



GCE

Business

Unit **H031/02**: The wider business environment

Advanced Subsidiary GCE

Mark Scheme for June 2018

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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

BP	Blank page
	Tick
	Cross
NAQ	Not answered question
OFR	Own Figure Rule
BOD	Benefit of Doubt
REP	Repeat
SEEN	Noted but no credit given
TV	Too vague
	Unclear
K	Knowledge
APP	Application of knowledge and understanding
AN	Analysis
E	Evaluation
EE	Effective evaluation

	Answer	Marks	Guidance
1	<p>Explain what is meant by the term ‘quality assurance’.</p> <p>Two marks for a clear explanation of quality assurance (quality checks during the process or as an overall culture)</p> <p>One mark for a limited explanation (most likely to be about quality control)</p> <p>No marks if the answer ONLY refers to quality checking at the end of the process or keeping quality at a ‘good’ level</p>	<p>2 (AO1 2)</p>	<p><u>Exemplar responses:</u></p> <p>Quality assurance is about making every part of the production process fit for purpose (2).</p> <p>It refers to a process whereby quality is a part of all aspects of the production process rather than just a quality check at the end (2).</p> <p>Quality assurance is about preventing products from reaching the end of the production process with defects (2).</p> <p style="text-align: right;">ARA</p>
2	<p>Using the stock control chart, identify:</p> <ul style="list-style-type: none"> • the reorder quantity • the buffer stock level <p>Up to two marks</p>	<p>2 (AO2 2)</p>	<p>The reorder quantity = 75 (1)</p> <p>The buffer stock level = 25 (1)</p>
3	<p>Explain how a business might use McClelland’s motivation theory.</p> <p>Two marks for an explanation of how a business might use McClelland’s motivation theory</p> <p>One mark for knowledge of McClelland’s motivation theory – some (implicit) reference to one of the ‘three needs’ of employees is necessary</p> <p>No marks for general answers about how it helps to find ways to motivate workers</p>	<p>2 (AO1 2)</p>	<p><u>Indicative content:</u></p> <p>McClelland’s motivation theory focusses on the needs of people</p> <p>McClelland’s three need theory of motivation:</p> <ul style="list-style-type: none"> • need for achievement • need for affiliation • need for power <p><u>Exemplar response:</u></p> <p>A business might use McClelland’s theory to find out if employees like affiliation or power (1) and then adapt the job to suit these needs (1)</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
4	<p>Explain one difference between internal and external sources of finance.</p> <p>Two marks for a clear explanation of a difference between internal and external sources of finance</p> <p>One mark for knowledge of internal or external sources of finance</p> <p>Do not accept references to inside or outside the business – although the examples can be marked if correct</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • external sources of finance require a third party (1) whereas internal sources come from within the business (1) • external sources of finance will often charge interest (1) whereas internal sources do not charge a fee (1) • internal sources of finance may be less risky to use (1) than external sources because external sources are usually debt funded (1) • external sources of finance are likely to require a credit check because they are debt funded (1) whereas internal sources are usually equity funded (1). <p>Do not accept ‘whereas ... do not’ for the second mark unless a reason is clearly stated</p> <p style="text-align: right;">ARA</p>
5	<p>Explain two ways a business might act in a sustainable manner.</p> <p>A maximum of two marks for each of two explanations</p> <p>Two marks for each explanation of how a business may act in a sustainable manner</p> <p>One mark for each identification of how a business may act in a sustainable manner</p> <p>No reward for an answer which says ‘to act ethically’ unless there is an example of how this may be done & how it is sustainable</p> <p>Make sure that the two ways are different</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • By producing in an environmentally responsible way • By using renewable resources • By reducing energy usage • By reducing packaging • By reducing transportation of goods • By managing their supply chain more efficiently • By reducing paperwork • By using lean production/lower stock levels • By acting on an environmental audit • By using more Fairtrade items <p>Exemplar response:</p> <p>A business could start using electric vans to transport products (1) which would reduce the businesses use of non-renewable fuel (1)</p> <p style="text-align: right;">ARA</p>

Answer		Marks	Guidance
6	<p>Explain two reasons why setting SMART objectives may be important for a business.</p> <p>One mark for each correct identification of a reason why setting SMART objectives may be important to a business, up to a maximum of two marks.</p> <p>One further mark for each correct explanation of a reason why setting SMART objectives may be important to a business, up to a maximum of two marks.</p> <p>Answers may relate each answer to one of the 5 components or be more general.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • more likely to succeed (1) – because it is specific (1) • can be monitored (1) – because it is measurable (1) • more likely to happen (1) – because it is achievable (1) • takes into account the resources of the business (1) – because it is realistic/resourced (1) • be finished within a deadline (1) – because it is time based (1) <p style="text-align: right;">ARA</p> <p>An answer which says that it helps to motivate workers can only be rewarded if it is clearly linked to one or more aspects of SMART</p>
7	<p>a Complete the income statement by filling in the two unshaded boxes.</p> <p>One mark for each correct answer</p>	<p>2 (AO2 2)</p>	<p>Gross profit = £175 (£175 000) (1)</p> <p>Retained profit = £5 (£5 000) (1)</p>
7	<p>b Using the income statement, calculate the net profit margin for the year ended 31 January 2018.</p> <p>Two marks for the correct answer (with or without working).</p> <p>One mark for an answer of the wrong magnitude or the wrong units</p> <p>Award one mark for answers which use PBT or Profit for Year (<u>as long as the working is shown</u>). These give answers of 20% & 15%</p>	<p>2 (AO2 2)</p>	<p>Net profit margin = $\frac{\text{Profit before interest and tax}}{\text{Revenue}} \times 100$</p> <p>$\frac{80}{300} \times 100$</p> <p>= <u>26.67%</u> (Allow 27%, 26.6% or 26.7%)</p> <p>Allow an answer which uses Operating profit</p> <p>$\frac{100}{300} \times 100$</p> <p>= <u>33.3%</u> (Allow 33%)</p> <p style="text-align: right;">OFR</p>

		Answer	Marks	Guidance
8	a	<p>Calculate the rate of labour turnover for Bombardier in 2015.</p> <p>Two marks for the correct answer (with or without working).</p> <p>One mark for use of the correct figures.</p>	<p>2 (AO2 2)</p>	<p>Rate of labour turnover = $\frac{\text{No. of employees leaving}}{\text{Total number of employees}} \times 100$</p> <p>= $\frac{6183}{62863} \times 100$</p> <p>= <u>9.8(%)</u></p> <p>Accept any appropriate degree of accuracy</p> <p style="text-align: right;">OFR</p>
8	b	<p>Explain two ways Bombardier's managers could use the labour turnover data.</p> <p>One mark for each correct identification of a way up to a maximum of two identifications, plus a further one mark for each of two explanations <u>in context</u>.</p> <p>Make sure that the answer is about the specific use of labour turnover data rather than generally about how to motivate/recruit or retain staff</p> <p>No reward for answers which refer to data which is not labour turnover data (e.g. age or gender distribution)</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • To plan the workforce (1) – Bombardier lose almost 10% of their workforce and the lost skills will need to be replaced (1) • To avoid production issues (1) – with over 6000 workers leaving each year, Bombardier must make sure that production is not halted due to a lack of employees (1) • To enable the business to reach its objectives (1) – Bombardier want to bid for HS2 and it may not be possible without a complete workforce (1) • To identify HRM issues which need to be addressed (1) – 9.8% labour turnover may suggest that Bombardier has motivation/retention issues (1) • To budget effectively (1) – Bombardier need to know how much money to budget for recruitment since 6183 workers left in 2015 this could be a lot of money (1). • To decide on future investment (1) – Bombardier may choose to invest in capital to enable future production of trains and avoid problems of high labour turnover (1) • To enable the business to keep costs low (1) – labour turnover of almost 10% will increase costs of recruitment and training (1) • To enable the business to meet contracts (1) – Bombardier is responsible for 60% of trains in the UK and with 3500 employees they are likely to play a large part in the production process (1) <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
9	<p>Explain one difference between a customer and a consumer.</p> <p>Two marks for a clear explanation of a difference between a consumer and a customer.</p> <p>One mark for knowledge of consumers or customers.</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • A consumer is the end user of a product (1) whereas a customer may not be (1) • A customer purchases a product or service (1) whereas a consumer uses the product or service (1) • A business may be the customer of a raw material (1) but their customers will be the consumers (1) • A customer pays for a product or service (1) whereas the consumer may not have paid for it (1) <p>No context is required</p> <p style="text-align: right;">ARA</p>
10*	<p>Discuss the extent to which price will be the most important element of the marketing mix in Bombardier Transportation's bid for the contract.</p> <p>Level 4 (10–12) Candidate shows strong knowledge and understanding, analysis and evaluation of the extent to which price will be the most important element of the marketing mix in Bombardier's bid for the HS2 contract.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (7–9) Candidate shows good knowledge and understanding, analysis and evaluation of the extent to which price will be the most important element of the marketing mix in Bombardier's bid for the HS2 contract.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p>	<p>12 (AO1 2) (AO2 2) (AO3 4) (AO4 4)</p>	<p>Context that could be utilised from the case includes:</p> <ul style="list-style-type: none"> • UK taxpayer is paying for HS2 – which suggests that the lowest bid may be chosen and the importance of price. • The government is asking for 'bids' –this suggests that the lowest priced bid will be successful. • If Bombardier does not have the lowest priced bid then they are unlikely to be awarded the contract • Bombardier is the world's leading manufacturer – could suggest product quality is more important • Bombardier has a large product portfolio – could be important in such a diverse and large project as HS2 • Bombardier already has around 60% of the UK market – suggests that their products are important • Technological advancement is obviously important in the market • Providing a world class passenger experience is at the heart of the requirements for companies interested in bidding for the £2.75 billion contract – suggests that price is not as important as product quality • 60 high specification trains are required • Bombardier has an 'excellent reputation' • Will the UK government be persuaded to use a UK manufacturer to support the economy, even if the price is higher?

	Answer	Marks	Guidance
	<p>Level 2 (4–6) Candidate shows reasonable knowledge and understanding, analysis and evaluation of the extent to which price will be the most important element of the marketing mix in Bombardier’s bid for the HS2 contract.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–3) Candidate shows limited knowledge and understanding of the marketing mix with limited or no analysis and evaluation of the extent to which price will be the most important element in Bombardier’s bid for the HS2 contract.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks - no response or no response worthy of credit.</p>		<p>Responses could include: Price is likely to be an important element of the marketing mix because the government is asking for the bids to design, build and maintain a fleet of trains for HS2. If the government was not interested in price they may just choose the most qualified business to fulfil the contract. If Bombardier does not have a competitive price, the business is unlikely to gain the contract which is worth £2.75bn and would significantly improve the revenue of Bombardier.</p> <p>Also, the UK taxpayer is paying at least £55bn for HS2 so it is the responsibility of the government to keep the cost of the project down so that public money is not wasted. This means that Bombardier needs to keep its price competitive (or the lowest) so that it can gain the contract and improve the profit of the business. However, the government has made it clear that quality is the most important aspect of the project and with lives at risk from poorly built trains, it could be argued that the product is likely to be the most important aspect. Without a quality and well-built product, Bombardier are unlikely to gain the contract and will lose out on a potential £2.75bn revenue.</p> <p>This is an industrial market, so promotion is unlikely to be important in the process, however if the media gets behind Bombardier and puts pressure on the UK government then it may persuade the government to give Bombardier the contract.</p> <p>Also, an industrial market to supply the government is unlikely to rely on channels of distribution but Bombardier’s proximity to HS2 is likely to mean that the business costs may be lower and/or Bombardier may be more likely to be able to deliver on time.</p> <p>Price is an important part of the marketing mix for the HS2 contract, but it is unlikely to be as important as product quality and reputation. With lives at risk from poorly built trains, Bombardier should focus on offering quality in their bid rather than making it as ‘cheap’ as possible.</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
11*	<p>Evaluate the opportunities and threats to the stakeholders of Bombardier Transportation of changes in technology.</p> <p>Level 4 (16–20) Candidate shows strong knowledge, understanding, analysis and evaluation of the opportunities and threats to the stakeholders of Bombardier Transportation of changes in technology.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (11–15) Candidate shows good knowledge and understanding, analysis and evaluation of the opportunities and threats to the stakeholders of Bombardier Transportation of changes in technology.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p>Level 2 (6–10) Candidate shows reasonable knowledge and understanding, analysis and evaluation of the opportunities and threats to the stakeholders of Bombardier Transportation of changes in technology.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>Context that could be utilised from the case includes:</p> <ul style="list-style-type: none"> • Large portfolio of products (including trains, rail equipment, jet aircraft and aerospace equipment) all of which involve technology and changes to the technology used in their manufacturing process and the end product. • 3500 employees in 31 locations in the UK • Bombardier’s Derby site has produced a significant proportion of the UK’s latest technology for both mainline train operations and London Underground • Bombardier has built, or is in the process of building, around 60% of the UK’s new trains. The company maintains around a third of the UK fleet of trains. • Bombardier is the only UK company that both designs and manufactures trains. • The driverless INNOVIA system – used by Heathrow and Gatwick - improved safety, high reliability, efficient energy usage and the ability to have a train running every 60 seconds. Easily adjusted to accommodate the changing traffic demands at peak times, weekends or for special events resulting in shorter waiting times for passengers and maximum use of assets for owners. • HS2 requires a company to build and maintain a fleet of state-of-the-art high-speed trains - £2.75bn contract. Up to 60 high specification trains to transport passengers at around 225mph on Britain’s new high-speed rail service are needed. • Nature of transportation has inherent risks. <p>Responses could include:</p> <p>Owners – opportunities to increase revenue by developing new and innovative products like the INNOVIA. May also be a part of the HS2 bid which could add significantly to the revenue and longevity of Bombardier.</p>

	Answer	Marks	Guidance
	<p>Level 1 (1–5) Candidate shows limited knowledge and understanding of opportunities and threats of changes in technology with limited or no analysis and evaluation of these to the stakeholders of Bombardier Transportation.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>NB – award maximum of two marks for non-contextualised impacts.</p> <p>0 marks - no response or no response worthy of credit.</p>		<p>Customers – ability to deliver quicker, more efficient services and gain more passengers, increasing the revenue and profits for the firms, such as Heathrow and Gatwick.</p> <p>Consumers – better and quicker travel. Less waiting time for travel. Does new technology add to the price of travel? Do consumers care about the technology? Would consumers prefer trains and planes to be more labour intensive (i.e. no driverless trains)?</p> <p>UK government – as a customer and also with an interest in the health and safety of travel. Ongoing maintenance costs of UK fleet and cost implications of new stock and HS2 project.</p> <p>Employees – technology could increase the number of contracts that Bombardier gains (such as HS2 or INNOVIA systems) which could make employees more job secure and may give rise to promotions and increased training opportunities. However, increased use of technology in the production process could lead to more capital intensive production and increase redundancy at Bombardier.</p> <p>Environmental pressure groups – may see increases in technology that allow HS2 to be created so ruining the environment. However, increased use of public transport might also reduce the use of cars which may have a beneficial effect on the environment.</p> <p>Suppliers – may see an opportunity to increase revenue if Bombardier gain more contracts due to their increased use of technology. However, the suppliers may lose the business if they do not keep up with the changing needs of Bombardier.</p> <p style="text-align: right;">ARA</p>

APPENDIX 1 – GRID FOR 2018 EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
Section A						
1	2	-	-	-	2	
2	-	2 (2)	-	-	2	2
3	2	-	-	-	2	
4	2	-	-	-	2	
5	2	2	-	-	4	
6	2	2	-	-	4	
7a	-	2 (2)	-	-	2	2
7b	-	2 (2)	-	-	2	2
Sub-Total	10	10			20	6
Section B						
8a	-	2 (2)			2	2
8b	2	2	-	-	4	
9	2	-	-	-	2	
10	2	2	4	4	12	
11	2	2	8	8	20	
Sub-Total	8	8	12	12	40	2
Total	18	18	12	12	60	8

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