



GCE

New Business

H031/02: The wider business environment

Advanced Subsidiary GCE

Mark Scheme for June 2019

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It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

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 to 10 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 11 & 12.]

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

Answer		Marks	Guidance
1	<p>State two measures of the size of a business.</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Make sure that the two measures are different</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Revenue/Turnover/Output/Sales • Number of factories/stores/outlets/branches • Stock market value (capitalisation) • Profit • Space used (i.e. m²) • Capital employed • Number of employees <p>Do NOT allow 'market share'.</p> <p style="text-align: right;">ARA</p>
2	<p>Explain, using an example, what is meant by the term 'above the line promotion'.</p> <p>Two marks for an accurate definition <u>and</u> an example.</p> <p>One mark for <u>either</u> an answer which includes a clear definition or an example.</p> <p>NB: Any example must be of an external, independent media. If the internet/website is used it must be clear that this is NOT the business' own website.</p>	<p>2 (AO1 2)</p>	<p><u>Exemplar responses</u></p> <p>Above the line promotion is through the use of external media (1) such as television advertising (1).</p> <p>Above the line is promotion where a business pays another business to promote a product or service (1) such as newspaper advertising (1).</p> <p>Accept references to 'mass marketing' as an explanation of the term</p> <p style="text-align: right;">ARA</p>
3	<p>Using the data in Table 1, calculate the business' net assets.</p> <p>Two marks for correct answer (with or without working).</p> <p>One mark for an answer which attempts to make the correct operations (i.e. add the first 2 numbers and subtract the second 2 numbers) but makes a mathematical mistake doing so.</p>	<p>2 (AO2 2)</p>	<p>$£550\,000 + £250\,000 - £100\,000 - £200\,000$</p> <p>$= £500\,000$</p> <p>Answer = <u>£500 000</u></p>

Answer		Marks	Guidance
4	<p>Explain one advantage and one disadvantage for a business of its managers using an autocratic leadership style.</p> <p>One mark for a correct identification of an advantage, plus one mark for an explanation.</p> <p>One mark for a correct identification of a disadvantage, plus one mark for an explanation.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Advantages:</p> <ul style="list-style-type: none"> • Quick decision making • Close supervision/work done correctly • Full control • Good for inexperienced workers • Less training needed <p>Disadvantages:</p> <ul style="list-style-type: none"> • Demotivating • Lack of creativity/ideas or input from workers • Dependence on leader • Bad for experienced workers <p>Exemplar responses One potential benefit of autocratic leadership is that decisions can be made quickly (1) because one leader makes the decisions there is no time needed for discussion (1).</p> <p>A potential disadvantage is that it may demotivate workers (1) because they feel that they may have no control over decision making (1).</p> <p style="text-align: right;">ARA</p>
5	<p>a Calculate the variance for each budget, stating whether the variance is adverse or favourable.</p> <p>Sales revenue</p> <p>One mark for calculation, plus one further mark for variance indicator.</p>	<p>2 (AO2 2)</p>	<p>£400 000 - £350 000 = £50 000 (1) Accept 12.5%</p> <p>Adverse (1)</p> <p>NB: Ignore any signs in the numerical answer</p>
	<p>b Cost of sales</p> <p>One mark for calculation, plus one further mark for variance indicator.</p>	<p>2 (AO2 2)</p>	<p>£200 000 - £175 000 = £25 000 (1) Accept 12.5%</p> <p>Favourable (1)</p> <p>NB: Ignore any signs in the numerical answer</p>

	Answer	Marks	Guidance
6	<p>Explain one advantage and one disadvantage to the business of operating at 100% capacity utilisation.</p> <p>One mark for a correct identification of an advantage, plus one mark for an explanation.</p> <p>One mark for a correct identification of a disadvantage, plus one mark for an explanation.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p>Advantages</p> <ul style="list-style-type: none"> • Lower average cost/fixed costs spread over more units • Higher output – increased sales • Employees kept busier so more motivated • Less wastage • Stakeholders may view the business favourably <p>Disadvantages</p> <ul style="list-style-type: none"> • Could lead to poor quality • Stress on workforce • Stress on capital equipment • Lack of time for maintenance or training • Inability to respond to unexpected changes in demand <p>Exemplar responses</p> <p>One advantage is that the business can produce more (1) because the factory is operating all of the available time (1).</p> <p>A disadvantage is that there may not be time for maintenance on the machines (1) because they are constantly producing products (1).</p> <p>NB: Any reference to motivation (good or bad) can only be part of the explanation rather than as the advantage/disadvantage.</p> <p style="text-align: right;">ARA</p>
7	<p>Explain what is meant by the term ‘channels of distribution’.</p> <p>Two marks for a clear explanation of the term channels of distribution.</p> <p>One mark for a limited explanation (which may include reference to groups found in the channel).</p>	<p>2 (AO1 2)</p>	<p>Exemplar responses</p> <p>The chain of intermediaries a product passes through (1) from producer to consumer (1).</p> <p>The way in which a product moves from the business to the consumer (1) for example through a wholesaler (1).</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
8	<p>Explain what is meant by ‘organic growth’.</p> <p>Two marks for a clear explanation of organic growth.</p> <p>One mark for a limited explanation.</p>	<p>2 (AO1 2)</p>	<p><u>Exemplar responses</u></p> <p>Organic growth is when a business grows by using its own resources (1) to open new stores/factories/outlets (1).</p> <p>Organic growth is when a business expands by reinvesting to increase sales/production (1) as opposed to expanding by acquiring/merging with other businesses (1).</p> <p>The business grows naturally (1) over time. As they build a reputation their customers increase (1).</p> <p style="text-align: right;">ARA</p>
9	<p>Explain two possible consequences for the farmers which supply Meadow Foods of it being the UK’s largest independent dairy.</p> <p>One mark for each correct identification to a maximum of two identifications, plus one mark for each of two explanations.</p> <p>Make sure that the two consequences are clearly different and for the farmers</p> <p>Accept answers which are clearly about the impact on the farmers, even though they may be written from the point of view of MF.</p>	<p>4 (AO1 2) (AO2 2)</p>	<p><u>Indicative content:</u></p> <ul style="list-style-type: none"> • MF are price makers • MF can dictate delivery dates • MF can force farmers to only supply MF • MF can dictate quality • Farmers may not be able to negotiate • Farmers may have smaller profit margins • Farmers may not be able to meet the terms set out by MF • Farmers will have a guaranteed demand • Farmers may become dependent on MF <p><u>Exemplar responses</u></p> <p>Farmers may have to accept a lower price from MF (1). because they have no choice but to sell to the business (1).</p> <p>MF may be able to tell the farmers to deliver more often (1) which could increase the farmer’s costs (1).</p> <p>The farmers may be forced to produce milk of a higher quality (1) or they might lose MFs business (1).</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
10	<p>Calculate the percentage increase in the price of Meadow Foods' milk required for it to equal the average farm milk price.</p> <p>Two marks for correct answer (with or without working).</p> <p>One mark for calculating the difference in monetary terms</p>	<p>2 (AO2 2)</p>	<p>MF price = 19.29 pence per litre Average farm milk price = 23.71 pence per litre</p> <p>Difference = 4.42 pence (1)</p> <p><u>4.42</u> 19.29 x 100</p> <p>Answer = 22.91% (1) accept 22.9% or 23%</p> <p style="text-align: right;">OFR</p>
11*	<p>Evaluate the importance of external quality standards, such as the Red Tractor scheme, to two stakeholders of Meadow Foods.</p> <p>Level 4 (10–12) Candidate shows strong knowledge and understanding, analysis and evaluation of the importance of external quality standards for two stakeholders of MF. <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 importance of external quality standards for two stakeholders of MF. <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 (4–6) Candidate shows reasonable knowledge and understanding, analysis and evaluation of the importance of external quality standards for</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"> • Meadow Foods deals with food and drink for human consumption, including butter, sweetened condensed milks, fresh creams and milks • Produces ingredients for other food manufacturers; prepared foods, bakery, confectionary and ice cream • Must comply with strict hygiene standards • Brand is probably important in this industrial market • Major player in the UK dairy industry • Suppliers need a strong manufacturer • Red Tractor established in 2000 – 17 years old • UK's leading farm and quality food assurance scheme • Launched by the food industry to promote clearer labelling and ensure food originates from a trustworthy source. <p>Responses may consider: End consumers – require hygienic food and need to trust the brand. Milk is especially important as it may play a large part in baby and young children's diet. After the horsemeat scandal, this may have added even more importance to an external quality mark.</p> <p>Industrial customers - may allow finished products to display the mark, this may increase sales or allow a premium price to be</p>

	Answer	Marks	Guidance
	<p>stakeholders of MF. <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 external quality standards with limited or no analysis and evaluation of the importance for stakeholders of MF. <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 factors.</p> <p>0 marks no response or no response worthy of credit.</p>		<p>charged. Although MF are dominant in the market, to what extent does it matter if there is an external quality assurance?</p> <p>Employees – may feel their job is more secure, especially in light of previous food scares.</p> <p>Owners/shareholders – increased sales from having quality mark may lead to increased profits/dividends etc. However, there must be a cost to the scheme which can reduce profitability.</p> <p>Salespeople – may find it easier to sell to industrial customers because of the quality mark – this may increase their commission.</p> <p>Suppliers – presumably this puts a burden on the suppliers to maintain certain standards in the product that is sold to MF. This is especially important because MF pay significantly less than the average UK milk price.</p> <p>Local community/pressure groups – may feel that the red tractor mark encourages ethical behaviour in farming and better animal welfare.</p> <p>No credit for any references to internal quality standards or 'quality' in general</p> <p>NB: Any consequences for stakeholders must be linked to the external quality standards.</p> <p style="text-align: right;">ARA</p>

	Answer	Marks	Guidance
12*	<p>Evaluate the advantages and disadvantages to Meadow Foods of behaving ethically.</p> <p>Level 4 (16–20) Candidate shows strong knowledge, understanding, analysis and evaluation of the advantages and disadvantages to MF of behaving ethically. <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 advantages and/or disadvantages to MF of behaving ethically. <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 advantages and/or disadvantages to MF of behaving ethically. <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 ethics with limited or no analysis and evaluation of the advantages and/or disadvantages to MF of behaving ethically. <i>The information is basic and communicated in an unstructured way. The information is supported by</i></p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>The advantages to MF include:</p> <ul style="list-style-type: none"> • Potentially higher revenue from consumers and customers seeing MF as an ethical business. This may be particularly important to industrial customers who have an objective of being ethical in their business. Consumers seem to be expecting more businesses to behave ethically, especially after scares in the food market in the recent past. • Improved employee motivation – employees may be more motivated to work for an ethical business. MF may also be able to recruit better workers because of their ethical stance. • Improved branding – MF may benefit from being better recognised (or thought of) by a range of stakeholders. A better brand could allow MF to increase price and/or continue to expand in the future (which is obviously one of their objectives). • Increased loyalty from stakeholders. • Competitive advantage – ethical behaviour might enable MF to gain a competitive advantage in what is obviously a competitive market for a homogeneous product – gives a USP. • Potentially new sources of finance – there may be increased investment opportunities for MF if it behaves ethically, this would help support their objective of growth. <p>The disadvantages to MF include:</p> <ul style="list-style-type: none"> • Increased direct costs – being an ethical business is likely to bring higher direct costs to the business, perhaps by increasing standards beyond legal limits by paying farmers more than the lowest price MF can dictate. • Increased overhead costs – for example the cost of producing ethical policies or training workers. • MF will build up an expectation that the business will behave ethically in the future. MF may be able to afford this now, but will it be able to maintain this – if not then it may be better to abide by the minimum legal standards and not build up

	Answer	Marks	Guidance
	<p><i>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>expectations.</p> <ul style="list-style-type: none"> • Unlikely to allow MF to maximise profits/shareholder return – this could reduce the share price and reduce future opportunities for investment and growth. • May require a cultural change. • Does the industrial market care about ethics – because MF is selling to other businesses, are MF's ethics important when consumers are making their decisions? Often MF's ingredients will be a relatively small proportion of the end product, so how important is it? • May make MF uncompetitive – The case suggests that costs are important and the market is price sensitive (downwards) hence why MF pays such a low price to farmers. Would MF be able to compete if it were more ethical and raised price? <p style="text-align: right;">ARA</p>

APPENDIX 1 – GRID FOR 2019 EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
Section A						
1	2	-	-	-	2	
2	2	-	-	-	2	
3	-	2 (2)	-	-	2	2
4	2	2	-	-	4	
5a	-	2 (2)	-	-	2	2
5b	-	2 (2)	-	-	2	2
6	2	2	-	-	4	
7	2	-	-	-	2	
Sub-Total	10	10			20	6
Section B						
8	2	-	-	-	2	
9	2	2	-	-	4	
10	-	2 (2)	-	-	2	2
11	2	2	4	4	12	
12	2	2	8	8	20	
Sub-Total	8	8	12	12	40	2
Total	16	20	12	12	60	12

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