



BUSINESS MANAGEMENT

9771/01

Paper 1 Business Concepts

May/June 2017

MARK SCHEME

Maximum Mark: 100

Published

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

Section 1

Question	Answer	Marks
1	B	20
2	B	
3	D	
4	C	
5	D	
6	A	
7	C	
8	C	
9	A	
10	B	
11	B	
12	D	
13	C	
14	C	
15	A	
16	C	
17	A	
18	C	
19	C	
20	D	

Section 2

Question	Answer	Marks																					
21(a)(i)	<p>Refer to Tables B and C.</p> <p>Calculate the payback period for the new ride.</p> <p>Some understanding (1 mark) Correct answer (2 marks)</p> <p>2 years 1.3 months (accept 2 years 2 months)</p>	2																					
21(a)(ii)	<p>Calculate the net present value for the new ride.</p> <p>Some understanding (1 mark) Correct answer (2 marks)</p> <table border="1" data-bbox="384 815 1243 1200"> <thead> <tr> <th>Year</th> <th>Net cash flows £m</th> <th>Discounted cash flows £m</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>(2.0)</td> <td>(2.0)</td> </tr> <tr> <td>1</td> <td>0.95</td> <td>0.8645</td> </tr> <tr> <td>2</td> <td>0.95</td> <td>0.7885</td> </tr> <tr> <td>3</td> <td>0.95</td> <td>0.7125</td> </tr> <tr> <td>4</td> <td>0.95</td> <td>0.646</td> </tr> <tr> <td>5</td> <td>0.95</td> <td>0.589</td> </tr> </tbody> </table> <p>NPV = £1.6005m (accept 1.6)</p>	Year	Net cash flows £m	Discounted cash flows £m	0	(2.0)	(2.0)	1	0.95	0.8645	2	0.95	0.7885	3	0.95	0.7125	4	0.95	0.646	5	0.95	0.589	2
Year	Net cash flows £m	Discounted cash flows £m																					
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Question	Answer		Marks									
21(b)	<p>Evaluate the usefulness of your results to (a) to the directors of CRH when deciding which investment project to choose.</p> <table border="1" data-bbox="316 349 1315 600"> <thead> <tr> <th data-bbox="316 349 421 398">Level</th> <th data-bbox="426 349 863 398">Analysis 3 marks</th> <th data-bbox="868 349 1315 398">Evaluation 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 405 421 512">2</td> <td data-bbox="426 405 863 512">3 marks: Relevant reasoning or theory used to explain answer</td> <td data-bbox="868 405 1315 512">3 marks: Good judgement shown plus overall conclusion/judgement</td> </tr> <tr> <td data-bbox="316 519 421 600">1</td> <td data-bbox="426 519 863 600">2–1 marks: Limited reasoning shown</td> <td data-bbox="868 519 1315 600">2–1 marks: Limited evaluation or judgement</td> </tr> </tbody> </table> <p>Answers could include:</p> <ul data-bbox="316 674 1315 1263" style="list-style-type: none"> • Focus on results: Payback shorter and higher NPV with the new ride – so this looks the better investment. • Shorter payback may reduce risk/interest payments and frees up capital quicker for other investment. • Higher NPV means that after accounting for the time value of money the financial return on the new ride is higher BUT is also costs more so ARR could actually be lower. • Focus on other factors: Quantitative results are significant in a decision such as this but – • Accuracy of forecasts? Has management of CRH got the experience to be sure of these forecasts? • Life expectancy estimates – how accurate? • Is 10% discount factor appropriate? • Other factors – which would be considered more important by customers? Health and safety reports on existing rides – if these are negative then perhaps a new ride is essential for the park to stay open at all. 		Level	Analysis 3 marks	Evaluation 3 marks	2	3 marks: Relevant reasoning or theory used to explain answer	3 marks: Good judgement shown plus overall conclusion/judgement	1	2–1 marks: Limited reasoning shown	2–1 marks: Limited evaluation or judgement	6
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1	2–1 marks: Limited reasoning shown	2–1 marks: Limited evaluation or judgement										

Question	Answer					Marks
	For use with questions 22, 23 and 24					
	Level	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks	
	2	2 marks: Good knowledge shown	2 marks: Points made well applied to case	3 marks: Relevant reasoning or theory used to explain answer	3 marks: Good judgement shown plus overall conclusion/ judgement	
	1	1 mark: Some knowledge shown	1 mark: Some application to points of case	2–1 marks: Limited reasoning shown	2–1 marks: Limited evaluation or judgement	
	0	0 marks: No rewardable content				
22	<p>Discuss a suitable marketing plan for EWA assuming the ‘new ride’ investment is chosen.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • Marketing plan – detailed report on a business’s marketing strategy – objective, budget, marketing tactics (mix) • Objective: Market segment being aimed for? This will influence much of the marketing mix • Budget: How much is available and/or required to help achieve the marketing objective? Much will depend on the forms of promotion to be used • Mix: Needs to be very different from the marketing of the CRH hotels. Price – competitive? But how does the overall experience of EWoA compare to similar parks? Other pricing methods? • Promotion – need to inform public (target market?) of the new ride – may need to offer incentives to encourage first time visitors or visitors who have only visited once • Place – sell tickets online or just at the gate? • Product – what else needs to be changed/improved to support the image created by the new ride? <p>Evaluation:</p> <ul style="list-style-type: none"> • Mix needs to be integrated and focused on appropriate target market • Marketing objective needs to be realistic and supported by appropriate budget and tactics 					10

Question	Answer	Marks
23	<p>Evaluate the importance of workforce planning to the future success of the EWA theme park.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • Assessing the future workforce needs – number, skill levels, training etc. – of an organisation. • Poor employee measures – labour turnover and customer satisfaction in particular • Perhaps caused by too few workers/poorly trained (short training period) • Workforce planning would help here – but perhaps it is a problem for the industry? • Use of hotel staff in short term – but is this a good idea? <p>Evaluation:</p> <ul style="list-style-type: none"> • Important but is it the most important factor? • Perhaps not in this industry – product (rides) and price might be much more important • But safety is a key issue – couldn't this be improved with better workforce planning? 	10
24	<p>Assess the potential for the adoption of lean production within CRH, a service based business.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • Lean production – using production resources more efficiently • Principles/techniques of lean production: • Avoiding over production – e.g. spare capacity in hotels/wasted food which is prepared but not sold. Match production to demand? • Cutting inventories e.g. expensive wines (opp. cost); perishable foods. Just-in-time? • Avoiding defects e.g. poorly cleaned rooms; meals not up to standard. Quality assurance to be built in? • Other approaches possible e.g. discussion of Kaizen etc. <p>Evaluation:</p> <ul style="list-style-type: none"> • Lean production not just applicable to manufacturing • How easy/important is it to introduce the principles/techniques in a service based industry 	10

Section 3

Question	Answer				Marks	
For use with questions 25, 26, 27 and 28						
	Level	Knowledge 6 marks AO1	Application 8 marks AO2	Analysis 13 marks AO3	Evaluation 13 marks AO4	
	3		8–7 marks: Excellent application of most points to selected businesses	13–9 marks: Extensive reasoning and use of theory to explain arguments	13–9 marks: Extensive judgement in answer and conclusion	
	2	6–4 marks: Good knowledge shown	6–4 marks: Points well applied to selected businesses	8–4 marks: Good reasoning/use of theory to explain answer	8–4 marks: Good judgement shown in answer and conclusion or excellent judgement in answer or conclusion	
	1	3–1 marks: Some knowledge shown	3–1 marks: Some application of points	3–1 marks: Some reasoning /use of theory to explain answer.	3–1 marks: Some judgement shown in answer or conclusion	
	0	0 marks: No rewardable content				

Question	Answer	Marks
25	<p>Evaluate the usefulness of the published accounts of public limited companies.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • May consider the question by assessing usefulness to different stakeholder groups. • Shareholders: profit/dividends/security of investment/prospects/plans – helps with decisions such as sell shares/buy more shares. • Banks: liquidity/plans – helps with decisions such as extend loans/security for loans/interest rates to be charged. • Used by other businesses for inter-firm comparison purposes. • Accounts provide an insight into the performance of the business over last 12 months and its current financial position. • Ratios can be calculated and compared with other similar businesses and past time periods. <p>Evaluation:</p> <ul style="list-style-type: none"> • Out of date as soon as published. • Not as detailed or useful as management accounts. • Only financially measurable items are included. • Inter-firm comparisons might be limited due to use of different accounting practices. • Window dressing e.g. Tesco. • Accounts might not reflect how profit was made e.g. unethical practices such as HSBC tax dodging services. • VW accounts before the ‘defeat device’ crisis were misleading regarding the future value of the business. 	40

Question	Answer	Marks
26	<p>‘There are only two ways in which to establish competitive advantage: do things better than others or do them differently’ – Karl Albrecht</p> <p>To what extent does the competitiveness of any business depend on its Operations Management?</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • Meaning of competitive advantage e.g. Porter • Responsibilities of Ops. Man. department/director • Examples of businesses with competitive advantage – were these achieved through differentiation? • Importance of R and D, new technology and new service processes in establishing differentiation advantage – how can Ops Man help in this? • Doing things better – does this mean at a lower cost (cost leadership)? Productivity/training/efficiency – how can Ops Man help in this? <p>Evaluation:</p> <ul style="list-style-type: none"> • Is competitiveness only achieved through Ops Man? • Quality of market research – producing goods wanted by consumers must influence competitiveness • Other marketing strategy effects on competitiveness? • Does the importance of Ops Man depend on the nature of the business and the good/service being provided? 	40
27	<p>‘A satisfied customer is the best business strategy of all.’ (Michael LeBeouf)</p> <p>Discuss the most effective ways businesses can achieve and maintain customer satisfaction.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • Customer satisfaction – measured by social media responses; replies to surveys, customer loyalty – so CRM is important • Need to establish what satisfies customers in each case – Quality? Price? Value for money? Excellent service? Only by finding out what customers want can they be satisfied effectively. • CRM is increasingly being used and is vital as the cost of attracting new customers is often high <p>Evaluation:</p> <ul style="list-style-type: none"> • Methods used may vary from industry to industry and depending on customer expectations • It could also be argued that customer satisfaction is the same in all cases – meeting expectations, listening to and responding to customers. 	40

Question	Answer	Marks
28	<p>In 2015 the newly elected UK government pledged to eliminate its budget deficit within 5 years. This is to be achieved despite cutting taxes on both low paid workers and corporate profits. Evaluate the likely impact on UK businesses of these government economic policies.</p> <p>Answers could include:</p> <ul style="list-style-type: none"> • Reducing large government deficit – largely by cutting government spending. • May reduce aggregate demand – and therefore impact on demand for goods and services produced in UK. • Likely to affect businesses that supply government departments most e.g. defence, IT, construction businesses. • If job losses in the public sector result than from these changes then the demand for many consumer goods and services will fall too. • Lower taxes will have opposite effect – lower corporation tax likely to encourage investment, raise dividend payments, lead to further FDI. • Lower tax on lower paid will increase work incentives and supply of labour – as well as increasing disposable incomes of this group. <p>Evaluation</p> <ul style="list-style-type: none"> • Depends on the goods/services being produced. • If business is mainly export focused the impact could be small. • Overall impact of ‘austerity’ depends on other components of aggregate demand too e.g. consumption and exports (especially events in the eurozone). • Relative size of government spending reductions and reduced taxes is important – as well as the time scale over which these changes will be made. 	40