



Cambridge International Examinations
Cambridge Pre-U Certificate

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BUSINESS AND MANAGEMENT (PRINCIPAL)

9771/01

Paper 1 Business Concepts

For Examination from 2016

SPECIMEN MARK SCHEME

2 hours 45 minutes

MAXIMUM MARK: 100

The syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 3 Pre-U Certificate.

This document consists of **10** printed pages.



CAMBRIDGE
International Examinations

Section 1

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Section 2

21 (a) Calculate for the Midway Line improvement project:

(i) payback period [1]

payback period = 3 years (1 mark)

(ii) net present value using a discount rate of 10%
(Appendix 2 gives the discount factors.) [3]

Year	Next cash flow £ m	D factor	DCF	Marks
0	(10)	1	(10)	
1	2	0.91	1.82	
2	4	0.83	3.32	
3	4	0.75	3.0	
4	6	0.68	4.08	
5	7	0.62	4.34	1 mark for some attempt 2 marks for all DCF calculations
		net present value	£6.56 m	3 marks (even if no clear working)

(b) Briefly assess the importance of these results to WCT's management when taking the investment decision. [6]

	Knowledge AO1 1 mark	Application AO2 1 mark	Analysis AO3 2 marks	Evaluation AO4 2 marks
Level 1	1 mark Some knowledge of IA results.	1 mark Some application to case.	1–2 marks Some reasoning or use of theory to explain answer.	1–2 marks Some judgement shown.
Level 0	No rewardable response.			

Answers could include:

- Results are both positive for the project – especially if the franchises are increased to 15 years and interest rates remain low.
- Relatively rapid payback allows for reduced risk and capital to be reinvested.
- Positive NPV means the project makes a return on the investment after taking the time value of money into account.
- Evaluation might include: forecasted cash flows need to be treated with caution – especially with possible changes in Government economic policy and uncertainty over the impact of refurbishment (and promotion) on passenger numbers. Other qualitative and quantitative factors will need to be considered.

22 Evaluate the extent to which ‘an effective workforce plan will be the crucial factor determining the success of this project’. (Lines 36–37)

[10]

	Knowledge AO1 2 marks	Application AO2 2 marks	Analysis AO3 3 marks	Evaluation AO4 3 marks
Level 2	2 marks Good understanding of workforce planning/plan.	2 marks Well applied to case.	3 marks Relevant reasoning or use of theory to explain answer.	3 marks Good judgement shown on the relative importance of a workforce plan.
Level 1	1 mark Some understanding of workforce planning/plan.	1 mark Some application to the case, e.g. need for staff audit, redundancies or repositioning of staff, additional drivers etc.	1–2 marks Some use of relevant reasoning or use of theory to explain answer.	1–2 marks Some evaluation shown on the importance of a workforce plan.
Level 0	No rewardable response.			

Answers could include:

- Definition: plan for staffing needs and skill requirements – staff audit, compare audit to needs, forecast future staff requirements based on demand for train services.
- It is likely to be very important in this case:
 - some station staff not required – consider whether they can be ‘recycled’ in other internal positions
 - need to keep trade union informed of planning process
 - customer service still important – government performance standards
 - additional drivers and conductors
 - need to consider flexible contracts – pros and cons of these.
- Evaluation might include:
 - human resources aspect of the refurbishment project is clearly of great importance – but during periods of high unemployment, perhaps redundancies and flexible contracts might both be accepted by workforce and trade union
 - other issues important too: quality of station refurbishment and lack of staffing might reduce passengers’ sense of security despite the CCTVs etc.; promotion of the project is also going to be very significant.

23 Recommend and justify an appropriate promotion strategy for the Midway Line after the investment is completed.

[10]

	Knowledge AO1 2 marks	Application AO2 2 marks	Analysis AO3 3 marks	Evaluation AO4 3 marks
Level 2	2 marks Good understanding of promotion strategy or methods of promotion.	2 marks Well applied to case.	3 marks Relevant reasoning or use of theory to explain answer.	3 marks Good judgement shown on the recommended promotion strategy.
Level 1	1 mark Some understanding of promotion strategy or methods of promotion.	1 mark Some application to the case, e.g. previous AED evidence not encouraging; need to increase awareness and desire.	1–2 marks Some use of relevant reasoning or use of theory to explain answer.	1–2 marks Some evaluation shown on the type of promotion strategy to be used.
Level 0	No rewardable response.			

Answers could include:

- Definition of promotion strategy: plan for promotional activities.
- Any strategy needs objectives and adequate budget – reward answers that limit promotion strategy with these constraints.
- Promotion strategy in this case – to increase awareness and increase train journeys from current non-train users by adopting appropriate above- and below-the-line tactics.
- Award marks for relevant use of AIDA and DAGMAR models.
- Use past results of previous promotional campaigns to inform strategy.
- Evaluation might include: need to know more about target consumers in this case (age, income etc.) before making definite promotion decisions; above the line may be less effective than below-the-line, e.g. PR or special offers, in this case; promotion strategy also depends on pricing strategy – more information about this needed too. Promotion needs to blend in with the rest of the marketing strategy.

24 Discuss the likely impact of possible changes in Government policy on the profitability of Train Operating Companies such as WCT.

[10]

	Knowledge AO1 2 marks	Application AO2 2 marks	Analysis AO3 3 marks	Evaluation AO4 3 marks
Level 2	2 marks Good understanding of Government policy changes.	2 marks Well applied to case.	3 marks Relevant reasoning or use of theory to explain answer.	3 marks Good judgement shown on the possible impact of government policy changes.
Level 1	1 mark Some understanding of Government policy changes.	1 mark Some application to the case, e.g. length of franchise licence/ performance standards.	1–2 marks Some use of relevant reasoning or use of theory to explain answer.	1–2 marks Some evaluation shown of the impact of government policy changes.
Level 0	No rewardable response.			

Answers could include:

- Knowledge: no definition required or expected but candidates may list Government policies or explain, e.g. fiscal policy.
- Several possible changes:
 - franchise policy – if extended, then this makes competition less and could allow for higher prices/profits and long-term investment becomes worthwhile – should increase profits of Train Operating Companies (TOCs) and make investments such as Midway Line more likely
 - passenger standards policy – could be tightened (or relaxed), which might reduce profits as more has to be spent on improving standards (or in reverse)
 - fiscal policy – deflationary policy is reducing disposable incomes, which could reduce demand for train travel – consider whether train travel is an inferior good or not
 - monetary policy (strictly Bank of England but accept here too) – if interest rates are raised then discretionary incomes will fall and leasing charges might rise – TOC profits could fall.
- Evaluation might include: other factors will influence profits too, e.g. fare rises compared to cost increases, demand for car travel. The impact of Government policy changes depends on 'direction' of change, extent and duration.

Section 3

25 “The only brands that will be big in the future will be those that tap into the social changes that are taking place.” (Sir Michael Perry, Chairman of Centrica plc.)

Discuss the extent to which you agree with this statement.

[40]

	Knowledge AO1 6 marks	Application AO2 8 marks	Analysis AO3 13 marks	Evaluation AO4 13 marks
Level 3		7–8 marks Excellent application of most points to selected businesses.	9–13 marks Extensive reasoning and use of theory to explain arguments.	9–13 marks Extensive, high-quality judgement shown.
Level 2	4–6 marks Good knowledge/ understanding shown.	4–6 marks Points well applied to selected businesses.	5–8 marks Good reasoning/use of theory to explain answer.	5–8 marks Good judgement shown.
Level 1	1–3 marks Some knowledge/ understanding shown.	1–3 marks Some application of points.	1–4 marks Some reasoning/use of theory to explain answer.	1–4 marks Some judgement shown.
Level 0	No rewardable response.			

Answers could include:

- Definition of brand/branding/social changes.
- Social changes include ageing population, immigration, female participation rate in workforce, growth of single households, growth of social networking sites (Allow a wide interpretation of social changes, e.g. society’s attitude towards environmental and ethical issues is acceptable too.)
- How brands develop and how they might appeal to different groups in society.
- Problems for some brands if they do not take social changes into account.
- How brands can benefit from responding to social changes – increased demand, increased exploitation of niche markets that are created by the fragmentation of society, taking advantage of viral marketing through networking sites, e.g. films.
- Evaluation might include:
 - Are some brands timeless and classless? (so questioning the ‘only’ in the title above)
 - Might the cost of adapting brands to meet social changes outweigh the benefits?
 - Might brand equity be lost through too many changes of style/substance.

26 Increased globalisation has led to substantial increases in world trade, reductions in trade barriers and freer movement of capital and people.

In the light of these developments, discuss how UK businesses might achieve competitive advantage within the industry in which they operate. [40]

	Knowledge AO1 6 marks	Application AO2 8 marks	Analysis AO3 13 marks	Evaluation AO4 13 marks
Level 3		7–8 marks Excellent application of most points to selected businesses.	9–13 marks Extensive reasoning and use of theory to explain arguments.	9–13 marks Extensive, high-quality judgement shown.
Level 2	4–6 marks Good knowledge/ understanding shown.	4–6 marks Points well applied to selected businesses.	5–8 marks Good reasoning/use of theory to explain answer.	5–8 marks Good judgement shown.
Level 1	1–3 marks Some knowledge/ understanding shown.	1–3 marks Some application of points.	1–4 marks Some reasoning/use of theory to explain answer.	1–4 marks Some judgement shown.
Level 0	No rewardable response.			

Answers could include:

- Definition or understanding of competitive advantage or further development of the process of globalisation.
- Globalisation creates both threats – foreign takeovers, increased competition at home and overseas, competition for best staff – as well as opportunities – foreign markets, employing foreign staff, outsourcing.
- Importance of competitive advantages in a globalised market place.
- UK businesses might go for ‘low cost’ advantages by outsourcing and trying to compete with producers from emerging market economies.
- Pros and cons of this approach.
- Others might adopt a ‘differentiated product (or customer service)’ approach.
- Pros and cons of this approach.
- Different strategies would seem to be appropriate for different types of business/product – needs to be supported by examples.
- Evaluation might include: no single strategy is appropriate for all businesses; only those firms that are not directly affected by foreign competition might not need to adopt new strategies, e.g. locally provided consumer services. Some businesses may lose credibility if they opt for low cost competitiveness. Some ‘quality brand’ businesses may also face a squeeze as emerging market producers start to focus on upmarket products.

27 Three barriers to change within an organisation are lack of employee involvement, poor communication and unwillingness to accept new culture.

Evaluate how businesses undergoing significant change might overcome these barriers.
[40]

	Knowledge AO1 6 marks	Application AO2 8 marks	Analysis AO3 13 marks	Evaluation AO4 13 marks
Level 3		7–8 marks Excellent application of most points to selected businesses.	9–13 marks Extensive reasoning and use of theory to explain arguments.	9–13 marks Extensive, high-quality judgement shown.
Level 2	4–6 marks Good knowledge/ understanding shown.	4–6 marks Points well applied to selected businesses.	5–8 marks Good reasoning/use of theory to explain answer.	5–8 marks Good judgement shown.
Level 1	1–3 marks Some knowledge/ understanding shown.	1–3 marks Some application of points.	1–4 marks Some reasoning/use of theory to explain answer.	1–4 marks Some judgement shown.
Level 0	No rewardable response.			

Answers could include:

- Explanation of significant or transformational change.
- Reasons for resistance to change and the consequences of this.
- Analysis of how even significant change can be introduced and managed effectively – referring to how the three barriers in the title might be overcome.
- Employee involvement – through trade unions or employee shareholder schemes or quality circles or works councils etc.
- Improved communication – during the planning of change not just the final decision. Need for two-way communication.
- Cultural change – may need to explain why change is necessary, change mission/vision statements, change ethical code, even change senior staff in order to change culture effectively in the organisation.
- Evaluation might include: success might depend on the size and nature of the business; the extent and nature of the change, the style of leadership and the level of trust that exists. Change likely to become a bigger feature of business activity in future – need for effective change management/leadership will increase with it, so businesses need to develop an effective strategy to cope with it.

28 “Time waste differs from material waste in that there can be no salvage. The easiest of all wastes and the hardest to correct is the waste of time, because wasted time does not litter the floor like wasted material”. (Henry Ford)

Evaluate the importance to business success of reducing waste.

[40]

	Knowledge AO1 6 marks	Application AO2 8 marks	Analysis AO3 13 marks	Evaluation AO4 13 marks
Level 3		7–8 marks Excellent application of most points to selected businesses.	9–13 marks Extensive reasoning and use of theory to explain arguments.	9–13 marks Extensive, high-quality judgement shown.
Level 2	4–6 marks Good knowledge/ understanding shown.	4–6 marks Points well applied to selected businesses.	5–8 marks Good reasoning/use of theory to explain answer.	5–8 marks Good judgement shown.
Level 1	1–3 marks Some knowledge/ understanding shown.	1–3 marks Some application of points.	1–4 marks Some reasoning/use of theory to explain answer.	1–4 marks Some judgement shown.
Level 0	No rewardable response.			

Answers could include:

- Definition or explanation of lean production or other waste reduction concepts.
- Explanation of the causes of waste: too many inventories, products too long in development; lack of simultaneous engineering; time wasted for materials or goods to arrive; wasted time through lack of efficient working and other examples.
- Reference to the Toyota-influenced lean production techniques.
- Consequences of waste: higher costs, capital tied up in inventories or unnecessarily large premises; new products slow to market, loss of competitiveness and others.
- Analysis of how lean production and waste management policies can overcome these problems
- Evaluation might include: the importance of reducing waste and introducing lean production techniques might depend on the nature of the industry/product/service. Are the techniques as applicable in service industries as they are in manufacturing? Will the low waste/lean production business always gain such a competitive advantage that the success of other businesses is put at risk.