



## **GCE**

### **New Business**

**H431/01: Operating in a local business environment**

Advanced GCE

### **Mark Scheme for November 2020**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

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

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

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

**[Questions 1-15 should ONLY be annotated with ticks, crosses or NAQ. Questions 19 & 20(a) should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 16-18, 20(b) & 21.]**

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

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

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

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

You should ensure that you have copies of these materials.

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

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

**Levels of response – Level descriptors**

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

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

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

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

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

**B TOTAL MARKS**

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

SECTION A				
Question	Answer	Marks	AO	Rationale
1	B	1	1	Managing change effectively encourages positive attitudes and minimizes resistance because staff are kept informed, minimising suspicion and fear and maximising co-operation. Feedback systems are very important when managing change. All change affects profitability – sometimes positively, sometimes negatively. Managing change does not reduce or remove the need for training.
2	A	1	1	International Standards are externally set and governed quality frameworks that a firm can conform to and apply to use. A quality circle is a voluntary scheme where employees meet to discuss improvements to work processes. TQM is an approach to management that tries to ensure that the most efficient use is made of all resources.
3	B	1	1	An entrepreneur is a risk taker and, so, needs to be comfortable with taking risks. A, C and D are characteristics of successful entrepreneurs.
4	C	1	2	The purchase was not planned in advance; therefore, the chocolate bar was an impulse purchase. The chocolate bar was expensive, so not sold as a loss leader. An extension strategy is used by a business to prolong the product life cycle. Outsourcing involves a business using an external source to supply a good or service; outsourcing does not refer to purchasing goods while out and about.
5	A	1	1	A mission statement describes the strategic vision of the business. It does not explain the Plan-Do-Review cycle of business planning, nor does it list the tactics a business uses to be successful. Answer D defines part of a SMART objective, rather than a mission statement.
6	D	1	2	An increase in people buying from online retailers will increase the number of online orders and, therefore, the number of parcels which need to be delivered. Increased demand is beneficial for the business, depending on how the business responds it may lead to more sales, improved cash flow, higher prices, greater profits, better capacity utilisation etc. Answer A would lead to fewer mail order parcels needing to be delivered. Answer B would lead to fewer CDs and other traditional music media needing to be delivered by the courier. Likewise, an economic slump is likely to reduce consumer spending via all distribution channels, shrinking the size of the market for GetandGo.
7	B	1	2	HR management would set training objectives, in this case for new farm workers. Answer A would be an objective set by operations management. Answer C a marketing objective. Answer D an objective of the finance function.
8	C	1	2 (Q)	Total spectators for 2 matches = $1800 + 2200 = 4000$ . Total capacity for 2 matches = $3000 + 3000 = 6000$ . Capacity utilisation = $4000/6000 \times 100 = 66.67\% = 67\%$ . Answer A candidate erroneously works out the average attendance i.e. $(1800 + 2200)/2 = 2000$ and divides by the average capacity per match i.e. 3000.

SECTION A				
Question	Answer	Marks	AO	Rationale
				Answer B candidate erroneously chooses to use the higher attendance only i.e. 2200 and divides by 6000 (total capacity for both matches). Answer D candidate erroneously chooses to use the higher attendance only i.e. 2200 and divides by 3000 (capacity of 1 match only).
9	C	1	1	The final accounts provide only quantitative information; qualitative information is not included. A plc is required to publish an income statement, statement of financial position and a statement of cash flow so answer A is incorrect. B is also incorrect because published final accounts must show two years of figures for comparative purposes. The accounts may be difficult to understand but this is not the reason that they give an incomplete picture of performance.
10	A	1	1	An employment tribunal is a special type of court which deals solely with employment issues. Answers B and C indicate possible confusion with work councils and workforce appraisal. An employment tribunal upholds employment law, it does not require a business to implement ethical working practices as, despite being good practice, these are above and beyond what the law requires.
11	D	1	2 (Q)	According to the EU, a medium-sized business either has a workforce of between 50 and 250 and a turnover between €10 million and €50 million – both of these measures apply to Business D. Businesses B and C would be categorised as small. Business A would be categorised as large on the turnover measure, although micro on employees.
12	B	1	1	Improving CSR is usually seen as being beneficial for the business. There are, however, disadvantages. All CSR activities increase business cost, sometimes by small amounts and sometimes considerably, remember even time is money. An improved CSR profile is likely to improve employee motivation, enhance the reputation of the business. Revenue may increase due to consumers with a social conscience choosing to buy from the business, at the very least revenue levels should remain stable.
13	B	1	2	The cross indicates that the health drink has just entered the 'growth' phase. The sharp gradient shows that sales, and therefore demand, are growing rapidly. An extension strategy would be required if the health drink had entered the fourth quadrant, 'decline'. A product that is new to market would be in the first quadrant, 'introduction'. A product life cycle diagram gives no indication as to when or if a product has reached break-even because although it shows sales it gives no indication of costs.
14	C	1	1	A limited liability partnership is required by law to file its accounts at Companies House because it has limited liability. All partners have limited liability, income tax is charged on profits, the owners are called members rather than partners but there is no share capital in a partnership.

SECTION A				
Question	Answer	Marks	AO	Rationale
15	B	1	2 (Q)	EST for node 4 = 0 + 3 = 3; LFT for node 4 = 13 – 3 = 10. Answer A correctly calculates EST and assumes LFT is the same. Answer D correctly calculates LFT and assumes EST is the same. Answer C confuses the EST with the LFT, giving the answers the wrong way around.

Answer		Marks	Guidance
16	<p><b>Paul realised the importance of adding value to the services PTNL offer. Other than offering emergency call outs 24 hours a day, analyse two ways in which PTNL could add value to its service.</b></p> <p><b>Level 2 (4–9 marks)</b> Candidate shows <b>good</b> knowledge and understanding and shows <b>good</b> analysis of how Paul can add value to the service offered.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no analysis</b> of how Paul can add value to the service offered.</p> <p><b>(NB – award two marks</b> for a non-contextualised answer)</p> <p><b>0 marks</b> – no response or no response worthy of credit.</p>	<b>9</b> (AO1 2) (AO2 2) (AO3 5)	<p>Answers may refer to the start-up of PTNL or now that it has become established.</p> <p><b>Making sure customers are satisfied/Offering a (high) quality service.</b> Doing exactly what was agreed - and possibly a little more e.g. called to fix a radiator, asked to look at a dripping tap? If so, charge a reasonable additional price (could do it for free but this information may 'get around' and everyone will expect it). 'Follow up' call/email to enquire whether 'things are alright' – rectifying it (promptly) if not.</p> <p><b>Dealing with initial enquiries promptly.</b> Ensure that person dealing with the initial contact has some understanding of the heating/plumbing/ issues – it is not expected that Jane/Peter has expert knowledge but presenting as having no/little idea of the services PTNL has on offer comes across as very negative. Reassurance is also important given that many people/firms may be in an emergency heating/plumbing situation.</p> <p><b>Making sure employees are trustworthy</b> – particularly important when working in someone's home or in a business where 'sensitive' conversations may be overheard or/and there may be 'sensitive' documents on view. Emphasising this fact in marketing communication.</p> <p><b>Using positive comments and reviews from customers when using marketing communications.</b> This will give the appearance of PTNL as a business that is reliable, trustworthy and can offer a quality service that offers value for money.</p> <p style="text-align: right;"><b>ARA</b></p> <p>NB – The impact of the added value can be from the viewpoint of the customer or PTNL</p>

Answer		Marks	Guidance
17	<p><b>Evaluate the topics Paul should include in an induction course for the two new apprentices.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the topics Paul should cover in an induction course for the two new apprentices.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the topics Paul should cover in an induction course for the two new apprentices</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of induction with <b>limited or no</b> analysis and evaluation of the topics Paul should cover in an induction course for the two new apprentices</p> <p><i>The information is basic and communicated in an unstructured way. The information is</i></p>	<b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)	<p>Essentially, induction training is designed to 'put employees at ease' and 'make them confident in their ability to do the job' - accept answers involving issues that will achieve either or both of these.</p> <p>The apprentices will be straight from school with little/no experience of 'the real world of work' and its implications. Evaluation could be achieved from consideration of what the really crucial issues are given the context of PTNL.</p> <p><b>Health and safety.</b> PTNL would be acting illegally if H&amp;S procedures were not explained and followed. Apprentices are not going to be left on their own in the early stages but typical issues such as lifting, working at height, live wiring, and proper use of personal protective equipment need to be covered.</p> <p><b>Objectives and culture of the business.</b> There is no mention of a mission statement but the culture of the firm (e.g. Paul likes to plan and to add value to the services) will need to be explained. <b>Also, Paul's expectations</b> e.g. of dress code, punctuality, smoking, etc. would need to be communicated.</p> <p><b>Administrative issues.</b> It will be a good idea to go through issues like hours of work - including breaks, sickness and holiday procedures, disciplinary and grievance procedures, so that there is no misunderstanding. The apprentices will have come straight from school and may have little appreciation of the importance of these.</p> <p><b>Tour of the unit on the industrial estate.</b> This is the company's base. Need to meet those working in the office, where toilets are, where stock is stored. Also, where to park. Alarm codes.</p> <p><b>Introduction to the equipment likely to be used.</b> Also (as above) where stock/spares and other materials they may need are kept at the industrial estate and on the vans.</p>

Answer		Marks	Guidance
	<p><i>supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum of two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p><b>Meeting the other staff (especially Tony and Nic) at PTNL and who they will be working with, in particular the person who will be their mentor/line manager.</b> It is important for the new apprentices to feel they are part of a team and that they know who to approach if there is a problem in some aspect of their work. If Paul 'gets it right' it should create a positive sense of loyalty and attachment in new staff.</p> <p><b>How to use PTNL's IT system</b>, e.g. for ordering/checking stock, looking at customer records, invoices etc. Data protection issues.</p> <p style="text-align: right;"><b>ARA</b></p>
18	<p><b>Analyse one legal implication for PTNL of employing a female plumber.</b></p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding and shows <b>good</b> analysis of the legal implication of employing a female plumber.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding with <b>limited or no analysis</b> of the legal implication of employing a female plumber.</p> <p><b>(NB – award one mark</b> for a non-contextualised answer)</p> <p><b>0 marks</b> – no response or no response worthy of credit.</p>	<b>6</b> (AO1 1) (AO2 2) (AO3 3)	<p>The legal implications come from the Equality Act 2010 and are quite straightforward. "Not doing things correctly" could attract a tribunal claim with, a fine and costs.* The key to the question is considering what these 'things' should be and why they are important (in order to avoid appearing at a tribunal).</p> <p><i>*The question is about <b>legal implications</b> and any development of analysis must stem from this</i></p> <p><b>Paul would have to ensure the recruitment procedure is 'watertight'.</b> He has not conducted an interview with a female plumber before and does not want to be accused of sexual discrimination during the interview - or after it – by any of the candidates. All candidates for the post would have to be asked exactly the same questions. No questions about relationships/plans for a family etc. Detailed record kept of questions asked and responses from each candidate. As above, failure to take this approach could lead to a tribunal claim with a fine and costs.</p> <p><b>Frances' Pay/conditions should be equal with the other employees'.</b> Obviously be paid the minimum wage. Employers must give men and women equal treatment in the terms and conditions of their employment contract if they are employed to do 'work that is the same or broadly similar' or 'work found to be of equal value in terms of effort, skill or decision making' (These phrases do not have to be used).</p>

Answer	Marks	Guidance
		<p><b>Strict avoidance of harassment on grounds of sex.</b> Paul needs to ensure that a policy is in place to prevent this amongst PTNL's existing staff. Harassment is basically unwanted conduct which upsets or intimidates someone's dignity. Employees are able to complain of behaviour that they find offensive even if it is not directed at them.</p> <p><b>IF</b> Frances has not yet got the skills/experience as the others 'to do work that is similar/requires similar decision making' <i>then her wages may be less to start with</i> than those with experience. However, Paul would have to ensure that her wages and conditions were not discriminatory both at the start and as she progressed. When they joined what did the other two newly qualified plumbers start on? (Frances' wage may in fact have to be higher because of cost of living increases since then). What then happened to their wages? Failure to take this approach could lead to a tribunal claim with a fine and costs.</p> <p><b>The Equality Act also makes a business potentially liable for harassment of employees by people who are not employees of your company, such as customers or clients.</b> Paul may be liable if he became aware that harassment of Frances had taken place and had not taken reasonable steps to prevent it from happening again.</p> <p><b>ACAS codes of practice.</b> ACAS have created codes of practices that give authoritative advice in key areas of employment practice. They are approved by parliament and referred to by employment tribunals. They are particularly useful for small firms such as PTNL who do not have a full time HR manager. <i>Therefore, allow reference to 'needing to have a policy on equal opportunities, harassment etc so that it did not breach employment law'</i> – and face a tribunal. The same could be said of the importance of an ACAS based disciplinary policy (should any issues arise). Employees must be treated consistently. If Frances were to be treated differently (more leniently or harshly) for a disciplinary offence, then male employees could claim <i>they</i> were being discriminated against. <b>ARA</b></p>

Answer		Marks	Guidance																								
19	Paul is charging £5,500 per house to the contractor for the heating installation. This is a 35% increase on PTNL's usual price for such a job.  Calculate the price PTNL usually charges for this job.	2 (AO1 1) (AO3 1)	<p>£5,500/1.35 (1)</p> <p><b>£4,074.07</b> (1) Accept £4,074</p>																								
20	a Complete the missing data in the three unshaded boxes.  1 mark for each correct answer awarded independently	3 (AO2 3)	<table border="1"> <thead> <tr> <th></th> <th>Forecast (£)</th> <th>Actual (£)</th> <th>Variance (£)</th> <th>Nature of Variance</th> </tr> </thead> <tbody> <tr> <td><b>Revenue</b></td> <td>5150</td> <td>5375</td> <td><b>225</b></td> <td>Favourable</td> </tr> <tr> <td><b>Material Cost</b></td> <td><b>3330</b></td> <td>3180</td> <td>150</td> <td>Favourable</td> </tr> <tr> <td><b>Equipment Hire</b></td> <td>175</td> <td>205</td> <td>30</td> <td><b>Adverse (or unfavourable)</b></td> </tr> </tbody> </table>						Forecast (£)	Actual (£)	Variance (£)	Nature of Variance	<b>Revenue</b>	5150	5375	<b>225</b>	Favourable	<b>Material Cost</b>	<b>3330</b>	3180	150	Favourable	<b>Equipment Hire</b>	175	205	30	<b>Adverse (or unfavourable)</b>
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20*	b Evaluate the usefulness of variance analysis to PTNL.  <b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the usefulness of variance analysis to PTNL.  <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i>  <b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the usefulness of variance analysis to PTNL.	15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)	<p>Variance analysis involves assessing the difference between two figures; the budgeted (forecast) figure and the actual figure. It can be applied to both budgeted revenues and costs. For revenue, a variance would be adverse if the actual revenue was less than budgeted revenue - and favourable if vice versa. For costs, a variance would be adverse if the actual costs were higher than the budgeted costs - and favourable if vice versa.</p> <p>Depending on the level of detail needed a budget could be constructed for PTNL as a whole or/and for each job/project (over whatever period of time is deemed necessary). Presumably it will be Paul who sets (most of) the budgets and monitors them.</p> <p><b>Advantages</b></p> <p><b>Analysis of variances can help Paul spot trends and threats to the achievement of PTNL's objectives.</b> With PTNL the objective is to grow but there would be little point in this if the growth meant the business was</p>																								

Answer	Marks	Guidance
<p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of variance analysis with <b>limited or no</b> analysis and evaluation of the usefulness of it to PTNL.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum of two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>losing money and making a loss. The variance analysis would help prevent this.</p> <p><b>The bank's small Business Advisor has suggested that Paul pays closer attention to budgeting and variance analysis.</b> To ignore this and do nothing or very little is bound to make it more difficult to get a loan and increased overdraft for the expansion.</p> <p><b>It would help Paul maintain control over expenses by monitoring planned versus actual costs.</b> It is a technique that Paul can readily understand; he does not need to be skilled in management accounting to use it. This will be very important given the new work.</p> <p><b>It would help Paul with contingency planning.</b> Do the variances show that part of the plan needs to be activated?</p> <p><b>Variance analysis would enable Paul to ask questions such as 'why did this happen'?</b> If (say) budgeted costs showed an adverse variance. He could identify who had undertaken that heating/plumbing job and find out why the variance was adverse. Was stock wasted? Was there an additional hire cost of equipment (line??) that was not identified? He can try to stop the problem from happening again and so make PTNL more profitable.</p> <p><b>He could find out if one particular person was the cause of any variances.</b> Does one person consistently generate favourable or adverse variances? It could be applied in future to the jobs that the apprentices work on - they will be working with a skilled employee, but it would be one potential indicator of performance. Are the jobs that they are working on 'coming in under budget'?</p> <p><b>Reference is made to PTNL's cash flow being an issue.</b> Budgeting for revenue can help prepare cash flow forecasts and reduce the risks of cash flow problems such as the possibility of exceeding the business' (new) overdraft limit.</p>

Answer	Marks	Guidance
		<p><b>Disadvantages</b></p> <p><b>Paul has his own heating/maintenance/plumbing work to do and it would not be realistic for him to check variances for every single job;</b> the opportunity cost of his time to 'dig down into' the variances would be too great. (Could Jane do it?) He needs to decide which jobs/projects to budget and examine variances for.</p> <p><b>In itself a favourable/adverse variance does not show whether that variance (e.g. tool hire expenditure) is improving or worsening.</b> It would have to be considered alongside past data. Important to identify if it is a 'one off' or part of a trend. Opportunity cost of this to Paul?</p> <p><b>Paul might set the wrong budget in the first place.</b> Although (above) he is not skilled in accounting he could – to start with – construct unrealistic budgets. For instance, the price of £5,500 to the contractor for the heating installation enables a certain amount of profit to be made but this would change if cost rose between now and the installation beginning. This may make it appear as if the firm is repeatedly doing worse than it should be. It could of course be argued that 'he will improve/learn over time'.</p> <p><b>If this is the case, he might demotivate the others by accusing them of being responsible</b> when it was his own fault a forecast was too optimistic or pessimistic.</p> <p><b>Paul would also need to recognise that the variances might be due to circumstances out of someone's control</b> such as a heating repair taking less time than expected (in which case actual revenue may be less than budgeted) or tool hire unexpectedly being necessary to do a job - which would make actual costs exceed budgeted costs. Otherwise, as above, they could become demotivated.</p> <p><b>Budgeted figures will probably have to be revised as time goes by.</b> If a budget is set for (say) 12 months for domestic heating repairs, a change in the state of the economy for the worse would probably mean a change</p>

	Answer	Marks	Guidance
			<p>in demand and hence revenue. The budget will have to be changed or the variances would give an unrealistic picture of the situation and the analysis will be at best inaccurate and at worst useless. Has Paul the time to do this?</p> <p><b>Bringing in a change like this where each person has a degree of accountability might cause a 'we've never done this before/this isn't anything to do with my job' attitude.</b> Paul would have to explain what he is doing and why. Training implications? Especially when the new apprentices will be requiring training.</p> <p style="text-align: right;"><b>ARA</b></p> <p>Principle of OFR for can be used for reference to the candidates answer in Question 20a</p>
21*	<p><b>Recommend the key issues that a contingency plan for PTNL should consider. Justify your answer.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of a contingency plan for PTNL.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of a contingency plan for PTNL.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is</i></p>	<b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)	<p>The question is specifically concerned with <i>contingency</i> planning <b>not</b> planning in general. It is accepted that some 'general planning issues' such as cash flow are also going to be 'contingency issues' but answers which make an explicit reference/connection to PTNL's likely <i>contingencies</i> will attract higher marks.</p> <p>A contingency plan means planning for 'worst case scenarios. Candidates could consider the likely contingency, the impact on PTNL and/or how the situation might be rectified. Evaluation could arise from considering the relative importance of the contingency.</p> <p>PTNL's contingencies may refer to their 'usual work' or/and the new development. These could include:</p> <p><b>Cash flow problems</b> – plenty of references to likely issues. Will suppliers demand (some degree of) upfront payment for new development supplies even though PTNL is well established. The value of supplies is likely to be high for this new work. How will PTNL be paid – presumably not at the end of the two years. The main contractor is known to demand 90 days credit so even when some work is completed there is potential for problems. What</p>

Answer	Marks	Guidance
<p><i>in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of contingency planning with <b>limited or no</b> analysis and evaluation of a contingency plan for PTNL.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum of two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>action might Paul plan take - larger overdraft? Factoring? Worse, what if the main contractor went into liquidation? Reference can also be made here to budgets and variances – mentioned by the accountant.</p> <p><b>Sickness (short and long term) of one of PTNL's staff</b> – although the main 'players' can all do each other's work they do specialise. Would they be able to cover if there was sickness? Would jobs have to be rescheduled? Would others have to work longer hours? Paul would need to be able to recruit someone at short notice. Paul is 'the driving force' behind the business. What would happen if he was sick? Who would take over? Are one of the others being trained/briefed in his role(s) 'just in case'?</p> <p><b>One of the staff leaving</b> – as above. There will also be the issue of what would happen to their shares. Would they keep them or sell them?</p> <p><b>The industrial unit being burgled/burned down</b> - losing stock and administrative records. Importance of adequate insurance for building and stock. Administration from the office (another contingency might be an ICT failure) should be backed up somewhere else. There should be some idea of where they might operate from if there was an event such as a fire.</p> <p><b>A van being stolen/breaking down</b> – again adequate insurance cover. Also breakdown cover. Without the vans the new contracting work and other jobs cannot be undertaken.</p> <p><b>Being sued 'because something went wrong with the new work – or one of their other jobs'</b> – This is a big step for the firm and Paul is not a legal expert and will lack the expertise to defend against this. The firm should have a lawyer that they can consult if necessary.</p> <p><b>A supplier failing to deliver</b> – in order that the client is not let down what other suppliers could be utilised?</p> <p><b>A downturn in the economy</b> – will the new building will go ahead 'no matter what'? Even so, if the houses don't sell will the contractor be even slower to pay? In terms of their other work, of course heating systems break</p>

Answer	Marks	Guidance
		<p>down all the time regardless of the state of the economy but heating <i>maintenance</i> may be 'put on hold' by (especially) domestic and also commercial customers. What action would be taken? More promotion? Price reductions?</p> <p style="text-align: right;">ARA</p>

## APPENDIX 1 – GRID FOR 2020 EXAMINATION

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
<b>Section A</b>						
1-15	8	7 (3)	-	-	15	3
Sub-Total	8	7 (3)	-	-	15	3
<b>Section B</b>						
16	2	2	5	-	9	
17	2	2	4	7	15	
18	1	2	3	-	6	
19	1(1)	-	1 (1)	-	2	2
20a	-	3 (3)	-	-	3	3
20b	2	2	4	7	15	
21	2	2	4	7	15	
Sub-Total	10	13	21	21	65	5
<b>Total</b>	18	20	21	21	80	8

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