



*Rewarding Learning*

**ADVANCED**  
**General Certificate of Education**  
**2019**

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**Business Studies**

**Assessment Unit A2 2**

*assessing*

**The Competitive Business Environment**

**[ABU21]**

**MONDAY 3 JUNE, AFTERNOON**

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**MARK  
SCHEME**

## General Marking Instructions

### **Introduction**

The main purpose of the mark scheme is to ensure that examinations are marked accurately, consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidates' responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses.

### **Assessment objectives**

Below are the assessment objectives for GCE Business Studies.

Candidates should be able to:

- AO1** Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
- AO2** Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
- AO3** Analyse issues within business, showing an understanding of the impact of external and internal influences on individuals and organisations.
- AO4** Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

### **Quality of candidates' responses**

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17- or 18-year-old which is the age at which the majority of candidates sit their GCE examinations.

### **Flexibility in marking**

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

### **Positive marking**

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 17- or 18-year-old GCE candidate.

### **Awarding zero marks**

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

### **Marking Calculations**

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error. To avoid a candidate being penalised, marks can be awarded where correct conclusions or inferences are made from their incorrect calculations. If a candidate gives the correct answer without showing their working out, full marks should be awarded.

### **Types of mark schemes**

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

### **Levels of response**

In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement.

The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

### **Quality of written communication**

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within either 3 or 4 levels of response.

Where there are three levels of response, quality of written communication is distinguished as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is good.

Level 3: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

**Level 1 (Basic):** The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

**Level 2 (Good):** The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a good standard to make meaning clear.

**Level 3 (Excellent):** The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a very high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard to make meaning absolutely clear.

Where there are four levels of response, quality of written communication is distinguished as follows:

Level 1: Quality of written communication is basic.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is good.

Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

**Level 1 (Basic):** The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

**Level 2 (Satisfactory):** The candidate makes a satisfactory selection and use of an appropriate form and style of writing. Relevant material is organised with some degree of clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a satisfactory standard to make meaning evident.

**Level 3 (Good):** The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a good standard to make meaning clear.

**Level 4 (Excellent):** The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard to make meaning absolutely clear.

- 1 Explain two possible outcomes of Dale Farm Limited's decision to increase the price paid to its farmers for milk by 10%.

#### Outcomes

- An increase in the supply of milk to Dale Farm from additional dairy farmers as they will be getting paid 10% more from Dale Farm, so they will switch to supplying Dale Farm.
- The oversupply may result in future milk price decreases to farmers as too much milk is being supplied in the marketplace.
- A decrease in Dale Farm's profits as the cost of sales will increase by 10% thus reducing its gross profit and its net profit, showed losses of £315 in 2015.
- Increased the farmers' confidence and pride in Dale Farm who seem to be looking after them financially which will secure future milk supplies (i.e. improve corporate image).
- The farmers will be motivated and assist Dale Farm in pursuing its objective of safe working environment and comply with all legislation.
- Less profit, less dividends (due to increased costs).

[6]

6

- 2 Analyse two effects of Dale Farm Limited's modernisation programme on Dale Farm's profits.

- Increased overdraft facilities for Dale Farm resulting in increased bank interest charges, £1.2 million to £2.4 million.
- Solar farm providing one fifth of energy needs thus decreasing dependence on electric grid and reducing energy costs to Dale Farm.
- Switch to Greiner Packaging production to lighter and more environmentally friendly yoghurt and cream pots reducing plastics, a further cost cutting strategy.
- MIS outsourced to Warehouse Management Technology commissioned to manage Dale Farm's stock movements across all its warehouses, reducing its costs still further.
- The £7 million investment in a cheese packing facility will increase productivity levels for Dale Farm's cheese products.
- Costs reduced as Net Profit levels increased from 1.28% to 1.41%

#### Marking:

##### Level 3 ([7]–[9])

An excellent response demonstrates:

- Comprehensive and relevant, accurate analysis of **two** effects of Dale Farm's modernisation programme on Dale Farm's profits.
- Thorough and detailed use of relevant source material to analyse **two** effects of Dale Farm's modernisation programme on Dale Farm's profits.

##### Level 2 ([4]–[6])

A good response demonstrates:

- Good, accurate analysis of **two** effects of Dale Farm's modernisation programme on Dale Farm's profits.
- Good use of relevant source material to analyse **two** effects of Dale Farm's modernisation programme on Dale Farm's profits.

##### Level 1 ([1]–[3])

A basic response demonstrates:

- Basic analysis of **two** effects of Dale Farm's modernisation programme on Dale Farm's profits.

- Limited use of relevant source material to analyse **two** effects of Dale Farm's modernisation programme on Dale Farm's profits.

Answers not worthy of credit **[0]** marks

[9]

AVAILABLE  
MARKS

9

The question requires an analysis of two effects of Dale Farm's modernisation programme on Dale Farm's profits. Any additional explanations stated will not attract any marks.

**3** Evaluate Dale Farm's use of its Bank overdraft to finance its takeovers and modernisation programmes.

- Bank overdraft at 31 March 2014 was £14.6 million, increasing to £42.5 million at 31 March 2015 and reducing to £35.5 million at 31 March 2016.
- Interest/bank charges increasing from £1.2 million to £2.1 million to £2.4 million. These charges reducing Dale Farm profits and dividends to shareholders.
- Could consider looking at Mortgages/cheaper Bank Loans over a longer period to buy Mullins, Ash Manor and Fivemiletown, could have looked at possibly Hire Purchase or Leasing its Equipment.
- Overdraft – used for short term finance only; immediate access to funds.
- Loans/leasing used for long term finance ideally; fixed interest.

**Marking:**

**Level 4 ([13]–[15])**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes.
- Highly appropriate, clear and logical recommendation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes based on well focused and sound analysis.
- Thorough use of relevant source material to address the issues in the question, coming to an informed decision to fully support Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes
- An excellent quality of written communication.

**Level 3 ([9]–[12])**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes
- An appropriate, clear and logical recommendation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes based on well focused analysis.
- Good use of relevant source material to come to an informed decision on Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes.
- A good quality of written communication.

**Level 2 ([5]–[8])**

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and evaluation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes which may not always be fully developed or may include some inaccuracies.
- A suitable, appropriate recommendation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes based on reasonable analysis.
- Satisfactory use of source material to come to a partially reasoned decision on Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes.
- A satisfactory quality of written communication.

**Level 1 ([1]–[4])**

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes.
- Basic recommendation of Dale Farm's use of its Bank overdraft to finance its acquisitions and modernisation programmes, with limited or no relevant analysis.
- Limited use of data from source material which does not support the final recommendation.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks

[15]

15

AVAILABLE  
MARKS

**4** Evaluate the use of takeovers by Dale Farm Limited as a way of achieving business growth.

AVAILABLE  
MARKS

- Takeovers can help maintain or increase competitiveness.
- Mullins Ice Cream takeover, a new market, would result in increased market share through additional customers resulting in increased profits for Dale Farm which can be reinvested for more growth.
- Savings can be made through takeovers as there is often duplicated resources.
- Synergy can be gained when there are takeovers, the performance of both businesses will exceed that of its previously separate parts,  $2 + 2 = 5$ .
- Reduces average costs by Dale Farm by achieving economies of scale through the takeover of Ash Manor Cheese.
- It removes Ash Manor Cheese and Fivemiletown Cheese as competitors.
- It adds additional brands to its portfolio of brands.
- Fivemiletown takeover strengthened consumer cheese offerings, increased and new target markets, increasing profits for Dale Farm.
- Potential cultural clashes.
- Speed.
- Market leader

**Marking:**

**Level 4 ([16]–[20])**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of how Dale Farm's takeovers impacts on its growth strategy.
- Highly appropriate, clear and logical judgement of how Dale Farm's takeovers impacts on its growth strategy based on well focused and sound analysis.
- Thorough use of relevant source material to address how Dale Farm's takeovers impacts on its growth strategy.
- An excellent quality of written communication.

**Level 3 ([11]–[15])**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of how Dale Farm's takeovers impacts on its growth strategy.
- An appropriate, clear and logical judgement of how Dale Farm's takeovers impacts on its growth strategy, based on well focused analysis.
- Good use of relevant source material to address how Dale Farm's takeovers impacts on its growth strategy.
- A good quality of written communication.

**Level 2 ([6]–[10])**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of how Dale Farm's takeovers impacts on its growth strategy.
- A suitable, appropriate judgement of how Dale Farm's takeovers impacts on its growth strategy, based on well focused analysis.
- A satisfactory quality of written communication.



**Level 1 ([1]–[5])**

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of how Dale Farm's takeovers impacts on its growth strategy.
- Basic or no judgement based on limited analysis of how Dale Farm's takeovers impacts on its growth strategy.
- Limited use of relevant source material to address how Dale Farm's takeovers impacts on its growth strategy.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks

[20]

AVAILABLE  
MARKS

20

5 Evaluate the threats to Dale Farm Limited of trading globally.

AVAILABLE  
MARKS

Threats

Weakening export markets in Russia, China, Middle East and North Africa through bans, civil unrest and exchange rate fluctuations.

Imposition of EU/Russia trade ban.

Imposition of tariffs/quotas.

Exposure to foreign currency fluctuations especially the Euro and dollar (S.P.I.C.E.D.)

Increase of Bank Interest rates which will increase Dale Farm's bank charges and further reduce its profits.

Weak Sterling making it much cheaper to export its products to more countries around the world.

Increased global competition (from companies such as Danone and Müller).

**Marking:**

**Level 4 ([16]–[20])**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the threats to Dale Farm of trading globally.
- Highly appropriate, clear and logical judgement of the threats to Dale Farm of trading globally, based on well focused and sound analysis.
- Thorough use of relevant source material to address the threats to Dale Farm of trading globally.
- An excellent quality of written communication.

**Level 3 ([11]–[15])**

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of the threats to Dale Farm of trading globally.
- An appropriate, clear and logical judgement of the threats to Dale Farm of trading globally, based on well focused analysis.
- Good use of relevant source material to address the threats to Dale Farm of trading globally.
- A good quality of written communication.

**Level 2 ([6]–[10])**

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the threats to Dale Farm of trading globally.
- A suitable, appropriate judgement of the threats to Dale Farm of trading globally, based on well focused analysis.
- A satisfactory quality of written communication.

**Level 1 ([1]–[5])**

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the threats to Dale Farm of trading globally. Basic or no judgement based on limited analysis of the threats to Dale Farm of trading globally.
- Limited use of relevant source material to address the threats to Dale Farm of trading globally.
- A basic quality of written communication.

Answers not worthy of credit [0] marks

[20]

20

- 6 Evaluate Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.

AVAILABLE  
MARKS

Carroll's CSR Pyramid is a simple framework that helps argue how and why organisations should meet their social responsibilities.

#### Economic

CSR is built on the foundation of Profit which will always come first. It is Dale Farm's responsibility to be profitable with profits being used to innovate to survive and give employment to society. It employs 1100 staff across its sites.

	31 March 2016	31 March 2015	31 March 2014
Profit/Loss for year	£4,285,000	(£315,000)	£3,757,000

#### Ethical

This is the responsibility to act morally and ethically.

Dale Farm state that CSR is a key part of their culture. Their approach to CSR is to use their expertise, technology, and relationships to create a positive impact in the communities in which they operate. Dale Farm is also committed to minimising its impact on the environment and has clearly defined policies and procedures to enable compliance with environmental best practice and legislation.

#### Legal

This is the responsibility to obey laws and regulations.

The group is committed to ensuring a safe working environment. Dale Farm manages its risks through its strong promotion of a health and safety culture, extensive safety training and well defined health and safety policies. The group fully supports and complies with all the legislation which is designed to promote equality of opportunity within Northern Ireland.

#### Philanthropic

This is the responsibility to give back to society.

Dale Farm are the proud sponsors of The Dubai Derby Free Irish Open, The Ulster Rugby Team and The Mary Peters Trust which helps young people achieve excellence in sport.

#### **Marking:**

##### **Level 4 ([16]–[20])**

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- Highly appropriate, clear and logical judgement of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid, based on well focused and sound analysis.

- Thorough use of relevant source material to address Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- An excellent quality of written communication.

### Level 3 ([11]–[15])

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- An appropriate, clear and logical judgement of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid, based on well focused analysis.
- Good use of relevant source material to address Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- A good quality of written communication.

### Level 2 ([6]–[10])

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- A suitable, appropriate judgement of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid, based on well focused analysis.
- A satisfactory quality of written communication.

### Level 1 ([1]–[5])

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- Basic or no judgement based on limited analysis of Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- Limited use of relevant source material to address Dale Farm's corporate social responsibilities using any two elements of Carroll's CSR Pyramid.
- A basic quality of written communication.

Answers not worthy of credit [0] marks

[20]

20

**Total**

**90**

AVAILABLE  
MARKS