



*Rewarding Learning*

ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
2013

---

## **Business Studies**

Assessment Unit AS 1

*assessing*

The Competitive Business

[AT111]

WEDNESDAY 12 JUNE, AFTERNOON

---

**MARK  
SCHEME**

## General Marking Instructions

### Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

### The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

- 1 (a) Market Research involves the systematic collection, collation and analysis of data relating to the marketing and consumption of goods and services.

Reasons why a calendar manufacturer should carry out market research might include:

- allows it to identify the tastes of consumers so that it can design calendars to suit them
- modifications and improvements to existing designs can be made on the basis of feedback from customers
- will give the manufacturer an idea of the size of its market so that production of the calendars can take place at an appropriate scale
- allows the manufacturer to identify different market segments so that it can aim its promotion appropriately
- it can give vital information about whether the traditional calendar market is in decline so that investment decisions are properly informed
- valid alternatives
- competition
- four P's
- demand for product
- themes
- customer satisfaction.

	<b>AO1 Knowledge and Understanding [2]</b>	<b>AO2 Application [2]</b>
<b>Level 2</b>	[2] Candidate demonstrates excellent understanding of market research.	[2] Candidate applies good knowledge effectively.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of market research.	[1] Candidate attempts some application.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of market research.	[0] Candidate does not attempt to apply knowledge.

[4]

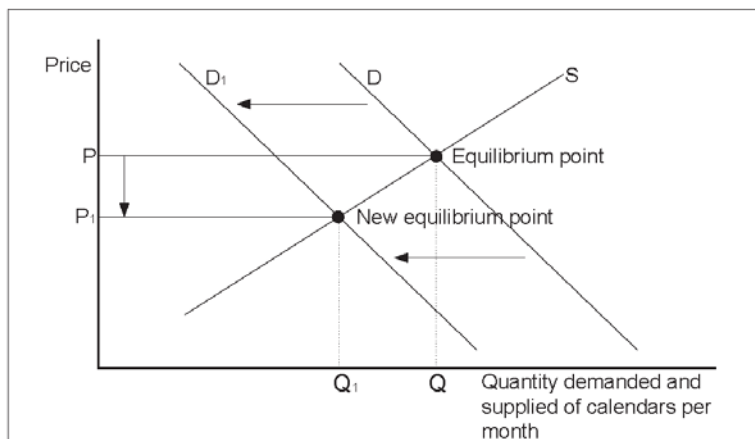
- (b)** A market segment is a grouping of customers within the overall market for a product that can be reached with a unique marketing mix. Market segmentation involves a business splitting its overall market into such segments and targeting each one separately.

Examples of market segments in the case study would include the UK and USA markets, as well as the groups of customers who buy the various themed calendars mentioned – pop stars, football teams, celebrities, dogs, cats, meercats, steam railways and goats in trees.

	<b>AO1 Knowledge and Understanding [2]</b>	<b>AO2 Application [2]</b>
<b>Level 2</b>	[2] Candidate demonstrates excellent understanding of market segmentation.	[2] Candidate applies knowledge effectively.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of market segmentation.	[1] Candidate attempts to apply knowledge.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of market segmentation.	[0] Candidate does not attempt to apply knowledge.

[4]

(c)



In December 2011, demand for 2012 calendars is high, as many people are buying them to give as Christmas gifts. Demand would probably remain high for the first few months of 2012 as people buy them to use throughout the year. As the year progresses, the demand for 2012 calendars would decrease, with consumers seeing them as becoming dated. The demand curve would shift to the left and there would be excess supply at existing prices in the market. Retailers would be forced to lower prices in order to avoid being left with unsold stock at the end of the year.

	<b>AO1 Knowledge and Understanding [2]</b>	<b>AO2 Application [2]</b>	<b>AO3 Analysis [4]</b>
<b>Level 2</b>	[2] Candidate demonstrates good understanding of demand and supply. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate makes excellent application.	[4]–[3] Excellent analysis of factors determining demand and supply. QWC is good.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of demand and supply. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate makes good application.	[2]–[1] Some analysis of factors determining demand and supply. QWC is limited.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of demand and supply.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of factors determining demand and supply. QWC is poor.

[8]

- (d) At the moment, the calendar market is doing well, despite rapid changes in technology which has brought competing products to the market.

The argument in favour of a calendar manufacturer investing heavily in new printing machinery might include:

- there is still a lot of potential profit to be made in this market. Calendar Club expect to sell four million products next year
- traditional calendars may prove to have a very long maturity stage in their product life cycle. There is strong evidence for this as they have done well despite new technology
- calendar production is likely to benefit greatly from economies of scale, pushing costs down and profits up
- it is essential to keep up with competitors and existing printing machinery may be out of date
- even if the market declines in the future, printing machinery can probably be put to other uses
- speed up productivity
- quality
- reduces labour costs
- motivation
- human error decreases.

The arguments against a calendar manufacturer investing heavily in new printing machinery might include:

- traditional calendars may be nearing the end of their product life cycle as seems to be happening in the USA
- younger customers may be using smartphones instead so as the numbers of elderly customers decline, the market seems set to decline in the future
- new machinery may be very expensive and will have an impact on costs for years to come
- staff may need to be specially trained to operate new machinery which can cause conflict in the workplace
- redundancy.

As part of their discussion, candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	<b>AO1 Knowledge and Understanding [3]</b>	<b>AO2 Application [2]</b>	<b>AO2 Analysis [3]</b>
<b>Level 3</b>	[3] Candidate demonstrates excellent understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate demonstrates excellent use of application.	[3] Excellent analysis of arguments.
<b>Level 2</b>	[2] Candidate demonstrates good understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of the arguments for and against. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of the arguments for and against.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

<b>A04 Evaluation [4]</b>	
<b>Level 3</b>	[4] Candidate gives excellent evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
<b>Level 2</b>	[3]–[2] Candidate gives a good evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]



- (e) Price elasticity of demand measures the responsiveness of demand to changes in the price of a product. Goods which are not responsive to changes in price are said to be inelastic while those that are responsive are said to be elastic.

Knowledge of price elasticity is likely to be useful to a business such as Danilo for a number of reasons. These might include:

- it will allow Danilo to consider the impact on sales if it decides to raise the price of a calendar. This will only bring in more revenue if the product is inelastic
- it will help Danilo to consider how to reduce the prices of calendars as the year progresses, by forecasting how revenue will be affected
- it will predict the impact on sales of any change in price. This will help Danilo when ordering raw materials and employing labour
- promotion offers
- decisions on what price may generate sales.

On the other hand, price elasticity may not be quite so useful to a business such as Danilo. Reasons might include:

- it is based on historic information and is not necessarily a good guide as to what will happen in the future as Danilo raises or lowers prices
- the value of price elasticity of demand may change according to the time period under consideration. This could present Danilo with the problem of which time period to consider
- it may be a very time consuming and costly process for Danilo to calculate the estimates of price elasticity.

As part of their discussion, candidates should consider both positive and negative arguments and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	<b>AO1 Knowledge and Understanding [3]</b>	<b>AO2 Application [2]</b>	<b>AO3 Analysis [3]</b>
<b>Level 3</b>	[3] Candidate demonstrates excellent understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate demonstrates excellent application skills.	[3] Excellent analysis of points.
<b>Level 2</b>	[2] Candidate demonstrates good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate makes good application.	[2] Good analysis of points.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts some application.	[1] Limited analysis of points.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of the advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of points.

	<b>A04 Evaluation [4]</b>
<b>Level 3</b>	[4] Candidate gives excellent evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
<b>Level 2</b>	[3]–[2] Candidate gives a good evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

40

- 2 (a) Internal economies of scale are the advantages that a firm can achieve as it produces on a larger scale, which leads to falling average costs of production. The sources of economies of scale can include: technical, marketing, financial, commercial, managerial and risk-bearing economies.

For example, B&Q is able to buy in bulk as it has over 330 stores so it can benefit from discounts and source products globally.

	<b>AO1 Knowledge and Understanding [2]</b>	<b>AO2 Application [2]</b>
<b>Level 2</b>	[2] Candidate demonstrates excellent understanding of internal economies of scale.	[2] Candidate applies knowledge effectively.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of internal economies of scale.	[1] Candidate attempts to apply knowledge.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of internal economies of scale.	[0] Candidate does not attempt to apply knowledge.

[4]

**(b)** The Office of Fair Trading acts as the UK's primary competition and consumer protection authority. The aim of the OFT is to make markets work well for consumers. It does this by:

- encouraging businesses to comply with competition and consumer law and to improve their trading practices through self-regulation
- studying markets and recommending action where required
- empowering consumers with the knowledge and skills to make informed choices and get the best value from markets, and helping them resolve problems with suppliers through Consumer Direct.

The OFT has the power to investigate mergers and takeovers and can refer the case to the Competition Commission if further action is needed. The OFT was concerned that competition in the market may have been reduced by B&Q getting the extra Focus stores so it investigated the matter. It ultimately gave the go-ahead for 30 stores to be sold.

	<b>AO1 Knowledge and Understanding [2]</b>	<b>AO2 Application [2]</b>
<b>Level 2</b>	[2] Candidate demonstrates excellent understanding of the Office of Fair Trading.	[2] Candidate applies good knowledge effectively.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of the Office of Fair Trading.	[1] Candidate attempts some application.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of the Office of Fair Trading.	[0] Candidate does not attempt to apply knowledge.

[4]

- (c) There are a number of factors that might affect productivity within a business such as B&Q. These might include:
- the level of skills in the workforce/qualifications of workers
  - how much B&Q invest in staff training programmes/customer service
  - the amount of computers and other equipment that staff have access to in their jobs
  - whether workers are confident in the future or always fearful of losing their jobs
  - the motivation levels amongst the workforce at B&Q. This is likely to become higher as the business becomes more successful
  - valid alternatives
  - communication barriers
  - stock control/supplies.

	<b>AO1 Knowledge and Understanding [2]</b>	<b>AO2 Application [2]</b>	<b>AO3 Analysis [4]</b>
<b>Level 2</b>	[2] Candidate demonstrates good knowledge and understanding of factors that might affect productivity. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate makes excellent application.	[4]–[3] Good analysis of the importance of factors affecting productivity. QWC is good.
<b>Level 1</b>	[1] Candidate demonstrates some knowledge and understanding of factors that might affect productivity. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate makes good application.	[2]–[1] Limited analysis of the importance of factors affecting productivity. QWC is limited.
<b>Level 0</b>	[0] Candidate demonstrates no knowledge and understanding of factors that might affect productivity.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of the importance of factors affecting productivity. QWC is poor.

[8]

(d) There are a number of advantages of Kingfisher operating as a plc. These might include:

- it will allow Kingfisher plc to raise more capital if required. The business will need this if it is to expand through acquisitions
- in such rapidly changing international markets there is always a threat from competitors so having access to extra capital might become critical for Kingfisher plc in the future
- may make it easier for Kingfisher plc to borrow money from banks and other financial institutions
- will improve the corporate image of Kingfisher plc in the eyes of consumers and possibly increase sales.

There are a number of disadvantages of Kingfisher operating as a plc. These might include:

- the initial formation process would have been very expensive
- many aspects of company affairs have to be made public which may help competitors gain insight into the business
- the company would now have to concentrate more on keeping shareholders happy on a short-term basis. This might impact upon its long-term growth plans
- long-term research and development may suffer due to the requirement to pay good dividends to shareholders every year
- Kingfisher plc may become a target to be taken over.

As part of their discussion, candidates should consider both positive and negative aspects and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	<b>AO1 Knowledge and Understanding [3]</b>	<b>AO2 Application [2]</b>	<b>AO2 Analysis [3]</b>
<b>Level 3</b>	[3] Candidate demonstrates excellent understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate demonstrates excellent application skills.	[3] Very good analysis of arguments.
<b>Level 2</b>	[2] Candidate demonstrates good understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of arguments.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of arguments.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of advantages and disadvantages.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.



<b>A04 Evaluation [4]</b>	
<b>Level 3</b>	[4] Candidate gives excellent evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
<b>Level 2</b>	[3]–[2] Candidate gives a good evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

- (e) E-commerce refers to the distributing, buying, selling, marketing and servicing of products and services over electronic systems such as the Internet. B&Q is an international business which conducts much of its activities using electronic systems. It also operates its own website.

There are many advantages of engaging in e-commerce. These might include:

- better relationships with suppliers as goods can be ordered automatically and delivery times planned more efficiently
- B&Q can source products globally and find cheaper suppliers/innovate faster
- market research can be conducted electronically for faster results
- a website enables B&Q to sell to a wider geographical market
- B&Q can use the website to target customers who like to shop from home
- B&Q can use the website to promote its products to customers and improve its corporate image
- B&Q can use the website to gain feedback from its customers which helps it to develop its products to meet customer needs
- 24/7 availability.

There are many disadvantages of engaging in e-commerce. These might include:

- it can be time consuming for B&Q to keep its website continually up to date
- B&Q needs to be sure that its website is secure or it will gain the business a bad reputation
- not all potential customers have access to the Internet so B&Q may be missing out on a market segment
- B&Q website may suffer from technical difficulties outside the control of the business
- it can be expensive to purchase electronic equipment
- B&Q needs to ensure that its employees are properly trained to use the electronic equipment
- distribution
- delivery returns expensive
- no personal service.

As part of their discussion, candidates should consider both the advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	<b>AO1 Knowledge and Understanding [3]</b>	<b>AO2 Application [2]</b>	<b>AO3 Analysis [3]</b>
<b>Level 3</b>	[3] Candidate demonstrates very good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate demonstrates excellent application skills.	[3] Very good analysis of arguments.
<b>Level 2</b>	[2] Candidate demonstrates good understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate makes good application.	[2] Good analysis of arguments.
<b>Level 1</b>	[1] Candidate demonstrates some understanding of the advantages and disadvantages. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate makes some application.	[1] Limited analysis of arguments.
<b>Level 0</b>	[0] Candidate demonstrates no understanding of the advantages and disadvantages.	[0] Candidate does not apply knowledge.	[0] No analysis of arguments.

	<b>A04 Evaluation [4]</b>
<b>Level 3</b>	[4] Candidate gives an excellent evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
<b>Level 2</b>	[3]–[2] Candidate gives a good evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
<b>Level 1</b>	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
<b>Level 0</b>	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

**Total**AVAILABLE  
MARKS

40

**80**