

OCR

Oxford Cambridge and RSA

Wednesday 18 June 2014

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING

10331 Unit 4

Business Environment

MARK SCHEME

Duration: 2 hours plus 30 minutes reading time

MAXIMUM MARK

90

FINAL

Version: 4 Last updated: 15/07/2014

(FOR OFFICE USE ONLY)

This document consists of 16 pages

MARKING INSTRUCTIONS**PREPARATION FOR MARKING
SCORIS**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *scoris 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 scoris and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

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

TRADITIONAL

Before the Standardisation meeting you must mark at least 10 scripts from several centres. For this preliminary marking you should use **pencil** and follow the **mark scheme**. Bring these **marked scripts** to the meeting.

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 scoris 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 scoris messaging system, or by email.
5. Work crossed out:
 - a. where a candidate crosses out an answer and provides an alternative response, the crossed out response is not marked and gains no marks
 - b. if a candidate crosses out an answer to a whole question and makes no second attempt, and if the inclusion of the answer does not cause a rubric infringement, the assessor should attempt to mark the crossed out answer and award marks appropriately.

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. There is a NR (No Response) option. Award NR (No Response)
- if there is nothing written at all in the answer space
 - OR if there is a comment which does not in anyway relate to the question (eg 'can't do', 'don't know')
 - OR if there is a mark (eg a dash, a question mark) which isn't an attempt at the question
- Note: Award 0 marks – for an attempt that earns no credit (including copying out the question)
8. The scoris **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 scoris messaging system, or e-mail.
9. Assistant Examiners will 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. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - b. **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

11. Annotations

used in the detailed Mark Scheme (to include abbreviations and subject-specific conventions)

Subject specific - insert details in table making sure that the annotation matches the image that appears on scoris. Your Qualifications Manager or Qualifications Leader will be able to help.

Annotation	Meaning

12. Subject-specific Marking Instructions

that apply across the whole question paper to be included here.

Question	Answer/Indicative Content	Marks	Guidance
1	<p>Indicative content</p> <ul style="list-style-type: none"> · for-profit · innovation · status and prestige · market share/revenue · operating globally · designer and manufacturer of tennis racquets · supplier of tennis racquets to the discerning tennis player 	3	<p>One mark for each correct identification of an organisational purpose of Fibracquet Ltd up to a maximum of three identifications.</p> <p>Accept purposes and aims. Do not award objectives</p>
2	<p>Indicative content:</p> <p>Stakeholders:</p> <ul style="list-style-type: none"> · shareholders · two directors · creditors/supplier · customers (clients, tennis professionals) · employees · competitors · government · international pressure groups such as the FTRS and OGD · manufacturing operators <p>Exemplar response: The two directors of Fibracquet Ltd are stakeholders [1]. A probable objective of one of these two stakeholders is to expand the business into the China and Indian markets [1].</p>	6	<p>One mark for each correct identification of a stakeholder up to a maximum of three identifications, plus a further one mark for stating a relevant objective of each of the three stakeholders.</p> <p>Must be a stakeholder of Fibracquet with a relevant interest</p>

Question		Answer/Indicative Content	Marks	Guidance
3		<p>Indicative content:</p> <ul style="list-style-type: none"> · expansion · decision-making · operations · the management of change <p>Exemplar response: The complementary skills-sets in global business and carbon-fibre technology could prove decisive in shaping Fibracquet's internal business environment, particularly in its desire to expand into markets into the Chinese and Indian markets [1] With these skills-sets Fibracquet's directors will be equipped to manage the internal cultural changes necessary to reposition the organisation as a global designer and supplier of tennis racquets [1].</p>	2	<p>Up to two marks</p> <p>One mark for how and one mark for shaping behaviour</p>
4	(a)	<p>Indicative content: Social responsibility describes a decision borne by some organisations to act directly or indirectly in ways which go beyond the mere profit motive and contribute positively to the well-being of the communities of which they are a part [1].</p>	1	<p>For one mark</p> <p>Do not award examples, or the words society, social or responsible</p>

Question		Answer/Indicative Content	Marks	Guidance
4	(b)	<p>Indicative content:</p> <p>Possible strategies might be:</p> <ul style="list-style-type: none"> · sponsorship · donation · marketing · modern apprenticeships · linking with school curriculum <p>Exemplar response: Fibracquet Ltd could consider investing in a limited number of modern apprenticeships in the science, technology and business of carbon-fibre tennis racquets [1]. This could include but not be exclusive to young apprentices who demonstrate the potential to become professional tennis players [1].</p>	4	One mark for each correct identification of a strategy up to a maximum of two identifications, plus a further one mark for each of two explanations.

Question	Answer/Indicative Content	Marks	Guidance
5	<p>Indicative content:</p> <p>Likely impacts of lowering corporation tax:</p> <ul style="list-style-type: none"> · increased returns on shareholder equity · more profit available for re-investment · consolidate existing innovative capabilities within the UK · increased competitive advantage · creation of employment opportunities · may increase tension between the directors · may shift strategy and objectives away from growth by expansion, toward organic growth <p>Exemplar response:</p> <p>As corporation tax is levied on profits, a lowering of this tax burden will have the effect of increasing returns on shareholder equity [L1]. Since both directors own equal shares in Fibracquet Ltd, this presents an opportunity to re-invest the resulting profits into the creation and innovation of new products and services [L2]. The case study notes that one of the directors is convinced the business should grow through expansion into the Chinese and Indian markets. However, the levying of lower corporation taxes as a stimulus to innovating new products offers at least the possibility that Fibracquet Ltd could achieve this growth objective organically, instead of through overseas expansion [L3]. Decisions about whether or not to expand overseas or to grow organically are not risk neutral. The ‘carrot’ of lower corporation taxes for product innovation may not only threaten to heighten tensions between the directors, but will almost certainly require Fibracquet Ltd to revisit its business objectives and growth strategy [L4].</p>	16	<p>Level of response</p> <p>Level 4 (13 – 16 marks): Evaluates the likely impacts of the lowering of corporation tax on <i>Fibracquet Ltd’s</i> activities.</p> <p>Level 3 (9 – 12 marks): Analyses the likely impacts of the lowering of corporation tax on <i>Fibracquet Ltd’s</i> activities.</p> <p>Level 2 (5 – 8 marks): Explains the likely impacts of the lowering of corporation tax on a business.</p> <p>Level 1 (1 – 4 marks): Identify the likely impacts of the lowering of corporation tax on a business.</p> <p>NB: Maximum of two marks for the identification of one (or more) impacts(s).</p>

Question	Answer/Indicative Content	Marks	Guidance
6	<p>Indicative content:</p> <p>In an oligopolistic market the pricing and output behaviour of firms might be:</p> <ul style="list-style-type: none"> · maintaining lower overall market output and generally higher product prices. · mutual interdependence · equating marginal cost with marginal revenue · competing on non-price criteria · erecting barriers to entry <p>Exemplar response:</p> <p>In an oligopolistic market structure one way in which pricing and output behaviour might be evidenced is in the maintaining of lower than optimal overall output and higher than optimal market price [1]. This behaviour has the effect of maintaining price stability over time since a firm fears that in raising its prices, a rival may, in turn, lower its prices so as to increase its share of the market. Rather than acting alone on pricing and output decisions, firms tend to act in concert as though the market consists of a single firm [1]. Evidence in the case study that the two dominant firms sell carbon-fibre racquets at 'almost identical prices' points to the presence of this behaviour trait [1].</p>	12	One mark for each valid point of explanation up to a maximum of 12 marks.

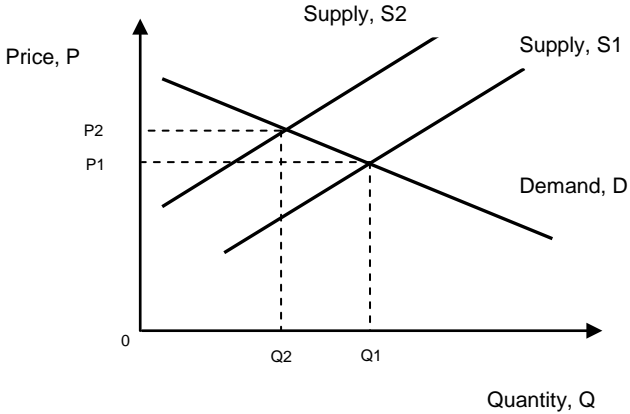
Question	Answer/Indicative Content	Marks	Guidance
7	<p>Indicative content:</p> <p>Some disadvantages to Fibracquet Ltd of outsourcing its manufacturing function to China are:</p> <ul style="list-style-type: none"> · loss of managerial control · quality assurance/control problems · exchange rate risks · security of supply · communications · potential CSR issues · potentially higher transport costs · threat to security and confidentiality · missing out on UK/EU subsidies · transfer of jobs from the UK to China · loss of manufacturing capability <p>Exemplar response One disadvantage of outsourcing the manufacturing function to China would be the potential transfer of manufacturing jobs. [1]. Once Fibracquet Ltd loses this manufacturing capability and the associated skills-sets, this situation may become irreversible [1].</p>	4	<p>One mark for each correct disadvantage of outsourcing the manufacturing function up to a maximum of two identifications, plus a further one mark for each of two explanations.</p>
8	<p>Indicative content:</p> <p>Ways in which the DBIS can assist might be through:</p> <ul style="list-style-type: none"> · UK Export Finance support and advice · establishing international trade relations · international Trade Advisors · assisted financial support · business advice and assistance · overseas Market Introduction Service · passport of Export 	2	<p>One mark for identification plus one further mark for explanation.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p>Exemplar response One way in which the DBIS could assist Fibracquet Ltd is through its UK Export Finance services [1]. One of these services is the guarantees it offers to banks for loans used to purchase UK exports [1].</p>		

Question	Answer/Indicative Content	Marks	Guidance
9	<p>Indicative content:</p> <p>Potential risks might be:</p> <ul style="list-style-type: none"> · internal and external to the business · managing the change process · protectionism · differing strategic priorities of the two directors · failure to achieve stakeholder buy-in · competitor reaction · over-stretching the business · cultural and strategic fit <p>Exemplar response:</p> <p>The potential risks to which Fibracquet Ltd may be exposed could be both internal and external to the business [L1]. Expanding supplies to new markets requires effective and sensitive change management and this can be a source of internal risk [L2]. One example of this is the apparently differing strategic priorities of Fibracquet Ltd's two directors: whether or not to go for expansion into China or India, or whether or not to maintain the status quo and in so doing preserve the existing culture and business practices [L3]. If the decision to go for expansion is not one about which both directors are fully convinced, then this may result in resentment and disharmony, which could threaten the foundations of the business [L4]. So a critical element of the change process is that both directors should agree on and buy into the expansion strategy into China and India [L4]. Expanding supplies into new markets is also likely to over-stretch the business internally [L2]. The need for investment funds to establish new supply networks and the associated internal systems, processes, skills and capabilities, could negatively</p>	20	<p>Levels of response:</p> <p>Level 4 (16 – 20 marks): Evaluates potential risks to Fibracquet Ltd of supplying tennis racquets to the Chinese and Indian markets.</p> <p>Level 3 (11 – 15 marks): Analyses potential risks to Fibracquet Ltd of supplying tennis racquets to Chinese and Indian markets.</p> <p>Level 2 (6 – 10 marks): Explains potential risks of supplying tennis racquets to Chinese and Indian markets.</p> <p>Level 1 (1 – 5 marks): Identify potential risks of starting to supply products to new and emerging markets.</p> <p>NB: Allow up to two marks for the simple identification of one (or more) potential risk(s)</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p>impact working capital and again threaten business survival [L3]. As the expansion begins to gather pace, there may be other significant risks such as competitor reaction [L1] which may in turn reduce racquet sales [L2] and hence business revenue and profit [L3]. The strategic direction which Fibracquet Ltd decides to take requires a careful weighing up of the internal and external risks, of which the most significant may be the buy-in of both directors to the possible overseas expansion [L4].</p>		
10	<p>Indicative content</p> <p>The principle of comparative advantage helps to explain why Fibracquet Ltd trades with countries in the far east not only in terms of the lower opportunity costs of obtaining graphite supplies in close geographic proximity to its far east manufacturing operators [1], but also because of the lower labour costs [1]. Comparative advantages exist in these far east countries because they are able not only to produce a good at lower opportunity cost [1], but also using the factors of production more efficiently [1].</p>	4	<p>One mark for each explanatory point made up to a maximum of four such points, but allow development marks</p> <p>No context required</p>

Question	Answer/Indicative Content	Marks	Guidance
11	<p>Narrative response: Indicative content</p> <p>Likely impacts could be:</p> <ul style="list-style-type: none"> · a fall in Fibracquet Ltd's revenues and profits · industry prices may rise generally · disruption of graphite supplies to far east manufacturing operators · rationing of supplies by manufacturing operators · dominant players may act to maintain current prices · could stimulate further innovation <p>Exemplar response:</p> <p>Fibracquet Ltd will be exposed to the disruption in graphite supplies. There will be impacts such as the disruption of supply of tennis racquets to distributors and other retail outlets [L1]. The severity of the impact will depend not only on the size of its network of overseas operators, but also on how long the disruption of graphite supplies is likely to last. But as well as the consequent impact on revenues and profits, there may be the impact of Fibracquet Ltd rationing graphite supplies by its far east operators which could be damaging [L2]. The danger is that the dominant tennis racquet suppliers with their much larger network of manufacturing operators could be the chief beneficiaries of this shortage of graphite supplies. This is because, in acting to preserve themselves, manufacturing operators may be more likely to divert graphite supplies away from manufacturing tennis racquets for the smaller, tennis racquet suppliers in the market such as Fibracquet Ltd, towards manufacturing tennis racquets for the dominant tennis racquet players such as Wilson. This could result in a further concentration of industry power amongst the dominant tennis racquet suppliers, who may choose to</p>	9	<p>Maximum of 9 marks for narrative and 7 marks for a graphical representation</p> <p>Use level of response criteria</p> <p>Level 3 (7 – 9 marks): Analyses the likely impact of the disruption to graphite supplies on <i>Fibracquet Ltd's</i> activities.</p> <p>Level 2 (4 – 6 marks): Explains the likely impact the disruption to graphite supplies on <i>Fibracquet Ltd's</i> activities.</p> <p>Level 1 (1 – 3 marks): Identifies the likely impact of the disruption to graphite supplies on <i>Fibracquet Ltd's</i> activities.</p>

Question	Answer/Indicative Content	Marks	Guidance
	<p>absorb the higher factor cost instead of raising the market price of the tennis racquet [L3].</p> <p>Graphical Response: Indicative content Exemplar response using a diagram and explanation as follows:</p>  <p>The intersection of P1Q1 indicates the market equilibrium of graphite supply and demand just before the exogenous shock. Following the shock, the market attempts to readjust to the intersection at P2Q2, reflecting the lower quantity of graphite which suppliers are able to make available, P2. [1] But instead of raising the price for graphite to P2, suppliers may elect to ration graphite supplies, particularly to the smaller (weaker) tennis manufacturers such as Fibracquet Ltd [1].</p>	<p>7</p>	<p>Up to seven marks (of which all can be awarded with a diagram). Award as follows:</p> <p>1 mark for axes labels P and Q both correct. 1 mark for demand line correctly drawn and labelled. 1 mark for original supply line correctly drawn and labelled. 1 mark for second supply line shifted left plus 1 further mark for correctly labelling this supply line.</p> <p>1 mark for indicating an increase in equilibrium price (also accept a textual explanation).</p> <p>1 mark for indicating a decrease in equilibrium quantity (also a textual explanation).</p>