



GCE

New Business

H031/01: The local business environment

Advanced Subsidiary GCE

Mark Scheme for June 2019

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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

	Blank page
	Tick
	Cross
	Highlighting tool
	Not answered question
	Own Figure Rule
	Benefit of Doubt
	Repeat
	Noted but no credit given
	Too vague/No use of context
	Unclear
	Knowledge
	Application of knowledge and understanding
	Analysis
	Developed Analysis
	Evaluation
	Effective evaluation

EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

[Questions 1-15 should ONLY be annotated with ticks, crosses or NAQ. Questions 16, 17, 18, 19, 20(b) & 21 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 20(a) & 22.]

IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.

Subject-specific Marking Instructions

INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
Strong		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
Good	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:

A INDIVIDUAL ANSWERS

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve high band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

B TOTAL MARKS

- 1 The maximum mark for the paper is **60**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

SECTION A				
Question	Answer	Marks	AO	Rationale
1	A	1	1	<p>(a) Correct answer: division of labour is not a form of employee participation. It refers to the breaking down of the production process into discrete tasks, thus allowing specialisation.</p> <p>(b) Industrial democracy involves employees in making decisions and sharing responsibility in the workplace.</p> <p>(c) Many quality control methods such as TQM, Kaizen, Quality circles involve active employee participation.</p> <p>(d) Work councils are formal meetings between managers and employees to discuss working conditions and practices.</p>
2	D	1	1	<p>(a) Mass marketing, rather than niche marketing, attempts to reach the entire market.</p> <p>(b) Candidate confuses niche marketing with price discrimination.</p> <p>(c) Candidate believes niche marketing cannot be used to market products.</p> <p>(d) Correct answer: niche marketing targets a clear and identifiable segment of the market.</p>
3	D	1	2	<p>(a) Candidate confuses how to calculate added value with how to calculate VAT (Value Added Tax).</p> <p>(b) This would give average total cost per pizza, not added value.</p> <p>(c) This would give the maximum potential revenue (assuming all pizzas made were sold).</p> <p>(d) Correct answer: Added value is calculated by deducting direct costs from selling price.</p>
4	A	1	2	<p>(a) Correct answer: Operating profit = Revenue – Cost of sales – Expenses. Thus £16.2 million - £6.9 million - £4.1 million = £5.2 million.</p> <p>(b) Candidate confuses operating profit with gross profit.</p> <p>(c) Candidate calculates total costs (cost of sales + expenses).</p> <p>(d) Candidate ignores cost of sales, deducting expenses from revenue.</p>
5	C	1	2	<p>(a) A departmental objective would affect only one functional area.</p> <p>(b) An operational objective would include specific day-to-day targets.</p> <p>(c) Correct answer: This is a strategic objective as it is a long term aim which is likely to have an impact on the business as a whole.</p> <p>(d) A tactical objective translates a strategic objective into short term goals.</p>

SECTION A				
Question	Answer	Marks	AO	Rationale
6	C	1	1	<p>(a) A job description, detailing the nature of the job, will still be required.</p> <p>(b) Candidate confuses external recruitment with internal recruitment. Internal recruits are unlikely to need any induction training because they already work for the business.</p> <p>(c) Correct answer: unlike internal recruitment where only employees of the business can apply, external recruitment opens up applications to the general public.</p> <p>(d) There is no guarantee that any recruitment process will be efficient. In comparison with internal recruitment the process is likely to be slower rather than faster.</p>
7	B	1	2	<p>(a) Candidate chooses the factory with the greatest number of employees.</p> <p>(b) Correct answer: $800/150 = 5.33$ helicopters per employee per annum.</p> <p>(c) Candidate believes that the highest result (10 helicopters per employee per annum) is the lowest productivity.</p> <p>(d) Candidate chooses the factory with the greatest output.</p>
8	D	1	2	<p>(a) A problem child would require a low market share.</p> <p>(b) A dog would require a low market share.</p> <p>(c) A problem child and a dog would both require a low market share.</p> <p>(d) Correct answer: 70% must equal a high market share, but 8% growth could be high or low.</p>
9	B	1	1	<p>(a) Strong branding would act as a barrier to entry.</p> <p>(b) Correct answer: A significant cost which cannot be recovered may mean that a firm cannot afford to exit the market.</p> <p>(c) Tariffs and quotas would stop a foreign firm entering a market.</p> <p>(d) Trade restrictions would act as a barrier to entry.</p>
10	C	1	2	<p>(a) Candidate confuses return on equity with return on capital employed, thus including non-current liabilities in the calculation.</p> <p>(b) Candidate divides profit by non-current liabilities.</p> <p>(c) Correct answer: Return on equity = Profit for the year/shareholders' equity = $\frac{£20,000}{£110,000} \times 100 = 18.2\%$.</p> <p>(d) Candidate divides ordinary share capital by non-current liabilities.</p>
11	D	1	1	<p>(a) Rising interest rates will make bank loans more expensive.</p> <p>(b) Rising interest rates encourage, rather than reduce, saving.</p> <p>(c) Rising interest rates discourage investment because the cost of borrowing rises.</p> <p>(d) Correct answer: rising interest rates make mortgages more expensive, reducing disposable income.</p>

SECTION A				
Question	Answer	Marks	AO	Rationale
12	B	1	2	(a) Candidate multiplies 900 by 30 (rather than 30%). (b) Correct answer: $200 \times 30/100 \times 900 = \text{£}54,000$. (c) Candidate misunderstands labour turnover and calculates the cost of 70% (100% – 30%) of the workforce leaving. (d) Candidate calculates the cost for all staff (rather than just for new staff).
13	C	1	2	(a) The museum is operated by the local government and is, therefore, a public sector organisation. However, it does not manufacture a product so is not a secondary organisation. (b) The museum is neither a charity organisation or a manufacturer. (c) Correct answer: the museum is a public sector organisation which provides a service. (d) The museum is a tertiary organisation but is not in the voluntary sector.
14	C	1	1	(a) A new competitor is an external cause of uncertainty because it is out of the firm's control. (b) A new law is made by the legislature and is, therefore, an external cause of uncertainty. (c) Correct answer: a change of ownership is an internal cause of uncertainty for a firm. (d) A new tax would be introduced by the government and is, therefore, an external cause of uncertainty.
15	C	1	1	(a) Inflation is an economic factor. (b) Changing patterns of employment is a social factor. (c) Correct answer: a decision made by a government is a political factor. (d) This is a social/technological factor.

SECTION B			
Question	Answer	Marks	Guidance
16	<p>Identify two sources of finance which Siemens may have used when building the new factory in Hull.</p> <p>One mark for a correct identification.</p>	<p>2 (AO2 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • additional share capital • government/EU funding/grants • retained profits • reserves • venture capital • bank loans • debentures • mortgage • sale of (non-current) assets <p>Do not award 'investors' or 'money from other businesses' (TV). Do not award 'overdraft' or 'credit card' as these are not appropriate for a £310m long term investment.</p> <p>Response must be relevant to the sources of finance that a plc would use for the building of a factory.</p> <p style="text-align: right;">ARA</p>
17	<p>Identify one possible problem caused by Siemens choosing to install the latest technology in the new factory.</p> <p>One mark for a correct identification.</p>	<p>1 (AO2 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • increased costs/expensive • more training needed • lack of technical knowledge/expertise • increased maintenance/upgrade costs • increased chances of breakdowns • untested/unreliable technology • unfamiliar/difficult to use the technology <p>Response must be relevant to Siemens' installation of the latest technology.</p> <p style="text-align: right;">ARA</p>

SECTION B			
Question	Answer	Marks	Guidance
18	<p>Explain two benefits to a business of using lean production methods.</p> <p>One mark for each correct identification up to a maximum of two identifications, plus one mark for each of two explanations.</p>	<p>4 (AO1 4)</p>	<p>Lean productions techniques include):</p> <ul style="list-style-type: none"> • minimising waste/wastage • shortening lead time • just in time stock control/lowering stock levels • just in time manufacturing • Jidoka • Kaizen • Total Quality Management (TQM) • quality circles • attention to ergonomics • cell production • time-based competition <p>Benefits include:</p> <ul style="list-style-type: none"> • greater productivity/productive efficiency • improved quality • reduced errors • lower costs • fewer employees may be required • waste should be minimised – materials and/or time • less space needed <p>Knowledge of lean production required to award marks. Benefits must relate directly to lean production.</p> <p>Exemplar response: Adopting lean principles such as just-in-time inventory control (1) means that a business needs less storage space (1).</p> <p>'Efficient/efficiency' (TV).</p> <p>No context required.</p> <p style="text-align: right;">ARA</p>

SECTION B			
Question	Answer	Marks	Guidance
19	<p>Calculate the percentage change in employment levels in Hull from June 2016 to June 2017.</p> <p>Up to 2 marks.</p> <p>Award full marks for the correct answer (with or without workings).</p> <p>Else: max one mark for calculating the correct change in workers i.e. 4000. Or max one for correct numerical answer in the negative.</p>	<p>2 (AO2 2)</p>	<p>117 500 - 113 500 = 4000</p> <p>$\frac{4000}{113\,500} \times 100 = \underline{\underline{3.52\% \text{ or } 3.5\%}}$</p> <p>Accept 4% only if full working is shown</p> <p>Percentage sign not required.</p>
20*	(a) <p>Evaluate the effectiveness of the selection methods used by Siemens when recruiting the workforce for the Hull factory.</p> <p>Level 4 (10–12) Candidate shows strong knowledge and understanding, analysis and evaluation of the usefulness of specific selection methods. <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 usefulness of specific selection methods. <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>Candidates could consider:</p> <ul style="list-style-type: none"> • a face-to-face interview makes it easier than, say, a Skype interview to gauge how well a candidate will fit with the team or culture of the business • it is difficult to assess practical skills via an interview only • good practical skills are vital to the production job roles • physical tests will show whether candidates can carry out the role • questionnaires will help to judge whether the candidate will fit into the organisation • taking part in a group task will help to show whether the candidate is a team player • Siemens recognises that candidates must relax if they are to do themselves justice in the selection process <p>Indicative content:</p> <p>Using selection tests and tasks as well as an interview should help Siemens to judge which candidates have the skills and ability to carry out the job role as well as which candidates will work well</p>

		<p>Level 2 (4–6) Candidate shows reasonable knowledge and understanding, analysis and evaluation of the usefulness of specific selection methods. <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 selection methods with limited or no analysis and evaluation of the usefulness of the methods used by Siemens when recruiting the workforce for the new factory. <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 a non-contextualised response.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>as part of a team. For example, taking part in a group task should not only show who works well as part of a team, but also who will try to take the lead and who is willing to accept instructions. Depending on the role these traits could be significant in who the role would suit the best.</p> <p>Similarly, practical tasks for production operatives will give a good indication as to which candidates have the relevant skills to perform the job well. It would be beneficial to Siemens if time and money didn't need to be spent on training new employees as this means that employees could be productive from day one. Practical tests can assess this ability rather than relying on the information included in an application form and the answers which are given during an interview. If Siemens found out on the first day that a candidate had exaggerated their skills and ability then productivity would be affected and the recruitment process may have to start again. Therefore, the use of practical tests should save both time and money and improve productivity.</p> <p>A face to face interview should give interviewers a good idea about the communication skills of the interviewees, how well they perform under pressure and how well they have prepared. Each of these will help Siemens to judge who is the most suitable for the role. For example, if interviewees can answer questions about Siemens as a business then they have taken the time to prepare for the interview. If a candidate has not taken the time to prepare then this gives Siemens an indication that they may not be motivated or dedicated to the role if it were offered to them.</p> <p>It is important that Siemens recognises that some candidates do not perform well under pressure and therefore the interview and any practical tests may not be a true reflection of their ability. In a senior role this would be useful information to have but for the role of a production operative where the candidate is unlikely to be working in a highly pressurised environment then the usefulness of the selection process could be questioned.</p>
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				<p>Siemens does, however, recognise that this may be an issue as they recommend that candidates try to relax and to be themselves. The usefulness of the process depends on whether they can ascertain which candidates are performing to the best of their ability and which are succumbing to the pressure of the situation.</p> <p>NB The question is solely about selection methods, do not award recruitment methods.</p> <p style="text-align: right;">ARA</p>
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20	(b)	<p>Explain one benefit to Siemens of offering a 'competitive reward package' (Line 42) for employees at the Hull factory.</p> <p>Up to two marks for an explanation.</p> <p>Award maximum of one mark if there is no context.</p>	<p>2 (AO1 1) (AO2 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • attracts skilled and/or experienced employees • motivates staff • improves employee engagement • employees work harder • increase in applications/wider pool • improved retention • greater efficiency/productivity • reduced labour turnover <p>Award: Two marks for a contextual explanation. One mark for a non-contextual explanation.</p> <p>Exemplar responses:</p> <p>Providing a competitive reward package will help Siemens to attract skilled employees to move from other businesses, potentially improving the quality of the wind turbines it produces (2).</p> <p>Skilled employees are likely to be attracted to Siemens (1).</p> <p>Do not award 'more employees' but do reward 'more applicants'.</p> <p>Do not award 'higher morale' as this is a benefit to the employee rather than to the business.</p> <p>Response must be in context for full marks.</p> <p style="text-align: right;">ARA</p>
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21		<p>Explain what is meant by the term ‘market share’.</p> <p>Up to two marks for an explanation.</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • a measure of a business’/product’s control/hold/how much it has/sells/supplies of the entire market • measured as a proportion/percentage/ratio/fraction • by sales value or sales volume <p>Do not award measures ‘share’ of market (TV). Do not award ‘owns’ (TV). Do not award examples.</p> <p>Exemplar response:</p> <p>The percentage of a market (1) controlled by a business for a specific product or service (1).</p> <p>No context required.</p> <p>ARA</p>
22*		<p>Businesses use investment appraisal techniques to help make decisions. Evaluate how useful these techniques may have been for Siemens when deciding to build the factory in Hull.</p> <p>Level 4 (16–20) Candidate shows strong knowledge, understanding, analysis and evaluation of the usefulness of investment appraisal techniques when making investment decisions. <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 usefulness of investment appraisal techniques when making investment decisions.</p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>Indicative content:</p> <p>Reasons for relying/not relying on investment appraisal techniques:</p> <ul style="list-style-type: none"> • advantages and disadvantages of accounting rate of return (ARR) • advantages and disadvantages of payback • advantages and disadvantages of net present value (NPV) • reliability of data used in the decision-making process/investment appraisal calculations <p>Other factors which may be more important:</p> <ul style="list-style-type: none"> • level of risk involved e.g. do they have orders/customers for the new factory? • availability of skilled and experienced staff <ul style="list-style-type: none"> - can they encourage potential employees to relocate? - availability of local applicants (wind energy college)

		<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 usefulness of investment appraisal techniques when making investment decisions. <i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1–5) Candidate shows limited knowledge and understanding of the usefulness of investment appraisal techniques when making investment decisions. with limited or no analysis and evaluation of these methods. <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 a non-contextualised response.</p> <p>0 marks no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> • demand for wind turbines • government policy towards renewable energy sources • do they have the support of the local council? • is the infrastructure in place to transport the finished product?
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