

**GCE**

**New Business**

**H431/02: The UK business environment**

Advanced GCE

**Mark Scheme for Autumn 2021**

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.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

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.

© OCR 2021

## 1. 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 1-7, 8(a) & 8(b) 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 8(c) - Q13.]**

**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.**

## USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

**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 (e.g.) 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

Answer		Marks	Guidance
1	<p><b>State two features of an oligopoly.</b></p> <p>1 mark for each correct answer up to a maximum of 2 marks.</p>	2 (AO1 2)	<p>Features include:</p> <ul style="list-style-type: none"> <li>• A few (large) firms/little competition</li> <li>• Potential for collusion</li> <li>• High level of branding/promotional spending</li> <li>• Non-price competition</li> <li>• Stable/sticky/rigid prices</li> <li>• Interdependent firms</li> <li>• Barriers to entry (e.g. sunk costs)</li> </ul> <p>Make sure the two features are different</p> <p style="text-align: right;">ARA</p>
2	<p><b>Explain two appraisal methods it may use.</b></p> <p>1 mark for each correct method up to a maximum of 2, plus a further 1 mark for each of 2 developmental points.</p>	4 (AO1 2) (AO2 2)	<p>Methods include:</p> <ul style="list-style-type: none"> <li>• Managerial assessment (1) – an employee's line manager will carry out a review using a range of techniques (1)</li> <li>• Peer assessment (1) – an employee's fellow workers (often within a team group) will carry out the appraisal (1)</li> <li>• Self-assessment (1) – employees are encouraged to assess their own performance often using a tick sheet or questionnaire (1)</li> <li>• 360° appraisal (1) – feedback about the employee is gained from a range of people, including managers, peers, subordinates and even customers (1)</li> <li>• Target setting (1) – an employee is strictly assessed against a set of targets (1)</li> </ul> <p><b>NB:</b> Specific titles need not be used for each method. However, methods must be about appraisal rather than general ways of measuring performance.</p> <p style="text-align: right;">ARA</p>

Answer		Marks	Guidance
3	<p><b>Explain two extension strategies a business may use to prevent a product entering the decline stage of its product life cycle.</b></p> <p>1 mark for each correct strategy up to a maximum of 2, plus a further 1 mark for each of 2 developmental points.</p>	4 (AO1 2) (AO2 2)	<p>Extension strategies include:</p> <ul style="list-style-type: none"> <li>• New market for current product (1) – this may be a new sector of the market or a new country (1)</li> <li>• Wider product range (1) – e.g. a new flavour of an established drink brand (1)</li> <li>• Changes in appearance/features/packaging (1) – to make the product appear new or more appealing (1)</li> <li>• Encourage more frequent use (1) – e.g. a promotional campaign to encourage consumption of breakfast cereal at other times of the day (1)</li> <li>• New designs/added value (1) – e.g. bring out a new version of a computer game (1)</li> <li>• More advertising (1) – to help remind users about the benefits of the product (1)</li> <li>• Price changes (1) – a fall in price can help to encourage customers to buy more of the product (1)</li> </ul> <p>Make sure the two strategies are clearly different.</p> <p style="text-align: right;">ARA</p>
4	<p><b>Calculate the average capacity utilisation over the three months. Show your workings.</b></p> <p>2 marks for correct answer (with or without workings).</p> <p>1 mark for correctly identifying the formula (maybe implied by correct working or setting out)</p> <p>A candidate may realise that March is an average of the 3 months and so only work out the data for that month.</p>	2 (AO1 1) (AO2 1)	<p>Capacity utilisation = Actual output/Potential output [1]</p> $= 45,000/60,000$ $= \underline{\underline{75\%}} \quad [1]$ <p>Accept an answer of 0.75, if workings are shown.</p> <p>Accept an answer which calculates the individual utilisation rates for each month (60%, 75% &amp; 90%) and finds that 75% is the average of these 3 figures.</p>

Answer		Marks	Guidance
5	<p><b>Calculate the total monthly cost of output for the Grandé coffee machine. Show your workings.</b></p> <p>4 marks for correct answer (with or without workings).</p> <p>1 mark for calculating direct costs of £450,000</p> <p>2 marks for calculating that the Grandé's overheads are £150,000</p> <p>An answer of £120 (total cost per unit) scores 3 marks (with workings).</p>	4 (AO1 2) (AO2 2)	<p>Direct costs for Grandé = £5,000 x 90 = £450,000 [1]</p> <p>Grandé accounts for 20% (5,000/25,000) of output [1]</p> <p>Therefore, Overheads allocated = 20% of £750,000 = £150,000 [1]</p> <p>Total costs for Grandé = £450,000 + £150,000 = <b>£600,000</b> [1]</p> <p style="text-align: right;">ORF</p>
6	<p><b>State what is meant by 'an emerging market'?</b></p> <p>2 marks for clear knowledge of the term.</p> <p>1 mark for reference to a developing market</p> <p>1 mark for recognition the market is growing fast or going through a period of industrialisation</p>	2 (AO1 2)	<p><b>Exemplar responses</b></p> <p>A developing country/market which is achieving rapid growth/industrialisation (2)</p> <p>A developing country/market which is moving quickly to be a developed country/market (2)</p> <p>A market with some characteristics of a developing market (1)</p> <p>Do NOT reward the use of the word 'emerging' in any answer or examples of an emerging market</p>
7	<p><b>Identify two of Porter's generic strategies to achieve a competitive advantage.</b></p> <p>1 mark for each correct answer up to a maximum of 2 marks.</p>	2 (AO1 2)	<p>Porter's generic strategies are:</p> <ul style="list-style-type: none"> <li>• Cost leadership</li> <li>• Cost focus</li> <li>• Differentiation leadership</li> <li>• Differentiation focus</li> </ul> <p>Do not accept 'stuck in the middle' as Porter recognised that this strategy is unlikely to lead to a competitive advantage.</p>

Answer			Marks	Guidance
8	a	<p><b>Calculate KKL's acid test ratio for the year ended 31 March 2019.</b></p> <p>2 marks for correct answer (with or without correct working) 1 mark for evidence of a correct formula (maybe implied by correct use of numbers)</p> <p>(Accept an appropriate degree of rounding, as long as working is shown.)</p>	2 (AO1 1) (AO2 1)	<p>Acid test ratio = <math>\frac{\text{Current assets} - \text{Inventories}}{\text{Current Liabilities}}</math> (1)</p> $= \frac{189,912 - 31,464}{154,000}$ $= 1.03 \quad (1)$ <p><b>NB:</b> Ignore any units</p> <p><b>NB:</b> 1 mark for calculating Stadium Crayon's figure (0.61) for knowledge of correct formula</p>
8	b	<p><b>Calculate the value of non-current assets which should be added to KKL's accounts.</b></p> <p>2 marks for correct answer (with or without correct working) 1 mark for correct depreciation figure of £10,134</p>	2 (AO1 1) (AO2 1)	<p>£50,670 of non-current assets at Stadium Crayons 20% depreciation = £10,134 (1)</p> <p>Non-current assets to be added to KKL's accounts for 2020 = £50,670 - £10,134</p> $= \underline{\underline{\text{£40,536}}} \quad (1)$
8	c	<p><b>KKL's accountants have decided that, in the future, the business will use the 'straight line' method of depreciation.</b> <b>Evaluate the impact of this change on KKL.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the impact of changing the depreciation method on KKL.</p> <p><b>Level 2 (4–6 marks)</b></p>	9 (AO1 2) (AO2 2) (AO3 2) (AO4 3)	<p>OFR</p> <p>Depreciation is an accounting technique to recognise that a fixed asset will fall in value over time. Depreciation is recorded as an expense for the company for that year of trading.</p> <p>The (currently used) reducing balance method means that a higher value of the asset is subtracted in the early years of its life. On the other hand, a straight line method depreciates the asset at a constant rate, so that any booked expense is less pronounced in the early years of the life of the asset.</p> <p>The impact on KKL may come from two separate issues:</p>

Answer	Marks	Guidance
<p>Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the impact of changing the depreciation method on KKL.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of depreciation methods with <b>limited or no</b> analysis and evaluation of the impact of changing them on KKL.</p> <p>(NB – award <b>maximum of two</b> marks for non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p> <p><i>Candidates may make use of the quantitative data in answering the question. This should be awarded appropriately at AO2 to AO4.</i></p>		<ul style="list-style-type: none"> <li>The additional work of changing the depreciation method for the managers/accountants of KKL. Decisions will have to be made about the time span over which different assets are to be depreciated.</li> <li>How net profit will be affected each year in the new merged company's accounts</li> </ul> <p>There is the following context in the resource booklet which may be referred to:</p> <ul style="list-style-type: none"> <li>The managers/accountants are already busy with the merger and relocation of the manufacturing part of the business. Time and effort spent changing the depreciation method may be seen as unnecessary and/or distract managers from more important/tangible issues.</li> <li>KKL is still a relatively small business. Any change in depreciation method will have very little impact, given the high degree of labour intensive production and low level of fixed assets.</li> <li>KKL has just moved to a new factory (which may increase fixed assets significantly) and may have new equipment. This may mean that shifting to a straight line method has a significant effect on their net profit in the next few years.</li> </ul> <p>Evaluation is likely to come from considering how much of an impact this change may have:</p> <ul style="list-style-type: none"> <li>It may be easier (and a fresh start) than trying to reconcile the two different rates of depreciation previously used by the two separate businesses.</li> <li>The booked expense only affects net profit which may be unimportant to a business which has no shareholders (other than the owner).</li> <li>More automation may be possible in the future and so this may mean the method of depreciation chosen is more significant.</li> </ul>

Answer		Marks	Guidance
9	<p><b>Analyse one way in which KKL's level of risk is affected by sourcing its raw materials and products from local businesses.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of how KKL's level of risk may be affected.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of how KKL's level of risk may be affected.</p> <p>(NB – award <b>one</b> mark for a non–contextualised reason)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	4 (AO1 1) (AO2 1) (AO3 2)	<p>Risk levels may be affected in several ways, including:</p> <ul style="list-style-type: none"> <li>Lower costs and quicker delivery from local firms so less risk of running out of stock and poor profit margins</li> <li>May be more flexible/able to respond more quickly to changes in demand</li> <li>Better able to respond to any stakeholder or pressure group concerns about environmental/ethical issues</li> <li>Less likely to receive bad publicity as better able to monitor or be more confident about ethical issues (e.g. working conditions in the supply chain)</li> <li>Less volatility when setting prices as no need to worry about exchange rates</li> </ul> <p><b>Exemplar response</b> KKL can be more confident when setting its prices (<b>K</b>). With the fall in the value of the pound (<b>APP</b>) imports will continue to be more expensive (<b>AN</b>). If this occurs after KKL has already agreed a price with a customer, it may jeopardise any profit margin (<b>AN</b>).</p> <p style="text-align: right;"><b>ARA</b></p>
10	<p><b>Evaluate KKL's use of trade fairs as a method of below the line promotion.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of KKL's use of trade fairs.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of KKL's use of trade fairs.</p> <p><b>Level 1 (1–3 marks)</b></p>	9 (AO1 2) (AO2 2) (AO3 2) (AO4 3)	<p>Below the line promotion uses media where the business can directly contact and influence the potential customer. Trade fairs are a popular method, especially in the B2B sector, of showing off a company's products and the services it offers.</p> <p>Trade fairs can be useful because:</p> <ul style="list-style-type: none"> <li>It provides a chance to show off the product and allow the potential customer to physically see how it may look.</li> <li>Customer reaction can be tested, or technical queries dealt with.</li> <li>Trade fairs can attract a lot of press coverage. Most events will have a 'press day'.</li> <li>The Managing Director and/or other senior managers often attend the trade fair. This can be a useful point of contact for business/industrial customers.</li> </ul>

Answer	Marks	Guidance
<p>Candidate shows <b>limited</b> knowledge and understanding of trade fairs or below the line promotion with <b>limited or no</b> analysis and evaluation of KKL's use of them.</p> <p>(NB – award <b>maximum of two</b> marks for non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>There is the following context in the resource booklet which may be referred to:</p> <ul style="list-style-type: none"> <li>• The product which KKL sells is a very visual/physical product. Customers can get a better idea of what it involves by 'playing' with it.</li> <li>• KKL will produce custom-made products. Potential customers who visit the trade fair may sit down and put together a possible design on the day.</li> <li>• The option for a generic board or vinyl sticker can be discussed for orders.</li> <li>• KKL is a B2B producer so trade fairs are a good way to meet its customers (we are told that there will be 4,500 businesses at the trade fair in Birmingham).</li> <li>• KKL can use testimonials from its current well-known customers (e.g. McDonalds &amp; ASDA) or show examples of the products made for them. KKL could also show excerpts from its appearance on BBC2.</li> <li>• There is an opportunity for networking at these events, including seminars, expert advice and access to suppliers.</li> </ul> <p>Accept answers which conclude that the use of trade fairs is or is not good for KKL. Answers may consider other below the line methods, although this is not necessary.</p> <p style="text-align: right;">ARA</p>

Answer		Marks	Guidance
11* <b>Evaluate how different areas of employment legislation may affect the employer/employee relationship at KKL.</b>	<p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of how legislation may affect the employer/employee relationship at KKL.</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 how legislation may affect the employer/employee relationship at KKL.</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 HR legislation with <b>limited or no</b> analysis and evaluation of how it may affect the employer/employee relationship at KKL.</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>	15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)	<p>Legislation which may affect the employer/employee relationship includes:</p> <p><b>Contracts of employment.</b> The move of the manufacturing site from Southampton to Merseyside may have required new contracts of employment for the employees. Job roles and/or responsibilities may have changed. The change to a 4-day working week may also require new contracts to be issued.</p> <p><b>Recruitment/dismissal/redundancy.</b> Initially there were 5 employees on Merseyside (KKL) and 8 in Southampton (SCL). There are now 14 on Merseyside in the new factory. It is unlikely that all 8 of the employees in Southampton would have been able to move to Merseyside (and legislation would not consider it reasonable to expect employees to move.) This will have needed employees to be made redundant or dismissed (depending on how long they had been with the business). KKL's managers must ensure that correct procedures are followed to ensure that it does not fall foul of redundancy and dismissal regulations. Any changes to the production methods in the future which may lead to job changes, or the need for fewer employees, may also be affected by the same legislation.</p> <p><b>Health &amp; safety.</b> The production process appears to be quite dangerous. The crayon mixture is heated to over 60°, it contains acid and other chemicals, powder is used for the pigment and the mixture is transferred by hand using a jug! These all present areas of risk which require risk assessments to be carried out, training to be given and signage to be displayed. H&amp;S policies must also be regularly checked and updated (especially with the change of premises) and any accidents reported to the HSE.</p> <p><b>Working time regulations.</b> We are told that the new factory now has a 4-day working week. KKL must ensure that working time directives are followed (e.g. how many hours per day are now worked and what is the break between shifts) and any requests for flexible working</p>

Answer		Marks	Guidance
	<p><b>NB</b> – award <b>maximum of two marks</b> for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>considered. We are also told about the scheme to provide opportunities to under 30-year olds, out of work for more than a year. Again, employment regulations must be followed, and other potential employees must not be discriminated against.</p> <p>Other areas of employment legislation may include discrimination, minimum/living wage, bullying/harassment etc.</p> <p>No reward for any areas of legislation which are not relevant to the employer/employee relationship.</p> <p style="text-align: right;"><b>ARA</b></p>
12	<p><b>Other than employment legislation, analyse one way in which the 2019 merger with Stadium Crayons Ltd may affect KKL.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of how the merger may have affected KKL.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of the growth of KKL.</p> <p>(NB – award <b>one</b> mark for a non-contextualised reason)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<b>4</b> (AO1 1) (AO2 1) (AO3 2)	<p>Impacts of the merger may include:</p> <ul style="list-style-type: none"> <li>Increased dominance in the market – they are already the only crayon manufacturer in the UK</li> <li>May be able to attract more trade customers with a clearer brand identity rather than the current two separate names</li> <li>May benefit from economies of scale – may make it easier to compete with Chinese producers and/or offer custom-made products for smaller orders</li> <li>Easier to manage business on one site rather than in different parts of the UK.</li> </ul> <p><b>NO reward for any reference to employment legislation</b></p> <p><i>References to being affected currently AND from 2019 until 2021 are valid and rewardable.</i></p> <p><b><u>Exemplar response</u></b> Any growth may lead to economies of scale (<b>K</b>). KKL's main Chinese competitors are low cost (<b>APP</b>) so any chance to reduce unit costs (<b>AN</b>) will improve KKL's chances to continue its growth and ensure it remains the only UK producer of crayons (<b>AN</b>).</p> <p style="text-align: right;"><b>ARA</b></p>

Answer		Marks	Guidance
13*  <p><b>Sarah and her managers at KKL are planning to introduce flow production at the factory on Merseyside. They are considering how this change may have an impact on its stakeholders.</b></p> <p><b>Evaluate whether this change would be beneficial for KKL.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of whether a change in the production method at KKL is a good idea.</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 proposed change in the production method at KKL.</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 production methods but with <b>limited or no</b> analysis and evaluation of how they may affect KKL.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by</i></p>	15 (AO1 2) (AO2 2) (AO3 4) (AO4 7)	<p>KKL currently uses batch production (apart from the labelling of crayons). However, some stakeholders may view this change with concern. There are several contextual issues to consider before reaching a decision.</p> <p><b>Current method of production</b> – it is highly labour intensive and with little automation. Employees may be concerned that there will be job losses in the short-run (although growth in the future may create more jobs eventually). This presents a significant opportunity to cut unit costs which will help KKL to compete with its low-cost Chinese competitors. However, there will be a significant short-run capital cost which KKL may struggle with, as a relatively small private limited business with one shareholder. On the other hand, increased use of flow production/automation may help to make the process less dangerous (less production carried out by hand) and so reduce the chance of accidents and the associated costs of health &amp; safety.</p> <p><b>Bespoke output</b> – this may not be an issue. It is the colouring boards which are custom-made, rather than the crayons (and there is no mention of the production process for the boards changing). However, if the process for making crayons is successfully changed this may encourage KKL to consider the same for the boards which may affect this selling point.</p> <p><b>UK suppliers</b> – the shorter lead time these provide may help with a flow production process which is more dependent on the availability of raw materials and may expect to use JIT stock control. We are also told that the supply chain is shorter.</p> <p><b>4-day working week</b> – a flow production process can only be more efficient (lower unit costs) if it produces in large quantities. It seems contradictory to have a more capital intensive line sat idle for 3 days every week. Managers may feel it necessary to change back to a 5-day working week which may have consequences for the employees.</p>	

Answer	Marks	Guidance
<p><i>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>Better answers will explicitly decide whether the proposal is beneficial or not. This may be based on how different stakeholders view the decision or how different aspects of the context can be used. For example:</p> <ul style="list-style-type: none"> <li>• This would be another major change to the business after the upheaval of the move to a new factory and the pulling together of the two parts of the operation.</li> <li>• What degree of flow production is being considered? Just one more machine to fill the boxes with crayons or a completely automated production line.</li> <li>• In many businesses, losing a degree of hand production would be a major marketing blow. This would not be the case for what most members of the public would expect is a product which is mass produced.</li> </ul> <p><i>Candidates may approach the question from a stakeholder by stakeholder, or an issue-by-issue perspective – either is equally valid.</i></p> <p style="text-align: right;">ARA</p>

**OCR (Oxford Cambridge and RSA Examinations)**  
**The Triangle Building**  
**Shaftesbury Road**  
**Cambridge**  
**CB2 8EA**

**OCR Customer Contact Centre**

**Education and Learning**  
Telephone: 01223 553998  
Facsimile: 01223 552627  
Email: [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

[www.ocr.org.uk](http://www.ocr.org.uk)

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored