

GCE AS
Business Studies

January 2009

Mark Schemes

Issued: April 2009

**NORTHERN IRELAND GENERAL CERTIFICATE OF SECONDARY EDUCATION (GCSE)
AND NORTHERN IRELAND GENERAL CERTIFICATE OF EDUCATION (GCE)**

MARK SCHEMES (2009)

Foreword

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 16- and 18-year-old 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 a 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.

The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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Rewarding Learning

ADVANCED SUBSIDIARY (AS)

General Certificate of Education

January 2009

Business Studies

Assessment Unit AS 1

assessing

**Module 1: Objectives and
The Business Environment**

[AST11]

THURSDAY 8 JANUARY, MORNING

**MARK
SCHEME**

General Marking Instructions

Mark schemes are intended to ensure that the AS examination is marked consistently and fairly. The mark scheme provides markers with an indication of the nature and range of candidate responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses. The mark scheme should be read in conjunction with these general marking instructions which apply to all papers.

Quality of Candidates' Responses

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

Unanticipated Responses

The mark schemes which accompany the specimen examination papers are not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which the candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers and to refer for guidance to the general descriptions of levels of response given in the general marking criteria that follow. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner for the paper concerned.

Positive Marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses 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 for a 17-year-old AS candidate. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Types of Mark Schemes

Mark Schemes for 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. These questions are indicated on the cover of the examination paper.

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.

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.

Quality of Written Communication

Quality of written communication is taken into account in assessing candidates' responses to all questions that require them to respond in extended written form. These 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. Where the quality of candidates' business knowledge, understanding and skills is not matched by the quality of written communication, marks awarded will not exceed the maximum for Level 2.

Levels of Response

General descriptions of levels of response in terms of each assessment objective and the quality of written communication are given in the following table. These descriptions are intended to assist examiners in judging candidates' performance when they produce answers unanticipated by the detailed mark scheme for each question and to provide guidelines for examiners in assessing the appropriate level of response in respect of the quality of written communication.

The detailed mark schemes for each question relate these levels of response to the content of the relevant question. In deciding on the appropriate level of response for a candidate's answer, examiners should look for the 'best fit'. The level awarded will depend in practice upon the extent to which the candidate has met the relevant assessment objectives overall. Shortcomings in some areas may be balanced by better performance in others. In deciding which mark within a particular level to award 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 this 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.

General Marking Criteria

Level of Performance	Assessment Objective	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation and judgement
Level 1		Demonstrates knowledge and understanding of some relevant business theory and concepts.	Shows some ability to apply knowledge and understanding and makes some use of numerical and non-numerical techniques.	Shows some ability to analyse familiar and unfamiliar situations, problems and issues.	Evaluation of evidence and arguments is limited.
Level 2		Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.	Applies knowledge and understanding and uses numerical and non-numerical techniques.	Analyses familiar and unfamiliar situations, problems and issues.	Evaluates evidence and arguments to present reasoned conclusions.
Level 3		Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts.	Applies knowledge and understanding and uses appropriate numerical and non-numerical techniques with accuracy.	Effectively analyses familiar and unfamiliar situations, problems and issues.	Effectively evaluates evidence and arguments, making reasoned judgements to present appropriate and supported conclusions.

Quality of Written Communication: Makes only a limited attempt to select and use an appropriate form and style of writing. Organisation of material may lack clarity and coherence with little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Quality of Written Communication: Makes a reasonable attempt to select and use an appropriate form and style of writing. Relevant material is organised with some clarity and coherence and there is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning evident.

Quality of Written Communication: Successfully selects and uses an appropriate form of style and writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.

1 (a) The aspects of a partnership that the friends should consider may include:

- A partnership business will mean that the three owners will have unlimited liability should they all become general partners.
- There are few formalities in setting up a partnership business.
- The accounts of a partnership business can be kept private except for tax authorities.
- A partnership agreement or Deed of Partnership, while not a legally necessary document, is a good idea, as it can help to clarify disputes, and if not present, partners will be treated equally whether or not this was the situation in the partnership business.
- There is the possibility in a partnership business to have limited (sleeping) partners and so achieve the benefits of limited liability, but the business must always have at least one general partner.
- Candidates may refer in more detail to aspects of a Deed of Partnership, responsibilities, trust, number of hours worked.

Level 1 ([1]–[3])

Some knowledge and understanding of the aspects of a partnership is demonstrated, but this is limited. Application of this knowledge to the question context, if present, is very limited. One–two features are explained. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of the aspects of a partnership is demonstrated. There is some application of this knowledge to the question context. Two–three features are explained. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of the aspects of a partnership is demonstrated. There is good application to the question context. Three features are explained and differences from other forms of business are highlighted. Quality of written communication is of a high standard. [10]

- (b) There are many advantages and disadvantages to be considered by the three friends when deciding whether to form a private limited company.

Disadvantages of forming a limited company

- Cost of forming a private limited company and registering with Companies House.
- Cost of having accounts audited each year.
- Reports will have to be prepared and distributed to shareholders each year.
- There are obligations and responsibilities on the directors of a private limited company.
- Shareholders may experience dilution of control over decision-making.
- Accounts will be available to competitors and others.
- Limited companies must abide by strict rules and procedures.

Advantages of forming a limited company

- All shareholders have limited liability.
- Forming a private limited company will ensure that financial documents are scrutinised professionally as accounts must be audited.
- May enhance the reputation of the business in the eyes of stakeholders.
- May enable the business to attract other investors and increase capital.
- A private limited company is a separate legal entity from its owners and therefore it has continuity of existence and is not affected by the death of any of its shareholders.

Level 1 ([1]–[5])

Some knowledge and understanding of advantages and/or disadvantages of private limited company status is demonstrated. This is however limited and there is very little application. Up to three impacts are discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of advantages and/or disadvantages of private limited company status is demonstrated. Some relevant analysis and evaluation are present and there is some application. Three to four impacts are discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of advantages and/or disadvantages of private limited company status is demonstrated. Analysis and evaluation are comprehensive and application is perceptive. Five or more arguments are discussed. Arguments on both sides should be considered and a final judgement is formed. Quality of written communication is of a high standard. [15]

2 (a) Candidates would be expected to consider pairs of stakeholders and explain how the objectives of one might conflict with the objectives of another.

- Employer/Employees: employers may wish to cut costs and achieve high productivity while employees are only interested in higher pay packets.
- Managers/Customers: managers may wish to achieve higher profitability through guaranteed orders, while customers may wish to see lower prices, higher quality and better customer service.
- Owners/Community: Owners may wish to see high productivity from the factory while the local community may wish to see less pollution (noise, visual, fumes).
- Suppliers/Managers: Price of supplies.
- Government/Shareholders: Health and Safety inspectors are concerned that the factory is safe for the workforce while shareholders/owners wish to get the enterprise up and running.

Level 1 ([1]–[3])

Some knowledge and understanding of different stakeholder objectives demonstrated but this is limited. Application of this knowledge to the question context, if present, is very limited. One–two conflicts are explained. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of different stakeholder objectives is demonstrated. There is some application of this knowledge to the question context. Two–three conflicts are explained. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of different stakeholder objectives is demonstrated. There is good application to the question context. Three conflicts are explained and different positions are highlighted. Quality of written communication is of a high standard.

[10]

- (b) There are a number of advantages and disadvantages to Ceramico of drawing up a business plan.

AVAILABLE
MARKS

Advantages of Ceramico drawing up a business plan

- Provides a blue-print for success;
- Provides a route map to follow;
- Provides a means of asking for a loan or support from a lender;
- Shows that market research has been carried out;
- Shows who the owners are and the stake they hold;
- Identifies the target market;
- Identifies main competitors;
- Would help to assess the feasibility of the business;
- Cash flow – when additional finance may be needed would be highlighted.

Disadvantages of Ceramico drawing up a business plan

- May delay the launching of the business and result in lost opportunities;
- May result in needless costs being expended on a paper exercise;
- May divulge trade secrets that would lose Ceramico competitive advantages;
- Energy expended on writing a plan could be used for other tasks;
- Accuracy of figures/research/estimates may result in problems.

Level 1 ([1]–[5])

Some knowledge and understanding of positive and/or negative impacts of Ceramico drawing up a business plan is demonstrated. This is however limited and there is very little application. Up to three impacts are discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the positive and negative impacts of Ceramico drawing up a business plan is demonstrated. Some relevant analysis and evaluation are present and there is some application. Up to four impacts are discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the positive and negative impacts of Ceramico drawing up a business plan is demonstrated. Analysis and evaluation are comprehensive and application is perceptive. Up to five arguments are discussed. Arguments on both sides should be considered and a final judgement is formed. Quality of written communication is of a high standard. [15]

Total

25

50



Rewarding Learning

ADVANCED SUBSIDIARY (AS)

General Certificate of Education

January 2009

Business Studies

Assessment Unit AS 2

assessing

**Module 2: People in Organisations,
and Accounting and Finance**

[AST21]

THURSDAY 8 JANUARY, MORNING

MARK SCHEME

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General Marking Criteria

Level of Performance	Assessment Objective	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation and judgement
Level 1	Demonstrates knowledge and understanding of some relevant business theory and concepts. Quality of Written Communication: Makes only a limited attempt to select and use an appropriate form and style of writing. Organisation of material may lack clarity and coherence with little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.	Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.	Shows some ability to apply knowledge and understanding and makes some use of numerical and non-numerical techniques.	Shows some ability to analyse familiar and unfamiliar situations, problems and issues.	Evaluation of evidence and arguments is limited.
Level 2	Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts. Quality of Written Communication: Makes a reasonable attempt to select and use an appropriate form and style of writing. Relevant material is organised with some clarity and coherence and there is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.	Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.	Applies knowledge and understanding and uses numerical and non-numerical techniques.	Analyses familiar and unfamiliar situations, problems and issues.	Evaluates evidence and arguments to present reasoned conclusions.
Level 3	Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts. Quality of Written Communication: Successfully selects and uses an appropriate form of style and writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.	Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts.	Applies knowledge and understanding and uses appropriate numerical and non-numerical techniques with accuracy.	Effectively analyses familiar and unfamiliar situations, problems and issues.	Effectively evaluates evidence and arguments, making reasoned judgements to present appropriate and supported conclusions.

1 (a) Candidates should explain, using appropriate examples, the five possible reasons for fairly dismissing an employee. These are:

- Misconduct – this might include negligence, dishonesty or persistent lateness.
- Incompetence – if an employee was unable to do the job properly. This might apply in Garmentz as Sean needs to understand marketing terms in order to do his job properly.
- Where continued employment would break the law – if a lorry driver lost his/her driving licence through drink driving.
- Redundancy – when production workers are replaced by machines or as a result of new technology.
- Other substantial reasons – such as an employee giving false information on an application form. This might apply in the case of Sean.

Level 1 ([1]–[3])

Some knowledge and understanding of the possible reasons for fairly dismissing an employee is demonstrated. One reason is fully considered. There is little attempt to explain these or to apply them to the context of Garmentz. Quality of written communication is less than satisfactory.

Level 2 ([4]–[7])

Adequate knowledge and understanding of possible reasons for fairly dismissing an employee is demonstrated. Two reasons are fully considered. There is some attempt to explain these and to apply them to the context of Garmentz. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

A thorough knowledge and understanding of the possible reasons for fairly dismissing an employee is demonstrated. Three reasons are fully considered. These are well explained and application to the context of Garmentz is good. Quality of written communication is of a high standard.

[10]

(b) The advantages of Lisa's plan to decentralise Garmentz might include:

- Store managers in Garmentz would gain experience for the future.
- Lisa's workload at Head Office would be greatly reduced.
- Store managers would be greatly motivated by their new powers.
- Faster decision making as Head Office no longer needs to be consulted all the time.
- More focus on needs / products / styles of local customers.
- Less potential for difficulties resulting from poor communication.
- Improved performance resulting from competition between stores.
- Makes managers more aware of costs.

The disadvantages of Lisa's plan to decentralise Garmentz might include:

- May lead to over-cautious decision-making by store managers.
- May not benefit as much from economies of scale if all stores buying separately.
- Duplication of effort may arise. For example when sourcing suppliers.
- Lisa's expertise and judgement in fashion may not be used effectively.
- Store managers may not be strong in all areas due to lack of practice at operating independently.
- Some loss of financial control.
- No uniformity of decisions in business.

Level 1 ([1]–[5])

Some knowledge and understanding of the advantages and disadvantages of decentralisation is demonstrated. One or two arguments are fully examined, or the candidate mentions more without adequate explanation. There is little application to the context of Garmentz. There is little attempt to analyse or evaluate the arguments considered. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the advantages and disadvantages of decentralisation is demonstrated. Three or four arguments are fully examined, or the candidate mentions more with a lesser degree of explanation. There is some attempt to apply these to the context of Garmentz. There is some attempt made to analyse and evaluate the arguments considered. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the advantages and disadvantages of decentralisation is demonstrated. At least five arguments are fully examined, or the candidate mentions more with a lesser degree of explanation. The arguments are well applied to the context of Garmentz. They are thoroughly analysed and there is a comprehensive evaluation leading to a final judgement. This judgement should be consistent with the weight of evidence considered. Quality of written communication is of a high standard.

For a level three answer, candidates must consider both the advantages and disadvantages of decentralisation. [15]

25

- 2 (a) (i) Debtors are people or organisations that owe Craftyman money. This is because they have received goods from the business in advance of payment. Often a discount is offered if payment is made within a specified time period. Debtors appear in the Balance Sheet as a current asset. [2]

The Net Profit of Craftyman is calculated in the Profit and Loss account. It is the Gross Profit less all the running expenses of the business. [2]

- (ii) Balance Sheet for Craftyman for the year ended 31st December 2008

Fixed Assets

Van		£ 3,000
Equipment / Fittings		<u>£20,000</u>
		£23,000

Current Assets

Closing Stock	£8,000	
Debtors	£4,000	
Cash at bank	<u>£1,200</u>	£13,200

Less Current Liabilities

Creditors		£12,000
Working Capital		<u>£ 1,200</u>
		<u>£24,200</u>

Financed by

Owner's Capital	£16,000	
add Net Profit	<u>£ 8,200</u>	
		<u>£24,200</u>

[1] mark for each of the figures in bold

[2] marks for layout

Own figure rule to be applied so that candidate is not penalised twice for same mistake. [6]

(b) The benefits of introducing a budgeting system within Craftyman might include:

- Would help to control costs by letting Alan see which costs are most significant and which should be monitored most.
- Enables Alan to delegate responsibility within the business.
- Motivates employees to think more about the issue of profitability within the business. This might cut down on waste.
- Enables Alan to set targets for his employees. This will enable him to measure their performance.
- Essential if the business is to expand further.

The problems of introducing a budgeting system within Craftyman might include:

- Resentment from workers who do not like changes in their working practices.
- Alan's business may be too small to be worth the bother of using such a system.
- May cause the workers to become de-motivated.
- Possible increased paperwork as everything has to be recorded.
- Time consuming for Alan to set up and monitor such a system.
- Difficult to set budget targets at the right levels.
- May de-motivate workers if they are not consulted about setting system up.

The overall conclusion may be in favour of, or against, setting up a budgeting system within Craftyman.

Level 1 ([1]–[5])

Some knowledge and understanding of the benefits and problems of introducing a budgeting system is demonstrated. One or two arguments are fully examined, or the candidate mentions more without adequate explanation. There is little application to the context of Craftyman. There is little attempt to analyse or evaluate the arguments considered. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of the benefits and problems of introducing a budgeting system is demonstrated. Three or four arguments are fully examined, or the candidate mentions more with a lesser degree of explanation. There is some attempt to apply these to the context of Craftyman. There is some attempt made to analyse and evaluate the arguments considered. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of the benefits and problems of introducing a budgeting system is demonstrated. At least five arguments are fully examined, or the candidate mentions more with a lesser degree of explanation. The arguments are well applied to the context of Craftyman. They are thoroughly analysed and there is a comprehensive evaluation leading to a final judgement. This judgement should be consistent with the weight of evidence considered. Quality of written communication is of a high standard.

For a level three answer, candidates must consider both the benefits and problems of introducing a budgeting system into Craftyman. [15]

Total

**AVAILABLE
MARKS**

25

50



Rewarding Learning

ADVANCED SUBSIDIARY (AS)

General Certificate of Education

January 2009

Business Studies

Assessment Unit AS 3

assessing

**Module 3: Marketing and
Operations Management**

[AST31]

TUESDAY 20 JANUARY, AFTERNOON

**MARK
SCHEME**

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Level 1		Demonstrates knowledge and understanding of some relevant business theory and concepts.	Shows some ability to apply knowledge and understanding and makes some use of numerical and non-numerical techniques.	Shows some ability to analyse familiar and unfamiliar situations, problems and issues.	Evaluation of evidence and arguments is limited.
Level 2		Demonstrates knowledge and critical understanding of a range of relevant business theory and concepts.	Applies knowledge and understanding and uses numerical and non-numerical techniques.	Analyses familiar and unfamiliar situations, problems and issues.	Evaluates evidence and arguments to present reasoned conclusions.
Level 3		Demonstrates in-depth knowledge and critical understanding of a wide range of relevant business theory and concepts.	Applies knowledge and understanding and uses appropriate numerical and non-numerical techniques with accuracy.	Effectively analyses familiar and unfamiliar situations, problems and issues.	Effectively evaluates evidence and arguments, making reasoned judgements to present appropriate and supported conclusions.
		<p>Quality of Written Communication: Makes only a limited attempt to select and use an appropriate form and style of writing. Organisation of material may lack clarity and coherence with little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.</p> <p>Quality of Written Communication: Makes a reasonable attempt to select and use an appropriate form and style of writing. Relevant material is organised with some clarity and coherence and there is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.</p> <p>Quality of Written Communication: Successfully selects and uses an appropriate form of style and writing. Relevant material is organised with a high degree of clarity and coherence and there is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning absolutely clear.</p>			

1 (a) Explain the benefits to Cottage Kitchens Ltd of buying new machinery.

There are many benefits to Cottage Kitchens Ltd of buying new machinery.

Increased Productivity.

More can be produced with less and as a result Cottage Kitchens Ltd may gain higher profits. This option may also prove to be more environmentally friendly.

Reduced Waste.

New, more efficient machinery may result in the saving of both time and resources. This is particularly important to society today as world population increases and there is more emphasis on pursuing environmentally friendly policies.

Improving the Working Environment.

Statistics would indicate that the working environment is a much safer place as a result of the introduction of new technology. New equipment makes work not only easier but also more tolerable. There is also evidence to suggest that the introduction of new machinery also helps to motivate the workforce and remove workers' dissatisfaction.

Benefits to Customers.

New machinery allows firms to increase the range of products that they offer which in turn increases consumer choice. Thus, Cottage Kitchens Ltd may be in a position to increase the range of products on offer such as introducing new flavours etc. which should increase sales.

Higher Profits.

The new machinery will result in improved efficiency which in turn will lead to higher profits. This will allow the firm to pay out higher dividends to shareholders and higher wages to employees. Increased efficiency may also allow the firm to sell its products more cheaply.

Level 1 ([1]–[3])

Some knowledge and understanding of the benefits of Cottage Kitchens Ltd introducing new machinery is demonstrated but this is limited. One benefit is discussed. Application of this knowledge to the question context, if present, is very limited. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding of the benefits of Cottage Kitchens Ltd introducing new machinery is demonstrated. Two benefits are discussed. There is some application of this knowledge to the question context. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of the benefits of Cottage Kitchens Ltd introducing new machinery is demonstrated. Three benefits are discussed. There is good application of this knowledge to the question context. Quality of written communication is of a high standard. [10]

- (b) Discuss whether Cottage Kitchens Ltd should try to obtain a recognised quality standard.

It is expected that candidates will identify, apply their knowledge and understanding to analyse and evaluate the arguments for and against adopting a quality standard such as BS5750/ISO 9000. A final conclusion will be formed in relation to the best way forward.

Cost of quality to include areas such as:

- Cost of designing and setting up a quality control system.
- Cost of monitoring the system.
- Cost of improving the actual quality such as the cost of new machinery or training.
- Cost of resetting the system if it fails.

Against these costs the candidate might discuss the costs of not setting up such a system.

- Failure costs such as waste and scrap.
- Lost business due to poor organisational image as a result of faulty products.
- Lost business opportunities as a result of less effective marketing as compared to competitors.
- Lost tenders as a result of not having a quality standard
- Efficiency gains lost through non implementation.

Level 1 ([1]–[5])

Some knowledge and understanding of whether Cottage Kitchens Ltd should obtain a quality standard is demonstrated. This is however limited and there is very little reference made to the stimulus. One/two arguments are fully discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of whether Cottage Kitchens Ltd should obtain a quality standard is demonstrated. Three/four arguments are fully discussed. Some relevant analysis and evaluation are present and reference is made to the stimulus. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of whether Cottage Kitchens Ltd should obtain a quality standard is demonstrated. At least five arguments are fully discussed. Analysis and evaluation are comprehensive and perceptive and good reference is made to the stimulus. Quality of written communication is of a high standard. [15]

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2 (a) Explain the different ways that Threads Ltd could segment its market.

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There is a wide range of ways that Threads Ltd could segment its market.

- **By Age.** This may involve following the examples set by Threads Ltd rivals. For example, the over 60s market is one that is becoming increasingly important as a result of the aging population.
- **By Sex.** This is an less obvious method of segmentation for the clothing industry.
- **By Level of Education.** Again this could be a method of targeting a certain segment of the population. An example of this type of segmentation may involve targeting those who would read a certain type of publication such as those people who are members of a teaching union.
- **Social Class.** This might involve the examination of the various socio-economic categories.

A – Higher managerial, administrative or professional.

B – Middle managerial, administrative or professional.

C1 – Supervisory or clerical, junior managerial.

C2 – Skilled manual workers.

D – Semi and unskilled manual workers.

E – Casual or lowest paid workers, unemployed.

Such a segmentation strategy will allow Threads Ltd to target, according to social class.

- **Income.** This classification is not necessarily the same as classification by social class as there is likely to be overlap between categories. This type of segmentation will target customers based on the amount of money earned and their ability to pay for certain types of clothes.
- **Religion/Ethnic Grouping.** This possibility may arise in the targeting of clothes that have a religious connection.
- **Family Characteristics.** This method of segmentation will be particularly appropriate to this type of industry where possible segments might include young singles, married with no children, DINKIES (double income no kids), and older singles.
- **Geography.** There are different ways of segmenting using this strategy. The region that the consumer lives in may be used e.g. urban, rural, etc. Another possibility may be to use of the type of house that a consumer lives in for segmentation purposes.
- **Personality and Attitude to Life.** This method will classify consumers according to their psychological characteristics.
- **Segmentation by Residential Neighbourhood.** (ACORN)

Level 1 ([1]–[3])

Some knowledge and understanding of the different ways that Threads Ltd could segment their market is demonstrated but this is limited. One factor is discussed. Application of this knowledge to the question context, if present, is very limited. Quality of written communication is limited.

Level 2 ([4]–[7])

Adequate knowledge and understanding the different ways that Threads Ltd could segment their market is demonstrated. Two factors are discussed. There is some application of this knowledge to the question context. Quality of written communication is satisfactory.

Level 3 ([8]–[10])

Thorough knowledge and understanding of the different ways that Threads Ltd could segment their market is demonstrated. At least three factors are discussed. There is good application of this knowledge to the question context. Quality of written communication is of a high standard. [10]

- (b)** Discuss whether Threads Ltd should market its clothes internationally.

There is a range of arguments for and against Threads Ltd marketing its clothes internationally.

- Threads Ltd may believe that they have saturated the UK market and the only way of progressing is to look for new markets outside the United Kingdom.
- Northern Ireland is limited to the size of its population. If the company was to market internationally new consumers would exist from other countries.
- Different countries may have different regulations and standards meaning that the quality controls etc that may be needed in the UK may not be applicable to the international country that they are dealing in.
- There may be benefits such as tax benefits of marketing internationally.

Against this list of advantages, there are also disadvantages of marketing internationally:

- Each country has its own identity (culture, language, currency etc) and Threads Ltd will need to recognise this if it is to be successful.
- Threads Ltd will need to be aware of any trade barriers that might exist if it decides to trade with another country.
- Threads Ltd will need to have knowledge of the legal and financial regulations of any foreign country that it will be trading with.
- Communication problems may pose a difficulty and Threads Ltd will need to ensure that their products feature and price are suitable for the international market.
- Exchange rate fluctuations can often result in losses being made for transactions. Threads Ltd may need to ensure that mechanisms are put in place to minimise the extent of these.

Level 1 ([1]–[5])

Some knowledge and understanding of whether Threads Ltd should market their clothes internationally is demonstrated. This is however limited and there is very little reference made to the stimulus. One/two arguments are fully discussed. Analysis and evaluation, if present, are very limited. Quality of written communication is limited.

Level 2 ([6]–[10])

Adequate knowledge and understanding of whether Threads Ltd should market their clothes internationally is demonstrated. Three/four arguments are fully discussed. Some relevant analysis and evaluation are present and reference is made to the stimulus. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

Good knowledge and understanding of whether Threads Ltd should market their clothes internationally is demonstrated. At least five arguments are fully discussed. Analysis and evaluation are comprehensive and perceptive and good reference is made to the stimulus. Quality of written communication is of a high standard. [15]

Total

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25

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