their answer.
AO3 Analyse problems, issues and situations	Candidates use relevant business theory and select information from a range of sources, using appropriate methods, to analyse business problems and situations. For example, candidates may be asked to build up an argument that shows understanding of cause and effect.
AO4 Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources	Candidates evaluate evidence to reach reasoned judgements. This can be shown within an answer, through the weighting of an argument or It can also be shown within a conclusion, perhaps by weighing up the strength of the candidate's own arguments for and against a proposition. Candidates will not gain credit by the simple use of drilled phrases such as "On the other hand" or "Business operates in an ever-changing environment".
Quality of Written Communication	The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to: • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. • select and use a form and style of writing appropriate to purpose and complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate The assessment of the quality of written communication is included in **Assessment Objective 4**.

ADDITIONAL GUIDANCE FOR MARKING SCHEME

The marking scheme requires decisions to be made on whether candidates' responses represent limited, reasonable or good application and limited, reasonable or good analysis. If a response demonstrates good analysis and application, award Level 5, full marks. Alternatively, if a response does not contain any relevant knowledge then a mark of zero would be appropriate.

In making a decision about whether a particular response is good, reasonable or limited, use the following guidelines.

APPLICATION

This provides supporting evidence for relevant arguments presented, eg examples or data.

- **Good Application**. Evidence supporting the points being made; illustrates and exemplifies the points; may provide a comparison or contrast; demonstrates a good understanding of the context.
- **Limited Application**. This will commonly be descriptive; undeveloped, ie identifies examples but makes little use of them.

Section A

- Reasonable application **must** include research information.
- Good application **must** include information from **both** research and the Item.

ANALYSIS

This involves building/developing a relevant argument.

- **Good Analysis**. This builds an effective argument, eg a number of clear, well-made links/steps/connections.
- **Limited Analysis**. Points will have little development, eg only one stage in an argument is made.

A point to note is that lots of limited analysis does not equal reasonable analysis: lots of reasonable analysis does not make it good analysis.

EVALUATION

The driving force behind the award of evaluation marks is the strength of the relevant argument, eg in a given context for a given business. A candidate should make a judgement relative to another, eg the extent to which a change is an opportunity or a threat.

- **Good Judgement**. Is well supported, builds on the arguments made, pulls together arguments and has a clear answer to the specific question set.
- **Limited Judgement**. This maybe an assertion or opinion with little support.

As before, lots of limited judgements do not equal reasonable evaluation: lots of reasonable judgements do not make good evaluation.

Section A

- Reasonable evaluation **must** have evidence of research.
- Good evaluation **must** use **both** research **and** the Item.

The decision on the Quality of Written Communication should be used to adjust a mark within the level selected on the basis of the candidate's evaluation. For example, a candidate may have been awarded the lower mark in E3 for evaluation but the response may be particularly well structured with highly effective use of technical terms. In this case, the mark may be adjusted upward to the maximum for E3.

A well written answer without any evaluation can receive one mark for quality of language.

Section A

1 **Total for this question: 40 marks**

01	*With reference to the item above and your own research, to what extent do you think that the amount of profits earned by a business in a recession depends entirely on the industry in which it operates?*

Relevant answers might include the following:

Profits may be affected by sales and therefore how cyclical demand is; products which have a demand that is particularly sensitive to income may see a major fall in sales in a recession. In this situation, established firms may compete very fiercely to retain sales (eg price discounting) reducing profits further. Other industries may be counter cyclical or more recession proof.

However, may consider:

- the strategy of individual businesses, eg some may do well even if most are suffering in its industry due to success of cost cutting
- may depend on the ability of a business to react to the recession and adjust to new conditions; eg short-term profits may suffer but if it reacts appropriately, eg repositions itself within the industry, it may recover
- may depend on the range of products a business has and the range of markets it operates in, eg some of its markets may be growing
- could question the use of the term 'entirely' – must be a combination of internal and external factors
- may depend on external factors such as government policy and intervention
- within any industry there are likely to be winners and losers suggesting internal factors do matter
- good evaluation must relate to profits.

2 **Total for this question: 40 marks**

02	*With reference to the item above and your own research, to what extent can a recession improve relations between a business and its stakeholders?*

Relevant answers might include the following:

- for some businesses the recession may lead to growth and therefore more orders for suppliers, more jobs and more rewards for investors; stakeholders may benefit and relations may be positive.

However, in many other cases given this is a recession it:

- may lead to more pressure on suppliers to provide better deals, eg the business may demand lower prices
- may lead to job cuts or pay freezes affecting relations with employees
- may affect relations with shareholders if dividends and share prices are affected
- may affect relations with other stakeholders such as local and national government, community.

Overall, it will depend on:

- the short and long run impact of the recession on stakeholders
- the tactical and strategic reaction of the business to the recession
- on the culture and priorities of the business, eg its attitude to stakeholders and whether it values cooperation
- extent to which managers communicate the need for certain changes effectively and extent they are understood and accepted by employees and other stakeholders.

Good evaluation must focus on the relationship between business and its stakeholders rather than merely the impact on stakeholder groups.

Section A level descriptors

Level	Descriptor		Marks
L5	Application/analysis	Both good	**26–23**
L4	Application/analysis	1 good **and** 1 reasonable	**22–18**
L3	Application/analysis	Both reasonable **or** 1 good ***and*** 1 limited	**17–13**
L2	Application/analysis	1 reasonable **and** 1 limited	**12–8**
L1	Limited response	answer based primarily on knowledge	**7–1**

NB: Reasonable application must have evidence of research.

For Evaluation, you should award marks using the grid below.

Note: Evaluation also assesses candidates' quality of written communication. When deciding on the level to be awarded, consider the degree to which the candidate orders his/her ideas.

Level	Descriptor	Marks
E3	Good evaluation with evidence of research. Ideas are communicated using a coherent structure with consistent and appropriate use of technical terms. There are few errors in accepted conventions of written communication.	**14–11**
E2	Reasonable evaluation with evidence of research. Ideas are communicated using a logical structure with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communication.	**10–6**
E1	Limited evaluation. Ideas are communicated with some structure evident, with occasional use of appropriate technical terms. There are some errors in accepted conventions of written communication.	**5–1**

Section B – Essays

3 **Total for this question: 40 marks**

03 *Greater access to the internet has enabled buyers to search more easily for information about potential suppliers of goods and services. This has significantly affected many industries, such as insurance, banking, retailing and travel. To what extent do you think that increased internet usage inevitably reduces producers' profits? Justify your answer with reference to organisations and/or industries that you know.*

Relevant answers might include the following:

- may increase buyer power and enable buyers to push prices down; buyers will be able to compare offerings more easily and, therefore, bargain more forcefully; easier for buyers to identify alternatives and switch to rivals
- businesses can monitor each other's actions more easily and may become more competitive with each other bringing down profit margins.

However:

- the internet creates new markets/new ways of reaching buyers and new profit potential
- businesses can themselves search for better deals from their suppliers bringing down costs
- may put pressure on businesses to be more efficient but if they can do this they may be able to maintain profits
- the internet may also enable customers to find new businesses and therefore increase the sales of these businesses
- the internet enables direct access to the market reducing distribution costs.

Overall:

- can question the use of the word "inevitably"
- may affect some industries more than others, eg those where it is easy to compare online and where buyers are willing to purchase online
- will depend on the unique reaction and position of each business
- may depend on relative bargaining powers, eg if buyers push down the price of holidays with the travel companies will they be able to push down the price of hotels?
- creates opportunities as well as potentially creating a threat
- good evaluation must relate to profits.

4 **Total for this question: 40 marks**

04 *Future demographic change in the UK will include growth in the overall population and a further increase in the proportion of the population aged over 55. To what extent does demographic change in the UK represent more of an opportunity than a threat to UK businesses? Justify your answer with reference to organisations and/or industries that you know.*

Relevant answers might include the following:

- some businesses may experience change in demand as a result of the ageing population as this may alter demand patterns; although a growing population may increase it
- may create marketing opportunities as market demands change; if businesses can adapt/develop their marketing strategies and tactics this may create sales opportunities
- the ageing population may mean businesses need to review workforce plans
- an ageing population may incur greater pension costs or put pressure on businesses to review their pension arrangements; also to finance healthcare and pensions the government may have to increase taxes and this may place a burden on businesses
- managers may have to consider their style and remuneration schemes for an older workforce; generally there will be HR issues
- growth of the population clearly creates opportunities although these also depend on other factors such as real income per person.

Overall:

- the ageing population changes have been known about for a long time giving plenty of opportunity for businesses to prepare for them; with planning, managers might be expected to minimise the damage or create opportunities
- will depend on the nature of the business, eg care homes v children's toys
- depends on which demographic change
- whether change is an opportunity or threat depends on whether management prepares for it, eg some businesses have already welcomed an older workforce
- good evaluation will judge the balance of opportunities relative to threats.

5 **Total for this question: 40 marks**

05 *Richard Branson set up the first Virgin music store in 1971 and is well known for his entrepreneurial approach. The Virgin group now includes many different organisations, such as an airline, a train company and a mobile phone business. To what extent will the performance of a business such as Virgin inevitably decline after the retirement of its founder? Justify your answer with reference to Virgin and/or other organisations that you know.*

Relevant answers might include the following:

- you may lose a figurehead, a visionary, someone who can bring about change, someone who has experience and a proven track record; in Branson's case you lose someone who generates a lot of publicity and is closely linked to the brand
- without such a person there may be infighting, power battles and squabbles over succession.

Depends on:

- whether the previous culture remains without the founder; how deeply embedded is it and how suitable is it without the founder there?
- if it was a power culture heavily dependent on the founder and therefore not developing strengths elsewhere in the business or had there been extensive delegation and building of clear channels of decision making
- how independent the different units were already and how active a role the founder played; if they were operating independently the retirement may not be particularly significant
- what circumstances exist and whether the organisation is ready for new challenges
- what integrating mechanisms exist such as a mission statement, budgeting systems and corporate plans to pull the business together
- who takes over and whether this had been planned and prepared for
- retirement suggests it may have been planned for and expected – was it?
- probably want to question the use of the word "inevitably", many businesses have prospered after their founder has retired
- good evaluation must be in the context of the performance of the business after founder leaves.

Section B level descriptors - Essays

Level	Descriptor		Marks
L5	Application/analysis	Both good	**26–23**
L4	Application/analysis	1 good **and** 1 reasonable	**22–18**
L3	Application/analysis	Both reasonable **or** 1 good ***and*** 1 limited	**17–13**
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