



GCE

New Business

H031/01: The local business environment

AS Level

Mark Scheme for June 2023

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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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MARKING INSTRUCTIONS

PREPARATION FOR MARKING RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 5 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.

7. Award No Response (NR) if:

- there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9. Assistant Examiners may send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses.

10. For answers marked by levels of response:

- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
- To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

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(a) & 20 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 19(b) & 21.]

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.

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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	B	1	1	(a) Enterprise refers to the risk-taking activities of business owners, a human resource. (b) Correct answer: the four factors of production are land, labour, capital and enterprise. (c) Profit is the reward for enterprise, enterprise does not measure profitability. (d) Enterprise is the risk-taking itself, not the reward for taking risks.
2	D	1	1	(a) An above the line promotion method (no direct contact with potential customer). (b) An above the line promotion method (no direct contact with potential customer). (c) An above the line promotion method (no direct contact with potential customer). (d) Correct answer: At a trade fair the business has direct contact with potential customers.
3	C	1	2	(a) The business is experiencing diseconomies of scale from poor communication as it increases in size. The cause is not external to the business – a merger is an internal decision made by the business involved. (b) Unit costs have increased not fallen, so a diseconomy of scale rather than an economy of scale. In addition, the cause is internal rather than external as it results from a business decision. (c) Correct answer: Unit costs have increased due to poor communication within the business. This is a diseconomy of scale caused by internal factors. (d) The cause of the change in efficiency is internal, but to be an economy of scale unit costs would need to have fallen.
4	C	1	2	(a) A primary sector organisation extracts raw materials e.g. a fishing fleet, (b) A plc operates in the private sector, rather than the public sector. (c) Correct answer: makes light bulbs, manufacturing is a secondary sector operation. (d) A plc operates in the private sector, rather than the third sector.
5	B	1	2Q	(a) Erroneously divides -£20,000 by the 2021 figure i.e. $-\text{£}20,000/\text{£}345,000 \times 100 = -5.8\%$ (b) Correct answer: Total costs fall from £365,000 to £345,000. $-\text{£}20,000/\text{£}365,000 \times 100 = -5.5\%$ (c) Correctly calculates a 5.5% change; but fails to account for total costs having fallen i.e. a negative change. (d) Erroneous calculation as in (a) compounded by failing to account for total costs having fallen.

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Question	Answer	Marks	AO	Rationale
6	A	1	1	(a) Correct answer: an appraisal is a formal procedure used to judge an employee's performance. (b) Industrial democracy is used to increase workforce participation in the workplace, it is not a way of judging an individual employee's performance. (c) Unlike a SWOT analysis, appraisal concentrates on the strengths and weakness of individual employees, not the business as a whole. (d) An appraisal often takes place annually, but it does not review the non-financial performance of the business, instead it reviews a selected employee's performance.
7	C	1	2	(a) A fall in GDP increases, rather than reduces, uncertainty. (b) Internal factors arise from within the organisation, a fall in GDP is an external factor. (c) Correct answer: a fall in GDP is an external factor beyond the firm's control that increases uncertainty. (d) Internal factors arise from within the organisation, a fall in GDP is an external factor.
8	C	1	1	(a) A curriculum vitae is used by HR to select candidates. (b) A letter of application is used by HR to select candidates. (c) Correct answer: A person specification is a recruitment document; it does not contain any personal information about a specific candidate. (d) A work trials is used by HR as part of the candidate selection procedure.
9	A	1	2Q	(a) Correct answer: $£1,150,000 - £325,000 - £475,000 - £225,000 = £125,000$. (b) Erroneously calculates working capital i.e. $£650,000 - £225,000 = £425,000$. (c) Erroneous calculation that omits the deduction of share capital, so calculates $£1,150,000 - £475,000 - £225,000 = £450,000$. (d) Erroneous calculation that omits the deduction of share capital and non-current liabilities, so calculates $£1,150,000 - £225,000 = £925,000$.
10	C	1	1	(a) A human resource function (b) A finance function (c) Correct answer: operations management aims to optimise the use of capital resources (d) A human resource function, despite the workers being recruited being production operatives.

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Question	Answer	Marks	AO	Rationale
11	B	1	2	<p>(a) The sales manager is about to communicate with the HR manager, but the function of leadership is not involved in this task. Leadership is inspirational and not a generic term for management.</p> <p>(b) Correct answer: The sales manager is about to coordinate the need for labour with demand and communicate this to the HR manager.</p> <p>(c) Leadership inspires workers and motivation encourages workers to work harder. Neither apply in this case.</p> <p>(d) The sales manager is about to coordinate the need for labour with demand. However, the function of motivation, i.e. encouraging workers to work harder is not involved in this task.</p>
12	B	1	1	<p>(a) A marketing strategy details specific tactics for the marketing function only.</p> <p>(b) Correct answer: company-wide goals such as survival, profit and growth.</p> <p>(c) Tactical objectives focus on how to achieve a specific goal.</p> <p>(d) Profit is the goal of most companies, however this is a specific financial target.</p>
13	C	1	1	<p>(a) Channel of distribution is producer direct to consumer, therefore no retailer is involved.</p> <p>(b) The firm needs a physical distribution channel to deliver its furniture to customers.</p> <p>(c) Correct answer: The firm's channel of distribution is producer direct to consumer, therefore no wholesaler is involved.</p> <p>(d) The firm is able to communicate with the public directly, an agent is neither used nor required.</p>
14	C	1	2	<p>(a) Candidate confuses favourable budget variance with doing something morally good, i.e. favoured by society.</p> <p>(b) This will lead to a cost budget overspend, an adverse variance on raw material costs.</p> <p>(c) Correct answer: Revenue higher than expected leads to a favourable budget variance.</p> <p>(d) This will lead to a capital budget overspend, an adverse variance on capital expenditure.</p>
15	D	1	2	<p>(a) A production process is not the exclusive domain of manufacturing, it is also needed to manage the stages of providing a service.</p> <p>(b) A service provider can benefit from specialisation and division of labour in the same way as any other business. Being a large firm makes this increasingly likely.</p> <p>(c) The raw material costs for a service sector business are likely to be low, if not zero. A manufacturing firm, which converts inputs into outputs, is more likely to have relatively high raw material costs.</p> <p>(d) Correct answer: The reputation of a service providing business is primarily based on the quality of service it offers and its level of customer service.</p>

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SECTION B

Question	Answer	Marks	Guidance
16	<p>Explain the importance of market share to a business.</p> <p>Award two marks for a response that shows knowledge of why market share is important to a business.</p> <p>Award one mark for a response that shows knowledge of what market share is.</p>	<p>2 (AO1 2)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Can judge the impact of changes to the marketing strategy • Gives an indication of customer satisfaction/loyalty • Indicates how well the business is doing in relation to competitors • Can be used as a measure of success • May show trends in consumer behaviour • Total market growth or decline can be calculated <p>Exemplar response: It is important because it indicates how well the business is doing in relation to competitors (2).</p> <p>Market share shows the proportion of the total sales in a market that a business controls (1).</p> <p>No context required.</p> <p style="text-align: right;">ARA</p>

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Question	Answer	Marks	Guidance
17	<p>Explain one way that an increase in corporation tax could have an impact on Cottingham Parks.</p> <p>Award two marks for an impact of an increase in corporation tax on Cottingham Parks.</p> <p>Award one mark for a generic impact of an increase in corporation tax on a business.</p>	<p>2 (AO1 1) (AO2 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Lower profit • Lower returns to business owner • May need to reduce other costs • May need to increase prices <p>Exemplar response: An increase in corporation tax will lower the amount of profit available to invest in the new hotel development (2).</p> <p>An increase in corporation tax may mean Cottingham Parks needs to increase its prices (1).</p> <p>NB: Make sure that the context is relevant to Cottingham Parks rather than PureGym.</p> <p style="text-align: right;">ARA</p>
18	<p>“Health club members have the price of their membership fixed when they join.”</p> <p>Explain one possible impact on Cottingham Parks’ break-even point of this guarantee.</p> <p>Award two marks for an impact on break-even for Cottingham Parks.</p> <p>Award one mark for a generic impact on break-even for a business.</p>	<p>2 (AO1 1) (AO2 1)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Break-even will increase when costs rise • Break-even will become more difficult to achieve when costs rise • To maintain break-even future prices will need to be significantly increased <p>Exemplar response: The revenue received from these existing members will stay the same, even if costs are rising. This means that the break-even point will rise (2).</p> <p>It will become more and more difficult to break-even as costs rise (1).</p> <p style="text-align: right;">ARA</p>

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Question		Answer	Marks	Guidance
19	(a)	<p>Other than break-even, identify three different items that may be included in a business plan.</p> <p>One mark for each correct identification up to a maximum of three identifications.</p>	<p>3 (AO1 3)</p>	<p>Indicative content:</p> <ul style="list-style-type: none"> • Business/company details • Non-disclosure statement • Table of contents • Executive summary e.g., objectives, personnel, market data, development plans, financial summary, funding • Business description • Details of the business' products and services • Human resources e.g., Management, personnel, roles, reporting structure • The market e.g. target customers, market research, positioning • Sales and marketing e.g., marketing strategy, sales methods • Operations e.g., premises, production facilities, suppliers, distribution, equipment, business systems, training requirements • Finance e.g., financial analysis, cash flow, income statement (P&L), SOFP (B/S) • Risk analysis e.g., contingency planning • Appendices <p>Accept multiple items from the same category.</p> <p>Do not award vague answers e.g. future plans.</p> <p>NB. Do not award marks for break-even point/chart, etc.</p> <p style="text-align: right;">ARA</p>

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19*	(b)	<p>Evaluate the advantages to Cottingham Parks of producing a business plan before submitting a planning application for the 70-bedroom hotel.</p> <p>Level 4 (10-12) Candidate shows strong knowledge, understanding, analysis and evaluation of advantages to Cottingham Parks of producing a business plan. Explicit reference will be made to the planning application for the hotel. <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 advantages to Cottingham Parks of producing a business plan. Explicit reference will be made to the planning application for the hotel. <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 advantage(s) to Cottingham Parks of producing a business plan. <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 advantage(s) of producing a business plan.</p>	<p>12 (AO1 2) (AO2 2) (AO3 4) (AO4 4)</p>	<p>Candidates could consider the following advantages:</p> <ul style="list-style-type: none"> • Encourages communication, coordination and cooperation • Forces an evaluation of current strategic and tactical objectives • Gives the business a sense of direction • Helps them to focus on key performance indicators • Helps them to see how successful the building of a hotel is likely to be • Helps to avoid mistakes • Helps to identify priorities • The skills of the existing employees will be assessed • Market research will be carried out which might help the general running/decision-making of the business (not just the planning application) • May help to raise any funding required • Will help them to consider how the costs of the project might impact on the rest of the business • Will help them to identify any HR/recruitment needs • Will help them to identify any training needs • Will help them to think about and focus on their pricing strategy • Will help to think and focus on what their marketing strategy will be <p style="text-align: right;">ARA</p>
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Question	Answer	Marks	Guidance
	<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>		
20	<p>Calculate the price elasticity of demand for health club membership at GHP Leisure.</p> <p>Award 4 marks for correct answer (with or without working) i.e. -1.5 or 1.5</p> <p>Award 3 marks for one error i.e. has units (e.g. 1.5 members) or has calculation inverted (0.66)</p> <p>Else award 1 mark for each of the following if seen:</p> <ul style="list-style-type: none"> • Correct calculation of % change in demand: -7.5 (% sign not required) (also accept -0.075) • Correct calculation of % change in price: 5 (% sign not required) (also accept 0.05) 	<p>4 (AO2 4)</p>	<p>PED = $\frac{\text{Percentage change in demand}}{\text{Percentage change in price}}$</p> <p>= $\frac{-7.5\%}{5\%}$</p> <p>= -1.5 (with or without minus sign)</p> <p>Accept numerical answers with or without a minus sign.</p> <p>No marks for stating the formula.</p>

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21*		<p>Evaluate the likely impact on Cottingham Parks' stakeholders of a PureGym opening in the local area.</p> <p>Level 4 (16–20) Candidate shows strong knowledge, understanding, analysis and evaluation of the impact on Cottingham Parks' stakeholders of a PureGym opening in the local area. Explicit reference will be made to quantitative data. <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 impact on Cottingham Parks' stakeholders of a PureGym opening in the local area. Explicit reference will be made to quantitative data. <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 impact on Cottingham Parks' stakeholders of a PureGym opening in the local area. <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 impact on Cottingham Parks'</p>	<p>20 (AO1 2) (AO2 2) (AO3 8) (AO4 8)</p>	<p>Candidates could consider the following:</p> <p>Cottingham Parks owners:</p> <ul style="list-style-type: none"> • May lose members as PureGym have a lower membership price (lowers revenue/profit) • May lose members who prefer a nationwide/recognisable chain (reputation may be affected) • May not lose members as some current health club members will want the additional facilities e.g., swimming pool (revenue/profit would remain stable) • Unlikely to lose customers who are members of both the golf and health club • May lose members who want access to the gym 24 hours a day (reducing revenue/profit) • Reduces Cottingham Parks market share (reputation, revenue/profit) <p>Managers:</p> <ul style="list-style-type: none"> • May need to increase spending on marketing as PureGym will promote the new gym (increased costs/reduced profit) • Any fall in revenue/profit may affect the plans to build a hotel <p>Employees:</p> <ul style="list-style-type: none"> • If membership numbers fall then staff may need to be made redundant (reputation, cost) • There may be more jobs available locally (will allow promotion or better wages/hours for workers) <p>Members:</p> <ul style="list-style-type: none"> • If members leave, then the price for existing members may have to increase (but have the price guarantee) • Members now have a wider range of gyms to choose from • Members have the opportunity to reduce their monthly outgoings
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		<p>stakeholders of a PureGym opening in the local area with limited or no analysis and evaluation of the impact.</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>		<ul style="list-style-type: none"> • If member numbers fall then those who stay may find it easier to book classes, the pool may be quieter etc (this may be a reason for remaining a member) <p>Other Competitors:</p> <ul style="list-style-type: none"> • Other competitors may market aggressively in response to any marketing by PureGym (reducing member numbers further) • Smaller competitors may not survive. <p>Lenders:</p> <ul style="list-style-type: none"> • Finance providers may be less likely to lend if revenue and profit fall <p style="text-align: right;">ARA</p>
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