

**May 2003**

**CAREER AWARD ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 5171/01**

**BUSINESS**

**Paper 1 (Business Organisation and Environment)**



Page 1	Mark Scheme	Syllabus	Paper
	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5171	1

The following are **not model answers** but are nevertheless to be regarded as persuasive. A candidate may offer other relevant and appropriate material and argument. Most of the tasks are small-scale activities and the key is to test a candidate's sufficiency of knowledge and awareness.

- 1 [a]** Happy Reward began its life as a partnership but has now changed into a private limited company.

Suggest why the owners took the action to change to a private limited company. [5]

This is not an invitation to rehearse features of partnership and the private limited company – it is a matter of reasoning the obvious answer – namely limited liability; the economic situation looked threatening with the prospect of bankruptcy; becoming a private company means 'protection' of limited liability. It *is the* reason – unless there is an alternative and persuasive answer.

Level 1	basic response with some notion of the reason	1-2 marks
Level 2	good to strong, limited liability identified and explained	3-5 marks

- [b]** The bank has asked Happy Reward to produce a detailed business plan.

List **five** items the business plan might contain. [5]

A business plan is a statement outlining how the business will attempt to achieve its objectives; obtain finance; SWOT; cash flow; product; personnel; suppliers; market; premises; forecast profit; outlines of market strategy; costings; long-term expectations. Candidate is not expected to offer all this – a sufficiency to indicate knowledge of the business plan.

Level 1	basic response indicating outline knowledge of the plan	1-2 marks
Level 2	good to strong demonstrating grasp of the plan's content	3-5 marks

- [c]** Profit is clearly the main objective of every business but according to the Chief Executive Officer, Happy Reward is, for the time being, concentrating on economic survival.

Explain what the CEO means when she speaks of economic survival. [10]

Candidates need to refer to both statements and data in the text; turnover down, profit down; situation serious – budget tight; profit is still the objective but could lose it in a year; business must survive – strategy to ensure it remains open; could be supported with extra finance in the short term; waive profit/dividends until business improves; pushing sales, pushing staff; plans to expand into China part of medium-term plan to save business – perception that the market will be better there.

Level 1	basic, indicating very little understanding of the issues	1-2 marks
Level 2	descriptive, identity of points but little extension	3-5 marks
Level 3	analytical, good demonstration of understanding	6-8 marks
Level 4	evaluative, demonstration of application and knowledge	9-10 marks

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- 2 [a]** The atmosphere in the company has changed recently and staff no longer participate in the quality circles.

Describe how a quality circle could be of help to Happy Reward. [5]

Discussion/problem solving group meeting on regular basis to consider actual/potential problems and their solutions; motivates staff; encourages participation; uses staff abilities; encourages team building.

Level 1 basic and weak definition, limited knowledge 1-2 marks  
 Level 2 good to strong definition and application 3-5 marks

- [b]** The managers are expected to work their staff harder using the advantage of a narrow span of control.

Describe how a narrow span enables managers to supervise their staff more easily. [5]

The number of subordinates directly under a manager/supervisor/team leader; narrow span enables tighter control – fewer people to deal with, limit to the number of people/activities a manager can effectively direct.

Level 1 basic and limited, weak definition and reason 1-2 marks  
 Level 2 good to strong, display knowledge and application 3-5 marks

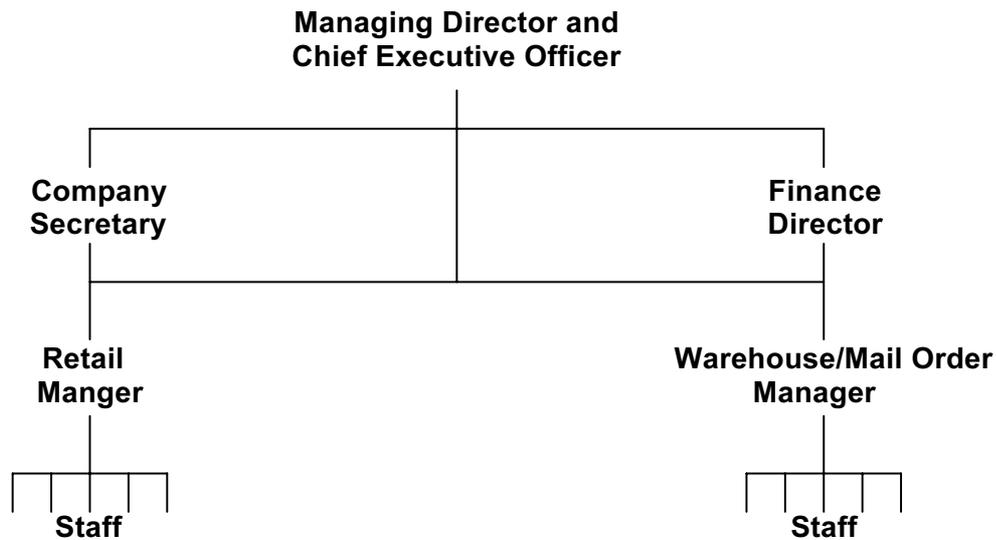
- [c]** Using the details of the company create an organisational chart or diagram for the Happy Reward organisation. [10]

Flexibility is required here, as there is no specific plan prescribed; the candidate needs to offer a plausible scheme; the information is in the text but the candidate can determine the treatment.

Level 1 basic attempt, outline, makes little sense 1-2 marks  
 Level 2 fair attempt, semblance of acceptable structure 3-5 marks  
 Level 3 good demonstration of awareness, plausible plan 6-8 marks  
 Level 4 good exemplar, demonstrates application 9-10 marks

Example follows overleaf:

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- 3 [a]** It appears that staff have been on various forms of employment contracts but are now on the one year rolling contract.

Explain the meaning of a one year rolling contract [5]

An employment contract for a year which may be extended at any time but for not more than 12 months, i.e. it is possible for someone to be with the same employer for years on a series of extensions; if business prospects are bleak the contract can be extended by, say, two months at a time.

Level 1 basic and limited, poor knowledge 1-2 marks  
Level 2 good to strong knowledge and application 3-5 marks

- [b]** The company remains keen on training as it aids business success. Happy Reward deals with high-class clothing at prices that reflect the quality.

List **three** areas or activities in which you think the staff should be trained.

[5]

Candidate is only required to list three activities; points need to be relevant; no guidance in the text as such; candidate expected to select from relevant activities; no discrimination suggested – activities can be retail, warehouse, or both; choose from, e.g. measuring, sales techniques, display, computer literacy, cash/credit/cheque handling, packing, dealing with customer complaints.

Level 1 basic, limited understanding, one or two points 1-2 marks  
Level 2 good to strong, three relevant points, knowledge 3-5 marks

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- [c]** The employees of Happy Reward not only work hard but are also closely supervised.

Identify and describe **three** expectations the employers can reasonably have of their employees. [10]

Essentially an open task; candidate needs to make a choice and then offer suitable explanations or descriptions; points need to be relevant; choice from Cooperation; have, or be prepared to acquire, appropriate skills; manage company time effectively; accept code' of conduct; work effectively and efficiently; work safely; and any other suitable activity.

Level 1	basic, limited appreciation, weak explanation	1-2 marks
Level 2	descriptive, good points but little depth or application	3-5 marks
Level 3	analytical, demonstration of understanding, good points	6-8 marks
Level 4	evaluative, firm knowledge and application	9-10 marks

- 4 [a]** The Chinese government appears to be encouraging the business culture and moving away from the planned economy.

Give a definition of **(i)** a planned economy, and [5]

Candidate needs to show understanding; where government is responsible for allocation of resources; lack of effective competition; production/sales for need rather than profit; planning takes into account future needs; standardisation.

**(ii)** business culture [5]

Business a.k.a. enterprise culture – economic/political/social climate that encourages business and risk taking; deregulation; enlargement of private sector; lower taxation as incentive to set up business.

Level 1	basic and limited understanding, weak definition	1-2 marks
Level 2	good to strong definition, apposite points, application	3-5 marks

- [b]** Happy Reward's recent experience indicates it is aware of the various factors influencing business organisations.

Thinking about the company's position, future plans and its research into population issues, indicate how Happy Reward might be affected by both consumer demand and economic growth. [10]

Candidate needs to acknowledge HR's situation – planned move into China at a critical time which must be done on basis of research – HR needs the assurance that consumers will have the money to buy their goods; recognise that consumer demand and economic growth are interrelated – growth offers employment and earnings which in turn fuel consumer demand; HR's interest is in the potential employment rate, earnings, segmenting the market by age, current preferences; issues of investment, sales increase, business expansion, confidence, etc. Candidate needs to tie the issues together; HR can only benefit which is the essential reason behind the planned move into China.

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Level 1	basic, limited understanding of the issues	1-2 marks
Level 2	descriptive, understanding but generally outline argument	3-5 marks
Level 3	analytical, good demonstration of points and argument	6-8 marks
Level 4	evaluative, excellent appreciation of the case	9-10 marks

- 5 [a]** If Happy Reward is to move ahead with its future plans then it must redefine its marketing policy and planning.

Advise Happy Reward of the benefits of marketing planning. [10]

Offers Happy Reward the chance to take stock; planning enables it to reflect on its marketing policies; SWOT; evaluate ideas and long term plans; consider use of human and financial resources; budgeting; targets; market share; establishment of image; marketing mix. Candidate needs to produce a coherent response that contains main points:

Level 1	basic, indicating little if any knowledge or understanding	1-2 marks
Level 2	descriptive, identifying main points but no application	3-5 marks
Level 3	analytical, firm demonstration of aspects and benefits	6-8 marks
Level 4	evaluative, sound knowledge and understanding	9-10 marks

- [b]** The company has employed a realistic pricing strategy that has helped it to remain in business, and now it needs to pay attention to its customer service policy.

- (i)** Describe Happy Reward's pricing strategy. [5]

Candidate can find the answer in the text; essentially Happy Reward, realizing economic problems, changed its profit expectations – in effect reducing prices over 7 years; mark-up fell from 100% to 50% – did not encourage an increase in sales but kept the business open; equally offering discounts to certain customers attracted some trade – did not create profit but maintained cash flow.

Level 1	basic, limited awareness, points in text not applied	1-2 marks
Level 2	good to strong, understanding of the price situation	3-5 marks

- (ii)** Explain why Happy Reward needs a customer service policy. [5]

All business needs some kind of customer policy; selling high-quality goods at appropriate prices – customers need to be satisfied and want remedy if anything goes wrong (replacement, alteration, refunds, discounts); sales methods must be suitable – avoidance of high pressure and forced sales = no repeat business; recognition that customer is the main company resource – provide the turnover, profit, employment.

Level 1	basic, limited appreciation of customer service	1-2 marks
Level 2	good to strong, awareness of HR's situation, knowledge	3-5 marks

**May 2003**

**CAREER AWARD ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 98**

**SYLLABUS/COMPONENT: 5172/01**

**BUSINESS**  
**Paper 1 (Effective Business Communication)**



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	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5172	1

The following are **not model answers**, but are nevertheless to be regarded as persuasive. Candidates may offer other relevant and appropriate material and arguments.

### QUESTION 1

**1 Issi Chang, the Marketing Manager, feels that one of the reasons why Mai Lin has not integrated with the other staff is poor communication.**

**(a) Using examples from the case study, explain three possible causes of poor internal communication which may be present within the Museum. [6 marks]**

Causes could include three of the following expanded reasons:

- No clear aim or purpose of communication
- Use of inappropriate language such as 'management' speak
- Mai Lin unable to understand the message due to education/experience levels
- Use of inappropriate medium such as informal chats or short messages in wage packages
- Lack of regular communication

[2 marks per cause up to 6 marks]

**(b) Identify and explain four types of two-way internal communication which could be used within the Museum. [8 marks]**

Answer could include four of the following expanded methods:

- Team meetings – gathering of team on regular basis to discuss issues in a formal way and receive feedback
- Joint consultations – discussions with two groups, e.g. sales and design, to discuss key issues of mutual interest such as the launch of a new product
- Quality Circles – these are used to develop and implement improvements within the workplace. Select their own leaders and are seen as a practical way of devolving responsibility or empowering staff to enable total participation of the organisation. Develops motivation and confidence
- Seminars – these usually involve presentation of information that leads to a discussion, often used for training purposes or proposals
- Briefings – this is where management brief staff often on a regular basis about the key issues and current problems. This is often more one-way than two-way communication
- Telephone communications – informal, instant feedback; quick method but now often talking to voice mail rather than person concerned which loses some of the value of the communication

[1 mark per method + 1 mark per explanation each]

**(c) It appears that Mai Lin has a problem with the following types of communication. Explain each of the following and give one example for each.**

- (i) Paralanguage**
- (ii) Metacommunications**
- (iii) Non-verbal communications**

[6 marks]

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**(i) Paralanguage**

The intonation used to emphasise what the real meaning of words are. It is not what is said but the way in which it is said.

**Example**

An example would be cases in which the staff tried to engage visitors in conversation and casually asked questions about a part of the exhibitions area, which could be misinterpreted by the visitors, making them think they are being quizzed as a result of which they feel insecure.

**[2 marks]**

**(ii) Metacommunications**

**Metacommunication - description**

'Meta' comes from the Greek meaning beyond. The sense that humans have in feeling that there is more to what a person says than just the words – literally, 'beyond the words'.

**Example**

An example would be when the visitors may have stated that they are fine in the exhibition, when in fact they wanted some help.

**[2 marks]**

**(iii) Non-verbal communications**

Kinesics, body language, dress, facial expression, posture etc.

**Example**

Staff may be standing with folded arms or hands in their pockets, which communicates boredom to the visitors who may feel that staff are approachable.

**[2 marks]**

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**2 Issi Chang is considering the use of email to contact visitors to promote the Museum. She has been able to buy a database of email addresses of people located in China, Hong Kong and Kowloon.**

**(a) Explain three advantages and three disadvantages of using email to promote the Museum.**

**[12 marks]**

Answer should include 3 advantages of using email:

- Speed of delivery of message
- Cost effective
- Can be used internationally
- Can include website hotlink to museum's page
- Receives and forwards it on to their friends, etc.
- Can check if received
- Ease of response by customer
- Can be accessed remotely by receiver
- 24 hour access

Answer should include 3 disadvantages of using email:

- Email may be deleted without reading
- There is no tangible presence like a brochure to look at again
- Not a traditional approach for mailshots – therefore may not be received well
- Not all target audience have access to email

**[1 mark per advantage or disadvantage, 2 marks if expanded and explained well up to 12 marks]**

**(b) Using information from the case study, explain how Issi could use the following to help target potential visitors:**

- (i) Database of previous visitors' addresses**
- (ii) Desktop publishing software**
- (iii) Website**

**[6 marks]**

**(i) Database of previous visitors' addresses**

- The database should provide contact details which could be used to send out mailshots
- The database could be used to build a loyalty scheme
- The information on the database could be used to target similar visitors with similar characteristics

**[one point expanded for 2 marks or two bullet points = 2 marks]**

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**(ii) Desktop Publishing Software**

- Can be used for the creation of professional mail shots and flyers
- Can be used to create professional signs in Museum

**[one point expanded for 2 marks or two bullet points = 2 marks]**

**(iii) Website**

- Channel for promotional information
- Could be used for on-line booking
- Opportunity to offer virtual presentation of the museum
- 24 hour access

**[one point expanded for 2 marks or two bullet points = 2 marks]**

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**3 Mai Lin has been asked to write a number of different internal and external written communications. Prepare the following:**

**(a) A letter to school teachers explaining the new attractions for the forthcoming year. (You may 'create' information to help).**

**[6 marks]**

The letter should conform to the following format:

- Letter heading of the company
  - Date
  - Reference number
- } [1 mark]
- Appropriate salutation – Dear Mr/Mrs
  - Letter Heading
- } [1 mark]
- The body/content of letter
  - Promoting the new exhibitions for schools
- } [2 marks]
- Appropriate closure
  - Signature and position
- } [1 mark]
- Response mechanism
- } [1 mark]

**(b) A memorandum to internal staff explaining the new attractions and the need to ensure that a good level of customer service is evident. (You may 'create' any information to help).**

**[6 marks]**

- To (Internal Staff)
  - From (Marketing Manager)
  - Date
- } [1 mark]
- Subject
  - Title – New Visitor Attractions for 2003/04
- [1 mark]  
[1 mark]
- Content – explanation of new attractions targeted at school parties
- } [3 marks]

**(c) Explain to Mai Lin two advantages and two disadvantages of (i) external letters and (ii) internal memoranda.**

**[8 marks]**

**External Letters**

**Advantages**

- Evidence of message sent
- Able to convey complex information to external audiences
- Can raise awareness about forthcoming events which could be saved and looked at later
- Can include sales promotions such as badges, stickers etc.

**[1 mark per advantage = 2 marks]**

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#### Disadvantages

- Time it takes to send in post – especially internationally
- Could get lost in post
- Expensive for a major mailshot

**[1 mark per disadvantage = 2 marks]**

#### **Internal Memorandums**

##### Advantages

- Could be used as evidence or confirmation of verbal instructions
- Could be used as an aid memoir
- Could be used to request information or to convey instructions
- Can look more important than email

**[1 mark per advantage = 2 marks]**

##### Disadvantages

- Time-consuming to produce
- One-way communication
- Provides no opportunity for immediate exchange of ideas or attitudes

**[1 mark per disadvantage = 2 marks]**

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**4 Issi Chang is concerned about Mai Lin and decides to undertake a performance appraisal review in the form of an interview with Mai Lin.**

**(a) Explain four types of question Issi could use in the interview and give an example of each type.**

**[8 marks]**

- Closed question – offer a choice of answers only, i.e. Do you feel that you want to move jobs?
- Leading question – lead the interviewee into speaking about specific issues, i.e. Why do you think that you are unhappy in your role?
- Open question – a question which gives the interviewee the opportunity to give open, frank and in-depth information, i.e. What are your future ambitions within the company?
- Hypothetical question – gives a scenario to allow the interviewee to answer in role, i.e. You have just improved the website by including a virtual tour; what would you do to maintain this section of the website?

**[1 mark per type of question and 1 mark per example up to 8 marks]**

**(b) Explain three ways a performance review interview would differ from a recruitment interview for the new ‘Schools Liaison Officer’ post.**

**[6 marks]**

**Difference between recruitment interview and performance review:**

- Performance review identifies strengths and weaknesses, review of past performance, consideration of future ambitions, etc. – should be motivational
- Recruitment interview would aim to assess the ability of the candidate as being suitable for the post – identifying their previous employment history, strengths and weaknesses, identify attitude, appearance, etc.
- The performance review could be linked to salary or reward and the recruitment interview may be used as a short-listing procedure
- Both types of interviews should allow the interviewee to discuss areas which they want to bring out

**[2 marks per expanded point up to 6 marks]**

**(c) Identify and explain three different types of business interviews which a manager may be expected to undertake within his or her role.**

**[6 marks]**

**Different types of business interviews:**

- Counselling
- Discipline
- Termination
- Induction
- Data-gathering

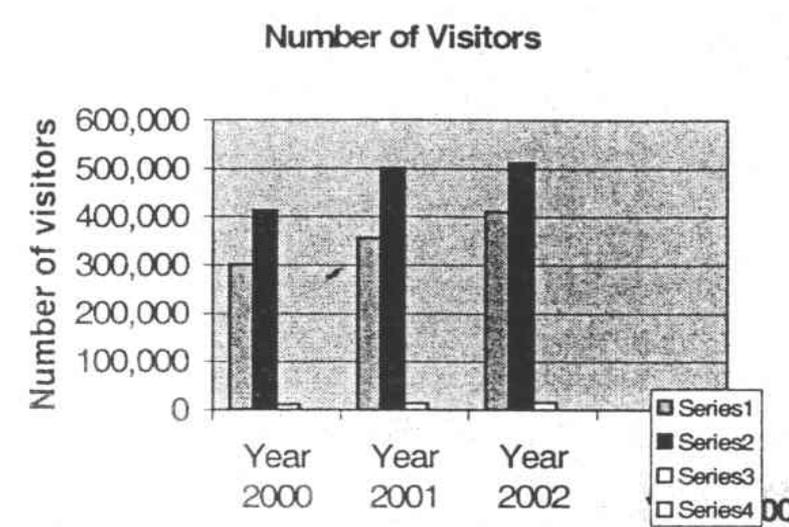
**[2 marks per expanded type of interview occasion up to 6 marks]**

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5 You have been asked to prepare a chart to illustrate the figures for schools in Table 1.

(a) Present this data using the most appropriate method.

[10 marks]



- |  |           |
|--|-----------|
| Appropriate method identified and used | [2 marks] |
| Correct and accurate graph used        | [2 marks] |
| Correct values plotted                 | [2 marks] |
| Correct shaded areas to illustrate key | [1 mark]  |
| Clarity of chart and correct labelling | [3 marks] |

(b) Explain the following types of visual charts:

- (i) Gantt chart
- (ii) Flow chart
- (iii) Pie chart

[6 marks]

- Explanation of Gantt Chart and explanation of uses – to plan projects, etc.
- Explanation of flow charts and explanation of uses -to identify relationships, links
- Explanation of pie charts and explanation of uses – useful for only certain types of data

[1 mark per explanation, 2 marks if expanded up to 6 marks]

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**(c) Explain two ways computer software can be used to enhance the presentation of complex information.**

**[4 marks]**

Explanation of computer packages can enhance presentation

- Models can be produced – 3D to visualise more effectively
- Full colour can be used
- Integration with other IT packages for an effective presentation, such as PowerPoint
- Integration with other multimedia aids, such as talking heads, etc.
- Information can be produced as progressive information

**[2 marks per point up to 4 marks]**

**May 2003**

**CAREER AWARD ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 5173/01**

**BUSINESS**  
**Paper 1 (Business Finance)**



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The following are **not model answers**, but are nonetheless regarded as persuasive. A candidate may offer other relevant and appropriate responses.

- 1 (a) Explain and give an example of what is meant by the term 'intangibles'. (2 marks)

Vague definition – 1 mark

Clear definition (non-physical monetary asset) with example – 2 marks

1 mark for example but with no definition (patent, copyright, etc.)

- (b) Explain what is meant by the terms 'exceptional and extraordinary items' (line x) and give an example of each item. (4 marks)

1 mark per explanation of each item plus 1 mark per example (exceptional – larger than expected bad debt – extraordinary – restructuring costs)

- (c) Distinguish clearly between 'financial and management accounting' (line x). (3 marks)

Vague distinction made – 1 mark

Clearer distinction with examples of type of work undertaken – 2-3 marks

- (d) Explain what is meant by the term 'cost-centred approach' (line x) and give one advantage of using such an approach. (3 marks)

Vague definition – 1 mark

Clearer definition that links costs to particular activities – 2 marks

Give one advantage of using such an approach

1 mark per relevant advantage (fairer allocation, cover total costs, etc.)

- (e) (i) Explain what is meant by the terms 'downsizing and concentrating on core activities' (line x). (2 marks)

1 mark per term explained

- (ii) Give **one** financial implication of each of the above terms (2 marks)

1 mark per implication identified

(Total 16 marks)

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- 2 (a)** The Chairman's report had mentioned the possibility of 'going public'. Identify and explain **three** methods that could be employed to sell shares to the general public.  
(3 x 3 = 9 marks)

1 mark per method identified, plus an additional 2 marks per method for explanation of the method – 3 x 3 marks

- (b)** Identify **three** other sources of finance that could be employed by the firm to raise capital, and for **each** source explain the likely possible effects on the future profitability of the firm.  
(3 x 3 = 9 marks)

1 mark per source of finance identified. plus an additional 2 marks per source for explanation. To achieve a full award the candidate must link the source to future profitability, e.g. borrowing requires interest payments therefore reducing overall profits. etc.

(Total 18 marks)

- 3** Using the information in the Case study produce a revised balance sheet, in a vertical format, that incorporates all the additional transactions identified by the Chief Accountant.  
(16 marks)

**Allow up to 4 marks for correct representation of vertical balance sheet plus:**

- |         |  |             |
|---------|--|-------------|
| Level 1 | Some evidence of process required, some figures correctly applied, some calculations attempted         | 1-3 marks   |
| Level 2 | As Level 1 – process virtually complete, most figures correctly applied, calculations may be incorrect | 4-6 marks   |
| Level 3 | As Level 2 – All figures correctly extracted and most calculations correct                             | 7-9 marks   |
| Level 4 | As Level 3 – Correct calculations and overall balance correct  | 10-12 marks |

*For suggested solution please see Appendix 1*

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- 4 The Chairman's report had identified a number of external factors that could influence the firm in the near future. Identify and explain how **three** of these factors might affect the firm.

(3 x 4 = 12 marks)

Allow 1 mark for identification of each external factor

- Economies in downturn
- New technology
- Social change 'green'

Allow up to 3 additional marks per factor if explanation is precise in terms of effects on sales/revenue and/or costs – linked to profits  
(New competitors is to be regarded as an internal/market factor – but allow up to 2 marks for a well-argued explanation)

- 5 The new equipment purchased by the firm was to be subject to depreciation.

(a) *Using the straight line method of depreciation*

(i) Calculate the annual depreciation allowance.

(3 marks)

1 mark for knowledge of process plus 2 marks for application and correct calculation

(ii) Calculate the book value of the equipment at the end of Year 3.

(2 marks)

1 mark for knowledge of process plus 1 mark for correct total

(b) *Using the reducing balance, method of depreciation (with a discount rate of 40%)*

(i) Calculate the depreciation allowance in Year 2.

(3 marks)

1 mark for knowledge of process plus 2 marks for application and correct calculation

(ii) Calculate the book value of the equipment at the end of Year 3.

(2 marks)

1 mark for knowledge of process plus 1 mark for correct total

(c) Explain why a firm such as Two Ltd will find it necessary to allow for depreciation of its fixed assets.

(4 marks)

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Allow 1 mark per reason identified plus 1 mark for explanation (finance replacements, allowed for tax purposes, etc.) (2 x 2 marks)

(Total 14 marks)

See Appendix 2 for suggested solutions

**6 (a) (i)** Using the information in the Case study calculate **one** ratio for **each** of the categories below:

- Liquidity ratio
- Activity (asset usage) ratio
- Performance ratio
- Investment (shareholder) ratio

(4 x 2 = 8 marks)

1 mark per ratio identified, plus 1 mark per ratio correctly calculated (2 x 4 marks)

**(ii)** Explain how each of the ratios that you have calculated could be employed by those interested in the firm.

(4 marks)

1 mark per explanation of how the ratio could be employed (1 x 4 marks)

(Total 12 marks)

**7** The management of working capital is an important element in the success of a business.

**(a)** Explain what is meant by working capital.

(3 marks)

For a vague definition – 1 mark

For a clearer definition – at top end includes formula Current Assets, Current Liabilities – 2-3 marks

**(b)** Discuss **three** methods that could be employed to ensure that a firm has sufficient working capital.

(9 marks)

Level 1 For a vague statement – increase current assets

1 mark

Level 2 For a clearer explanation of the relationship between assets/liabilities and some examples given

2-5 marks

Level 3 As Level 2 but answers are discussed in terms of sufficiency

6-9 marks

*If candidate merely lists three relevant methods allow 1 mark per method*

(Total 12 marks)

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### Appendix 1

Balance Sheet for Two Ltd as at 30 Apr 2002  
(Suggested solution to Question 3)

	000's	000's	000's
Fixed Assets			
Premises			2400
Fixtures			2200
Equipment			1600
Intangibles			<u>300</u>
			6500
<b>Current Assets</b>			
Stock	1700		
Debtors	900		
Cash	<u>550</u>	3150	
<b>Less Current Liabilities</b>			
Trade Creditors	700		
Taxation	250		
Dividend	<u>400</u>	1350	
Net Current Assets			<u>1800</u>
Net Assets employed in the business			8300
Add Investments			500
Net Assets employed by the business			<b><u>8800</u></b>
<b>Financed by</b>			
Long term liabilities –			
Mortgage		2500	
Loan		<u>900</u>	3400
Shareholders Funds			
Ordinary shares		4000	
Retained profits		<u>1400</u>	5400
			<b><u>8800</u></b>

Page 6	Mark Scheme	Syllabus	Paper
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## Appendix 2

(Suggested solution to Question 5)

- (a) Original cost = \$200,000  
Residual value = \$26,000  
Total for depreciation = \$200,000 - \$26,000 = \$174,000  
Expected life = 4 years  
Annual depreciation = Total for depreciation ÷ Useful Life = £174,000 ÷ 4  
= \$43,500
- Book value = Original cost - accumulated depreciation  
= \$200,000 - (\$43,500 × 3)  
= \$200,000 - \$130,500  
= **\$69,500**

- (b) Depreciation = Book value x discount factors  
Year 1 = 200,000 x 40% = 80,000  
Year 2 = 120,000 x 40% = 48,000  
Year 3 = 72,000 x 40% = 28,800  
Year 4 = 43,200 x 40% = 17,280

Depreciation allowance Year 2 = **\$48,000**

Book value at the end of Year 3 = Original cost - accumulated depreciation  
= \$200,000 - (80,000 + 48,000 + 28,800)  
= \$200,000 - \$156,800  
= **\$43,200**



**May 2003**

**CAREER AWARD ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 5174/01**

**BUSINESS  
Paper 1 (Marketing)**



Page 1	Mark Scheme	Syllabus	Paper
	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5174	1

Across the whole Paper, examiners should accept any examples given which are suitably justified.

Generally: *(marks shown relate to a task of 10 marks)*

Level 1 answers will leave the examiner to fill ‘the gaps’. The answer will show little evidence of understanding of theory, simply listing terms and failing to explain them in a marketing context.

(1-3 marks)

Level 2 answers will be adequate answers that attempt to bring together theory and practice. Evidence of understanding is limited and the use of the context restricted.

(4-5 marks)

Level 3 answers will combine theory and practice in an effective manner. It is not a Level 4 answer because it fails to apply the theory as effectively and/or is not as realistic/relevant as it might be.

(6-8 marks)

Level 4 answers will be rare, and will be exceptional, bringing together theory and practice in a professional manner. The answer will demonstrate an understanding of theory used effectively in the context of marketing and the circumstances described.

(9-10 marks)

1 ‘The Green Company’ has recognised that it is not focused on the customer.

(a) Explain the meaning of the marketing concept. (4 marks)

(b) From the Case Study, identify and explain four actions the company might take to achieve a more customer-focused approach. (16 marks)

(Total 20 marks)

#### Marks

(a) The marketing concept is the philosophy that an organisation should try to provide **products** that **satisfy customer needs** through a **co-ordinated set of activities** that also allows the **organisation to meet its goals**. (4 marks)

(b) Candidate answers may vary, and marks should be awarded for any suitable actions identified and expanded upon. The four most appropriate for the Case Study are:

- Carrying out research to identify customer requirements
  - Re-structuring the organisation to achieve more customer orientation
  - Setting up a customer care programme
  - Measuring customer satisfaction
- (4 x 4 marks = 16 marks)

(Total 20 marks)

Page 2	Mark Scheme	Syllabus	Paper
	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5174	1

- 2 Explain the **five-stage** process for planning a marketing research project, linking each stage to one of the issues facing 'The Green Company'.  
(20 marks)

**Marks**

1. Definition of problem – establish purpose of research. Example for The Green Company may be to identify customers' changing needs (4 marks)
2. Design research and sample – e.g. primary research via telephone survey to existing customers (4 marks)
3. Collect data – carry out survey (4 marks)
4. Analyse and report findings – make sense of data collected, maybe through computer statistical package or collation and interpretation (4 marks)
5. Take appropriate marketing action – use information from findings to shape marketing activity, e.g. The Green Company may decide that displays for exhibitions present sufficient demand to develop a new service, at a premium price (4 marks)

**(Total 20 marks)**

3

- (a) Identify the **six** stages of the organisational buyer decision process (6 marks)
- (b) Explain why it is important to understand the organisational buyer decision process with reference to:
- (i) Identifying changing customer needs (2 marks)
  - (ii) Targeting communications messages more effectively (2 marks)

**(Total 10 marks)**

**Marks**

- (a)
  1. Problem recognition
  2. Develop product specifications
  3. Supplier search
  4. Evaluation of alternatives
  5. Select and order
  6. Evaluate product and supplier performance (6 marks)
- (a) (i) If research is carried out, then customer needs may be identified and suitable products developed to meet needs
- (ii) Need to promote awareness, and offer information at problem recognition stage, or competitors will win business  
(2 marks for each reason given x 2 = 4 marks)

**(Total 10 marks)**

Page 3	Mark Scheme	Syllabus	Paper
	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5174	1

- 4 Identify and explain two suitable bases for segmenting the market for 'The Green Company's' products.

(10 marks)

**Marks**

There are many options that The Green Company may select for segmenting their market.

However, their service suggests that they need to target office buildings with reception areas, or organisations that attend exhibitions.

They may segment by:

- Geographical area – they cover China, and could decide to extend into other similar regions
- Size of company – they may, by analysis of data about their existing customers, find that companies with a turnover of over a certain figure are more likely to buy their services. Once defined, they can then target this same segment elsewhere
- Type of business – again, the category of business may help identify a suitable segment to target. They need to analyse who uses the service now – office blocks with reception areas may include professional service firms, financial services companies, and other administration based firms
- Number of employees – as with 'size of company', it may be that number of employees may determine suitability for targeting

(5 marks for each of two bases selected, suitably justified = 10 marks)

5

- (a) Identify the **seven** stages of the marketing planning process, explaining each stage. (14 marks)

- (b) Write a SMART marketing objective that 'The Green Company' might seek to achieve. (6 marks)

(Total 20 marks)

**Marks**

- (a)
1. Marketing audit – analysis of internal situation, plans, activities, structures and analysis of external environment that may impact on marketing activity
  2. SWOT – identification of internal strengths and weaknesses and external opportunities and threats from analysis
  3. Objectives – what the company is looking to achieve. Should be SMART
  4. Segmentation – selection of suitable target markets
  5. Strategy – use of models to select overall strategy (how objectives are to be achieved)
  6. Marketing Mix – tactics to be used in achieving objectives – 7 Ps
  7. Control – mechanisms to assess progress to and success of the plan

(Level 4 marks will be awarded for clear links to the Case Study. 2 marks for each stage identified and explained)

(Total 14 marks)

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- (b) These may vary, but full marks should only be awarded for an appropriate objective that satisfies SMART – e.g. to achieve an increase in new clients for office displays of 15% during 2003.

(Total 6 marks)

**(Total 20 marks)**

- 6 Recommend a suitable extended marketing mix (including the 7 Ps) for 'The Green Company', explaining your recommendation for each element.

**(20 marks)**

**Marks**

Product (or service)	1. Displays for Reception areas of office buildings 2. Maintenance service for displays 3. One-off displays for exhibitions
Price	Premium prices for premium service
Promotion	Personal selling Local advertising Leaflet drops
Place	Service – delivered on client premises
People	Well trained – technically and customer skills Uniforms Appropriate attitude
Process	Efficient response Maintenance appointments made to customer convenience, and kept
Physical evidence	Own Reception area at Head Office Logos on equipment and staff uniforms Vans – corporate image, kept clean and tidy

(2 marks for each element of the extended mix – 4 marks for links to Case – 2 marks for recognition of need for balance across the mix)

**(Total 20 marks)**



**May 2003**

**CAREER AWARD ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 5175/01**

**BUSINESS**  
**Paper 1 (Human Resource Management)**



Page 1	Mark Scheme	Syllabus	Paper
	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5175	1

**1 (a) Explain the main factor driving DEVA's need for change.**

**[5 marks]**

Clearly the answer is 'the slowing down of growth recently' – skills could be added as a secondary factor.

Level 1 answers – basic points, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

**(b) Explain fully, based on the modern roles of Human Resource Management, why the Chief Executive Officer has involved the Human Resources Director at such an early stage of strategy formulation.**

**[10 marks]**

*modern roles*

strategic expertise

reacting to change

*explanation*

attempt to operate strategic HRM, need for the business to use skills and yet cut costs, important for survival, need to ascertain if it's possible, etc.

Level 1 answers – basic points, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

Level 3 answers – good exposition and awareness, 6-10 marks

**2 DEVA has a problem in trying to achieve the right mix of skills while controlling costs.**

**(a) Explain why the core-and-periphery model (lines 8-11) could prove inappropriate for DEVA.**

**[10 marks]**

There are no clear roles for 'core' development of the business except at Director level – fashion directors, marketing directors and others actually shape the business, in which purchasing and procurement are vital in a highly cost-sensitive market. Therefore most staff are 'peripheral'.

Level 1 answers – basic points, 0-3 marks

Level 2 answers – some discussion, 3-5 marks

Level 3 answers – good exposition and awareness, 6-10 marks

**(b) Identify where the main cost savings for the business can be made.**

**[5 marks]**

The production facility and the associated factory with its heating lighting and maintenance all costing large amounts

Level 1 answers – basic points, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

Page 2	Mark Scheme	Syllabus	Paper
	CAREER AWARD ADVANCED LEVEL – JUNE 2003	5175	1

- (c) Identify and explain two of the key benefits that DEVA's new plan for contracting-out services could offer to the business.

[2 x 5 = 10 marks]

For:

- Slack market for recruitment – high unemployment rates may enable good recruitment
- Cost of factory reduced significantly
- Autonomy and satisfaction for running their own business
- Combining home and family with work - for mothers of small children
- No investment needed by homeworkers

Level 1 answers – basic points, 0-2 marks

Level 2 answers – good explanation, 3-5 marks

(Max 5 for each benefit)

- 3 DEVA will have to ensure adequate numbers of people are recruited to its homeworkers workforce. Explain three recruitment and selection methods it might use to do so.

[15 marks]

For:

- Internal recruitment
- external recruitment
- media – use of appropriate and varied media
- agencies recruitment
- selection by tests of ability

Level 1 answers – basic points on list, 0-3 marks

Level 2 answers – some discussion, 4-6 marks

Level 3 answers – good exposition and awareness, 7-10 marks

Level 4 answers – coherent discussion well-organised and full, 11-15 marks

- 4 (a) Explain the term 'homeworkers' (line 19).

[5 marks]

For:

- 'putting-out system' to outworkers (or 'teleworkers') who work from home on a piecework basis – from scenario

Level 1 answers – basic points, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

- (b) Identify two advantages to DEVA of using homeworkers.

[5 marks]

Level 1 answers – basic points, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

Page 3	Mark Scheme	Syllabus	Paper
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- (c) **Recommend to DEVA a suitable method of monitoring the performance of homeworkers, justifying your answer.**

[10 marks]

Level 1 answers – basic points on list, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

Level 3 answers – good explanation and clear recommendations, 6-10 marks

- 5 The Chief Executive Officer has identified some problems with people working at home.**

- (a) **Explain the main problems identified in the case study.**

[5 marks]

For:

- scale economies would be lost
- camaraderie and teamworking atmosphere currently generated in the factory
- where the homeworkers live and how many would wish to participate
- what alternative employment opportunities there are for them

Level 1 answers – basic points, 0-2 marks

Level 2 answers – some discussion, 3-5 marks

- (b) **Identify and explain two potential recruitment issues which might pose further problems.**

[10 marks]

For:

- constraints in recruiting the right people – not just those near the factory
- regional variations in other employment opportunities
- other relevant issues from textbooks, e.g. skills of interviewers

Level 1 answers – basic points or list, 0-2 marks

Level 2 answers – some discussion of at least one issue, 3-5 marks

Level 3 answers – good exposition of both issues and awareness, 6-10 marks

- (c) **Identify and explain two major motivational issues that might be a problem when using homeworking.**

[10 marks]

Any two of the following, suitably expanded:

- lack of recognition – no levels of responsibility
- reduced relationships with colleagues and managers
- training problems – on off job qualifications and certification

Level 1 answers – basic points, 0-3 marks

Level 2 answers – some discussion of at least one issue, 3-5 marks

Level 3 answers – good exposition of two issues and awareness, 5-10 marks