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# **GCE A LEVEL MARKING SCHEME**

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**SUMMER 2017**

**A LEVEL (NEW)  
BUSINESS – UNIT 4  
1510U40-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2017 examination. It was finalised after detailed discussion at the examiners' conference by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

## **GENERAL MARKING GUIDANCE**

### **Positive Marking**

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in candidates' answers. This is not intended to be exhaustive and candidates do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Candidate's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

**GCE BUSINESS - UNIT 4 (NEW)**  
**SUMMER 2017 MARK SCHEME**

<b>1 (a)</b>	<b>Explain the possible responses of Innocent Drinks to the potential risks outlined in lines 11-15. [8]</b>		
<b>Band</b>	AO1	AO2	AO3
	2 marks	2 marks	4 marks
<b>3</b>			<p><b>3-4 marks</b></p> <p>An excellent analysis of the potential risks and how Innocent Drinks can respond to these.</p> <p>The argument is developed with supporting analysis from the data.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear understanding of the potential risks and their management.</p>	<p><b>2 marks</b></p> <p>Good application to Innocent Drinks of the potential risks.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2 marks</b></p> <p>A good analysis of the potential risks.</p> <p>The argument is developed in context.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the potential risks and/or their management.</p> <p>Points are brief and may be listed.</p>	<p><b>1 mark</b></p> <p>Limited application to Innocent Drinks of the potential risks.</p> <p>The candidate response is mainly theoretical with limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>A limited number of factors are analysed.</p> <p>Use of text is descriptive with little development.</p> <p>Superficial understanding of the impact on Innocent Drinks.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of potential risks.</p>	<p><b>0 marks</b></p> <p>No application to Innocent Drinks.</p>	<p><b>0 marks</b></p> <p>No analysis of the of potential risks.</p>

**Indicative content:**

As this is a new concept to the market, it is likely to be considered high risk. In order to minimise the risk of developing and launching a product which does not sell Innocent Drinks may engage in market research in order to establish the most popular fruit drink flavours. This would maximise Innocent Drinks chance of a successful product launch.

As Innocent Drinks is unknown in the marketplace it may be difficult to convince retailers to stock their product. In order to convince retailers of the products potential for high level sales Innocent Drinks may use agents and samples in order to visit potential retailers and let them try the drinks. By doing so, it is more likely that Innocent Drinks will gain space in retailers fridges.

In terms of marketing, the business will need to establish itself as a unique brand. As the marketplace is 'crowded' it may be difficult to convince customers to buy their product rather than their regular drink. Promotional advertising in the form of leaflets and money off coupons are a cheap way for a small business such as Innocent Drinks (when beginning their venture) to target local customers.

As Rich, Adam and Jon are new to the drinks market they are unlikely to be familiar with food standards and food safety laws. One solution may be to outsource production. Although this will have additional costs, it will assist in both meeting food standards and reduce the need to spend large amounts of capital on machinery and premises in the early stages of the business.

The high price of the drink may be considered off-putting to many potential customers. However, as this is a consumable product repeat purchases are the key to continued success. Therefore, the use of penetration pricing may be used in order to convince customers to make their first purchase.

Credit any other valid point.

<b>1 (b) To what extent has Innocent Drinks marketing strategy been a success? [10]</b>				
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	2 marks	2 marks	2 marks	4 marks
<b>3</b>				<p><b>3-4 marks</b></p> <p>An excellent well-balanced evaluation of the marketing strategy carried out by Innocent Drinks.</p> <p>The evaluation focuses on the key issues.</p> <p>Clear reference to the case study and context to support the judgement.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear understanding of key features of a marketing strategy.</p>	<p><b>2 marks</b></p> <p>Good application to Innocent Drinks.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2 marks</b></p> <p>Good analysis of the marketing strategy employed by Innocent Drinks.</p> <p>The analysis is balanced and detailed.</p> <p>Arguments are developed in context.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the marketing strategy carried out by Innocent Drinks.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of features of a marketing strategy.</p>	<p><b>1 mark</b></p> <p>Limited application to Innocent Drinks.</p> <p>The candidate response is mainly theoretical with limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the marketing strategy employed by Innocent Drinks.</p> <p>A limited number of factors are analysed.</p> <p>Use of data is descriptive with little development.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the marketing strategy carried out by Innocent Drinks.</p> <p>Unsupported judgements are made.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the features of a marketing strategy.</p>	<p><b>0 marks</b></p> <p>No application to Innocent Drinks.</p>	<p><b>0 marks</b></p> <p>No analysis of Innocent Drinks marketing strategy.</p>	<p><b>0 marks</b></p> <p>No evaluation of Innocent Drinks marketing strategy.</p>

**Indicative content:**

Although the original product was aimed at a target market of young, trendy, health conscious adults, later products focused on children and families in order to increase sales. Additionally, the company have moved into a range of new countries in order to pursue their growth strategy, eventually becoming the biggest selling brand in Europe. Therefore, it appears that the company has been successful in identifying the needs of its target market.

In terms of the product range, it is clear that the company has developed a range of drinks but used the healthy eating message to target customers in the snack market through veg and noodle pots. This has enabled the company to open up different revenue streams leading to a continued success for Innocent Drinks.

The unusual promotional activities carried out by Innocent Drinks have led to an increased awareness of the business in consumer's minds. From the on-pack jokes to the grass covered vans, the unconventional promotion of Innocent Drinks has been part of its success in creating the impression of a healthy alternative to carbonated sugary drinks.

In relation to the pricing strategy, the smoothies are 'twice' as expensive as other soft drinks. Although this will be seen as a luxury item this does not seem to have hindered sales. As the target market sees the health benefits as being worth the additional cost, the higher than average price may well have helped Innocent Drinks in establishing themselves as the number one seller of smoothies in Europe.

In becoming associated with high profile events such as the London Olympics Innocent Drinks will have received significant promotion. By choosing this event to fit in with their core idea of a healthy and nutritious drink many potential customers will have become aware of the product for the first time. As a result, increases in sales will have followed helping to secure their significant market share.

It is fair to say that Innocent Drinks attempt at online promotion had limited success. By sending regular emails to 11 people it is unlikely that this would have a significant increase in sales. Indeed, many of the recipients may have placed an email junk filter on the email after the first few promotions meaning that less than 11 people actually read the information.

Some of the products such as thickies and ice cream were unsuccessful. Therefore, although Innocent Drinks have had success with many of its products, this cannot be said to be the case with all their ventures.

Credit any other valid point.

<b>1 (c)</b>	<b>Acting in a socially responsible manner is beneficial to Innocent Drinks and all its stakeholders. Discuss. [10]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	2 marks	2 marks	2 marks	4 marks
<b>3</b>				<p><b>3-4 marks</b></p> <p>An excellent well-balanced evaluation of the effects upon Innocent Drinks and its stakeholders of acting in a socially responsible manner.</p> <p>A well balanced evaluation of the benefits and problems to Innocent Drinks and its stakeholders of acting in a socially responsible manner.</p> <p>Clear reference to the case study and context to support the judgement.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear understanding of the implications to Innocent Drinks and their stakeholders of acting in a socially responsible manner.</p>	<p><b>2 marks</b></p> <p>Good application to Innocent Drinks and its stakeholders of acting in a socially responsible manner.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2 marks</b></p> <p>Good analysis of the benefits and problems to Innocent Drinks and its stakeholders of acting in a socially responsible manner.</p> <p>Arguments are developed in context.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the impact on Innocent Drinks and its stakeholders of acting in a socially responsible manner.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the implications to Innocent Drinks and/or their stakeholders of acting in a socially responsible manner.</p>	<p><b>1 mark</b></p> <p>Limited application to Innocent Drinks and/or its stakeholders of acting in a socially responsible manner.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the benefits and/or problems to Innocent Drinks and/or its stakeholders of acting in a socially responsible manner.</p> <p>A limited number of factors are analysed.</p> <p>Use of data is descriptive with little development.</p> <p>Superficial links made between Innocent Drinks and social responsibility.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the impact on Innocent Drinks and/or its stakeholders of acting in a socially responsible manner.</p> <p>Unsupported judgements are made.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of social responsibility.</p>	<p><b>0 marks</b></p> <p>No application to Innocent Drinks.</p>	<p><b>0 marks</b></p> <p>No analysis of the impact on Innocent Drinks and/or its stakeholders of acting in a socially responsible manner.</p>	<p><b>0 marks</b></p> <p>No evaluation of Innocent Drinks and/or its stakeholders of acting in a socially responsible manner.</p>

**Indicative content:**

**Issues:**

- The elderly will benefit greatly from activities such as 'The Big Knit'. The funds raised will provide support for Age UK. As a result, the elderly will gain access to support and their quality of life may be greatly improved.
- Joint projects with the Clinton Foundation in Malawi will help to support projects outside of the UK. Therefore, the world's poor could also benefit strongly from the activities of Innocent Drinks.
- The use of 100% recycled plastic bottles may be a challenge to Innocent Drinks packaging supplier. In achieving this objective, it may be that the supplier struggles to find enough plastic in order to fulfil this ambitious target. When buying in and processing plastic bottles for recycling, this may be more expensive than producing new plastic. This could potentially reduce the bottle manufacturer's profit.
- Giving 10% of profits to charity may reduce the amount of funds left in the business for expansion, slowing growth plans. This can be detrimental to managers working within Innocent Drinks as promotion opportunities may be slower to come by than if the business invested all profits into growth.
- Additionally, the initial level of charitable donations (46%) was too high. If this had 'bankrupted the business', employees would have been made redundant. This would be a significant disadvantage for those working within Innocent Drinks.
- Through Innocent Drinks recycling and charity work this could potentially add to the company's business costs. In doing so, business costs will increase and cost push inflation may occur leading to the price of Innocent Drinks increasing. This may dissatisfy customers and lead to a reduction in sales.
- Staff may be motivated by the business socially responsible attitude. This may result in higher productivity from staff as they believe in the central philosophy of the company. This may lower labour turnover and absenteeism.

Credit any other valid point.



<b>1 (d)</b>	<b>Evaluate the arguments for and against Innocent Drinks outsourcing production.</b>				<b>[10]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	
	2 marks	2 marks	2 marks	4 marks	
<b>3</b>				<p><b>3-4 marks</b></p> <p>An excellent well-balanced evaluation of the arguments for and against Innocent Drinks outsourcing production.</p> <p>Clear reference to the case study and context to support the judgement.</p>	
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear understanding of outsourcing production.</p>	<p><b>2 marks</b></p> <p>Good application of factors for and against Innocent Drinks outsourcing production.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2 marks</b></p> <p>Good analysis of factors for and against Innocent Drinks outsourcing production.</p> <p>Arguments are developed in context.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the arguments for and against Innocent Drinks outsourcing production.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of outsourcing production.</p>	<p><b>1 mark</b></p> <p>Limited application of factors for and/or against Innocent Drinks outsourcing production.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of factors for and/or against Innocent Drinks outsourcing production.</p> <p>A limited number of factors are analysed.</p> <p>Use of data is descriptive with little development.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the arguments for and/or against Innocent Drinks outsourcing production.</p> <p>Arguments may be one sided.</p> <p>Unsupported judgements are made.</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of outsourcing production.</p>	<p><b>0 marks</b></p> <p>No application to Innocent Drinks.</p>	<p><b>0 marks</b></p> <p>No analysis of the impact of factors relating to the decision to outsource.</p>	<p><b>0 marks</b></p> <p>No evaluation of the arguments for and against Innocent Drinks outsourcing production.</p>	

**Indicative content:**

- The fresh nature of the product and limited shelf life, as well as the slightly niche market means that production quantities would have to be relatively precise to avoid excess costs from waste. If Innocent Drinks are only paying for the stock they receive outsourcing will put the cost of wastage on the supplier rather than on Innocent Drinks themselves. This may be essential in reducing business costs.
- As the business is producing food and drink, there are likely to be significant regulations and laws surrounding the production of such items. In order to limit the likelihood of breaches in regulations Innocent Drinks will be better off using a producer of food and drink products rather than try and carry out production themselves.
- This business prides itself on the freshness of its produce. Therefore, if the outsourced factories are a considerable distance from retailers this could increase the lead time of deliveries. Therefore, Innocent Drinks will have to be careful when choosing outsourced suppliers in order that orders reach the retailers' shelves in time.
- New products such as 'veg pots' for adults and 'noodle pots' for children may need machinery which is different to that needed for smoothies. As a result, Innocent Drinks may be better off to trial the products through outsourcing their production rather than buying capital equipment. In doing so, if the products are not successful Innocent Drinks do not have factories and equipment they cannot use for their other products. This will therefore lead to a cost saving for the business.
- Monitoring of outsourcing will become more of an issue as the business does not wish its premium product status to be compromised by companies carrying out outsourced tasks being less stringent in the pursuit of quality. Therefore outsourcing may be a risk to the company's image.
- If overseas workers are used then the fair treatment of staff in those manufacturing outlets needs to be taken into consideration by Innocent Drinks. The company does not wish to be viewed as using cheap foreign labour in order to increase their profit margins. Such an allegation may damage sales of their premium priced product.

Credit any other valid point.

<b>1 (e)</b>	<b>Consider the benefits and problems to Innocent Drinks of operating on a global scale. [12]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	2 marks	2 marks	4 marks	4 marks
<b>3</b>			<p><b>3-4 marks</b></p> <p>An excellent analysis of the benefits and problems to Innocent Drinks of operating on a global scale.</p> <p>Arguments are developed in context.</p>	<p><b>3-4 marks</b></p> <p>An excellent well-balanced evaluation of the benefits and problems to Innocent Drinks of operating on a global scale.</p> <p>Clear reference to the case study and context to support the judgement.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good and clear understanding of the benefits and problems of operating on a global scale.</p>	<p><b>2 marks</b></p> <p>Good application to Innocent Drinks of operating on a global scale.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2 marks</b></p> <p>A good analysis of the benefits and problems of operating on a global scale.</p> <p>Arguments are developed in context.</p>	<p><b>2 marks</b></p> <p>Good evaluation of the impact of operating on a global scale.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the benefits and/or problems of operating on a global scale.</p>	<p><b>1 mark</b></p> <p>Limited application to Innocent Drinks of operating on a global scale.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the benefits and/or problems of Innocent Drinks operating on a global scale.</p> <p>A limited number of factors are analysed.</p> <p>Use of data is descriptive with little development.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the impact to Innocent Drinks of operating on a global scale.</p> <p>Unsupported judgements are made.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of operating on a global scale.</p>	<p><b>0 marks</b></p> <p>No application to Innocent Drinks.</p>	<p><b>0 marks</b></p> <p>No analysis of the impact to Innocent Drinks of operating on a global scale.</p>	<p><b>0 marks</b></p> <p>No evaluation of the impact to Innocent Drinks of operating on a global scale.</p>

## **Indicative content:**

### **Benefits:**

- One benefit to Innocent Drinks is that they may continue to increase sales. This will increase the revenue generated allowing the company to purchase capital good in order to further expand the company.
- Globalisation will lead to increased international awareness of the company. High levels of brand identity may result in Innocent Drinks smoothies becoming the first choice amongst those customers seeking healthy drinks. As a result, Innocent Drinks may be able to dominate the market despite their relatively high prices.
- Avoid a slow-down in sales due to market saturation. Due to the high price of Innocent Drinks products, it is likely that this product will not reach the sales levels of other popular drinks products such as Coca-Cola. As a result, market saturation in any given location will occur more quickly. Therefore, in order to benefit from economies of scale Innocent Drinks will need to aim for a global presence.
- With Coke's contacts, it would be easier to gain access to secure distribution deals with foreign retailers and suppliers. This will enable globalisation to take place more quickly than acting alone.

### **Problems**

- Tastes in foods may differ between countries meaning that high sales in the UK may not follow abroad. This may mean expensive attempts at establishing the brand in new markets may lead to losses being made.
- Short-term costs of setting up production in new locations may lead to a short-term reduction in profits. It may be more lucrative for Innocent Drinks to maximise sales in each country, only moving on once it is certain that market saturation has been achieved.
- Innocent Drinks British on-pack humour may not be understood by other cultures. As a result, attempts at globalisation may lead to limited success in new markets.
- Food labelling laws and hygiene regulations may be different in other countries leading to additional costs. Failure to comply with labelling laws and hygiene regulations can lead to fines, bad press and perhaps the failure to effectively enter the market.
- Diseconomies of scale may be encountered as the business loses efficiency during the early part of its expansion to other countries.

Credit any other valid point.

<b>2 (a)</b>	<b>Describe how financial ratios may be used to assess the performance of rapidly expanding businesses.</b>		<b>[10]</b>
<b>Band</b>	AO1	AO2	
	6 marks	4 marks	
<b>3</b>	<b>5-6 marks</b>		
	Excellent understanding of financial ratios and their importance to assessing financial performance.		
<b>2</b>	<b>3-4 marks</b>		<b>3-4 marks</b>
	Good understanding of financial ratios and their importance to assessing financial performance.		
<b>1</b>	<b>1-2 marks</b>		<b>1-2 marks</b>
	Limited understanding of financial ratios and their importance to assessing financial performance.		
<b>0</b>	<b>0 marks</b>		<b>0 marks</b>
	No understanding of financial ratios and their importance to assessing financial performance.		

**Indicative content:**

Gross profit margin (GPM) demonstrates the profit from the raw trade: Revenue minus cost of sales. A growing company would be able to exert more power over suppliers in achieving purchasing economies of scale. Therefore, a growing business should see GPM increase as growth occurs.

Net profit margin (NPM) differs from GPM as it takes into account the operating costs of the business. As other economies of scale such as technical and managerial will occur during growth NPM may increase during growth.

Return on capital employed (ROCE) will inform the company as to their effective use of capital in the business. An improvement in ROCE will note that the business is improving in its efficiency, in effect returning more profit per pound of capital employed. This may attract investors if needed for further growth.

The current ratio relates to the ratio of current assets to current liabilities. As the business has recently expanded it is likely that cash has been used to fund part of the expansion. This will be reflected in the accounts by a reduction in the current ratio.

The acid test also considers current assets in relation to current liabilities but excludes stock. This will be useful to a growing business as they will be able to see whether it is safe to expand the business using internal sources of finance, or whether it would be better to use external sources due to a low acid test ratio (less than 1:1).

Gearing informs the business of the extent to which it is operating on borrowed capital. As the business has recently expanded, it is likely that gearing has increased. If gearing is high (over 50%) then this would indicate to the business that it is unwise to further increase their external borrowing.

Credit any other valid point.

<b>2 (b)</b>	<b>Discuss the view that financial performance is more important than non-financial performance as a measure of business success. [20]</b>		
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	4 marks	8 marks	8 marks
<b>3</b>		<p><b>6-8 marks</b></p> <p>An excellent analysis of the importance of financial and non-financial factors in measuring a business's success.</p> <p>Key issues for both sides of the debate are discussed in detail.</p> <p>The analysis will be well balanced, well-developed and with a clear line of argument.</p>	<p><b>6-8 marks</b></p> <p>An excellent level of evaluation outlining the significance of a range of financial and non-financial issues.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>Good understanding of financial and non-financial measures.</p> <p>A clear understanding of the impact to business of financial and non-financial measures.</p>	<p><b>3-5 marks</b></p> <p>A good level of analysis of the importance of financial and/or non-financial factors in measuring a business's success.</p> <p>A number of key issues are discussed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p><b>3-5 marks</b></p> <p>A good level of evaluation outlining the significance of financial and/or non-financial issues.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgements are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited understanding of financial and/or non-financial measures.</p> <p>A limited number of financial and/or non-financial factors are identified.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the importance of financial and/or non-financial factors in measuring a business's success.</p> <p>A limited number of issues are analysed.</p> <p>The analysis may focus on one side of the argument.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation outlining the significance of financial and/or non-financial issues.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven or focus on one side of the argument.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of financial or non-financial measures.</p>	<p><b>0 marks</b></p> <p>No analysis of financial or non-financial issues.</p>	<p><b>0 marks</b></p> <p>No evaluation of financial or non-financial issues.</p>

## Indicative content:

### Financial performance:

- Gross profit margin gives a clear idea of increases or decreases in percentage profits on a trade. This can be used as a benchmark both internally and against other firms.
- Net profit margin measures the efficiency of the operation. This is particularly important in assessing the cost base of the business as it grows.
- Return on capital employed informs the business about their ability to generate profit from capital employed in a business. This is vital in attracting investors to the business as it grows.
- Current ratio is important in assessing the short-term liquidity situation. If this is not monitored, it is likely that the business may not be aware of short term spending and could run out of cash during the year. This would lead to an inability to pay employees or suppliers which could lead to business failure.
- Acid test is similar to the current ratio but discounts stock. This is important as stock may be held by manufacturers because it cannot be sold. Therefore, the acid test can be very helpful in assessing the short term liquidity position of the business.
- Gearing is important in assessing the long-term position of the business. As gearing focuses on long-term loans high gearing will be problematic as interests rise in an economic recovery.

### Non-financial performance:

- Customer attitude surveys may give an idea of repeat custom or future trade. Poor customer attitude surveys, if acted upon, could significantly improve the revenue of a company in the future
- Employee attitude surveys are a good indicator of employee motivation. If a company performs well in these surveys it is likely that labour turnover and absenteeism will be low. This is likely to lead to good productivity levels.
- Productivity indicates the level of efficiency of a company. An increasing productivity rate may lead to a lower cost per unit. This in turn leads to the ability to reduce prices without losing profit per item. This may dramatically increase sales and market share for price elastic products.
- Market share is an important measure of success as this is often a measurable target for marketing departments. An increase in market share will indicate the level of interest in the company from those in the market. Increased market share may generally indicate an increase in market dominance.
- A business's environmental record could act as a unique selling point attracting custom and increasing market share. Therefore, although its importance is difficult to measure, it may make the difference in a customer's purchasing decision.

Credit any other valid argument.

<b>3 (a)</b>	<b>Describe how flexible working practices, including the use of technology, have impacted upon office workers across Wales. [10]</b>	
<b>Band</b>	AO1	AO2
	6 marks	4 marks
<b>3</b>	<b>5-6 marks</b> Excellent understanding of flexible, working practices, including the use of technology.	
	<b>3-4 marks</b> Good understanding of flexible working practices, including the use of technology.	<b>3-4 marks</b> Good application of flexible working practices to office workers in Wales.  The candidate uses relevant content and data to develop and support their argument.
<b>1</b>	<b>1-2 marks</b> Limited understanding of flexible working practices.	<b>1-2 marks</b> Limited application of flexible working practices to office workers in Wales.  The candidate response is mainly theoretical with the inclusion of some reference to the data.
	<b>0 marks</b> No understanding of flexible working practices.	<b>0 marks</b> No application of flexible working practices to office workers in Wales.

**Indicative content:**

- Flexible hours allow employees to avoid rush hour traffic in busy cities such as Cardiff.
- Home working allows employees to work in a quiet environment often carrying out e-working tasks. This is particularly useful for those living in rural parts of Wales.
- Part-time work is on the increase. This allows employees to pursue other interests whilst receiving some income from work. As employment has moved from primary and secondary employment to tertiary, the number of part-time workers has grown significantly.
- Temporary work is good for those seeking casual work, for example a student looking for work in the summer holidays.
- Job sharing may allow individuals to stay in work and share the full time hours with another colleague.
- Multi-skilling may allow employees to gain more interesting and varied work.
- Zero hours contracts have allowed employers the freedom to cover busy periods with staff without having to pay for employees when they are not strictly necessary.

Credit any other valid argument.



<b>3 (b)</b>	<b>Evaluate the impact of increasingly flexible working patterns on employees and employers in Wales.</b>		
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	4 marks	8 marks	8 marks
<b>3</b>		<p><b>6-8 marks</b></p> <p>An excellent analysis of the importance of increasingly flexible working patterns.</p> <p>Key issues for both sides of the debate are discussed in detail.</p> <p>The analysis will be well balanced, well-developed and with a clear line of argument.</p>	<p><b>6-8 marks</b></p> <p>An excellent level of evaluation outlining the significance of increasingly flexible working patterns.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>Good understanding of increasingly flexible working patterns.</p> <p>Good range of flexible working patterns.</p>	<p><b>3-5 marks</b></p> <p>A good level of analysis of the importance of increasingly flexible working patterns.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p><b>3-5 marks</b></p> <p>A good level of evaluation outlining the significance of increasingly flexible working patterns.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgements are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited understanding of increasingly flexible working patterns.</p> <p>A limited number of flexible working patterns.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the importance of increasingly flexible working patterns.</p> <p>A limited number of issues are analysed.</p> <p>The analysis may focus on one side of the argument.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation outlining the significance of increasingly flexible working patterns.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of flexible working patterns.</p>	<p><b>0 marks</b></p> <p>No analysis of increasingly flexible working patterns.</p>	<p><b>0 marks</b></p> <p>No evaluation of increasingly flexible working patterns.</p>

## **Indicative content:**

### **Impact of changes on employers:**

- Flexible hours may reduce labour turnover and absenteeism. If employees can work flexibly around other activities such as childcare they may be less likely to leave leading to an experienced (and present) staff. This will increase productivity.
- Home working may be of benefit to employers as this reduces the need to provide office space and equipment for staff. Hot-desking may be employed more effectively leading to lower fixed costs as smaller less expensive offices may be acceptable.
- Part time and temporary employees can be used to cover peak periods. This will lead to an overall reduction in the staffing bill and higher capacity utilisation as staff are only present when required. Zero hours contracts are a more extreme version of this situation when staff are only asked to attend work, and be paid, when demand dictates an increase in the supply of labour.
- Job sharing may also be used as a method to maintain staff within the work place. Should, for example, a member of staff cover reception in the morning and another member of staff take over in the afternoon, this will cause no disadvantage to the business. However, in management positions, it is likely that this may lead to inconsistency and missed information in decision making. Inevitably, this could reduce efficiency.
- Multi-skilling may be a great aid to improving efficiency in the workplace. In an engineering company such as Toyota in Deeside it is likely that mechanical engineers are also trained to undertake basic electrical work. This will speed up their response in dealing with mechanical faults as there will be no need to wait for an electrician to make a connection or wire a simple plug. However, it may be that some employees attempt to carry out work in which they have not been fully trained. This may endanger other employees.

### **Impact of changes on employees.**

- Flexible hours may enable employees to carry out other activities around their work. Therefore, this will improve the work life balance of employees.
- Home working can be beneficial as this will reduce commuter times to busy cities such as Cardiff. As a result, the employee is able to spend more time being productive at work.
- Part-time work may be suitable for employees who have another central life interest. This will allow employees to carry out their other activity whilst still remaining in employment.
- Temporary work in holiday locations such as Conwy or Barry Island may be an ideal opportunity for casual employees such as students. This will allow employees to earn some income whilst on a break from their main activity such as college or university study. These skills could be useful in future longer term employment.
- Multi-skilling may be motivating to some employees as this enables them to carry out a range of activities during their working day.
- Zero hours contracts can be convenient for those who do not rely on a steady income. However, for employees needing to pay regular bills this can lead to increased stress due to the inability to achieve a consistent level of income.
- Hot-desking may be an imposition to staff. Without a base, the employee's feeling of routine is disrupted. As a result this can cause dissatisfaction for employees.

Credit any other valid argument.

<b>4 (a)</b>	<b>Describe the range of lean production practices which may be used by large scale manufacturers in Wales to reduce waste and improve productivity.</b>		<b>[10]</b>
<b>Band</b>	AO1	AO2	
	6 marks	4 marks	
<b>3</b>	<b>5-6 marks</b>		
	Excellent understanding of lean production as a means of reducing waste and improving productivity.		
<b>2</b>	<b>3-4 marks</b>		<b>3-4 marks</b>
	Good understanding of lean production as a means of reducing waste and improving productivity.		Good application of lean production as a means of reducing waste and improving productivity to business in Wales.  The candidate uses relevant content and data to develop and support their argument.
<b>1</b>	<b>1-2 marks</b>		<b>1-2 marks</b>
	Limited understanding of lean production as a means of reducing waste and improving productivity.		Limited application of lean production as a means of reducing waste and improving productivity to business in Wales.  The candidate response is mainly theoretical with the inclusion of some reference to the data.
<b>0</b>	<b>0 marks</b>		<b>0 marks</b>
	No understanding of lean production as a means of reducing waste and improving productivity.		No application of lean production as a means of reducing waste and improving productivity to business in Wales.

**Indicative content:**

- The kaizen (continuous improvement) approach allows employee involvement in decision making. Companies such as Toyota are likely to make attempts to engrain this philosophy in to their workforce. This will create small improvement which are likely to increase the efficiency of the organisation.
- Just-in-time systems will remove the need for buffer stock. This will be important for manufacturers as this will reduce the cost of storing expensive components such as car engines. In this way, capital will not be tied up in stock and could be used for further training or to implement employee's ideas.
- Cell production promotes teamwork. By organising work in cells, employees can share good practice and as a result increase efficiency in production.
- Time-based management is essential to manufacturers. As different parts of cars or engines can be worked on at different times, time-based management can drastically speed up production time and cut the cost of work-in-progress. For a manufacturer this will lead to a further reduction in capital tied up in work-in-progress.

Credit any other valid argument.

<b>4 (b)</b>	<b>Evaluate the impact of introducing lean production practices on businesses and their stakeholders.</b> [20]		
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	4 marks	8 marks	8 marks
<b>3</b>		<p><b>6-8 marks</b></p> <p>An excellent analysis of the importance and impact of lean production for businesses and their stakeholders.</p> <p>A wide range of issues analysed in relation to a range of stakeholders.</p> <p>The analysis will be well balanced, well-developed and with a clear line of argument.</p>	<p><b>6-8 marks</b></p> <p>An excellent level of evaluation outlining the importance and impact of lean production for businesses and their stakeholders.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments relating to a range of stakeholders.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>Good understanding of the importance and impact of lean production for businesses and their stakeholders.</p> <p>A clear understanding of the importance and impact of lean production for businesses and their stakeholders.</p>	<p><b>3-5 marks</b></p> <p>A good level of analysis of the importance and impact of lean production for businesses and/or their stakeholders.</p> <p>A number of issues analysed in relation to a range of stakeholders.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p><b>3-5 marks</b></p> <p>A good level of evaluation outlining the importance and impact of lean production for businesses and/or their stakeholders.</p> <p>The evaluation will include most of the key elements of lean production and stakeholders.</p> <p>Judgements are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited understanding of the importance and impact of lean production for businesses and/or its stakeholders.</p> <p>A limited number of factors or stakeholders.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the importance and impact of lean production for businesses and/or their stakeholders.</p> <p>A limited number of issues analysed in relation to a range of stakeholders.</p> <p>The analysis may focus on one side of the argument.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation outlining the importance and impact of lean production for businesses and/or their stakeholders.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the importance and impact of lean production for businesses and/or their stakeholders.</p>	<p><b>0 marks</b></p> <p>No analysis of the importance and impact of lean production for businesses and/or their stakeholders.</p>	<p><b>0 marks</b></p> <p>No evaluation of the importance and impact of lean production for businesses and/or their stakeholders.</p>

**Indicative content:**

- Lean production aims to maximise the production output whilst minimising inputs. This includes the use of just-in-time (JIT) stock control, kaizen, zero defects, time based management and simultaneous engineering. This depends on a motivated and well trained workforce.
- A business's shareholders will aim to increase their dividend pay-outs. Lean production aims to minimise production costs by aiming for zero defects. In doing so, the input cost is reduced in relation to output revenue. This will lead to an increase in the profit per item. As dividends are paid as a percentage of profits, lean production will help in the achievement of increasing profits. Therefore, lean production is important to shareholders in achieving their goal of higher dividends.
- A manager's primary objective is the achievement of departmental objectives. A production manager may be provided with the objective to increase productivity. Cell production is part of a lean production philosophy which allows workers to work in small teams in order to complete targets. As teamwork allows workers to share good practice and develop ideas this leads to productive efficiency gains. In turn, the best performing teams may be identified and used as a benchmark in order to set targets for other teams. As this can lead to productivity increases, lean production is vital to the development and achievement of departmental objectives for production managers.
- Additionally, the use of cell production within the lean production philosophy will allow employees to work together to achieve targets quickly and efficiently. As a result, the employees often work effectively in teams with little supervision, low absenteeism and low labour turnover (all signs of a motivated workforce). The benefit for teams is that, on average, pay rates per week have increased and staff often complete targets before the end of the week gaining more time at home with their families as an added bonus. Therefore, as cell production seems to create a motivated workforce with clear goals, it appears to be an important element in developing a motivated, productive workforce.
- JIT is a key element of lean production. Suppliers will want reasonable prices and regular custom from businesses. JIT is important to suppliers as the lack of buffer stock means manufacturers are reliant on regular supplies arriving on time. In order to secure good quality suppliers, firms may be willing to pay more than the minimum price for goods. In this way suppliers will be able to operate at reasonable profit margins with regular customers. However, this will put pressure on suppliers to ensure their business is ready to supply in order to meet manufacturer's needs. Should suppliers be unable to provide goods in time it may be that they lose customers. As suppliers may have only a few large customers, the loss of customers may put suppliers on the loss side of the break-even point. Therefore, whilst lean production can be a benefit to suppliers, it may also be a threat.
- Customers may see lean production as a benefit. The philosophy of reducing inputs whilst maximising outputs will lead to a reduction in the average unit costs of products. If the business decides to pass this cost saving directly on to the customer it will result in reduced prices for customers. Alternatively, it may be that the business places the extra contribution into improving the quality of the product. Either way, lean production can lead to the achievement of lower prices or higher quality of goods. Therefore, lean production can be of great benefit to customers.
- In relation to the local community, one of the key principles of lean production is the aim of zero waste. The local community will benefit from this as this will lead to a more efficient use of resources. With less waste being produced the outcome is likely to lead to a reduction of pollution for the environment. Therefore, lean production will be of benefit to the local community.
- However, as lean production means increasing efficiency, this may lead to redundancies at factories. As less employment will occur, this decreases the benefit to the local community of having manufacturers in their area. Therefore, it may mean that although the reduced pollution can be a benefit, the lack of employment opportunities may also raise problems.

- In relation to the government, a reduction of costs for a business will increase the contribution towards paying off fixed costs. This will in turn help to generate higher levels of profit. The government will generate income tax from company profits. Therefore, lean production will assist the government in generating higher tax revenue so that they can provide more public and merit goods for the country. As spending on education may increase, skill levels in the UK could help attract foreign businesses such as Toyota in setting up factories in Wales to supply cars to the EU. This would reduce unemployment and increase GDP. Therefore, lean production would be of significant benefit to the government achieving economic growth targets.
- In conclusion, it must be recognised that, in the short-term efficiency gains are likely to come at the cost of a reduced workforce. Therefore, this can be detrimental to local communities, potential or existing employees and government targets. Additionally, redundancies will have a cost to the company.
- However, in the long-term it would appear that lean production can offer benefits to all of the aforementioned groups of stakeholders as the efficiency gain will lead to quality and efficiency gains. Those remaining in employment are likely to benefit from more autonomy, higher wages and suitable team working arrangements.
- Price elasticity could be an overriding factor of the level of importance lean production has to play. As cost reductions can lead to the opportunity to lower prices, the customer's response to lower prices could be the deciding factor when considering whether to deal with the short-term costs of lean production.

Credit any other valid argument.