

# Mark Scheme (Results)

## June 2008

GCE

### GCE Business Studies (6125/02)

## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

## Unit 6125/02 - Business Planning Mark Scheme

The following should be used in conjunction with the skill criteria in each of the 4 assessment objectives.

ALL of these points are not necessary for higher marks; it is the skill identified in the generic criteria which matter most, eg 'critical understanding', 'distinguishes fact and opinion' etc.

### AO1 - Knowledge and Understanding

Essentially this objective is about:

1. How well the candidate has made use of the background information and the appendices provided (should make effective use of ALL FOUR to gain a Level 4) and

2. How effectively the candidate makes correct use of business terminology at advanced level with respect to the various aspects of business planning, eg

- Planning Process, such as aims, objectives, strategy, targets, development, monitoring and evaluation/self-review
- Marketing, such as unique selling point (USP), premium or competitive pricing, market segment, product development, shifts in supply, price elasticity of demand, use of branding, marketing mix, marketing plan and audit, market research methods
- Finance, such as budgeting, overtrading, return on capital employed (ROCE), debt and equity, liquidity, external and internal sources and methods of financing, long and medium term finance, exchange rates
- Production/Operations, such as capacity utilisation, operational efficiency, economies of scale, quality control, planning permission, minimum standards, ownership and control, legislation
- Human Resources, such as the nature of the job rotation, job enrichment, labour turnover rates, CPD/staff training and development, remuneration, leadership styles and motivation

## AO2 - Application

The business plan (with reference to at least 3 business activities/functional areas) MUST be present for candidates to achieve more than 10 marks. Candidates show that they are able to use business terminology in context through, eg

- SWOT and PEST analysis, which is used appropriately to the OVAC options, eg to compare the Ginny Farm option (Option 1) with Nepal centre (Option 2) in terms of need for and availability of finance, external constraints, internal constraints, economic climate, exchange rate fluctuations, staff requirements, marketing, economies of scale, etc
- Use of demand and supply analysis to show that the market for outward bound style centres is changing given changes in tastes and preferences (extreme sports fashion)
- Pricing policy could be applied, eg off-peak to less busy periods of the season, discounting and the Tour Operator deals examined, discounting for people booking longer stays, etc
- Should be able to apply payback and/or average rate of return given the basic investment data provided for Ginny Farm (Option 1). Identify that capital cost is £56 000 and so calculate ARR as 4.3% which is very commendable compared to typical returns on Stock Exchange, bank savings, government stock, etc.
- Might suggest how marketing could be developed to take into account different market segments, eg commercial clients and extreme sports youth market via appropriate website, hyperlinked.
- Political and economic differences between UK and Nepal may cause external constraints or different support to the proposed more ambitious, therefore risky overseas development.
- Fluctuations in exchange rates (eg from £1 = 140 NR to £1 = 120 NR) could make the cost of £20 000 increase, should the Nepal option be chosen
- Unique selling point applied to the notion that the OVAC is family-run, and provides 'unrivalled personal attention and the undivided attention of staff to guarantee a safe experience'
- Product differentiation, product development, product life cycle analysis, Boston Matrix, in relation to the range of activities offered and being introduced such as paintball, laser quest, quad biking, etc
- Ansoff Matrix expected to be applied - Market Penetration = Ginny Farm option Whereas Diversification = Nepal option

### AO3 - Analysis

Candidate shows that he/she is able to link ideas (eg consider cause and/or consequences) in context, identify limitations and suggest improvements to the data, eg

- Uses supply and/or demand analysis, eg applies positive shifts in supply (purchasing economies of scale as the Shropshire centre gets bigger for supplies such as detergent, petrol, canoes, etc) or applies the concept of income elasticity of demand given that there are more corporate clients. Consequently, prices may increase given the fuelled demand and the need to operate at full capacity
- Changes in fashion/tastes/preferences are very appropriate, given the changing nature of the leisure market and the relationship between centres like the OVAC and commercial enterprises to accommodate team building residentials, induction programmes, etc
- Referring to costs - both start-up costs are provided, but there may be other costs which could make a significant difference to the assessment, eg exchange rate fluctuations, legal fees, planning fees, relocation of staff costs (Nepal), staff training costs, extra maintenance costs (for the laser equipment and quad bikes), marketing and advertising costs, etc
- Questioning the actual validity of the Government's Manifesto - will it mean more business? Will the Government provide a subsidy or financial support? If so, what might be the effects?
- Noting the effect of Nepal on the motivation and CPD of staff. Will it lead to higher or lower labour turnover rates? If higher, then what might be the consequences for recruitment? Will a 'change of scene' provide sufficient job rotation/job enrichment to encourage staff loyalty?
- Planning permission assumed granted across both the business options; this may not be the case, particularly in Nepal
- Considering the likelihood of financial constraints? Where does the capital come from? Lenders? Charitable donations? Benefactors? Are Nepal and/or UK Local Authority or government Lottery grants likely to be accessed and available?
- Are there any other significant differences? For example, is the partnership with Gerry Moffatt going to cause a loss of profits? Will these profits be re-invested? Does Gerry Moffatt have sufficient business experience? Will his management style cause conflict?
- Is it sufficient to have one set of data for Investment Appraisal? How reliable is this? Can we trust Ernst and Young Senior Partner, Juliet Bain, to be accurate in her forecasts? We may need discount rates to take into account inflation and opportunity costs of capital, ie Nepal option
- Using fuel prices - carbon footprint trend - the trend towards green tourism may have an impact on decision ie option B.

## AO4 - Evaluation

Candidate is able to discuss information provided, present a validated conclusion and distinguish between fact and opinion, eg

- Do Anthony and Gerry know enough about the market in Nepal? Does it simply rely on visitors from the UK? Do they make use of travel agents?
- Are we to accept that Nicki is typical of the staff at OVAC? (Appendix 4) Other staff might not be ambitious and therefore a more prudent approach to growth, ie Ginny Farm, might actually be more appropriate. There may be the opinions and/or aspirations of other staff to consider (possibly those who have been at OVAC longer)
- The information in the fax from West Bromwich Building Society is rather 'personal' and possibly only one person's view, but does it guarantee a booking?
- Prices may go up next year given overcapacity; how will this affect demand? Is this response actually typical of all commercial clients? We may require other formal judgements
- There is no indication of whether the family really runs the Shropshire centre as we are told about Bill and Nicki, which may affect its USP. As the centre expands this USP may be lost given new staff with appropriate skills for quad biking, laser quest, horse riding eg Stephanie
- The OVAC has been around for 21 years which suggests that they enjoy a significant amount of customer loyalty; by developing a site in Nepal the OVAC may lose its personal touch as staff are redeployed and benefit from CPD, which may cause staff to move to other companies in the same market and clients to switch from OVAC to other activity centre in Shropshire, etc
- A typical conclusion may suggest that there really is insufficient data to make an accurate and prudent decision given the amounts of money involved and the livelihoods of those affected, particularly the current staff
- Manifesto (Appendix 3 Guardian Unlimited) provides a 'series of pledges' - therefore no guarantee that the support will be there from Alan Johnson - who is in fact no longer part of Education team (now NHS) outdated - 2006.