

**GCE**

**Business**

Unit **H431/02**: The UK business environment

Advanced GCE

**Mark Scheme for June 2018**

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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

	Blank page
	Tick
	Cross
	Highlighting tool
	Not answered question
	Own Figure Rule
	Benefit of Doubt
	Repeat
	Noted but no credit given
	Too vague
	Unclear
	Knowledge
	Application of knowledge and understanding
	Analysis
	Developed Analysis
	Evaluation
	Effective evaluation

**EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION**

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

**[Questions 1-7, & 13 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 8-12 & 14.]**

**IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.**

**Subject-specific Marking Instructions****INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

## Levels of response – Level descriptors

	<b>Knowledge and understanding/ Application</b>	<b>Analysis</b>	<b>Evaluation</b>
<b>Strong</b>		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
<b>Good</b>	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
<b>Reasonable</b>	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
<b>Limited</b>	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.

The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.

**USING THE MARK SCHEME**

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

**INSTRUCTIONS TO EXAMINERS:****A INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

**B TOTAL MARKS**

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

Answer		Marks	Guidance
1	<p><b>State two sources of secondary market research data.</b></p> <p>1 mark for each correct source of secondary market research up to a maximum of 2 marks.</p>	<p><b>2</b> (AO1 2)</p>	<p><b>Indicative content:</b></p> <ul style="list-style-type: none"> <li>• Sales data</li> <li>• <u>Previous</u> survey (either internal or external) results</li> <li>• Customer information (e.g. from loyalty cards)</li> <li>• Company reports/Competitors' (sales) data</li> <li>• The Internet</li> <li>• Trade publications or journals</li> <li>• Newspapers/magazines/books etc.</li> <li>• Government statistics</li> </ul> <p style="text-align: right;"><b>ARA</b></p>
2	<p><b>State one advantage and one disadvantage for a UK firm of the UK being a member of the European Union (EU).</b></p> <p>1 mark for an advantage and 1 mark for a disadvantage.</p> <p>Any reference to the impact on prices of products either inside or outside the EU <u>must</u> mention taxes/tariffs/CET etc.</p> <p>Disadvantages of trading need to be specific to membership of the EU (i.e. do NOT reward answers which refer to the issues of international trade generally such as exchange rates, language, culture or tastes.)</p> <p>Advantages/disadvantages MUST be for a UK firm rather than the government (e.g. do not accept references to paying a fee or money into the EU)</p>	<p><b>2</b> (AO1 2)</p>	<p><b>Indicative content</b></p> <p>Advantages:</p> <ul style="list-style-type: none"> <li>• Single market/free trade/able to sell more products/larger customer numbers</li> <li>• no trade barriers/no taxes or barriers <b><u>with countries inside the EU</u></b></li> <li>• Gain from economies of scale</li> <li>• Able to attract more/better employees from abroad</li> <li>• Greater stability/risks spread more widely</li> <li>• EU (government) may help support firms in the UK economy during downturn in the economy</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>• More competition (imports from abroad)</li> <li>• Have to follow <u>EU laws</u> or standards/interference from EU bodies</li> <li>• Marketing policies may need to be adjusted</li> <li>• Increased trade barriers <b><u>with countries outside the EU</u></b></li> </ul> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
3	<p><b>Define the accounting convention known as ‘materiality’.</b></p> <p>2 marks for a clear definition</p> <p>1 mark for an answer which has a basic idea of the concept</p> <p>1 mark for an example <b>only</b></p>	<p><b>2</b> (AO1 2)</p>	<p><b>Exemplar responses</b></p> <p>Information is material if its omission or mis-statement could influence the decisions of users taken on the basis of the financial statements. (2)</p> <p>Only stating what is adding to the value of the business (e.g. paper clips have no effect on the worth of the business) (2)</p> <p>A business should not spend time calculating every single asset if it is of little or no value (1) and so would make no real difference to the financial accounts. (1)</p> <p>Small amounts of money need not be considered in the accounts. (1)</p> <p>Recording the value of a waste paper bin is pointless. (1)</p> <p style="text-align: right;"><b>ARA</b></p>
4	<p><b>A company makes computer monitors which it sells for £149. The company’s accountant allocates the following costs to each monitor produced:</b></p> <ul style="list-style-type: none"> <li>▪ <b>Plastic components - £22</b></li> <li>▪ <b>Electrical components - £26</b></li> <li>▪ <b>Direct labour costs - £20</b></li> <li>▪ <b>Factory overheads - £45</b></li> <li>▪ <b>Transport costs - £15</b></li> </ul> <p><b>Calculate the added value for each monitor.</b></p> <p>2 marks for correct answer (with or without correct working)</p> <p>1 mark for an answer which deducts all costs (<u>with</u> workings) = £21</p>	<p><b>2</b> (AO1 1) (AO2 1)</p>	<p>Added value = Price – Direct costs</p> <p>Added value = £149 - £68</p> <p style="text-align: center;"><b>= <u>£81</u></b></p>

Answer		Marks	Guidance
5	<p><b>Explain two advantages for an individual of setting up a business as a sole trader.</b></p> <p>1 mark for each correct advantage up to a maximum of 2 advantages, plus a further 1 mark for each of two developmental points.</p> <p>Make sure the two advantages are clearly different.</p> <p><b>NO</b> reward for disadvantages</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Advantages include:</p> <ul style="list-style-type: none"> <li>• Few legal requirements (1) – so it is easy/cheap/quick to set up a business (1)</li> <li>• No need to consult with anyone (1) – allows decisions to be made quickly/in full control (1)</li> <li>• Owner keeps all of the profit (1) – no need to share with anyone else as in other structures/all money can be reinvested (1)</li> <li>• Cannot lose control of the business (1) – as there are no shares to be sold/ensures future ownership of business for individual or their family (1)</li> <li>• Financial matters can be kept private (1) – no laws require data to be made public (1)</li> <li>• Flexible working hours (1) – can best coincide with the entrepreneur’s life (1)</li> </ul> <p>Ensure answers refer to the <b>advantages to the business owner.</b> <b>ARA</b></p>
6	<p><b>Explain two possible reasons for ‘fair dismissal’.</b></p> <p>1 mark for each correct reason up to a maximum of 2 reasons, plus a further 1 mark for each of two developmental points or examples.</p> <p><b>NO</b> reward for any reference to unfair dismissal, wrongful dismissal or constructive dismissal.</p> <p>Make sure the two answers are different <u>although they both may be examples of misconduct</u></p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Reasons include:</p> <ul style="list-style-type: none"> <li>• Repeated (gross) misconduct (1) – this may include lateness, behaviour, discipline (or reference to repeated misconduct) (1) [Accept ‘repeated absences from work’]</li> <li>• Incapacity/illness (1) – if the worker is too ill to work or takes time off due to illness on a repeated basis (1)</li> <li>• Capability (1) – repeated inability to do the work or losing the business of a valuable customer (1)</li> <li>• Redundancy (1) – if the employee’s job no longer exists or has moved to a new location (1)</li> </ul> <p><b>NB:</b> These are the <u>only</u> accepted reasons as laid out in the UK government’s official guidance</p>

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7	<p>(a) A business has three financial transactions on 25 May 2018:</p> <ul style="list-style-type: none"> <li>• Sells £400 of product for cash</li> <li>• Sells £500 of product on credit (to be paid at the end of June 2018)</li> <li>• Pays an invoice from April 2018 for £260 from its bank account.</li> </ul> <p>Calculate the net effect on the company's cash-flow on 25 May 2018.</p> <p>2 marks for correct answer (with or without workings)</p> <p>1 mark for an answer including the credit sale (£640)</p>	<p><b>2</b> (AO2 2)</p>	<p>Cash-flow for 25 May will not include the credit sale</p> <p>Answer = £400 - £260 = <b>£140</b></p> <p>[Award 1 mark for an answer of - £140]</p>																																										
	<p>(b) 1 mark for correct utilities figure (£16,000)</p> <p>1 mark for correct closing balance figure (£10,400)</p> <p>Marks awarded independently (<b>no OFR</b>)</p>	<p><b>2</b> (AO1 2)</p>	<table border="1"> <thead> <tr> <th>Item</th> <th>July 2018 (£)</th> <th>August 2018 (£)</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td>31,800</td> <td>31,900</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Inflows</b></td> <td></td> <td></td> </tr> <tr> <td>Sales revenue</td> <td>97,000</td> <td>102,000</td> </tr> <tr> <td>Bank loan</td> <td>12,100</td> <td>10,000</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Outflows</b></td> <td></td> <td></td> </tr> <tr> <td>Raw materials</td> <td>27,600</td> <td>36,500</td> </tr> <tr> <td>Wages</td> <td>63,600</td> <td>75,000</td> </tr> <tr> <td>Utilities</td> <td><b>16,000</b></td> <td>20,000</td> </tr> <tr> <td>Other costs</td> <td>1,800</td> <td>2,000</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>Closing balance</td> <td>31,900</td> <td><b>10,400</b></td> </tr> </tbody> </table>	Item	July 2018 (£)	August 2018 (£)	Opening balance	31,800	31,900				<b>Inflows</b>			Sales revenue	97,000	102,000	Bank loan	12,100	10,000				<b>Outflows</b>			Raw materials	27,600	36,500	Wages	63,600	75,000	Utilities	<b>16,000</b>	20,000	Other costs	1,800	2,000				Closing balance	31,900	<b>10,400</b>
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8	<p><b>Analyse one benefit for Virgin Trains of operating as a joint venture.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one possible benefit of Virgin Trains operating as a joint venture.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of one possible benefit of Virgin Trains operating as a joint venture.</p> <p>(NB – award <b>one</b> mark for a non–contextualised benefit)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>Possible benefits of operating as a joint venture include:</p> <ul style="list-style-type: none"> <li>• The capital cost of a project may be very high and beyond the resources of a single business</li> <li>• It can reduce the risk which a single business may not be willing to consider</li> <li>• Allows businesses to share strengths (synergy) and enable the provision of a better quality service for consumers</li> <li>• Gives the joint venture greater buying power when dealing with suppliers and contractors (allow reference to economies of scale even though not strictly correct)</li> </ul> <p><b>Exemplar response:</b> Virgin Trains can reduce the level of risk of such a large infrastructure project (<b>K</b>) as it can benefit from the branding &amp; reputation of the Virgin Group of companies (<b>APP</b>). Virgin Trains can spread the risk across its management expertise (<b>AN</b>) so that it is more likely to be successful and less of a financial risk (<b>AN</b>).</p> <p>Allow consideration of the benefit from Virgin Trains, Virgin Group or Stagecoach’s point of view, as the benefits are similar for each company.</p> <p>Do not reward answers which <b>ONLY</b> consider the benefits from another stakeholder’s view (e.g. the customer).</p> <p>Allow references to large infrastructure projects, trains/stations, services on board (free WiFi), Virgin branding, Ltd &amp; plc, firms in different sectors or different degrees of expertise as sufficient for the context. Also, allow reference to TOCs buying trains, even though this is not true for most routes.</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
9	<p><b>Analyse one source of finance which Virgin Trains may have used for this investment.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of an appropriate source of finance.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of a source of finance.</p> <p>(NB – award <b>one</b> mark for a non–contextualised source)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>The investment is for £2bn and for a long-term asset so that a long-term source of finance is necessary, for example:</p> <ul style="list-style-type: none"> <li>• Long-term loan</li> <li>• Debenture (allow as Stagecoach is a plc)</li> <li>• Share issue (both parent companies are limited companies - <b>APP</b>)</li> <li>• Retained profit</li> <li>• Leasing</li> </ul> <p>Do NOT reward an answer of government subsidies or grants</p> <p><b>Exemplar response:</b> Virgin Trains could take out a long-term loan (<b>K</b>) as the figure is very large (<b>APP</b>) and will take a long time to return any profit (<b>AN</b>). With long-term contracts signed to operate their routes they are assured of a continuous stream of income to pay the interest (<b>AN</b>).</p> <p style="text-align: right;"><b>ARA</b></p>
10	<p><b>Evaluate the advantages for Virgin Trains of having a mission statement.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the advantages <b>and</b> disadvantages of Virgin Trains having a mission statement.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of Virgin Trains having a mission statement.</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>A mission statement can be used for different reasons, aimed at different stakeholders:</p> <ul style="list-style-type: none"> <li>• It sets out the purpose of a business and why it exists</li> <li>• It can be used to attract customers and employees</li> <li>• It can set out what stakeholders can expect from the business and be the base of its corporate culture setting out a vision for the future</li> <li>• It can be used as a form of marketing</li> </ul> <p>There is a significant amount of context about Virgin Trains in the resource booklet which may be used, including:</p> <ul style="list-style-type: none"> <li>• Extract B refers to the quality of service provided both on the trains and the stations, the level of on-going training for employees in customer care and the need for employees to be smartly dressed and courteous. This can all be aimed at emphasising the standard of service which</li> </ul>

	Answer	Marks	Guidance
	<p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of a mission statement with <b>limited or no</b> analysis and evaluation of the advantages or disadvantages for Virgin Trains.</p> <p>(<b>NB</b> – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>consumers will expect and may encourage them to travel on Virgin Trains rather than a rival operating company on the same route or an alternative mode of transport.</p> <ul style="list-style-type: none"> <li>• The passenger charter refers to employees being the most important asset of the business and that training and motivation are key. This may attract a better standard of employee who sees the job as a career.</li> <li>• The commitment to a better level of service and to its employees may help Virgin Trains to regain its contracts from the government when they are next due to be negotiated (in 2019 &amp; 2023) and/or win other routes in the UK in the future. It may also help with the company's aim to challenge the airline market on the London to Edinburgh route mentioned in Extract E.</li> </ul> <p>Evaluation is likely to come from questioning the success of the mission statement and/or the limitations with having one. For example, we are told in Extract B that Virgin Trains holds twice yearly customer satisfaction surveys. In Extract A the recent result shows a 91% level of customer satisfaction (the best for a long-distance route). This suggests that the mission statement may be having the desired effect.</p> <p>On the other hand, what happens if standards slip? If passengers and employees are aware of the mission statement, then any level of poor service may be even less acceptable to the consumer. Mission statements are often criticised for being vague and not a true reflection of reality. They are also often treated cynically by employees. Bearing in mind that the level of customer service in this business is also dependent on the infrastructure (track failure and signalling problems) the promises made by Virgin Trains may be out of its hands when things go wrong.</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
11*	<p><b>Recommend suitable training methods which could be used to improve the skills of Virgin Trains' employees. Justify your answer.</b></p> <p><b>Level 3 (11–15 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of suitable methods of training for Virgin Trains.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of suitable methods of training for Virgin Trains.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of training methods with <b>limited or no</b> analysis and evaluation of their suitability for Virgin Trains.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised methods.</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>A range of training methods may be suitable and can be linked to the need for training in Extract C.</p> <p><b>Induction.</b> Any new employee will need a certain amount of familiarity with what goes on both onboard a train and on the station. Much of this may be achieved by shadowing/sitting next to Nellie and/or on-the-job training (see below).</p> <p><b>Off-the-job training.</b> Some of the more complicated and knowledge heavy parts of the job may be best achieved via classroom-based learning or e-learning. Examples from Extract C include learning about railway geography, food hygiene, emergency procedures and 'how to keep a cool head' which may involve some role play simulations.</p> <p><b>On-the-job training.</b> In addition to any induction training mentioned above, more practical tasks such as issuing tickets and following emergency procedures could be done while working, either by shadowing or having an experienced employee monitoring.</p> <p><b>Apprenticeships/Vocational.</b> In particular, this could be used for the food hygiene part of the training.</p> <p><b>E-Learning.</b> This could be applied to many of the tasks so that the employee could follow an on-line course either in Virgin Trains' own training centre or at home in the employee's own time. Examples include safety, ticketing, geography and emergency procedures. This platform could also be used in conjunction with other methods for the Train Manager training which requires a 9-week course and an examination.</p> <p>Better answers may consider the pros and cons of any methods suggested, in a context relevant to Virgin Trains. This may include the costs (financial or opportunity) and relevance for a business</p>

	Answer	Marks	Guidance
	<p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>such as Virgin Trains (e.g. possible links to Extract B). Answers may also consider a range of training methods for different tasks (rather than just a list of methods) and may also consider the need for training to be ongoing, as mentioned in Extract C. Links may also be made with Virgin Trains' past success (Extract A) and its hoped for future growth (Extract E).</p> <p style="text-align: right;"><b>ARA</b></p>
12	<p><b>Evaluate the possible impact of changes in political factors on Virgin Trains.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the impact of changes in political factors on VRG's business behaviour.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the impact of changes in political factors on VRG's business behaviour.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of political factors with <b>limited or no</b> analysis and evaluation of the impact on VRG.</p> <p>(NB – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>NB: Allow implicit or explicit reference to social factors and economic factors <u>as long as</u> they are a result of changing government policy.</p> <p>There are a number of political factors which are highlighted in the resource booklet:</p> <ul style="list-style-type: none"> <li>• Awarding of contracts on each route – these are controlled by the government and Virgin Trains' are due to be re-awarded in 2019 &amp; 2023. A change in political power or strategy by the UK government at the time may lead to Virgin Trains losing its contract. This may force the business to change its pricing or service provided (to make its offer more attractive) which may affect the growth or profitability of Virgin Trains.</li> <li>• Public/private partnership – we are told that although the service is provided by the private sector the infrastructure is run by the public sector. Any change in the funding or priorities of Railtrack may lead to a lower quality of the service (i.e. signal or track failures leading to poor timekeeping and cancellations.) Virgin Trains has virtually no control over this but it may affect its ability to offer the high service quality it aims to achieve. It may even be possible that a change in government (in 2020 or 2025) could lead to Virgin Trains losing its contracts completely (Extract D suggests a Labour government may want to remove private sector involvement completely.)</li> <li>• Terrorism – this is mentioned in Extract D and may be a cause of previous political decisions or may be affected in</li> </ul>

	Answer	Marks	Guidance
	<p><b>PS:</b> There has been a lot in the media in the last few weeks about the ‘collapse’ of the East Coast franchise. Do NOT expect candidates to be aware of this but equally accept as correct context if this up-to-date knowledge is incorporated into answers.</p>		<p>the future by public spending decisions on security. This may cause a fall in customer numbers who are worried about travel (after seeing similar attacks in other European countries) or lead to higher costs if Virgin Trains is required to spend more on preventive security measures.</p> <ul style="list-style-type: none"> <li>Government policy – examples may include competition policy which has led to more competition from budget airlines for domestic travel or lower rates of growth of GDP and real earnings due to economic policy. It could be argued that these could lead to more or less customers for Virgin Trains.</li> </ul> <p>Answers should be focused on how any actual or possible political changes may affect Virgin Trains’ business.</p> <p style="text-align: right;"><b>ARA</b></p>
13	<p><b>Calculate the expected value (EV) at node 1.</b></p> <p>4 marks for correct answer (with or without correct working)</p> <p>3 marks for correct answer but with incorrect units/accuracy of answer</p> <p>3 marks for correctly deducting the costs from <b>both</b> node 2 &amp; node 3 values</p> <p>1 mark <b>each</b> for correctly calculating nodes 2 and 3</p> <p>No marks for identifying Internet advertising as the best option, as that is not the question.</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Node 2 = <math>(0.85 \times \text{£}1.5\text{m}) + (0.15 \times \text{£}0.5\text{m}) = \underline{\text{£}1.35\text{m}}</math></p> <p>Node 3 = <math>(0.45 \times \text{£}3.2\text{m}) + (0.55 \times \text{£}1.0\text{m}) = \underline{\text{£}1.99\text{m}}</math></p> <p>EV at node 1 is the largest of:</p> <p>EV for Internet advertising = <math>\text{£}1.35\text{m} - \text{£}0.5\text{m} = \text{£}0.85\text{m}</math></p> <p>EV for TV advertising = <math>\text{£}1.99\text{m} - \text{£}1.2\text{m} = \text{£}0.79\text{m}</math></p> <p>EV at node 1 = <b><u>£0.85m (£850,000)</u></b></p> <p><i>[£0.79m may be rewarded as the answer (OFR) if a mistake is made when calculating node 2]</i></p> <p style="text-align: right;"><b>OFR</b></p>

	Answer	Marks	Guidance
14*	<p><b>Evaluate the importance of ‘process’, ‘people’ and ‘physical evidence’ in the marketing of Virgin Trains’ service as it attempts to increase market share on the London to Edinburgh route.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the 3 service Ps in Virgin Trains’ marketing for the London to Edinburgh route.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the 3 service Ps in Virgin Trains’ marketing for the London to Edinburgh route.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of process, people &amp; physical evidence within a service marketing mix but with <b>limited or no</b> analysis and evaluation.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for a non-contextualised response.</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>The additional 3Ps are specific to service marketing. If Virgin Trains is to compete with the airlines on the London to Edinburgh route it must get these right:</p> <ul style="list-style-type: none"> <li>• <b>People.</b> This can refer to both the people in the target market and employees. <ul style="list-style-type: none"> <li>○ We are told in Extract E that passenger numbers are rising on this route and the numbers travelling by train have grown – this suggests that there are enough people in the target market.</li> <li>○ It is important to hire and train the right people to deliver a superior service which can provide a form of internal competitive advantage. Judgements are made by consumers based on the employees who represent the company. This needs high levels of recruitment and training for which there is plenty of evidence to show how important this is for Virgin Trains. Given that very large companies such as BA and easyJet, with their reputation for trained and efficient staff, are Virgin Trains’ competitors on this route just emphasises how important this part of the service marketing mix is. The sort of service one expects on an airline is very different from what is normally associated with rail travel and so this is a significant challenge for Virgin Trains.</li> </ul> </li> <li>• <b>Process.</b> A well-tailored process to minimise costs is key and can affect the delivery of the service. In a service-based business this means everybody knows what to do and how to do it. This again comes back to training but also to how effective the managers are. The fact that Virgin Trains is part of the ‘Virgin’ brand which includes Virgin Atlantic, means that the level of knowledge and expertise needed to provide a process to compete with the airlines on the London to Edinburgh route is available. The items mentioned in Extract B also emphasise the importance of some aspects of the</li> </ul>

	Answer	Marks	Guidance
	<p><b>0 marks</b> no response or no response worthy of credit.</p> <p><b>PS:</b> There has been a lot in the media in the last two weeks about the ‘collapse’ of the East Coast franchise. Do NOT expect candidates to be aware of this, but equally accept as correct context if this up-to-date knowledge is incorporated into answers.</p>		<p>process, such as punctuality, customer service and refreshments.</p> <ul style="list-style-type: none"> <li>• <b>Physical evidence.</b> This considers whether the service is delivered and how products are perceived by the consumer. The Virgin brand may be very helpful when competing with British Airways, as most travellers will be aware of Virgin Atlantic as a major competitor in the airline market. This will help to attract consumers. In addition, the physical branding in terms of the Virgin red uniforms (also seen on the trains livery) helps to compete with the easyJet orange and the BA red, white &amp; blue. Staff are also expected to be “smartly dressed ... and courteous” (Extract B).</li> </ul> <p>Better answers will draw upon the large amount of contextual evidence available throughout the resource booklet to the role and importance of the 3 service Ps, in particular, the significance of training at Virgin Trains, the level of importance which Virgin Trains attaches to its employees in delivering a good service, the stated expectations about the level of service contained in the Passenger’s Charter, the current high customer satisfaction levels and the branding/operational advantages of being part of the Virgin brand.</p> <p>Some weight may be given to the argument that the experience of both Virgin and Stagecoach gives Virgin Trains a significant competitive advantage and that the evidence in Extract E suggests that the strategy is already being successful.</p> <p>Any reference to the ‘traditional’ 4Ps may be rewarded if considered in comparison with one or more of the 3Ps mentioned in the question.</p> <p style="text-align: right;"><b>ARA</b></p>

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