

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**

GCE Advanced Subsidiary and Advanced Level

**MARK SCHEME for the November 2003 question papers**

**9707 BUSINESS STUDIES**

<b>9707/01</b>	<b>Paper 1 (Short Answer/Essay), maximum raw mark 40</b>
<b>9707/02</b>	<b>Paper 2 (Data Response), maximum raw mark 60</b>
<b>9707/03</b>	<b>Paper 3 (Case Study), maximum raw mark 60</b>
<b>9707/04</b>	<b>Paper 4 (Essay), maximum raw mark 40</b>

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

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 must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2003 question papers for most IGCSE and GCE Advanced Level syllabuses.

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### INDICATIVE GUIDELINES

#### **To be Used with the Mark Scheme for Essay Marking**

#### Marks

- 1-4 If the answer is largely irrelevant, but contains a few valid points.
- 5-7 If the answer possesses relevant material, but is simple in expression and its grasp of the issues involved.
- 8-9 If the answer seems to be the minimum acceptable for 'A' level work, i.e. it covers the basic textbook material (1) that seems to have been mastered by many of the candidates and (2) that is presented in a routine, unimaginative and sometimes unnecessarily long-winded fashion; it also shows no awareness of the more subtle issues raised by the question.
- 10-11 If the answer seems a basic pass with a little to spare (a few examples, facts, etc.) and with an attempt at analysis.
- 12-13 If the answer strikes you as undoubtedly a pass, with something to spare (one or two passages with some insight displayed, some well worked examples, better than usual organization and presentation of reasonable material).
- 14-16 If the answer is undoubtedly above average, eliciting the instinctive reaction 'good', i.e. it is beginning to stand out above the routine answer in terms of knowledge and understanding of facts and ideas; or it begins to display a genuine attempt to answer the question rather than regurgitate learned material, yet at the same time is clearly capable of improvement at this level.
- 17-19 If the answer is clearly very good, with clarity and economy of expression, use of good material to answer the question (the precise wording of which should be in no doubt from the reading of the answer alone!), sensible and often original exemplification – in other words, showing a true insight.
- 20 If the answer immediately strikes you as ranking among the very best you have read at this level, and fulfils the criterion that (in your judgement) it is not capable of improvement by a student of 18 years, who will have to conceive and write the answer in an examination room in 30 minutes.

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INTERNATIONAL EXAMINATIONS

**November 2003**

**GCE A/AS LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 40**

**SYLLABUS/COMPONENT: 9707/01**

**BUSINESS STUDIES**  
Short Answer/Essay



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### Section A: Short Answers

**1 (a) Distinguish between the public sector and private sector of an economy. [2]**

Public sector is central or local government controlled, private sector is enterprises or companies.

Partial understanding of each type or full understanding of one only      1  
 Full explanation of difference between private and public sector      2

**(b) Explain why some goods and services are provided by the public sector in your country. [3]**

Where general community benefits but profit motive does not apply, e.g. public goods such as roads, merit goods such as health or education. Or if government believes in nationalisation, etc.

Some understanding but reason not explained      1  
 Substantially full but incomplete explanation of importance      2  
 Full explanation of reasons for government involvement as provider      3

**2 Outline how the market for soft drinks might be segmented in your country. [5]**

Market broken down into segments, such as carbonated, still, fruit-based, etc. Alternatively, segmentation by region, age, income, ethnic, gender or other characteristics of customer. Multinationals probably dominate main segment, with various niches for local producers meeting specific demands.

Vague understanding of idea of segmentation      1  
 Reasonable understanding not applied to drinks or limited knowledge applied      2-3  
 Good understanding well applied to soft drinks market      4-5

**3 (a) Distinguish between the mean and the median of a set of data. [2]**

Mean is arithmetic average, median is midpoint when data is ordered.

Partial definition      1  
 Full definition and distinction of terms      2

**(b) Explain one business situation where the mode would be a useful measure. [3]**

Where most frequent is important, e.g. clothes sizes to stock, or to give idea of “average” where high or low figures might distort, e.g. salaries in a firm.

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Vague awareness of definition of mode	1
Good awareness of what mode is but unclear application to a business situation	2
Good awareness of meaning and appropriate example given	3

**4 (a) Define diseconomies of scale. [2]**

Unit cost or Average total cost rises as output increases.  
Also accept definitions which focus on issues such as diseconomies relating to co-ordination, communication, lack of funds and external factors such as geography and market changes.

Partial definition	1
Full definition of the term	2

**(b) Explain different types of economies of scale from which a large retailer might benefit. [3]**

Bulk buying, giving lower costs and better margins; advertising economies, distribution costs, own brand product development, management economies, etc.

Some awareness of types	1
Reasonable explanation of benefits	2
Full explanation of different economies of scale	3

**Section B: Essay Questions**

**5 (a) Analyse the benefits to your country's economy of a multinational manufacturer of consumer goods locating a factory there. [8]**

Answers should include discussion of the benefits of job creation, contribution to GDP and tax revenue, benefit to Balance of Payments and spin-off benefits for local suppliers. Also, cheaper local products benefiting consumers. Disadvantages include funds often demanded, possible damage to local competitors and the danger of subsequent closure if the industry contracts.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: Giving substantially full listing of direct advantages.  3-4 marks	
Level One: Showing limited awareness of benefits to the economy such as jobs or output.  1-2 marks	Level One: Explaining the importance of the benefits in the context of their country and showing awareness of some of the risks.  1-4 marks

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**(b) Discuss how an exporter of consumer goods might choose between different channels of distribution in a new overseas market. [12]**

Answers should consider various options, whether selling direct, through an agent or wholesaler, using a local manufacturer or opening their own office. Analysis should include discussion of the importance of cost and control, availability of local stocks, etc.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: Gives appropriate channels or criteria for a consumer goods manufacturer with some explanation as to why they are appropriate. 4-6 marks	Level Two: Evaluation of different channels in relation to possible company objectives, such as skimming or market penetration. 4-6 marks
Level One: Outlines some channels or criteria but without application in context. 1-3 marks	Level One: Analyses criteria on which firms might make their choice, e.g. cost, control, stock levels etc., giving some advantages and disadvantages. 1-3 marks

**6 (a) Outline the main contents of published company accounts. [8]**

Answers should include discussion of the main documents and what they contain. Mention should be made of legal requirements, e.g. directors' report, auditor's statement and notes to account.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: More detailed knowledge of contents in the light of providing shareholders with information, e.g. Cash Flow statement, auditors' report etc. 3-4 marks	
Level One: Simple knowledge of some of what the main elements of accounts are, e.g. Profit and Loss and Balance Sheet. 1-2 marks	Level One: More detailed explanation of what certain elements of accounts contain, e.g. net assets of company, liabilities and shareholders' funds in Balance Sheet. 1-4 marks

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**(b) Discuss why the owners of a private limited company might wish to convert it into a public limited company. [12]**

Answers should include factors such as the need for finance and future sources of finance. Increasing prestige, making loan finance more feasible and share options a possible incentive. Realising wealth of owners and satisfying ambitions to grow and make company a top operator.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: Basic awareness of advantages of being public.  4-6 marks	Level Two: Good analysis of the finer motives, such as realising wealth, and some evaluation of the dangers.  4-6 marks
Level One: Simple knowledge of the difference between private and public companies.  1-3 marks	Level One: Analysis of why owners might want to float, such as financial restrictions of being private.  1-3 marks

**7 Discuss the importance of delegation for effective management. [20]**

Answers should refer to the inability of managers to make all decisions, to advantages of training staff for promotion; motivational elements in a democratic style and trusting staff.; job enlargement and JE, with reference to Macgregor, Maslow and Herzberg. Risks of delegating and to the advantages at times of a more autocratic style.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: Substantially full awareness of the benefits to both company and workers.  6-10 marks	Level Two: Some appreciation of the risks as well as the benefits involved in delegating, with overall conclusion made.  6-10 marks
Level One: Some explanation of the meaning of delegation in a business scenario.  1-5 marks	Level One: An analysis of the benefits to staff and company.  1-5 marks

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**November 2003**

**GCE A/AS LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 60**

**SYLLABUS/COMPONENT: 9707/02**

**BUSINESS STUDIES**  
**Data Response**



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	GCE A/AS/ LEVEL – NOVEMBER 2003	9707	2

### The Round Company

(a) Define the following:

(i) **plc (public limited company)** [3]

An incorporated business with separate entity and limited liability status. Ownership of the business available on the open market.

Level 2: Good understanding	(2-3 marks)
Level 1: Partial understanding	(1 mark)

(ii) **market share** [3]

Percentage of own sales in relation to entire market. Calculated by own sales/market value (allow value or volume). Reduction in market share may mean company is less competitive but not necessarily lower sales.

Level 2: Good understanding	(2-3 marks)
Level 1: Partial understanding	(1 mark)

(b) (i) **Using the straight-line method calculate the annual depreciation of the new machine.** [2]

$$(\$300,000 - \$20,000) / 5 = \$280,000 / 5 = \$56,000 \text{ per annum}$$

1 mark for partial completion.

2 marks for correct answer.

(ii) **Explain the effect of this depreciation on Round plc's balance sheet.** [2]

Accumulated depreciation increases (1 mark)

Reduction of net assets of \$56,000, reduction in net assets/retained profit of \$56,000

2<sup>nd</sup> mark for fuller explanation in context of balance sheet items.

(iii) **Calculate the average rate of return (ARR) of the investment in the new machine. Briefly explain what this means.** [4]

$$\$720,000 - 300,000 = \$420,000$$

$$\$420,000 / 5 = \$84,000$$

$$\$84,000 / \$300,000 = 28\%$$

Investment makes a return of 28%, i.e. average annual profits are 28% of the investment. This percentage can be used to compare with alternative uses of the money.

Calculation: Attempt: 1 mark

Good attempt but errors: 2 marks

Correct answer: 3 marks

**Up to 2 marks** for interpretation of calculated %. No marks for general comments on ARR.

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- (c) **Analyse the factors that JPB might have considered when deciding to operate a Just-In-Time production system.**

Content

Increased delivery frequency, might lead to under-use of transport for each load. Extra pressure on Round plc due to lower stock levels of JPB. Reliability of Round – obligation to deliver promptly high quality products (i.e. no opportunity for JPB to check stocks). Flexibility of supplier to increase/decrease the order size. Benefits of lower stock – costs lower, higher quality, more responsibility for employees. Suitable for bicycles? New location gives opportunity for change. ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Applies factors affecting decision to implement JIT in context  2 marks	Level 2: Good analysis of factors in context  3-4 marks
Level 1: Outlines factor(s) affecting decision  1 mark	Level 1: Limited analysis of factors  1-2 marks

- (d) **Evaluate the impact of new technology on any two stakeholder groups of Round plc.** [10]

Content

**Shareholders** – initial loss in cash flow (might affect ability to pay dividends), but long term increase in productivity leading to higher dividends and possibly higher share price.

**Employees:** resistance to change, new working practices, possible mechanisation leading to redundancies.

**Customers:** higher quality (lower rejects) and possibly faster response time to new orders.

ARA. Do not penalise choice of stakeholder.

Knowledge and Application	Analysis and Evaluation
Level 2: Outlines impact of technology on 2 or more stakeholders/applies to one stakeholder  2 marks	Level 2: Evaluation of analysis of impacts on stakeholders of <b>this</b> business  5-8 marks (2 marks per stakeholder)
Level 1: Outlines impact of technology on one stakeholder  1 mark	Level 1: Limited analysis of impact  1-4 marks (2 marks per stakeholder)

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**The Ashkey Company (TAC)**

**(a) Define the following:**

**(i) Capacity Utilisation [3]**

Extent to which capacity is employed in the business. Actual output/capacity output. A measure of productivity. Higher capacity utilisation might lead to economies or diseconomies of scale.

Level 2: Good understanding	<b>(2-3 marks)</b>
Level 1: Partial understanding	<b>(1 mark)</b>

**(ii) legal constraints [3]**

Marketing, employment, health and safety laws, etc. that hinder the operation of the business by adding costs and time to, for example, the decision making process

Level 2: Good understanding	<b>(2-3 marks)</b>
Level 1: Partial understanding	<b>(1 mark)</b>

**(b) (i) Outline a suitable method of sampling for TAC. [3]**

Content

Given the market is known, probably quota, although it might use stratified. Random unlikely because although mass market item, actual consumers need to be targeted according to typical customer profile. Candidate might focus on retailer, therefore quota required, possibly in terms of size.

Level 2: Applies method to TAC	<b>(3 marks)</b>
Level 1: Outlines method	<b>(1-2 marks)</b>

**(ii) Explain whether secondary data might be useful to TAC in researching the market. [3]**

Content

Much depends on whether data available in developing country. Company reports, government statistics, all might be useful if available. Usefulness depends on the target market as well as detail provided by secondary research. Might give an overview in order to give TAC a clearer idea on how to structure the primary research.

Level 2: Good explanation	<b>(2-3 marks)</b>
Level 1: Identifies reasons	<b>(1 mark)</b>
<b>For 3 marks, explanation must be in context</b>	

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- (c) (i) Calculate the return on capital employed for 2002. [2]

Net profit/capital employed =  $40/130 = 31\%$

Formula and figure correct but incorrect execution, or use of gross profit

(1 mark)

Correct answer (2 marks)

- (ii) Using your answer to (c) (i) and other data, analyse the performance of the business between 1999 and 2002. [6]

Context – use of data.

Content

Gross margin falling due to costs of production rising or process falling due to competitive pressure. Net profit margin rising as business controls overheads, possibly achieving economies of scale as sales have risen. ROCE has increased due to net margin increasing: return for shareholders therefore greater due to increased efficiency.

Knowledge and Application	Analysis and Evaluation
Level 2: Understanding of ratios in context 2 marks	Level 2: Good analysis of ratios 3-4 marks
Level 1: Understanding of ratios 1 mark	Level 1: Limited analysis of ratios 1-2 marks

N.B. K + A marks are likely to be implicit in an answer that reaches L2 A + E.

- (d) Discuss the importance of Human Resource Management for the success of the new factory. [10]

Allow Human Resource **Manager**.

Content

Need for effective recruitment, selection, training, low labour turnover, low absenteeism, all of which lower unit costs of production and help to engender loyalty and commitment from employees. HRM therefore crucial in this role. Problems of start-up with high tech/high quality goods will need to be addressed with effective management of HR. However there might be sufficient supply of labour, who are well motivated and skilled, to allow business to divert funds away from HRM into marketing, if market share in region is objective.

Knowledge and Application	Analysis and Evaluation
Level 2: Applies role of HRM in context 3-4 marks	Level 2: Evaluation based on preceding analysis in context 3-6 marks
Level 1: Outlines role of HRM 1-2 marks	Level 1: Analysis of role of HRM 1-2marks

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**November 2003**

**GCE A/AS LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 60**

**SYLLABUS/COMPONENT: 9707/03**

**BUSINESS STUDIES**  
Case Study



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- (a) **Discuss the factors the company directors should consider before deciding whether to relocate the factory. [10]**

Content

Yes - more accessible, new site can be developed as the firm wants, room for expansion, some lower costs. If product is successful then shortage of capacity could delay production and deliveries.

No - high fixed costs - finances already stretched to pay for new machine, worker and manager resistance, environmental considerations - pressure group activity?, might be best to wait to see if product is successful.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: Factors are put into the context of this business.  3-4 marks	Level Two: Issues are discussed and weighed up in context and for full marks a clearly justified recommendation is given.  4-6 marks
Level One: List of factor(s) that might influence location decisions.  1-2 marks	Level One: Location issues are explained in context with use of theory to support these explanations.  1-3 marks

- (b) (i) **Outline the importance of value analysis to the development of the Autotrac product. [6]**

Content

Explanation of value analysis with possible “triangle” diagram. Aims to optimise the value of the product to the consumer whilst retaining economy of manufacture. Three major influences: aesthetics, performance and economy of manufacture. Important because: even “unique” products need to be produced economically to allow reasonable prices to be set; can increase profits whilst still giving value for money; requires experts from different departments to work closely together. BUT this is an industrial product with no known competitors so appearance and cost will be much less important than reliability and performance. It might be necessary to “over engineer” the product to ensure high safety standards.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: Main issues regarding value analysis are applied in context.  3-4 marks	
Level One: Knowledge of value analysis is shown.  1-2 marks	Level One: The importance of these issues is explained with reference to theory.  1-2 marks

- (ii) **The marketing manager needs to decide on the price for the Autotrac. Advise the marketing manager on an appropriate pricing strategy for this new product. [10]**

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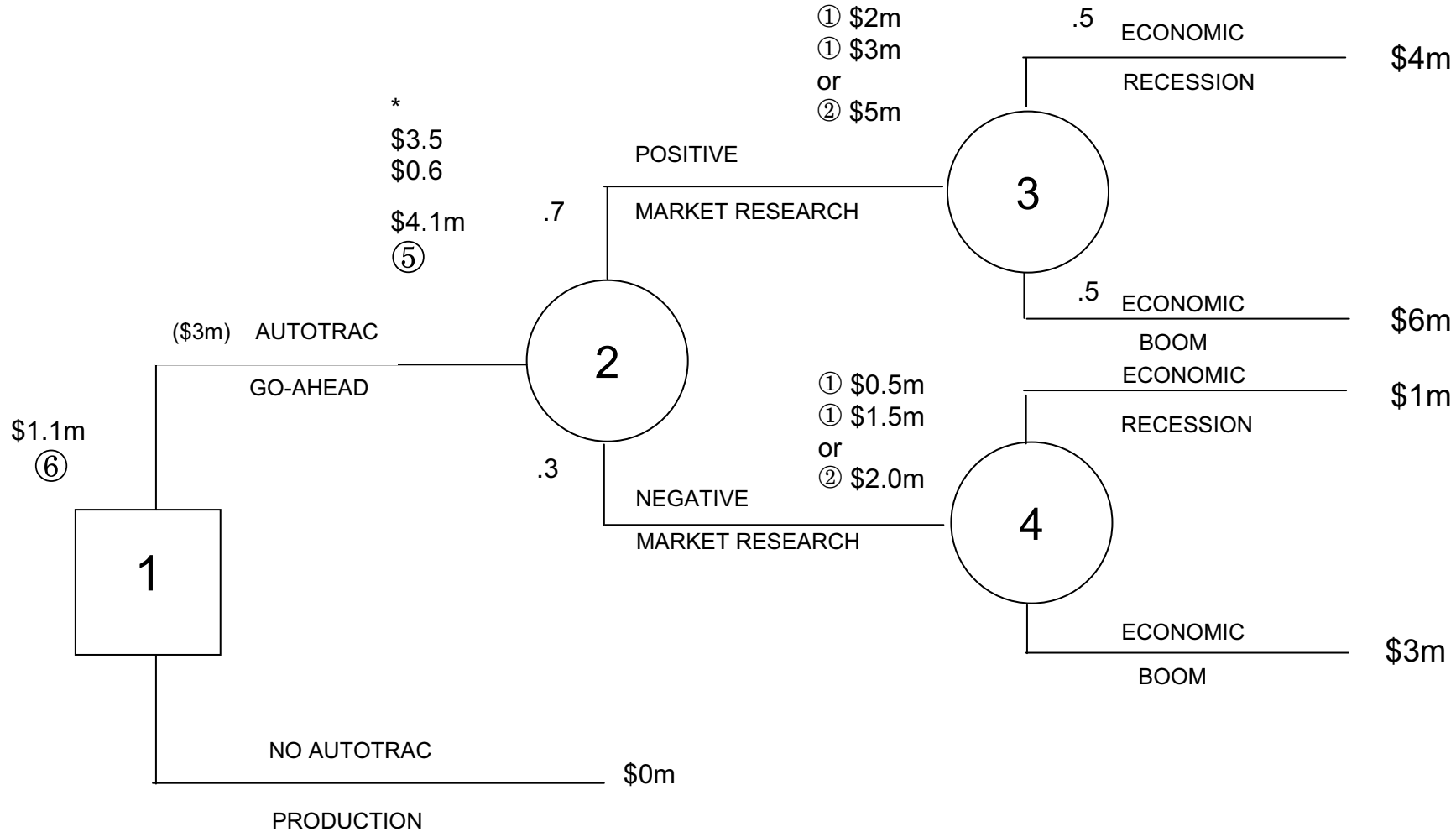
Content

Unique product, high fixed costs - skimming seems to be appropriate BUT this could encourage other new firms into the market. Other options might be possible but they need to be justified. Penetration might be inappropriate given the high costs involved. Competitive pricing would be impossible. Price discrimination could be used in different markets.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: The strategy(ies) suggested are clearly related to this product.  3-4 marks	Level Two: There is a clear recommendation. The strategy proposed is evaluated in the context of this business and this product.  4-6 marks
Level One: Strategy(ies) for pricing products are referred to.  1-2 marks	Level One: Theory used appropriately to explain how/why the pricing strategy(ies) might be applied.  1-3 marks

- (c) (i) **Using the decision tree in Appendix A, calculate the expected return from manufacturing the Autotrak. Show all of your working. [6]**

See calculated insert on next page – candidates need not copy the tree out. Marks for OFR brought back to decision node.



\* Allow ⑥ marks for \$4.1m if candidate makes it clear that figures are NPV's



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- (ii) Evaluate the usefulness of this technique to the firm's management when taking the decision whether to build the Autotrac or not. [6]

Content

Clear advantages in quantifying the likely outcomes and forcing managers to consider all aspects of the decision. BUT it is also a new project with many forecasts and needs effective management to make the decision work. There may be a tendency to ignore the qualitative factors.

Knowledge and Application	Analysis and Evaluation
	Level Two: Evaluation of the usefulness of decision trees in this particular case. 3-4 marks
Level One: Some references to the advantages and/or drawbacks to decision trees. 1-2 marks	Level One: Use of theory to explain the usefulness and limitations of decision trees. 1-2 marks

- (d) Assume that the business goes ahead with the new project and relocation. Recommend how the business might raise the finance needed, using relevant accounting ratios to help you. [12]

Content

Ratios (liquidity/gearing) should be used to examine the case for internal and external sources of finance. 1 mark each for up to two relevant ratio formulae (K and A) and 1 mark each for up to two accurate calculations (A and E) = 4 marks.

CR = CA divided by CL; AT = LA divided by CL; GR = LTL divided by C Emp.

CR = 2.0; AT = 1.0; GR = 56%

Other marks are to be awarded for comment, analysis and recommendation as follows:

Liquidity not high - especially AT ratio - scope for using liquid funds to finance the investment is low - possibly \$0.5m. GR already high and would rise to 62% (depending on assumptions made) if all finance raised from LTL - is this too high for lenders? Alternative of share issue (private) or even public listing (loss of control?)

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<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
	Level Two: Recommendation made about sources of finance based on analysis of results and other data. 4-6 marks
Level One: relevant knowledge shown regarding balance sheet data and what the ratios, in general, indicate. 1-2 marks	Level One: Explanation of results and other data using relevant theory. 1-3 marks

N.B. Maximum mark is 8 marks with no relevant ratios.

- (e) **If the Autotrac project is successful, the business will grow quickly. Suggest and justify an appropriate organisational structure for Oriental Engineering Ltd if this happens. [10]**

Content

Should perhaps move from hierarchical system to matrix system - see clues in the passage regarding new project teams. Need to consider issues such as speed of decision making, need for teamwork, delegation, less centralised structure, etc. Diagrams may be included but should only be rewarded if they had to the candidate's understanding and analysis of the situation and the options available.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
Level Two: The main problems of the current structure are described and/or the possible advantages of alternative structures are briefly referred to. 3-4 marks	Level Two: Clear recommendation for an organisational structure for this business is made based on previous analysis of the current structure and alternatives. 4-6 marks
Level One: Some understanding of the main features of organisational structures is shown. 1-2 marks	Level One: Theory is used to explain the deficiencies of the current structure and the possible advantages of the alternatives. 1-3 marks

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**GCE A/AS LEVEL**

**MARK SCHEME**

**MAXIMUM MARK: 40**

**SYLLABUS/COMPONENT: 9707/04**

**BUSINESS STUDIES**  
**Essay Extension**



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- 1 (a) *Answers should include reference to strategic and tactical/long-term and short-term objectives. Objectives give direction, MBO can be used to motivate workers, identifies resource needs, important part of the planning process, sets targets, compare actually with expected outcomes etc.*

### **Knowledge and Application**

Level 1: States the nature of objectives, distinguishing between strategic and tactical/long-term and short-term objectives 1-3

Level 2: Outlines the main purposes of objectives 4-5

### **Analysis and Evaluation**

Level 1: Explains the importance of objectives to businesses 1-3

Level 2: Evaluates the importance of objectives to businesses 4-7

- (b) *Answers should define and identify stakeholder groups. Conflict will arise from different objectives held by each group – answers should use examples to illustrate and clarify understanding.*

### **Knowledge and Application**

Level 1: Identifies stakeholder groups 1

Level 2: Outlines objectives of at least two different stakeholder groups. 2-3

### **Analysis and Evaluation**

Level 1: Clearly explains how objectives of different stakeholder groups might conflict. 1-5

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- 2 (a) *Answers might include a discussion of indicators such as:  
Satisfactory completion of tasks, reduction in waste, increased productivity, better worker management relations, smooth introduction of change, reduced labour absenteeism/turnover etc.*

**Knowledge and Application**

Level 1: Defines effective communication 1-2

Level 2: Identifies criteria that could be used to assess the effectiveness of communication 3-4

**Analysis and Evaluation**

Level 1: Clearly explains how the criteria might be used to assess the effectiveness of communication 1-6

- (b) *Explanation of informal communication networks. A discussion of the potential benefits and drawbacks of informal communication and how these might influence business efficiency e.g. quicker decision-making, 'testing' ideas, better morale/motivation, improved working relationships, grapevine effect etc.*

**Knowledge and Application**

Level 1: A simple understanding of informal communication 1-2

Level 2: Demonstrates a clear understanding of the nature of informal communication 3-4

**Analysis and Evaluation**

Level 1: Explanation of how informal communication might affect business efficiency 1-2

Level 2: Attempts to evaluate the importance of informal communication on business efficiency 3-6

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- 3 (a) *Answers should explain the different elements of a marketing strategy e.g. planning, objectives, identification of resource needs/resource availability, devising an appropriate mix, monitor and review. The answer should develop an appropriate marketing mix for a camera and explain how this might ensure a successful launch.*

### **Knowledge and Application**

Level 1: Simple discussion of the marketing mix without reference to the context of the question 1-4

Level 2: Attempts to explain the importance of other factors, as well as the marketing mix, within a marketing strategy for digital camera. 7 or 8 only if mention external constraints e.g. their country. 5-8

### **Analysis and Evaluation**

Level 1: Discusses an appropriate marketing strategy 1-8

Level 2: Attempts to evaluate the marketing strategy 9-12

- 4 (a) *Answers should discuss the nature of quality and its importance in different market situations. Answers should not just concentrate on the demand/sales aspect of product quality but also on factors such as reduction in waste, rejects and returns from customers and how this affects costs, reputation etc. Also, candidates should discuss factors other than quality e.g. price, satisfaction of consumer needs, etc.*

### **Knowledge and Application**

Level 1: Simple statement about the nature of quality with one or two undeveloped statements about the need for good quality products. 1-4

Level 2: Demonstrates good understanding of the importance of quality in the marketing of a product, but displays no wider knowledge 5-8

### **Analysis and Evaluation**

Level 1: Clearly explains the importance of quality to business success with the use of appropriate examples. The analysis displays an understanding beyond marketing issues. 1-8

Level 2: A good evaluation of the importance of quality to the overall success of a business 9-12

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- 5 (a) *Answers should clearly distinguish between profit and cash with reference to factors such as: capital expenditure, depreciation, debtors/creditors, stocks, share capital, loans etc.*

**Knowledge and Application**

Level 1: Identifies the nature of the problem i.e. difference between cash and profit 1

Level 2: Identifies a range of factors that influence profit but not cash and vice-versa 2-5

**Analysis and Evaluation**

Level 1: Explains how a range of factors influence profit and not cash 1-3

- (b) *Answers might include: improves credit control system, factoring, reducing stock levels etc. Answers should explain how each method might be implemented and evaluate the likely success.*

**Knowledge and Application**

Level 1: Briefly outlines appropriate methods 1-3

**Analysis and Evaluation**

Level 1: Explains how each method might be used to improve cashflow 1-6

Level 2: Attempts to evaluate the usefulness of each method 7-9

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- 6 (a) *Answers should outline the essential features of flow production methods and discuss why they might not be used by a car manufacturer e.g. demand factors, custom built v mass appeal*

**Knowledge and Application**

Level 1: Briefly defines and outlines the essential features of flow production methods 1-2

Level 2: Discusses the disadvantages of flow production 3-4

**Analysis and Evaluation**

Level 1: Discusses the reasons why a car manufacturer might not use flow production methods. 1-4

- (b) *Answers should outline the essential features of lean production and discuss its usefulness to a food manufacturer.*

**Knowledge and Application**

Level 1: Simple understanding of the nature of lean production methods 1-2

Level 2: Outlines some of the essential features of lean production 3-4

**Analysis and Evaluation**

Level 1: Explains how and why lean production methods might be used by a food manufacturer 1-4

Level 2: Evaluates the usefulness of lean production methods to a food manufacturer 5-8