

GCE

Applied Business

Unit **F248**: Strategic Decision Making

Advanced GCE

Mark Scheme for June 2016

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

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.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

© OCR 2016

Annotations

	The response given is 'Unclear' to the marker.
BOD	'Benefit of doubt' but credit given.
CONT	To indicate the response is in 'Context' of the relevant case study.
	Response is incorrect, no credit can be given.
L1	Use for Level of response answers to indicate Level 1.
L2	Use for Level of response answers to indicate Level 2.
L3	Use for Level of response answers to indicate Level 3.
L4	Use for Level of response answers to indicate Level 4.
NAQ	The response is not incorrect but has 'Not answered the question'.
OFR	Own figure rule. Use where indicated in the mark scheme.
REP	'Repeat' Response repeats the same marking point.
SEEN	'Noted but no credit given' or to indicate all or part blank answer pages have been seen by the marker.
	Correct point/answer. Credit can be given.

Subject-specific marking instructions**Testing of QWC**

In this external assessment the assessment of QWC will take place in Question 5b which is a levels of response question and carries 14 marks.

Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 5b.

Level 4:

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response]

Level 3:

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

Level 2:

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

Level 1:

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Question		Answer	Mark	Guidance
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> the way things are done how they operate/act/run the business norms business behaviour. <p>e.g. The way things are done round here (1).</p> <p>e.g. The manner in which a business operates (1).</p>	1	<p>AO1: 1</p> <p>For one mark.</p> <p>Do not award 'purpose', 'philosophy' or 'focus'.</p> <p>Do not award 'ethics', 'ethos', 'values', 'vision' or 'beliefs'.</p> <p>Do not award examples.</p>

Question		Answer	Mark	Guidance
1	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> suppliers/farmers/importers (liquorice, sugar, aluminium/tins) customers (wholesale/retail/healthshops/pharmacies) consumers shareholders local community pressure groups/environmentalists government (local or central) associated businesses. <p>e.g. Local residents (1).</p> <p>e.g. <i>Snowdon Sweets Ltd's</i> bank (1).</p>	3	<p>AO1: 3</p> <p>One mark for each correct identification up to a maximum of three identifications.</p> <p>Must be external.</p> <p>Do not accept banks, solicitors, accountants, utility companies, etc. unless clearly identified as connected with the business, e.g. the company's bank, its accountants.</p> <p>Do not award 'community' or 'public'; must be 'local community/public'.</p>

Question			Answer	Mark	Guidance
1	(c)		<p>Indicative content:</p> <ul style="list-style-type: none"> • goals/common goal • gives a business focus • show direction • work towards aim • motivate staff • a set purpose • so internal stakeholders know/understand the aims • so arguments are minimised • to reduce confusion • to reduce conflict • objectives/targets • so that progress can be monitored • so that planning can be informed. <p>Exemplar responses:</p> <p>E.g. To focus the thoughts of the owners of the business (1), so that appropriate objectives can be set (1).</p> <p>E.g. To avoid confusion between internal stakeholders (1), making decision-making simpler and more efficient (1).</p>	2	<p>AO1: 2</p> <p>Up to 2 marks.</p> <p>No context required.</p> <p>Do not accept 'more successful' without explanation.</p>

Question			Answer	Mark	Guidance
2	(a)	(i)	<p>Indicative content:</p> <p>30 minutes.</p> <p>E.g. 30 minutes (1).</p> <p>E.g. Half an hour (1).</p>	1	<p>AO2: 1</p> <p>For one mark.</p> <p>Units required e.g. 30 (0).</p> <p>Accept equivalents.</p>

Question			Answer	Mark	Guidance
2	(a)	(ii)	Indicative content: Activity B: Dissolve ingredients) AND) Both correct for one mark. Activity D: Grate liquorice) Exemplar responses: E.g. B and D (1) . E.g. Dissolve and Grate (1) .	1	AO2: 1 For one mark. Do not award if additional activities are suggested, e.g. B, C and D (0) .

Question			Answer	Mark	Guidance
2	(a)	(iii)	Indicative content: 60 minutes. E.g. 60 minutes (1) . E.g. One hour (1) .	1	AO2: 1 For one mark. Units required e.g. 60 (0) . Accept equivalents.

Question			Answer	Mark	Guidance
2	(a)	(iv)	Indicative content: 150 minutes. E.g. 150 minutes (1) . E.g. 2.5 hours (1) . E.g. 2 hours 30 minutes (1) .	1	AO2: 1 For one mark. Units required e.g. 150 (0) . Accept equivalents.

Question			Answer	Mark	Guidance
2	(a)	(v)	<p>Indicative content: A – D – E – F – G - H - J.</p> <p>Exemplar responses:</p> <p>E.g. ADEFGHJ (2).</p> <p>E.g. Select ingredients, grate liquorice, cook liquorice, extract liquorice essence, mix and test, extrude and shape, package the sweets (2).</p> <p>E.g. ADHJEFG (1).</p>	2	<p>AO1: 1 AO2: 1</p> <p>Up to two marks.</p> <p>Award two marks for correct activities in correct order.</p> <p>Award one mark for correct activities in incorrect order.</p> <p>Do not award if additional activities are suggested.</p>

Question			Answer	Mark	Guidance
2	(b)		<p>Indicative content: Add 15 minutes – float 10 minutes = 5 minutes delay</p> <p>150 + 5 = 155 minutes</p> <p>Award full marks for correct answer 155 minutes.</p> <p>Exemplar responses:</p> <p>E.g. 155 minutes (2).</p> <p>E.g. 155 (1).</p> <p>E.g. It would add five (1).</p>	2	<p>AO1: 1 AO1: 1</p> <p>Up to two marks.</p> <p>Units required for full marks.</p> <p>155 with no/incorrect unit = 1 mark.</p> <p>Award max one mark for '5' or '5 minutes'.</p>

Question	Answer	Mark	Guidance													
3 (a)	<p>Indicative content:</p> <p>1. Market penetration (1). 2. (New) product development (1).</p> <table border="1" data-bbox="383 363 1088 663"> <thead> <tr> <th colspan="2" rowspan="2"></th> <th colspan="2">PRODUCTS</th> </tr> <tr> <th>EXISTING</th> <th>NEW</th> </tr> </thead> <tbody> <tr> <th rowspan="2">MARKETS</th> <th>EXISTING</th> <td>1. Market penetration</td> <td>2. (New) product development</td> </tr> <tr> <th>NEW</th> <td>Market development</td> <td>Differentiation</td> </tr> </tbody> </table>			PRODUCTS		EXISTING	NEW	MARKETS	EXISTING	1. Market penetration	2. (New) product development	NEW	Market development	Differentiation	2	<p>AO1: 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p>
				PRODUCTS												
		EXISTING	NEW													
MARKETS	EXISTING	1. Market penetration	2. (New) product development													
	NEW	Market development	Differentiation													

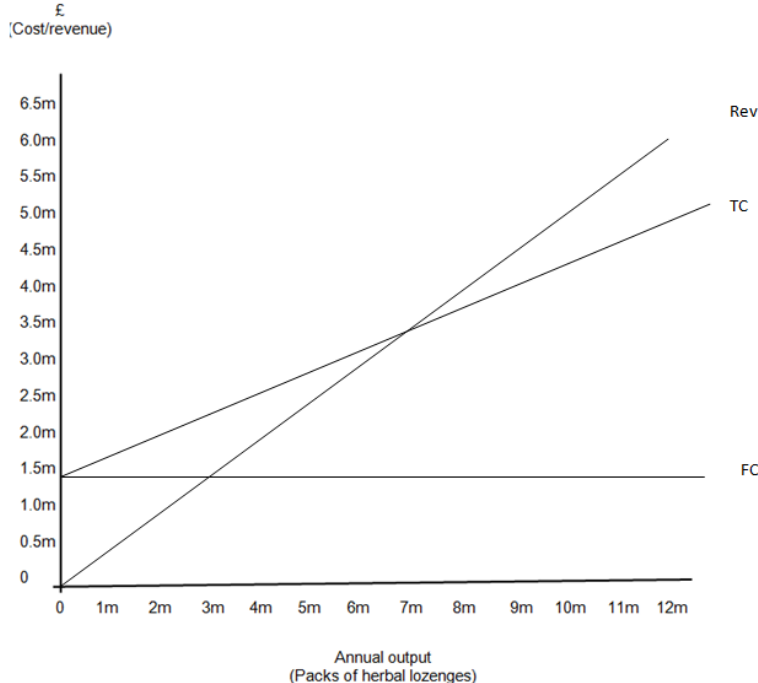
Question	Answer	Mark	Guidance
3 (b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • pricing • placement • promotion • branding • packaging. <p>Exemplar responses:</p> <p>E.g. The promotional strategy is likely to be different (1) because the advertisements need to target its medicinal properties (1).</p> <p>E.g. A cost plus pricing strategy is more likely to be used when marketing to the herbal market (1) because the wholesalers who are purchasing from the company are interested in their profit margins (1).</p>	6	<p>AO1:3 AO2: 3</p> <p>One mark for each correct identification up to a maximum of three identifications, plus a further one mark for each of three explanations.</p> <p>Reference to the confectionery market may be implied.</p> <p>One mark for change in marketing mix (4Ps) and one mark for explaining why.</p> <p>'New market' too vague.</p>

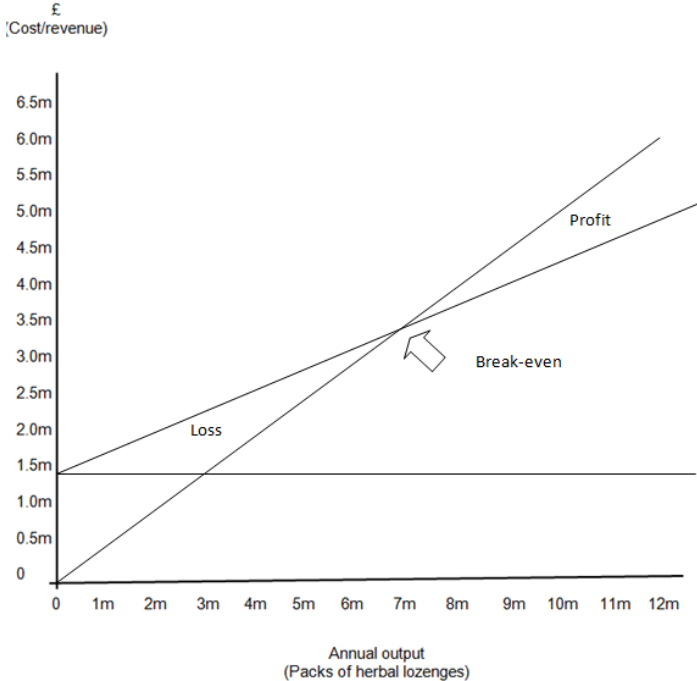
Question		Answer	Mark	Guidance
4	(a)	<p>Indicative content:</p> <p>Labour productivity $9.6\text{m}/8400$ (1) = 1142.86 packs of lozenges per worker per day</p> <p>Wastage rate $1.44\text{m}/9.6\text{m}$ (1) $\times 100 = 15\%$</p> <p>Rate of labour turnover $6/40$ (1) $\times 100 = 15\%$</p> <p>Rate of absenteeism $588/8400$ (1) $\times 100 = 7\%$</p>	8	<p>AO1:4 AO2: 4</p> <p>Up to eight marks.</p> <p>Up to two marks for each of four ratios.</p> <p>Award full marks for correct answer. No workings required.</p> <p>Workings should only be marked if answer incorrect, in which case award one mark for each correct use of formula.</p> <p>Award two marks for each of the following: Labour productivity = 1142 or 1143 (accept roundings) Wastage rate = 15 Rate of labour turnover = 15 Rate of absenteeism = 7</p>

Question		Answer	Mark	Guidance
4	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • compare with its other production line (sweets) • compare with similar business/competitor (medicinal/confectionery) • compare with national/industrial average • compare over time • compare with prediction/budget. <p>E.g. <i>Snowdon Sweets Ltd</i> could compare the figure with that of its other production line (1).</p> <p>E.g. The figure could be compared with another herbal lozenge manufacturer (1).</p>	3	<p>AO1: 3</p> <p>One mark for each correct identification up to a maximum of three identifications.</p> <p>Accept 'compare with previous years'.</p>

Question	Answer	Mark	Guidance
4 (c)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • train the existing Production Manager in the new production process • train the existing manager to handle inexperienced staff • Thaz move away from a laissez faire management style • appoint an additional manager to oversee production on the herbal lozenge line • hierarchical structure • appoint supervisors • reduce span of control • Chas soften his leadership style • Introduce specific motivation methods. <p>Exemplar response:</p> <p>E.g. The company could appoint production supervisors (L1). The company could appoint two new members of staff (one for the confectionery line (CONT) and one for the herbal lozenge line) or promote two of its existing workers (L2). This reduction in Thaz's current span of control would lower his workload allowing him to provide a higher quality of leadership when it is necessary (L3).</p> <p>A change of management style might also help (L1). Thaz's current laissez faire management style works well with his experienced sweet production line workforce (CONT) but it does not appear to work so well for his inexperienced staff on the herbal lozenge production line (L2). If Thaz were to operate a more democratic, or even autocratic style, he may be better able to direct his herbal lozenge production line staff (L3).</p>	8	<p>AO1: 2 AO2: 2 AO3: 2 AO4: 2</p> <p>Levels of response</p> <p>Level 4 (7 - 8 marks) Candidate evaluates how <i>Snowdon Sweets Ltd</i> could improve the leadership of its herbal lozenge production employees.</p> <p>Level 3 (5 - 6 marks) Candidate analyses ways in which the leadership of <i>Snowdon Sweets Ltd</i>'s production employees could be improved.</p> <p>Level 2 (3 – 4 marks) Candidate applies knowledge and understanding of factors which affect the leadership, or ways to improve leadership, of <i>Snowdon Sweets Ltd</i>'s production employees.</p> <p>Level 1 (1 – 2 marks) Candidate identifies factors which affect leadership, or ways to improve leadership within a business, with no use of context.</p> <p>Award zero marks for a response which is not worthy of credit.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>For context look for more than <i>Snowdon Foods Ltd</i>, Chas or Thaz, e.g. herbal lozenge production line,</p>

Question			Answer	Mark	Guidance
			<p>Whilst Thaz may need training in the new production process (CONT) before feeling able to change his management style this would have a financial cost, however, it is a far better solution than appointing supervisors, for, not only will it be cheaper in the long run, it will also fit closer with the directors' preference for a flat organisational structure (L4).</p>		<p>liquorice, laissez faire, cash-flow problems.</p> <p>Must relate to leadership.</p> <p>Non-contextual answer max Level 1.</p>

Question	Answer	Mark	Guidance
5 (a) (i)	<p>Indicative content:</p> 	6	<p>AO1: 3 AO2: 3</p> <p>Up to six marks.</p> <p>3 marks for labels - FC, TC, TR(sales/revenue/SR) 3 marks for lines - FC,TC, TR</p> <p>Award 2 marks for each correctly drawn and labelled line. OR Award 1 mark for each line drawn correctly but without label/labelled but drawn incorrectly.</p> <p>NB to award label marks: Labelled FC line must be horizontal. Labelled TC line must start at FC level. Labelled TR line must go through (0,0).</p> <p>See overlay for correct line positions, this can be turned on and off using the toggle button.</p> <p>Mark the 3 labels first then turn on the overlay for accuracy of lines.</p> <p>Allow a tolerance of plus or minus one small square on the grid.</p> <p>Breakeven point is at 7 million packs (revenue and costs £3.5m).</p>

Question	Answer	Mark	Guidance
<p>5 (a) (ii)</p>	<p>Indicative content:</p> 	<p>3</p>	<p>AO1: 2 AO2: 1</p> <p>Up to three marks.</p> <p>1 mark for correctly labelling each of the following:</p> <ul style="list-style-type: none"> • break-even point (OFR applies) • area of profit (OFR applies) • area of loss (OFR applies).

Question		Answer	Mark	Guidance
5	(b*)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • positive contribution to fixed cost (8p) • price greater than variable cost (38p > 30p) • price too low (38p < 50p)? • any contribution better than none? • total contribution/gross profit of £80,000 • large quantity • guaranteed order • help cash-flow difficulties • need to cover cost of loan for production line • insufficient sales? • current stock levels? • production capacity/spare capacity? • 2 month deadline (usually produce 0.8m per month (9.6m /12)) • other production/customer orders • workload • possibility of future orders from publisher • new product/brand helps to raise market profile • may be able to raise price in future • raise customer awareness of herbal lozenges • used as a marketing tool • become established in the herbal remedy market • establish new customers. <p>Exemplar response:</p> <p>E.g. If price is greater than variable cost then a special order will provide a positive contribution to fixed cost and may therefore be worthwhile (L1). In this case the contribution would be positive but extremely low at 8p (CONT) per pack (L2). Whilst the production line is being used to produce this large special order which would generate very little contribution, it could not make lozenges for another customer who may be willing to pay</p>	14	<p>AO1: 2 AO2: 3 AO3: 4 AO4: 5</p> <p>QWC is assessed in this question.</p> <p>Levels of response</p> <p>Level 4 (10 - 14 marks) Candidate evaluates whether <i>Snowdon Sweets Ltd</i> should accept this special order.</p> <p>Level 3 (6 - 9 marks) Candidate analyses the likely impact of this special order on <i>Snowdon Sweets Ltd</i>.</p> <p>Level 2 (3 – 5 marks) Candidate applies knowledge and understanding of special order decisions to <i>Snowdon Sweets Ltd</i>.</p> <p>Level 1 (1 – 2 marks) Candidate shows knowledge of special order decisions with no use of context.</p> <p>Award zero marks for a response which is not worthy of credit.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p> <p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>Look for something more than <i>Snowdon Sweets Ltd/Chas/Thaz</i>, e.g. sweets, herbal remedy market, liquorice, lozenges, cash-flow problems, magazines, Healthy Lifestyle, healthy living, free gifts, publisher.</p>

Question	Answer	Mark	Guidance
	<p>more (L3). However, any special order will bring in additional revenue (L1). In this case £380,000 (CONT) of extra revenue (L2). This cash inflow would help relieve <i>Snowdon Sweets Ltd's</i> current cash-flow difficulties (L3). Given that <i>Snowdon Sweets Ltd</i> is struggling to get orders from major pharmaceutical chains (CONT), and is experiencing lower than expected sales, an additional order at this time is unlikely. The company should accept the order because, at least then, the production facilities can be used to ease the cash-flow burden, hopefully allowing it to service the debt it took on when the herbal lozenge production line was installed (L4).</p>		<p>Non-contextual answer max Level 1.</p>

Question	Answer	Mark	Guidance
6 (a)	<p>Indicative content:</p> <p>Total cash inflow £5m Minus cost of £4m Total NCF = £1m</p> <p>£1m divided by 5 years = £0.2m per annum</p> <p>$\frac{£0.2m}{£4m} \times 100 = 5\%$</p> <p>Or £1m divided by £4m = 0.25 return</p> <p>$\frac{0.25}{5 \text{ years}} \times 100 = 5\%$</p> <p>Award full marks for the correct answer: 5%</p> <p>E.g. 5 (4).</p> <p>E.g. £5000000 - £4000000 = £1000000 (2).</p> <p>E.g. 5m – 4m = £1m 1m/5 = 0.2m (3).</p>	4	<p>AO1: 2 AO2: 2</p> <p>No workings required. Award four marks for '5'.</p> <p>Workings should only be marked if the final answer is incorrect. In which case award:</p> <p>Three marks if 0.2m (200,000) or 0.25 (250,000) (or 25) is seen.</p> <p>Else: two marks if 1m (1,000,000) as total NCF.</p> <p>Else: one mark if 5m (5,000,000) as total cash inflow.</p> <p>No OFR.</p>

Question		Answer	Mark	Guidance
6	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> • ARR only gives a percentage return • profitability is not the most urgent issue • payback calculates when money risked on investment is likely to be recouped • payback useful for firms who want a fast return on investment • payback beneficial to firms with liquidity/cash-flow problems. <p>Exemplar responses:</p> <p>E.g. Payback would show how long it will take before the money spent on Option 1 is recouped. The speed of return is important to <i>Snowdon Sweets Ltd</i> because it has a significant cash-flow problem (L2).</p> <p>E.g. The ARR only calculates a percentage return (L1).</p>	2	<p>AO1: 1 AO2: 1</p> <p>L2: 2 marks</p> <p>Candidate correctly identifies a difference between the two methods and includes an explanation of why payback is likely to be more useful for <i>Snowdon Sweets Ltd</i> in its current situation (it has a cash flow problem/it does not have a profitability problem/highly geared).</p> <p>L1: 1 mark</p> <p>Award one mark for a general comparison of methods with no explanation of why payback is likely to be more useful to <i>Snowdon Sweets Ltd</i> in its current situation.</p> <p>Reference to ARR/payback can be implied.</p>

Question	Answer	Mark	Guidance
6 (c)	<p>Indicative content:</p> <ul style="list-style-type: none"> • increased cost of borrowing • increased cash outflows • further financial difficulties • business may go into liquidation • reduced profitability/profit • equity investors may become concerned • may curtail or slow down further expansion/innovation • reduced demand/fewer sales • higher return on savings • increased fixed/variable costs • raise breakeven point • increased propensity to save. <p>Exemplar responses:</p> <p>E.g. <i>Snowdon Sweets Ltd</i> will have to pay more to service its £8m bank loan (CONT) causing its cash-flow position to worsen (2).</p> <p>E.g. The company may receive smaller orders from customers (1).</p>	6	<p>AO1: 3 AO2: 3</p> <p>Award:</p> <p>Two marks for a contextual explanation (annotate CONT).</p> <p>One mark for a non-contextual explanation.</p> <p>Effects can be positive or negative.</p> <p>Watch out for repetition.</p>

Question	Answer	Mark	Guidance
7 (a)	<p>Indicative content:</p> <ul style="list-style-type: none"> • more likely to choose the most innovative options • more willing to make high risk decisions • increased product development • may take unnecessary risk e.g. herbal lozenges • may take on too many projects at once • may attempt to grow the company too quickly • may cause disputes with other directors • may conflict with the ethical commitment of the directors • biased use of decision making tools e.g. decision tree • threatening survival. <p>Exemplar responses:</p> <p>E.g. Chas may encourage the other directors to choose an innovative route which in reality is too risky and puts the future of the company in jeopardy (1).</p> <p>E.g. Chas' ideas may not reflect the ethical (CONT) goals of the other directors causing conflict in the boardroom (2).</p>	4	<p>AO1: 2 AO2: 2</p> <p>For each response, award:</p> <p>Two marks for a contextual explanation (annotate CONT).</p> <p>One mark for a non-contextual explanation.</p>

Question	Answer	Mark	Guidance
7 (b)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • directors' commitment to ethical operations • goals of company not formalised • cash-flow difficulties • profitability • Chas' obsession with innovation • strength of Chas' influence - 1 director of 7 but CEO • company innovating/changing too quickly • too many changes at once • need time to let previous changes become embedded • availability of finance – debt/equity • growth potential • likelihood of success • degree of risk – Ansoff's Matrix • conflict between options • Option 1 Buy the liquorice farm - investment appraisal figures, secure supplies, lower price volatility of supply, location, lack of expertise, difficult to grow, difficult to harvest, management issues, finance • Option 2 Change name – reputation, recognition in confectionery market, recognition in herbal market, brand names more appropriate? • Option 3 Go public – expensive, lack of control, risk of takeover, increased finance, could fund further innovation, could pay off some existing debt, accounts published • Option 4 Go organic – time, cost, ethical commitment, consumer trends, appropriateness to market, usp, charger higher price? 	20	<p>AO1: 2 AO2: 4 AO3: 6 AO4: 8</p> <p>Level 4b (17 - 20 marks) Candidate evaluates which combination of options is most likely to secure the future of <i>Snowdon Sweets Ltd</i> taking into account consumer trends and other issues.</p> <p>Level 4a (13 - 16 marks) Candidate evaluates which combination of options is most likely to secure the future of <i>Snowdon Sweets Ltd</i> taking into account consumer trends or other issues.</p> <p>Level 3 (7 - 12 marks) Candidate analyses the option(s) under consideration at <i>Snowdon Sweets Ltd</i>.</p> <p>Level 2 (3 - 6 marks) Candidate applies knowledge and understanding to <i>Snowdon Sweets Ltd's</i> option(s).</p> <p>Level 1 (1 - 2 marks) Candidate identifies factor(s) involved in strategic decision making with no use of context.</p> <p>Award zero marks for a response which is not worthy of credit.</p> <p>Do <u>not</u> award marks for repeating the case study.</p> <p>Only award 'risk' if it is qualified e.g. Ansoff, financial.</p> <p>Non-contextual answer max Level 1.</p> <p>Please indicate each time a candidate achieves a particular level as this will help you allocate marks within that level.</p>

Question	Answer	Mark	Guidance												
	<ul style="list-style-type: none"> • Option 5 New product development – innovative, spreading risk, experienced production staff, build on reputation, weak demand in confectionery market, consumer trends, appropriateness to market? • Option 6 Herbal lozenges only – losing core business, inexperienced staff, market difficult to penetrate, higher profit margin, market conditions changing due to increased regulation, increased demand for alternative medicine, consumer trends <ul style="list-style-type: none"> • clientele/target market • marketing/market research • corporate image/reputation • business culture • current staffing issues • impact of options on workforce • management skills • market position/competition • economic instability – aluminium and sugar prices • economic conditions – exchange, interest, inflation, unemployment rates • consumer trends – attitude to sugar, healthy eating, obesity, importance of ethics, environmentally friendly, organic, fair trade • economies of scale <ul style="list-style-type: none"> • technical issues • logistics • practical and operational matters. <table border="1" data-bbox="349 1193 938 1390" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;">Opt 1</th> </tr> <tr> <th colspan="2" style="text-align: center;">Buy out liquorice supplier</th> </tr> <tr> <th colspan="2" style="text-align: center;">Vertical backwards integration</th> </tr> </thead> <tbody> <tr> <td style="width: 15%;">Cost</td> <td>£4 million</td> </tr> <tr> <td>ARR</td> <td>5% (OFR applies)</td> </tr> <tr> <td>Payback</td> <td>52.5 months (4 years 4.5 months)</td> </tr> </tbody> </table>	Opt 1		Buy out liquorice supplier		Vertical backwards integration		Cost	£4 million	ARR	5% (OFR applies)	Payback	52.5 months (4 years 4.5 months)		<p>Context should be annotated every time L2/L4 is awarded with the 'CONT' annotation.</p> <p>L4b (17–20 marks) (19–20 marks) Candidate gives a detailed justification for their recommendation taking into account consumer trends and other issues. (17–18 marks) Candidate gives a weak justification for their recommendation taking into account consumer trends and other issues.</p> <p>L4a (13–16 marks) (15-16 marks) Candidate gives a detailed justification for their recommendation taking into account consumer trends or other issues. (13-14 marks) Candidate gives a weak justification for their recommendation taking into account consumer trends or other issues.</p> <p>L3 (7–12 marks) (8 –12 marks) Candidate analyses two or more options. (7 marks) Candidate analyses one option.</p> <p>L2 (3–6 marks) Look for something more than <i>Snowdon Sweets Ltd/Chas/Thaz</i> e.g. sweets, herbal remedy market, liquorice, lozenges, cash-flow problems. (4 - 6 marks) candidate makes valid contextual points on two or more options. (3 marks) candidate makes valid contextual point on one option.</p> <p>L1 (1–2 marks) (2 marks) candidate identifies two or more factors with no use of context. (1 mark) candidate identifies one factor with no use of context.</p>
Opt 1															
Buy out liquorice supplier															
Vertical backwards integration															
Cost	£4 million														
ARR	5% (OFR applies)														
Payback	52.5 months (4 years 4.5 months)														

Question	Answer	Mark	Guidance
	<p>Exemplar response:</p> <p>E.g. Floating on the Stock Exchange gives a company access to much greater levels of equity finance (L1). More equity finance would be useful to <i>Snowdon Sweets Ltd</i> because it has already borrowed a lot (CONT) and is having difficulty servicing its debts (L2). The company could use some of the additional finance to pay off some of its debts, reducing its monthly outgoings and improving its cash-flow position, or it could use the funds to finance an additional project (L3).</p> <p>On the face of it changing the name of the company seems a good idea since the word 'sweets' (CONT) does not fit well with the herbal remedy market (L2). However, changing the name of the company risks losing the longstanding reputation the company has built up for high quality traditional sweets (CONT) (L2) and may cause a fall in sales and revenue in this market (L3).</p> <p>Overall I would recommend that the company did not go public or change its name. Going public would leave the company wide open to a takeover in a very competitive market and this would risk the directors losing their control of the company. This would be of particular concern to the Snowdon family directors who have a strong commitment to ethical practices (CONT). It would also cost at least £50,000, a sum that the company can ill afford (L4). The company does however need to secure a strong brand name for its liquorice lozenges which trade in the herbal remedies market. For this I recommend the company develop a separate brand name for this market which does not in any way allude to confectionery (CONT). Consumers need to view the herbal lozenges as a herbal</p>		<p>Level annotation required.</p>

Question	Answer	Mark	Guidance
	type of medication with an active ingredient which will alleviate their condition, and not a gimmicky sweet which is unlikely to work. Given the strong consumer trends toward alternative medicine and healthy eating the herbal remedy market is likely to become an important part of <i>Snowdon Sweets Ltd's</i> product portfolio and needs to be established as a serious contender in the market as soon as possible (L4) .		

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

Oxford Cambridge and RSA Examinations
is a Company Limited by Guarantee
Registered in England
Registered Office; 1 Hills Road, Cambridge, CB1 2EU
Registered Company Number: 3484466
OCR is an exempt Charity

OCR (Oxford Cambridge and RSA Examinations)
Head office
Telephone: 01223 552552
Facsimile: 01223 552553

© OCR 2016

