

## **GCSE**

### **Business Studies**

Unit **A293**: Production, Finance and the External Business Environment

General Certificate of Secondary Education

### **Mark Scheme for June 2015**

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














All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

Annotation	Meaning
	Benefit of doubt
	Cross
	Expansion of a point
	Error carried forward
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Repeat
	Tick
	Unclear
	Own figure rule

**Subject-specific Marking Instructions**

All responses must be annotated.

Annotate each page to indicate that it has been read except where it is a no response which is indicated by NR on the mark grid. Where there is nothing that is credit worthy, put an X.

Use '?' to annotate an answer which does not make sense to indicate that you have read it. Use 'X' if it is incorrect.

Where a 'points' marking scheme is applied tick to indicate each point to be rewarded. Continue to mark and tick ALL credit worthy points even if the maximum marks for the question has already been reached.

Where a levels of response mark scheme is applied, annotate the level at the point in the script where the candidate achieves it. Continue to mark and annotate each point even once the maximum marks for that level have been achieved.

Where a levels of response mark scheme is applied, the candidate can attain the top of Level 2 for a one-sided analysis. However, the candidate would only achieve the bottom mark of Level 3 however many Level 3 points were made.

Question			Answer		Mark	Guidance				
1	a)	i)	<table border="1"> <thead> <tr> <th>Statement</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>One type of cushion is produced before production is changed to a different type of cushion.</td> <td>✓</td> </tr> </tbody> </table>	Statement	Tick (✓)	One type of cushion is produced before production is changed to a different type of cushion.	✓		1	One mark for the correct answer.
Statement	Tick (✓)									
One type of cushion is produced before production is changed to a different type of cushion.	✓									
		ii)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Production can be varied</li> <li>• Costs are reduced</li> <li>• Specialist machinery</li> </ul> <p><b><u>Exemplar responses</u></b></p> <ul style="list-style-type: none"> <li>• They can make a lot of cushions (1) and production can be varied/they can change from one kind of cushion to another (1) to meet the needs of different customers (1) for different kinds of cushions/to meet different order (1).</li> <li>• Costs are reduced/it is cheaper (1) batches of cushions are made to order so do not need storing (1). Also because they make a lot they can save money on materials (1).</li> <li>• Specialist machinery may be used (1) reducing costs of producing the cushions (1) and it can speed up production (1).</li> </ul>		2	One mark for a correct statement and one mark for an appropriate point of explanation.				
	b)		<p>Correct answers are in this order:</p> <ul style="list-style-type: none"> <li>• Task</li> <li>• Trained</li> <li>• Money</li> <li>• High</li> </ul>		4	One mark for each correct answer.				
	c)	i)	£15 (1) NB £ sign not needed.		1	One mark for the correct answer.				

Question	Answer	Mark	Guidance
ii)	$\text{£}18 - \text{£}15 = \text{£}3 \times 80,000 \text{ (1)} = \text{£}240,000 \text{ (2)}$ $\text{£}18 \times 80,000 = \text{£}1.44\text{m} - \text{£}15 \times 80,000 = \text{£}1.2(1) = \text{£}240,000 \text{ (2)}$ Allow $\text{£}3 \times 80,000$ as one mark if the answer is incorrect.	2	Up to two marks One mark for correct calculations. Two marks for the correct answer. Allow error carried forward from c) i).
iii)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Use of raw materials (an input).</li> <li>• Processing to make into cushion/finished product.</li> <li>• Adding a feature to a manufactured bean-bag.</li> <li>• Advertising the bean bag.</li> </ul> <p>Do not reward answers that focus on the quality or the <i>amount of value</i>.</p> <p><b><u>Exemplar response</u></b></p> <p>Holden plc takes raw materials (such as cushion filling and material) (1) and constructs/makes a cushion/product from them (1).</p>	2	One mark for each point of explanation up to a maximum of two such points.  NB Do not reward the line of argument that they produce 'high quality' cushions which would be about the amount of value added not the <i>process of adding value</i> . Do not reward the point about value added being $\text{£}3$ – this again is how much not the process.
iv)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Profit as a reward to shareholders</li> <li>• Profit for reinvestment/improving the business/growth.</li> <li>• Profit as a performance measure eg to evaluate return on capital reward (Not in specification but allow).</li> <li>• Profit put into reserves</li> <li>• Profits are needed for survival.</li> </ul> <p><b><u>Exemplar responses</u></b></p> <ul style="list-style-type: none"> <li>• Are a reward for owners/shareholders (1) for taking a risk/investing (1). Without the reward, the business</li> </ul>	2 x 2 = 4	One mark for each of two statements correctly stating why profit is important and one mark for each of two points of explanation. One use plus a comment for 2 marks – no more than 2 for each use.  Do not reward that profits can be used for buying (more) materials or for paying <b>current</b> wages/running costs.  Do credit any suggestion that the profits can help the business to develop/grow <b>in the future</b> eg pay for advertising, pay higher wages than currently in order to attract new workers to facilitate future growth.

Question	Answer	Mark	Guidance
	<p>would not survive (1), shareholders would want to sell up (1).</p> <ul style="list-style-type: none"> <li>• Provide funds to reinvest/retained profit (1) to buy new machinery/equipment (1) so that the business can grow (1) or increase the speed of production (1).</li> <li>• Are a measure of performance (1) so that it can be compared against the performance of other businesses (1) or against previous the performance of previous years(1).</li> <li>• Can provide reserves (1) which the business can use when it needs them/in an emergency (1).</li> <li>• Profits are important to grow the business/without profit the business cannot grow (1) so that there is money to invest (1).</li> <li>• They can use profit to invest (1) without having to take a bank loan (1) and pay interest (1).</li> <li>• They can grow/expand the business (1) by investing in new machines/spending on advertising (1).</li> <li>• As a reward to workers (1) eg profit sharing scheme (1)</li> </ul> <p>NB To pay for advertising on its own is not rewardable, only reward in the context of facilitating growth.</p>		

Question		Answer	Mark	Guidance
d)	i)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Reputation (1) or Customer satisfaction (1) and increase sales (new or return) (1) which will increase profit (1).</li> <li>• Costs and profit, (reduced wastage), leading to lower prices.</li> <li>• Customer satisfaction (1) and so fewer complaints (1) and fewer returns/wastage (1), refunds (1).</li> <li>• To be competitive (1) to maintain/increase sales (1) and profit (1).</li> <li>• If quality is good you can increase the prices (1) and so make more profit (1) or it can expand the customer base (1).</li> </ul> <p><b><u>Exemplar responses</u></b></p> <ul style="list-style-type: none"> <li>• Good quality will help Holden plc keep costs low (1) because there will be minimum wastage of materials (1).</li> <li>• Quality will help Holden plc to sell its cushions (1) because good quality is important to some of the customers (1).</li> </ul>	4	<p>One mark for each of two statements correctly stating why quality is important and one mark for each of two points of explanation.</p> <p>Watch for repetition eg they will get more customers (1) as if quality is good more people are likely to buy from them (no second mark = more customers).</p>
	ii)	<p><b>Indicative content</b></p> <p>During the process. At the end of the process. Sampling</p> <p><b><u>Exemplar responses</u></b></p> <ul style="list-style-type: none"> <li>• TQM/self-inspection (1) inspecting during the production process (1) not at the end of the production process (1).</li> </ul>	2	<p>One mark for stating a method of quality control and one mark for an appropriate explanation of it.</p> <p>Do not reward the term 'look at' but accept inspection or checking or testing.</p>



Question			Answer	Mark	Guidance
			<ul style="list-style-type: none"> <li>Traditional methods/inspection/quality management/quality assurance/checking (1) (but not quality control as this is in the question) is when inspection occurs at the end of the production process (1)</li> <li>Random sampling (1) inspecting a selection of the cushions (1) eg testing the seams (1)</li> </ul> <p><b><u>Exemplar responses</u></b></p> <ul style="list-style-type: none"> <li>Holden plc could use total quality management (1) quality assuring each process in the production of cushions (1).</li> <li>Holden plc could use the traditional method (1) which is when the production department inspects the cushions once they have been made (1).</li> </ul>		
e)	i)		Tariff	1	One mark for the correct answer.

Question			Answer	Marks	Guidance	
					Content	Levels of response
1	e)	ii*)	<p>Level 3</p> <p>Overall the government was right to reject the call for tariffs because it would have raised the prices that consumers would have to pay (L1) possibly causing inflation. (L2) This would not be good at a time of high unemployment (L3) and low incomes (L3) and it would have caused</p>	10	<p>Level 3</p> <p>Identifies and uses relevant information from the case study:</p> <p>The tariff should be raised because unemployment is high or had been rising [in places like Bowton] (L3) therefore it is important to encourage production in the UK (L3) which will</p>	<p>Level 3 (8 – 10 marks)</p> <p>Evaluates in context – identifies and uses the data in the case study, <b>or</b> any other relevant information from their own knowledge, to support judgements or identify concerns.</p> <p>One judgement can gain 3 x L3 marks if developed or supported.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			<p>hardship for the town of Bowton. Also the consumers get more choice if there is competition from foreign firms (L2). However, it depends on whether the imposition of tariffs would have saved some jobs in Bowton being lost to competition from abroad (L3) which would be bad at a time of very high unemployment (rep at L3). It would also depend on the likelihood of other countries retaliating (L2) with their own tariffs in which circumstance the only effect would be the higher price for the consumers (L2).</p> <p>The UK government cannot raise the tariff (L3) as external tariffs are set by the EU (L3) and apply to all countries in the EU (L3),</p> <p>Level 2</p> <p>A tariff would raise the price of imports (L1) and so reduce the demand for them. (L2)</p>		<p>raise employment/reduce unemployment (L3).</p> <p>The tariff should not be raised because Incomes are low (L3) so consumers will not have a lot of money to spend (L3) which could lead to businesses closing (L3).</p> <p>They should raise the tariff because the competition is unfair (L1) which could cause UK businesses to close (L2) or move abroad/elsewhere (L2) because UK producers have to have high prices (L3) because of higher labour costs (L3).</p> <p>NB ie they state that competition is unfair and then explain it and discuss the consequences – ie it is supported.</p> <p>It depends eg how much the tariff is raised by (1) and if it will make imports more expensive (1) than domestically produced cushions (1).</p> <p>Level 2</p> <p>Against raising the tariff (for rejecting the call to increase tariffs).</p> <ul style="list-style-type: none"> <li>A rise in the tariff will raise the price (L1) and, for L2, the effect on the business is:</li> </ul>	<p>Alternatively different judgements can be considered to gain 9/10 marks</p> <p><b>Restrict marks to 8 if the candidate has not analysed both sides of the argument at L2.</b></p> <p>If both sides have been analysed, credit the development points related to a judgement.</p> <p><b>L3 needs to be a developed discussion with some analysis.</b></p> <p>Level 2 (3 – 7 marks)</p> <p>Analyses arguments in favour and/or against rejecting the call for increased tariffs.</p> <p>Identifying relevant information from</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			The tariff would reduce imports which would reduce the choice which consumers have (L2)		<ul style="list-style-type: none"> <li>It reduces competition (L2) will reduce choice/the range of cushions (L2), may encourage UK producers to be less efficient (L2), result in poorer quality of cushions for UK consumers to buy (L2).</li> <li>It results in the possibility of retaliation (L2) leading to a reduction in exports (L2), business closures (L2) and unemployment (L2).</li> <li>It means consumers pay more for goods(L2) and reduces the amount they can buy (L2) may be inflationary (L2).</li> </ul> <p>For raising the tariff (against accepting the call):</p> <ul style="list-style-type: none"> <li>Protects UK businesses (L2) from (unfair) competition (L2) and reduces demand for imported cushions (L2) prevents business closures L2), protects jobs (L2).</li> <li>Generates revenue for the government (L2) which could be used to pay for public services (L2).</li> </ul>	<p>the case study but not using it is L2.</p> <p>Reward each point of development analysing/explaining an issue.</p> <p>NB The statement that prices of imported cushions will rise is to rewarded at L1, the results of this are L2.</p> <p>Give discussing wages being lower in China as an explanation of unfair competition.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			<p>Level 1</p> <p>A tariff is a tax on imports (L1) and would raise the price which shops have to charge for the cushions (L1).</p>		<p>Level 1</p> <p>A tariff is a tax on imports (L1) making them more expensive/raise the price of imports (L1). The foreign competition is unfair (L1) [unsupported].</p>	<p>Level 1 (1 – 2 marks)</p> <p>The candidate shows knowledge of tariffs and can apply this.</p> <p>Quality of Written Communication</p> <p><b>Level 3</b> <i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p><b>Level 2</b> <i>Simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive but do not obscure meaning.</i></p> <p><b>Level 1</b> <i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p><b>No level</b></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
						<i>Those candidates who fail to reach the threshold standard in all respects.</i>

Question			Answer	Marks	Guidance	
2	a)				Content	Levels of response
			<p><b>Level 2</b></p> <p>The make-up cost falls from £6 (L2) - £5.85 (L2) OR falls by £0.15 (L2 – 4 marks)</p> <p><math>\text{£}20/100 \times 30 \text{ (L2)} = \text{£}6 \text{ (L2)} - \text{£}19.50/100 \times 30 \text{ (L2)} = \text{£}5.85 \text{ (L2)}</math></p> <p><b>Level 1</b></p> <p>The make-up cost remains the same at 30%. (L1)</p>	4	Reward the answer according to the type of calculation performed.	<p><b>Level 2</b></p> <p>4 marks for the correct answer ie 15p.</p> <p>One L2 mark for each stage in the appropriate calculation</p> <p><b>Level 1</b></p> <p>1 mark for an answer which refers to the % of total cost accounted for as make-up costs.</p>

Question			Answer	Mark	Guidance
2	b)		<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>Less wastage because</li> <li>UK workers are higher skilled/more accurate/more trained (and therefore)/there is better technology.</li> </ul>	2	<p>One mark for each point of explanation, up to a maximum of two points.</p> <p>The candidate must give the statement that there is less wastage which gives one mark and then an explanation as to why which gives the second mark.</p> <p>Without stating that there is less wastage the candidate can only be awarded one mark.</p>

Question			Answer	Mark	Guidance
			<p><b><u>Exemplar responses</u></b></p> <ul style="list-style-type: none"> <li>If Bowton workers make fewer mistakes than Chinese workers/are more accurate/make less mistakes (1) fewer cushions will have to be thrown away/more of the material they buy is used (1) which means that less material will be used per cushion produced. (1).</li> </ul>		<p>Accept eg Chinese workers are less accurate, UK workers more accurate.</p> <p>Do not reward answers that develop the argument about motivation/pay.</p>

Question			Answer	Marks	Content	Guidance
						<b>Levels of response</b>
2	c*)		<p>Level 3</p> <p>The interest rate is currently low (L3) and expected to stay low (L3) so this will be a good time to take a mortgage (L3) and buy the property (L3).</p>	10	<p>Level 3</p> <p>Uses information from the case study that is relevant to financial considerations:</p> <ul style="list-style-type: none"> <li>Economic growth is expected (L2), property prices likely to rise (L3), so a good time to buy (L3). Interest rates are low/mortgage costs are low (L3) and expected to remain low (L3) – may be a good time to buy (L3).</li> <li>Local government may give grants (L2) – may be towards buying costs (L3) and reduce the mortgage (L3) and interest that needs to be paid (L3).</li> <li>Holden’s needs cash for machinery (L2), may not have enough for a deposit (L3) if they have spent the money on the deposit (L3).</li> </ul>	<p>Level 3 (8 – 10 marks)</p> <p>Evaluates in context – uses the data in the case study, <b>or</b> any other relevant information from their own knowledge, to support judgements or identify concerns.</p> <p>One judgement can gain 3 x L3 marks if developed or supported. Alternatively different judgements can be considered to gain 9/10 marks</p> <p><b>Restrict marks to 8 if the candidate has not analysed both sides of the argument at L2.</b></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<ul style="list-style-type: none"> <li>• Buying may be cheaper in the long term as once the mortgage is paid off (L3) this would reduce monthly costs (L3) whereas the rent would have to be paid for as long as Holden's use the factory (L3). NB This is reward as L3 as it hangs together as an argument about long term costs.</li> <li>• Renting does not involve selling costs (L3) if Holden's wishes to sell the factory in the future.</li> <li>• Leasing/renting, taking into consideration all the costs involved, works out cheaper than buying by £8,000 per year (L2) or the cost of building would be £87,000 compared to £79,000 for renting.</li> </ul> <p>(NB Do not reward renting is cheaper than buying as L3 if only rent and mortgage costs are taken in to consideration – reward that as L2).</p>	

Question			Answer	Marks	Guidance	
					Content	Levels of response
			Level 2  Holden's will gain an asset (L2) which may appreciate (L2)		Level 2  For buying: <ul style="list-style-type: none"> <li>Holden's will gain an asset (L2) which may appreciate (L2) and which it can sell if it needs to raise funds (L2).</li> </ul> For leasing: <ul style="list-style-type: none"> <li>Renting means Holden's does not have to find a large sum of money as a deposit (L2) or to arrange a loan/mortgage (L2).</li> <li>The factory could depreciate in value (L2) and so Holden's might lose out in time (L2).</li> <li>It would cost £1.6m to buy the factory (L1) and this is a big sum of money to risk (L2).</li> <li>Rent is £68,000 is cheaper than having a mortgage which is £80,000 (L2) (Some calculation but it is limited as it does not cover all the data given in Fig. 4)</li> </ul>	Level 2 (3 – 7 marks)  Analyses the options to the issue of factory premises – analysis of one option can get to 7 marks. Identifying relevant information from the case study <i>but not using</i> it is only L2, repeating Fig 4 information is L1 [unless a calculation has been done to compare total costs].  Reward each point of development analysing/explaining an issue.  Only allow the ownership argument if it is linked to a <b>financial matter</b> eg it gives an asset which could be used as security. Renting does not give ownership, it means no big deposit is needed. Do not credit the argument about ownership meaning that you can use the factory as you want/layout it out as you want.
			Level 1  If Holden's rent the factory they will have to pay a regular fee each		Level 1  <ul style="list-style-type: none"> <li>Rent involves regular payment(L1)</li> </ul>	Level 1 (1-2 marks)  The candidate shows knowledge of rent or buying options and applies it to the case



Question			Answer	Marks	Guidance	
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			month (L1). If Holden's buy the factory they will have to pay for it possibly with a mortgage in order to spread the cost (L1).		<ul style="list-style-type: none"> <li>Buying involves paying a purchase price (L1), perhaps over time (L1).</li> <li>Rent is £68,000</li> <li>mortgage is £80,000 (L1)</li> <li>Maintenance costs £5000 if the factory is</li> <li>at £3000 if bought (L1).</li> <li>Uniform business rate is dearer if the factory is rented (L1). (No calculation of figures so credited at L1)</li> <li>It costs £1.6m to build the factory (L1).</li> </ul>	<p>study.</p> <p>Quality of Written Communication</p> <p><b>Level 3</b> <i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p><b>Level 2</b> <i>Simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive but do not obscure meaning.</i></p> <p><b>Level 1</b> <i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p><b>No level</b> <i>Those candidates who fail to reach the threshold standard in all respects.</i></p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	d*)	<p>Level 3</p> <p>I would build on the greenbelt site if this is the only way that the business can be started (L3) as Bowton is in desperate need of new businesses (L3) and more employment (L3). Bowton will lose a space which people might enjoy (L2) but the creation of jobs is more important at this time (L3) and there will be a multiplier effect (L3). It may be possible to restore some sites to improve the look of the area when business has picked up (L3) and more taxes are being paid to the local council (L3).</p> <p>Level 2</p> <p>A greenbelt site will be good for the people of Bowton because it will be a place for them to go to enjoy (L2), to have picnics (L2) and which will look</p>	8	<p>Level 3</p> <ul style="list-style-type: none"> <li>• Depends on how many greenbelt sites exist (L3).</li> <li>• Depends if brownfield/alternative sites are available (L3).</li> <li>• Investment/business development is needed because of high unemployment (L3), low economic growth (L3), low incomes (L3) and there will be a multiplier effect (L3) [here discussed in context].</li> <li>• Tax income will be generated as could be used to improve the look of the local area to compensate for the loss of the greenbelt (L3).</li> <li>• Depends on how many jobs are created as a result of a multiplier effect (L3). It is a small amount of jobs but it does reduce unemployment which is high (L3)</li> <li>• It depends on how quickly it will help the local economy to grow (L3) as it has only had slow growth recently.</li> </ul> <p>Level 2</p> <p>Social costs:</p> <ul style="list-style-type: none"> <li>• Loss of an amenity/green space (L2) which gives pleasure (L2)</li> <li>• Greenbelt sites prevent urban</li> </ul>	<p>Level 3 – (6 – 8 marks)</p> <p>Evaluates in context – uses the data in the case study or any other relevant information from their own knowledge, to support judgements or identify concerns.</p> <p><b>Restrict marks to 6 if the candidate has not analysed both sides of the argument at L2.</b></p> <p>Level 2 (3 – 5 marks)</p> <p>Analyses considering the social costs and social benefits.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
			nice (L2).  Using the greenbelt site will create jobs (L2).		<p>sprawl (L2).</p> <ul style="list-style-type: none"> <li>• May lose a natural habitat (2)</li> <li>• It may cause pollution (L2) such as air pollution (L2) and noise pollution (L2) and congestion (L2)</li> </ul> <p>Social benefits:</p> <ul style="list-style-type: none"> <li>• Helps businesses to start up (L2)</li> <li>• Helps economic growth and prosperity (L2).</li> <li>• Creates jobs (L2).</li> <li>• Raises incomes, multiplier effect (L2).</li> <li>• Generates tax income for the council/government to use (L2) which could be spent on services (L2).</li> </ul>	
			Level 1  A greenbelt site is an area of open land with grass on it (L1) on which the factory could be built (L1).		Level 1  If the factory is built on a greenbelt site it would be built on area that is currently a field or woodland (L1).  Definition of social costs and/or benefits.	Level 1 (1 – 2 marks)  Knowledge and application regarding greenfield.  Quality of Written Communication  <b>Level 3</b> <i>Relatively straight forward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may</i>

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					Content	Levels of response
						<p><i>stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p><b>Level 2</b>  <i>Simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive but do not obscure meaning.</i></p> <p><b>Level 1</b>  <i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p><b>No level</b>  <i>Those candidates who fail to reach the threshold standard in all respects.</i></p>

Question			Answer	Mark	Guidance
2	e)	i)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Sustainable renewable production, better for the environment.</li> <li>• It is renewable.</li> <li>• It supports economic development in a poor country.</li> <li>• It will make them competitive with other cushion producers.</li> <li>• The use of kapok may help to create good quality image for the product.</li> <li>• The relative difference in price between kapok and latex has fallen/the price of kapok is similar, latex has risen in price. (Do not reward 'cheaper.'</li> <li>• It is bought from FairTrade producers</li> </ul> <p><b><u>Exemplar responses</u></b></p> <p>If Holden plc use sustainable production (1). It may create an image that Holden's sells good quality products (1) Holdens' is supporting development in third world countries (1)</p>	2	<p>One mark for each of the correct answers.</p> <p>Look out for 2 advantages on one line. Eg It is sustainable so will attract more customers.</p>
		ii)	<p><b>Advantages</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Marketing advantage/image of company</li> </ul> <p><b><u>Exemplar response</u></b></p> <p>Many customers like to buy from firms who use FairTrade suppliers (1) because they believe it is helping people in poor countries (1) and this is good for the image of the firm (1) and will increase sales (1). Holden can charge a higher price (1) as consumers are willing to pay more for FairTrade goods.</p> <p><b>Disadvantage</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Costs</li> </ul>	2 x 2 = 4	<p>One mark for a statement of an advantage and one for a disadvantage. One mark for a development point of a statement.</p>

Question		Answer	Mark	Guidance
		<p><u>Exemplar response</u></p> <p>It often costs more to buy from FairTrade producers (1) because it is a way of guaranteeing the income of producers (1) but this will raise the costs of production for Holden plc (1) and it may have to charge a higher price (1) which could lead to a loss of sales (1). There will be an opportunity cost/eg Holden may not be able to spend as much on advertising (1). People may not be willing to pay more/higher prices for the fair trade produce (1) because they do not care about FairTrade products (1).</p>		
3	a)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Wage rates may fall</li> <li>• Wage costs may fall</li> <li>• Unit labour costs fall</li> <li>• Availability of labour</li> <li>• The possibility of getting a grant.</li> </ul> <p><u>Exemplar responses</u></p> <ul style="list-style-type: none"> <li>• Wage costs will be low (1) because there will be a high supply of unemployed labour (1)</li> <li>• The seamstresses that it used to employ before 2008 may still be available (1) as they will have found it difficult to find jobs. (1)/It will be easy to recruit the skilled labour that it needs (1).</li> <li>• Holden's may get a grant (1) in need of regeneration (1) (but do not reward <i>it is an area of rising unemployment</i>).</li> </ul>	2	One mark for stating a benefit and one mark for a point of explanation.

Question			Answer	Marks	Guidance	
3	b)	i)			Content	Levels of response
			<p>Level 3</p> <p>Bowton Council should give the grant to Holden plc if it thinks that enough jobs will be created (L3) as unemployment is high (L3) and the business will prosper and pay taxes/business rates to the council over a period of time so that it recoups the money it has paid out (L3).</p>	10	<p>Level 3</p> <ul style="list-style-type: none"> <li>The town has high unemployment (L3) and needs jobs (L3) [ie a discussion in context].</li> <li>It will depend on how many jobs (L3) are created as a result of Holden plc setting up in Bowton including the multiplier effect (L3).</li> <li>It will depend on how much the grant is (L3) and whether or not the grant costs might be covered if the business leads to the generation of extra taxes for the council (L3).</li> <li>It depends on how much less they have to spend on other services (L3) how much they have to borrow (L3) or if they have to raise taxes (L3) and how much this will be by (L3).</li> <li>The council cannot afford to give the grant because of government cuts (L3) but I think they should find the money to do so because unemployment is such a problem (L3).</li> </ul>	<p>Level 3 – (5 - 6 marks)</p> <p>Evaluates in context – uses the data, in the case study or any other relevant information from their own knowledge, to support judgements or identify concerns.</p> <p>NB To be level 3 a point needs to be clearly explained eg it may be self-financing to give a grant is not enough to move an answer to L3, development about increased tax income is required.</p> <p>If a two-sided analysis is not given cap a level 3 answer at 5 marks.</p>
			<p>Level 2</p> <p>Giving Holden plc a grant would encourage it to locate in the town of Bowton (L2) because this would reduce the start-up costs (L2). However it would mean that the council would have to raise taxes to finance the grant (L2)</p>		<p>Level 2</p> <p>For giving a grant:</p> <ul style="list-style-type: none"> <li>The grant will reduce the costs to Holden plc of setting up the business in Bowton (L2). It will encourage the business to set up in the town creating economic growth/improving the standard of living</li> </ul>	<p>Level 2 (3 – 4 marks)</p> <p>Analyses considering both arguments for and against giving a grant.</p>

Question	Answer	Marks	Guidance	
	<p>Level 1</p> <p>A grant would be a sum of money (L1) given by the government to Holden plc (L1).</p>		<p>(L2). Jobs will be created/it will create 30 new jobs (L2) and reduce unemployment (L2). Holden's will pay taxes to the government (L2).</p> <p>Against giving a grant:</p> <ul style="list-style-type: none"> <li>It will cost money to the local government (L2) and it may have to raise taxes (L2), borrow (L2) or cut spending on other services (L2) in order to be able to afford it</li> </ul> <p>Level 1</p> <ul style="list-style-type: none"> <li>A grant would be a sum of money (L1) given by the government to Holden (L1)plc.</li> </ul>	<p>Level 1 (1 – 2 marks)</p> <p>Knowledge and application regarding grants.</p>



Question			Answer	Marks	Guidance	
3	b)	ii			Content	Levels of response
			<p>Level 3</p> <ul style="list-style-type: none"> <li>• How low interest rates are (L3) will be very important to Holden plc if it decides to build a new factory (L3) and it takes out a mortgage on this loan (L3).</li> <li>• How much the interest rates fall (L3) will be very important given the state of the Bowton economy because employment (L3) and incomes are low (L3) and so people will not have the cash to spend (L3).</li> <li>• Low interest rates are of some importance because Holden plc sells some products in the UK and they would help sales (L3) but if most of its sales are exports these would not be affected (L3).</li> <li>• Lower exchange rates may result from the low interest rates (L3) and these will be important to Holden plc because it exports a lot of its produce (L3).</li> </ul> <p>Level 2</p> <ul style="list-style-type: none"> <li>• Lower interest rates will mean that Holden plc will have to pay less on loans so reducing costs (L2).</li> <li>• Lower interest rates will mean consumers can afford to borrow more (L2) so sales will rise (L2).</li> </ul>	6	<p>Level 3</p> <p>It depends on:</p> <ul style="list-style-type: none"> <li>• <i>how low</i> the interest rates are (L3),</li> <li>• how much the company loans are (L3)</li> <li>• how big a mortgage Holden's need (L3)</li> <li>• how much extra consumer borrowing results (L3) how much discretionary income rises (L3) how much less consumers save (L3).</li> <li>• Benefit depends on the <i>importance of domestic and export sales</i> (L23) – if most sales are exports (L3), lower interest rates will make the exchange rate lower (L3) increasing export sales (L3). However this would not help domestic sales (L3) if the customers are not willing to borrow (L3).</li> <li>• Low interest rates <i>may not be enough</i> to encourage increased sales (L3) because of the low incomes and the high unemployment (L3) putting people off borrowing (L3), availability of credit (L3).</li> <li>•</li> </ul> <p>Level 2</p> <ul style="list-style-type: none"> <li>• Low interest rates may mean a cheap mortgage (L2) and Holden's will be able to buy the factory rather than rent (L2).</li> <li>• Low interest rates may encourage people to borrow at a time of low incomes (L2) leading to an increase in demand (L2).</li> <li>• Low interest rates may not be enough to</li> </ul>	<p>Level 3 – (5 - 6 marks)</p> <p>Evaluates in context – uses the data in the case study or any other relevant information from their own knowledge, to support judgements or identify concerns.</p> <p>If a two-sided analysis is not given cap a level 3 answer at 5 marks.</p> <p>Level 2 (3 – 4 marks)</p> <p>Analyses different ways in which Holden's may benefit from lower interest rates.</p>

Question			Answer	Marks	Guidance	
			<p>Level 1</p> <ul style="list-style-type: none"> <li>Lower interest rates will reduce how much as to be paid on loans by Holden's (L1) and by consumers (L1).</li> </ul>		<p>encourage increased sales because of the low incomes and the high unemployment (L2) putting people off borrowing (L2), availability of credit (L2).</p> <ul style="list-style-type: none"> <li>So Holden's more likely to take out a loan to pay for investment OR it has more money that can be spent on investment</li> <li>Increased sales because low interest rates encourage consumers to take out loans and discourage savings (L2) and increases discretionary income (L2)</li> </ul> <p>Level 1</p> <p>Holden's will have to pay less on loans/will not have to pay much interest. (L1) Consumers will have to pay less on loans/will not have to pay much interest. (L1)</p>	<p>Level 1 (1 – 2 marks)</p> <p>Knowledge and application regarding interest rates</p>

Question			Answer	Mark	Guidance
3	c)	i)	<ul style="list-style-type: none"> <li>• Profits</li> <li>• Gross profits</li> <li>• Net profits</li> <li>• Cash flow</li> <li>• Revenue</li> <li>• Cost figures</li> <li>• Total sales</li> <li>• Return on capital employed</li> <li>• Market share</li> <li>• Number of returns</li> </ul>	2	One mark for each appropriate measure, up to two such measures.
		ii)	<p><b>Indicative content</b></p> <p>Poor sales because of:</p> <ul style="list-style-type: none"> <li>• the level of unemployment that exists.</li> <li>• Increased employment only in part-time, low income jobs</li> <li>• Furnishings as luxuries.</li> <li>• Increased competition.</li> <li>• Inaccurate forecasting</li> <li>• Suppliers raise prices.</li> <li>• Low consumer confidence.</li> <li>• Failure to advertise (1) to attract customers (1).</li> <li>• Unexpected changes – in the market (1) eg preference for larger retailers (1), new products coming in (1).</li> <li>• There are poor economic conditions/a recession (1)</li> </ul> <p>Do not reward the argument about sales after the Christmas period.</p> <p><b><u>Exemplar responses</u></b></p> <p>A lot of people were unemployed (1) and many only had part-time jobs (1) so demand would be low (1) as people</p>	3	<p>One mark for the reason and up to two marks for explanation of that reason.</p> <p>One mark for each correct point of explanation up to a maximum of three such points of explanation.</p>

Question			Answer	Mark	Guidance
			would not have the money for luxuries/cushions (1).		
	d)	i)	Bowton Furnishings needs £2000 to finance the negative cash flow in the month of March.	1	One mark for the correct answer.
		ii)	<ul style="list-style-type: none"><li>• Overdraft</li><li>• Trade credit</li><li>• Discount to debtors for early payment</li></ul>	1	One mark for the correct answer.

Question		Answer	Mark	Guidance	
	d) iii)	<p>Level 2</p> <p>Sales income is falling (L1) but expenses are rising (L2). Stock is rising (L2) This means they may have a poor year in 2015. . Also the cash flow has become negative (L2) which also indicates a poor year.</p>		<p>Level 2</p> <ul style="list-style-type: none"> <li>• The cash flow forecast is not necessarily an indication of what will happen for the rest of the year (L2) . The post-Christmas period is normally poor for sales (L2) as people are short of money (L2) . Sales often pick up in spring (L2) and usually pick up in September (L2).</li> <li>• There is expected economic growth (L2) a rise in employment (L2), higher incomes (L2) and lower interest rates (L2) .</li> <li>• If the jobs created in the future are low paid (L2) or part-time(L2) sales may not increase.</li> <li>• Costs may fall in the future (L2) if Holden's relocates (L2) and therefore Holden's may sell the cushions for less .</li> <li>• The data is only for the first 3 months of the year (L2) but this is usually a bad time of the year for sales (L2) and sales usually pick up in September(L2) so this may not be a bad year.</li> <li>• Sales income is falling (L1) but expenses are rising (L2). Stock is rising (L2). Also the cash flow has become negative (L2) which indicates the year is going to be bad .</li> <li>• The cash flow forecast may not be accurate (L1). I need more information (L2) as we only have three months of data (L2) .</li> <li>• Sunil is not controlling his cash flow well (L2). He has too much stock/too much wages(L2).</li> </ul>	<p>Level 2 (3 – 4 marks)</p> <p>Explains the possible problem using the cash flow data and other relevant data to <b>give the reasons</b> why it may or not be a bad year.</p>
		<p>Level 1</p> <p>The reason for the worsening cash flow is the fall in sales (L1) over the three</p>		<p>Level1</p> <p>Defines the information in the cash flow forecast or defines a cash flow forecast or gives a general statement not .</p>	<p>Level 1 (1 – 2 marks)</p> <p>Knowledge and application regarding</p>

Question	Answer	Mark	Guidance	
	<p>months from £14000 in January to £11,000 in March (L1) and the rise in expenditures (L1) resulting from the increase in stock and wages (L1).</p> <p>Bromley Furnishing will have a negative cash (L1) flow after two months of positive cash flow (L1).</p> <p>A cash flow forecast shows money expected to come in and be paid out (L1) each month (L1) by Holden plc (L1)</p>		<p>It will be a poor year if:</p> <ul style="list-style-type: none"> <li>• sales fall (L1)</li> <li>• Expenses rise (L1)</li>   <li>• Cash flow forecasts may not be accurate (L1).</li> <li>• A cash flow shows money coming in to and being paid out (L1).</li> <li>•</li> </ul> <p><b>NB Do not credit any statement that indicates that Bromley Furnishings is making a loss in March.</b></p>	

**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](mailto:general.qualifications@ocr.org.uk)

[www.ocr.org.uk](http://www.ocr.org.uk)

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Facsimile: 01223 552553

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