

**GCE**

**New Business**

**H431/02: The UK business environment**

A Level

**Mark Scheme for June 2022**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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**PREPARATION FOR MARKING ON RM ASSESSOR**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 6 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

**MARKING**

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.

**5. Crossed Out Responses**

Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

**Contradictory Responses**

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

**Short Answer Questions** (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

**Short Answer Questions** (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

**Longer Answer Questions** (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
  - there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**  
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.


















9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response:

- a. **To determine the level** – start at the highest level and work down until you reach the level that matches the answer
- b. **To determine the mark within the level**, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

## 11. Annotations

	Blank page
	Tick
	Cross
	Highlighting tool
	Not answered question
	Own Figure Rule – mark awarded
	Benefit of Doubt
	Repeat (of previously rewarded material or the question)
	Noted but no credit given
	Too vague/No use of context
	Unclear what is meant
	Knowledge
	Application (of knowledge and understanding)
	Analysis
	Developed Analysis
	Evaluation
	Effective evaluation

**EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION**

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

**[Questions 1-7 & 9 should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 8 & 10-14.]**

**IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.**

**ARA** – Any Reasonable Answer - Where ARA is indicated within the Guidance column for any item on this mark scheme, examiners must accept any reasonable answer that in their professional opinion is as worthy of merit as those indicated on the final mark scheme. However, examiners should liaise with their Team Leaders/Principal Examiner wherever there remains any doubt as to whether or not a response (or part-response) should be awarded.

**Subject-specific Marking Instructions****INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

## Levels of response – Level descriptors

	Knowledge and understanding/ Application	Analysis	Evaluation
<b>Strong</b>		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
<b>Good</b>	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
<b>Reasonable</b>	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
<b>Limited</b>	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these marks.

The descriptions in each level of response question in this mark scheme describe a typical response at the top of that level.



**USING THE MARK SCHEME**

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited.

Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

**INSTRUCTIONS TO EXAMINERS:****A INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

**B TOTAL MARKS**

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

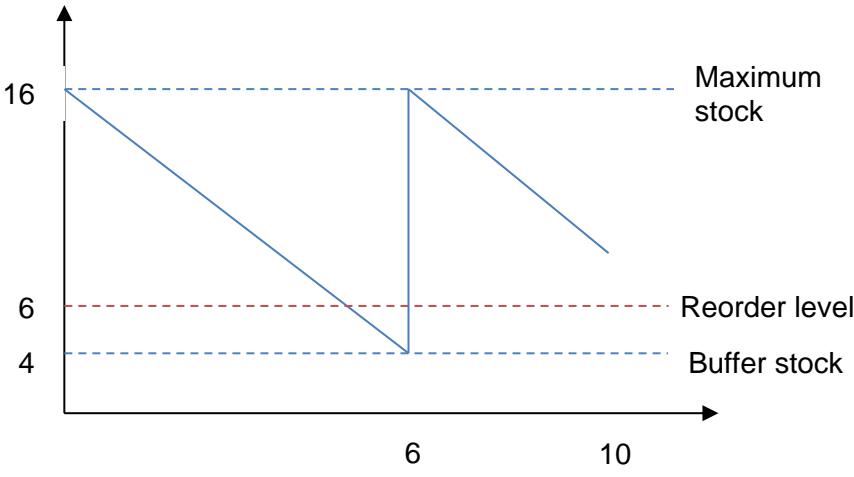
Answer		Marks	Guidance
1	<p><b>Labour is a factor of production.</b> <b>Explain two other factors of production.</b></p> <p>1 mark for each correct factor up to a maximum of 2, plus a further 1 mark for each of 2 developmental points.</p> <p>The 2<sup>nd</sup> mark in each case is for an explanation or example of the factor, rather than a characteristic.</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Three possible answers:</p> <ul style="list-style-type: none"> <li>Land (1) – any natural resource (1), where the factory is built (1)</li> <li>Capital (1) – the tools/machinery/equipment/buildings used by a business (1) [No reward for money/finance]</li> <li>Enterprise/Entrepreneur (1) – the hiring and/or organising of the other factors of production (1) the risk taker (1)</li> </ul> <p><b>NB:</b> Do not reward Labour as a factor of production</p> <p>Do not accept 'raw materials' as an example of land</p> <p>If the factor of production is not named, then no reward can be given to the explanation.</p>
2	<p><b>Identify two methods of selection a business could use when employing a new member of staff.</b></p> <p>1 mark for each correct answer, up to a maximum of 2 marks.</p>	<p><b>2</b> (AO1 2)</p>	<p>Methods include:</p> <ul style="list-style-type: none"> <li>Application forms</li> <li>Curriculum Vitae (CV)</li> <li>Screening/shortlisting</li> <li>Testing (e.g., psychometric)</li> <li>Interview</li> <li>(Work) trial</li> <li>References</li> <li>Letter of application</li> <li>Role play/simulations/team activities/assessment</li> <li>(Group) presentations</li> </ul> <p>Make sure the two methods are different</p> <p><b>No reward</b> for methods of recruitment.</p> <p><b>No reward</b> for 'focus groups'</p> <p style="text-align: right;"><b>ARA</b></p>

Answer		Marks	Guidance
3	<p><b>State what is meant by a ‘stepped fixed cost’.</b></p> <p>2 marks for clear knowledge of the term ‘stepped fixed cost’.</p> <p>1 mark for some idea of the term</p> <p>A correct example (or diagram) should be rewarded full marks</p>	<p><b>2</b> (AO1 2)</p>	<p><b><u>Exemplar responses</u></b></p> <p>A cost which is constant over a low-level shift in activity, but which changes <u>incrementally</u> when activity shifts substantially. (2) Costs that are constant for a given level of activity but increase or decrease once a threshold is crossed. (2)</p> <p>A cost which is only fixed in the short term (1) They occur when companies breach the limits of their fixed cost structure (1)</p> <p>“They are fixed costs which can change” is <b>TV</b></p> <p>No reward for answers which are only referring to fixed costs (and/or how they might change as <u>output</u> changes)</p> <p><b>ARA</b></p>
4	<p><b>State two characteristics of a public sector organisation.</b></p> <p>1 mark for each correct answer, up to a maximum of 2 marks.</p>	<p><b>2</b> (AO1 2)</p>	<p>Possible answers include:</p> <ul style="list-style-type: none"> <li>• Run/owned/operated by central/local government</li> <li>• Paid for via taxation</li> <li>• Provides essential services to the public</li> <li>• Objectives different from the private sector (e.g., benefit the community)</li> <li>• Quality of service likely to be important</li> <li>• Not profit making</li> </ul> <p>Make sure the two answers are different</p> <p>No reward for examples, such as NHS, without any reference to the public service element</p> <p>No reward for charities (third sector)</p> <p><b>ARA</b></p>

	Answer	Marks	Guidance
5	<p><b>Explain one advantage and one disadvantage to a business of using contingency planning.</b></p> <p>1 mark for an advantage, plus a further 1 mark for a developmental point.</p> <p>1 mark for a disadvantage, plus a further 1 mark for a developmental point.</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Advantages include:</p> <ul style="list-style-type: none"> <li>• Reduces costs/time/risk in the future (1) – as it may prevent a crisis from happening (1)</li> <li>• Helps to identify ‘worst case scenarios’ (things which may go wrong) (1) – this will minimise them from happening (1)</li> <li>• Can reassure stakeholders you are aware of risks (1) – it will minimise any impact on these stakeholders (1)</li> <li>• Managers will not need to spend as much time ‘firefighting’ (1) – as there will be a plan in place to operate the business normally (1)</li> <li>• Allows business to react quickly to a crisis (1) – to reduce the impact on the business (1)</li> <li>• May prevent/minimise an extreme situation (1) – by doing the planning systems may be put in place to aid prevention (1)</li> </ul> <p>Disadvantages include:</p> <ul style="list-style-type: none"> <li>• Can take a lot of time to carry out (1) – which distracts managers from their normal work (1)</li> <li>• Opportunity cost (1) – which may affect the operation/profits of the business (1)</li> <li>• Time is spent on something which may never happen (1) – this may be seen as an unnecessary cost (1)</li> <li>• Only as good as the risk assessments made (1) – if they are not a true reflection of the business’ situation (1)</li> </ul> <p><b>NB:</b> Ensure the answer is about <u>contingency</u> planning rather than just planning</p> <p style="text-align: right;"><b>ARA</b></p>

Answer		Marks	Guidance																
6	<p><b>Calculate the cross elasticity of demand between apples and bananas. Show your workings.</b></p> <p>3 marks for correct answer (with or without workings).</p> <p>1 mark for correctly identifying the formula (maybe implied by correct working or setting out). <b>NB:</b> It MUST be clear that the demand and price are for <u>different</u> products</p> <p>1 mark for calculating % change in price of apples (12.5%)</p>	<p><b>3</b> (AO1 1) (AO2 2)</p>	<p>XED = % change in demand (bananas)/% change in price (apples) <b>[1]</b></p> <p>= <u>5%</u> 12.5% <b>[1]</b></p> <p>= <u>0.4</u> <b>[1] [OFR]</b></p> <p>Any answer with a percentage sign, £ sign, apples/bananas, or a negative sign scores a maximum of 2 marks</p>																
7	<p><b>Complete the budget statement by filling in the unshaded boxes.</b></p> <p>1 mark for each correct answer (no £ sign required)</p> <p><b>NB:</b> The mark for sales revenue variance <u>must</u> contain BOTH the correct number and an indication it is adverse.</p>	<p><b>3</b> (AO1 2) (AO2 1)</p>	<table border="1"> <thead> <tr> <th></th><th>Budget</th><th>Actual</th><th>Variance</th></tr> </thead> <tbody> <tr> <td>Sales revenue</td><td>£25 000</td><td>£20 000</td><td><b>£5 000 Adverse (1)</b></td></tr> <tr> <td>Labour costs</td><td><b>£9 000 (1)</b></td><td>£7 000</td><td>£2 000 Favourable</td></tr> <tr> <td>Overheads</td><td>£4 500</td><td><b>£6 000 (1)</b></td><td>£1 500 Adverse</td></tr> </tbody> </table> <p>Reward the number entered into the relevant unshaded box. If there is no number in the box, then the working area may be checked for a <u>named</u> correct answer.</p>		Budget	Actual	Variance	Sales revenue	£25 000	£20 000	<b>£5 000 Adverse (1)</b>	Labour costs	<b>£9 000 (1)</b>	£7 000	£2 000 Favourable	Overheads	£4 500	<b>£6 000 (1)</b>	£1 500 Adverse
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8	<p><b>Analyse one possible disadvantage for Argos caused by future regulation of its market.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one disadvantage of future market regulation for Argos.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of market regulation.</p> <p>(NB – award <b>one</b> mark for a non–contextualised reason)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>Disadvantages of market regulation include:</p> <ul style="list-style-type: none"> <li>• The business can be fined up to 10% of its global turnover</li> <li>• Customers or competitors could sue for damages if anti-competitive behaviour is found</li> <li>• The business may receive bad publicity leading to lower revenue/profit if they are found to be acting in a dominant manner</li> <li>• May prevent Argos from expanding or moving into a new market preventing growth/sales/profit/economies of scale</li> <li>• May allow competitors to gain a greater hold in the market</li> </ul> <p>NO reward for knowledge of the role of the CMA</p> <p>No reward for answers which ‘guess’ at any future change in CMA policy about reducing regulations</p> <p><b><u>Exemplar response</u></b> As Argos is now part of the second largest supermarket chain in the UK <b>(APP)</b> it may be prevented from expanding by the CMA <b>(K)</b>. This may limit its ability to compete, as it will gain fewer economies of scale <b>(AN)</b>. This may jeopardise Argos’ ability to compete with online providers <b>(AN)</b>.</p> <p>Analysis marks can only be rewarded <b>if</b> the K &amp; APP have <u>also been gained</u></p> <p>Accept answers which only refer to Sainsbury’s (as Argos is now part of the company)</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
9	<p>On the diagram below, draw a stock control chart, clearly drawing and labelling:</p> <ul style="list-style-type: none"> <li>the maximum stock level</li> <li>the buffer stock level</li> <li>the reorder level.</li> </ul> <p>1 mark for correct maximum stock shown and labelled (as a line or point)  1 mark for correct buffer stock shown and labelled (as a line, region under the line, or point - may be labelled 'minimum stock')  1 mark for correct line to represent stock level (at least up to day 6)  1 mark for reorder level of 6 (either shown on diagram or stated elsewhere)</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	
10	<p><b>Evaluate how Sainsbury's managers may use one change management model to help implement this plan.</b></p> <p><b>Level 3 (7–9 marks)</b>  Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of <u>one</u> change management model used by Sainsbury's managers.</p> <p><b>Level 2 (4–6 marks)</b>  Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of <u>one</u> change management model used by Sainsbury's managers.</p> <p><b>Level 1 (1–3 marks)</b>  Candidate shows <b>limited</b> knowledge and understanding of a change management model with <b>limited or no</b> analysis and evaluation of how Sainsbury's managers may use it.</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>The three change management models in the specification are:</p> <ol style="list-style-type: none"> <li><b>1. Lewin – Unfreeze/Transition/Freeze</b>  This identifies the forces creating inertia which need removing, the development of new ideas and the reinforcement of the new processes.</li> <li><b>2. McKinsey's 7-S model</b>  This helps to identify where there is need for change. For success, a business needs to ensure all 7 components (Strategy, Skills, Structure, Style, Systems, Staff &amp; Shared values) are aligned.</li> <li><b>3. Kotter's 8-step change model</b>  Each stage helps to show people's response to change and shows the process from seeing the need to change to changing it.</li> </ol> <p>[NB: Any reference to other change management models should be rewarded]</p>



	Answer	Marks	Guidance
	<p>(<b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>Management of change is essential to ensure that the change is both needed and effective. Any business is likely to face some resistance to change and this can be minimised if the change is managed well. The use of any model can help to provide structure for the change, especially when that change is anticipated, as in the case of Argos.</p> <p>There is the following context in the resource booklet which may be referred to:</p> <ul style="list-style-type: none"> <li>• The change is taking place over a significant period of time - the takeover of Argos occurred in 2016 and only just over a third of stores have so far moved inside Sainsbury's.</li> <li>• The Salford store is the 300<sup>th</sup> so the change management process may now be well established.</li> <li>• There is reference to the 'speed and scale' of the integration.</li> <li>• There is an attempt to incorporate products sold by Sainsbury's into Argos' product range.</li> <li>• There is significant use of ICT as part of the change process which may prove to cause even more resistance from staff</li> <li>• Employees may fear job losses or changed roles as the two brands are brought together (already proving to be the case with the distribution and management – Extract D).</li> <li>• There has been a five-fold increase in the importance of online retailing in just over 10 years (Fig.1).</li> </ul> <p>Evaluation is likely to come from considering how useful a model may be, or comparing the pros and cons of a single model:</p> <ul style="list-style-type: none"> <li>• Lewin's model is straightforward and will work well to implement the process from one store at another one.</li> <li>• Given the nature of Argos'/Sainsbury's business, McKinsey includes Skills and Staff in its model which are vital in the service sector.</li> <li>• Kotter's focus on urgency, teambuilding, empowerment, and momentum fit in well with the situation at Argos/Sainsbury's.</li> </ul> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
11*	<p><b>Evaluate sources of finance available to Argos to help it to achieve its 'strategy for the future'.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of sources of finance available for Argos' strategy in the future.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of sources of finance available for Argos' strategy in the future.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of sources of finance with <b>limited or no</b> analysis and evaluation of which may be available to Argos for its strategy in the future.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>There are three separate parts of the strategy mentioned in Extract C – invest in technology, well-paid jobs with training &amp; development, £1bn to become Net Zero. Appropriate sources of finance will differ for each part of the strategy.</p> <p><b>Overdraft, Trade Credit, Factoring.</b> These are short-term sources which may be appropriate for improving pay and training/development (but <b>NOT</b> for investing in technology). Given the size of the business and level of inventories (£1,732m) it may be able to negotiate even better trade credit terms with suppliers and/or factoring firms. It would also have few problems negotiating an overdraft, given its cash position and low level of borrowings.</p> <p><b>Working Capital.</b> It could be argued that given the large amount of cash in the business, the level of net cash flow and the rate at which stock will turnover, for such a large all-purpose retailer, any short-term finance can be self-financed. Cash and inventories could be run down to pay for short-term projects. Even though the current figure for net current assets (working capital) is negative, this is not a worry given the nature of a large retail business with strong net cash flow.</p> <p><b>Hire Purchase.</b> This may be appropriate for investing in technology in the stores, especially due to the rate at which this equipment becomes outdated and in need of replacement. As a large plc, the business would have no problems arranging favourable terms for such an arrangement. An alternative would be <b>Leasing</b> which would help to spread out the payments if the business wanted to take ownership of the technology.</p> <p><b>Bank loan.</b> Appropriate for investing in technology. The business only has £48m of borrowings at present which is small relative to its fixed assets. As a plc it would be able to borrow cheaply on the commercial money markets.</p>

Answer			Marks	Guidance
		<p><i>Candidates may make use of the quantitative data in answering the question. This should be awarded appropriately at AO2 to AO4.</i></p>		<p><b>Debentures.</b> This is an alternative to bank loans available to a plc. As they tend to be for larger sums than a loan, they may be more appropriate to raise finance for the Net Zero project. Debentures provide a fixed rate of interest to investors and can be sold on to other investors. Investors would probably look kindly on buying debentures in Sainsbury's, as it has strong cash flow and profits.</p> <p><b>Share Issue.</b> As a plc and the 2<sup>nd</sup> largest supermarket in the UK, the business could issue more shares. This may be the easiest way to raise such a large sum of money as £1bn to support the Net Zero strategy. However, given this project is a 20-year one, the need for such a large amount of finance is less likely. This project may be able to be financed by less long-term sources.</p> <p><b>NB:</b> Retained earnings is not a 'pot of money' to use (and so should not be credited) but the figure may be used (and credited) as an indicator of the likely profitability of the business in the future.</p> <p>Better answers are likely to recognise the <u>appropriateness of different sources of finance for each part of the strategy</u>, making use of the context available, particularly Table 1.</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
12	<p><b>Analyse one advantage for Argos' managers of using the Plan-Do-Review cycle.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one advantage for Argos of using the Plan-Do-Review cycle.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of the Plan-Do-Review cycle.</p> <p>(NB – award <b>one</b> mark for a non–contextualised reason)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>Advantages of using the Plan-Do-Review cycle include:</p> <ul style="list-style-type: none"> <li>• It forces a strategic approach - it is methodical</li> <li>• If each department is clear about what they must do - then employees should be more focused on achieving the desired results.</li> <li>• Helps to identify good and bad practice</li> <li>• Constant improvements and corrections can be made</li> <li>• It encourages Kaizen</li> <li>• It offers the opportunity to evaluate the appropriateness of the objectives set and methods used</li> </ul> <p>No reward for answers which are only about business planning</p> <p>No reward for “managers can review the plan” (tautological)</p> <p>“It increases efficiency” is <b>TV</b></p> <p><b><u>Exemplar response</u></b> Argos' managers can monitor how appropriate their methods are <b>(K)</b> as the new technology is introduced into the business' activities <b>(APP)</b>. This will help to improve business performance <b>(AN)</b> and help to ensure that each new Argos opened in a Sainsbury's store is more successful than the previous one <b>(AN)</b>.</p> <p>Analysis marks can only be rewarded <b>if</b> the K &amp; APP have <u>also been gained</u></p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
13	<p><b>Evaluate the significance of employment tribunals for these employees of Argos.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the significance of employment tribunals for Argos' employees.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the significance of employment tribunals for Argos' employees.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of employment tribunals with <b>limited or no</b> analysis and evaluation of employees' use of them.</p> <p>(NB – award <b>maximum</b> of <b>two</b> marks for non-contextualised response).</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>Employment tribunals deal with alleged breaches of employment law. It can deal with employees' claims for unfair dismissal, redundancy payments, discrimination, or victimisation.</p> <p>Employment tribunals may be used by employees:</p> <ul style="list-style-type: none"> <li>• To gain improved levels of compensation from the business if it is proved it did not treat the employee fairly in making them redundant. This may be due to discrimination or not following the correct procedure.</li> <li>• To claim that the employer has not paid the correct amount of redundancy pay.</li> <li>• To regain their job if the business has wrongly made them redundant.</li> <li>• To publicise the way in which a group of employees have been treated by the business.</li> </ul> <p>There is the following context in the resource booklet which may be referred to:</p> <ul style="list-style-type: none"> <li>• The need for redundancies, given the significant changing roles at Argos (although there is overall growth in the business).</li> <li>• Argos is part of a large and hugely successful business (£1.4bn acquisition, 2<sup>nd</sup> largest supermarket, large amounts of cash in the business) so more likely to pay correct redundancy.</li> <li>• The business is wanting to reduce costs by £500m and is investing large sums into the integration programme and the Net Zero commitment which may mean it wants to minimise any redundancy payments.</li> <li>• The large size of the business may mean it can afford the best lawyers to fight any claims at an employment tribunal.</li> <li>• It wants to offer well paid jobs with development opportunities.</li> <li>• There is an emphasis on consultation with employees before any redundancies (Extract D) so maybe there is no need to go to a tribunal.</li> </ul>

Answer		Marks	Guidance
			<ul style="list-style-type: none"> <li>Workers at the Stafford depot may be less well treated than the managers losing their jobs (or managers may find opportunities elsewhere more easily, so are less likely to need a tribunal – they are also less likely to be union members).</li> </ul> <p>Accept answers which conclude that the use of employment tribunals may or may not be of any use for the employees at Argos.</p> <p style="text-align: right;"><b>ARA</b></p>
14*	<p><b>Evaluate the changes in the distribution strategies used by Argos since it was purchased by Sainsbury's.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the changes to the distribution strategies used by Argos.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the changes to the distribution strategies used by Argos.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of distribution strategies but with <b>limited or no</b> analysis and evaluation of their use by Argos.</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>Distribution strategies refer to the channels of distribution used and the patterns of distribution for getting the product to the customer. In the case of Argos, there has been considerable change since the traditional method of using catalogues explained in Extract A.</p> <p><b>Integration of stores into Sainsbury's stores</b> – over a third of Argos' stores are now inside Sainsbury's. This has allowed an integration of the brands and more products (now 89,000) to be available through Argos. There has also been increased use of ICT in these stores, with greater use of digital screens and tablets to place orders. Given that 85% of products are still picked up in-store, the easier access to Sainsbury's stores is going to help, particularly when customers are collecting larger items. We are told that Sainsbury's stores are usually out of town (with dedicated parking) whereas the Argos stores were in town centres (where parking is less easy).</p> <p><b>Ending the catalogue</b> – the decision to stop printing the glossy catalogue is a significant change. Argos' history has been based on the 'book of dreams' but ending it will significantly reduce costs and paper consumption (given it is 1,748 pages and found in a quarter of all homes). This will help with the Net Zero target. We are told 60% of sales start online and 70% of sales come from mobile devices. The increase in online sales in Fig.1, from 4% to 20% over 13 years (even before the bigger increase during the 2020 pandemic) helps to justify the move to an online model of selling. Argos seems to be in a strong position, given its website is the 3<sup>rd</sup> most visited e-commerce website.</p>

	Answer	Marks	Guidance
	<p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised impacts.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p><b>Improved delivery service</b> – with increased use of online ordering comes the need for greater home delivery. Argos already has a ‘Fast Track Delivery’ service which is especially vital when there is no physical store nearby. The example in Extract F is an extreme one but shows the importance of providing the same service to the whole of the UK for a large, nationwide business. The use of outsourcing for delivery is a vital part of this operation, especially given the difficulties of delivering to such remote locations in Scotland. Outsourcing is used when this sort of specialism is required.</p> <p>Better answers will consider the holistic nature of the changes that have been made to the way in which Argos sell its product via different distribution methods. For example:</p> <ul style="list-style-type: none"> <li>• The need to balance the changes to the way in which customers place the orders and receive the products (including ending the catalogue) with the need to improve the accessibility of the website and the in-store browsing, buying and collecting experience.</li> <li>• The impact of bringing the Argos store, brand and buying experience into a Sainsbury’s store.</li> <li>• The importance of Argos’ aim to, “...offer customers what they want, how they want it, through our same-day Fast Track Delivery and free in-store Fast Track Collection services”. This requires a degree of ‘joined-up thinking’ to ensure ICT and collection/delivery are fully integrated.</li> </ul> <p>Any comment on the success of the changes as perceived by the candidate (following some analysis) would also be valid as would be a comment along the lines of ‘After these changes Argos is now well placed to....’</p> <p style="text-align: right;"><b>ARA</b></p>

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