



NCFE Level 3 Applied General Certificate in Business and Enterprise (601/8908/3)

P001707

March 2023

Mark Scheme

PAST PAPER

Q	Answers	AO Split	Total Marks	Additional Marking Guidelines
Part A				
1 (a)	<p>Which one of the following is a feature of a private limited company?</p> <p>A The business has a legal obligation to submit financial accounts to Companies House B The business’s owners have unlimited liability C The business sells its shares on the stock exchange D The business does not survive the death of its owners</p> <p>Answer: A (The business has a legal obligation to submit financial accounts to Companies House)</p>	AO1	1	
1 (b)	<p>Mascose Bedding Ltd was founded in 1996. The business manufactures beds and mattresses. The mattresses are hand made by skilled workers, are very high quality and are considered to be luxury items. The company has three directors.</p> <p>Mascose Bedding Ltd operates in a niche market.</p> <p>Explain two advantages and one disadvantage of operating in a niche market.</p> <p>AO1 Knowledge (K) three marks</p> <p>Award one mark for each valid advantage, up to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • less competition (than mass markets) • clear focus on one market 	3 x AO1 3 x AO2	6	

	<ul style="list-style-type: none"> • builds up specialist skills and knowledge • can often charge a higher price • customers tend to be more loyal. <p>Award one mark for a valid disadvantage.</p> <p>Eg:</p> <ul style="list-style-type: none"> • lack of opportunities for economies of scale • risk of dependence on a single product or market • likely to attract competition if successful • vulnerable to market changes. <p>AO2 Analysis (AN) three marks</p> <p>Award up to two marks for explanations of the identified advantages – maximum one mark per advantage.</p> <p>Eg:</p> <ul style="list-style-type: none"> • less competition than mass markets (AO1) so can be easier to gain market share (AO2) • builds up specialist skills and knowledge (AO1) making the business more competitive (AO2) • can often charge a higher price (AO1) allowing for increased profit margins (AO2) • customers tend to be more loyal (AO1) increasing the chances of new products being successful (AO2). <p>Award one mark for explaining the identified disadvantage.</p> <p>Eg:</p> <ul style="list-style-type: none"> • lack of opportunities for economies of scale (AO1), so cannot cut costs per unit (AO2) 			
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	<ul style="list-style-type: none"> • risk of dependence on a single product or market (AO1), so if customer needs change the business cannot make up sales elsewhere (AO2) • likely to attract competition if successful (AO1), meaning prices may have to be lowered to remain competitive (AO2) • vulnerable to market changes (AO1); if market needs change overall sales will fall as risk is not diversified (AO2). 			
1 (c)	<p>In 2005, running costs across the bed and mattress industry were rising.</p> <p>One of Mascose Bedding Ltd’s competitors closed as a result of rising running costs.</p> <p>Soon after their competitor’s closure, Mascose Bedding Ltd received a large increase in orders. To meet the rise in sales, Mascose Bedding</p>	<p>2 x AO1 4 x AO2 3 x AO3</p>	9	

	<p>Ltd needed to recruit eight apprentices to support the existing skilled workers. The apprentices were managed by team leaders.</p> <p>The company’s business structure, before the appointment of the eight apprentices, is shown in Figure 1.</p> <p>[Figure 1]</p> <p>The directors needed to adapt the business structure to include the new apprentices. They had two options:</p> <p>Option A: Appoint two additional team leaders and an assistant factory manager. This would increase the number of levels in the hierarchy.</p> <p>Option B: Keep the existing flat structure, increase the span of control of each team leader from three to five, and do not appoint an assistant factory manager.</p> <p>The directors chose Option B.</p> <p>Analyse the advantages and disadvantages of the decision to increase the span of control of the existing team leaders.</p> <p>Were the directors correct in choosing Option B rather than Option A?</p> <p>Justify your answer.</p> <p>AO1 Knowledge (K) two marks</p> <p>Award one mark for identifying one advantage and one mark for identifying one disadvantage of increasing the span of control.</p>			
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	<p>Advantage, eg:</p> <ul style="list-style-type: none"> • keeps cost low • may be an increase in delegation to skilled workers which could motivate them • chain of command / vertical communication channels are not lengthened. <p>Disadvantage, eg:</p> <ul style="list-style-type: none"> • team leaders may lack time to monitor quality of work • team leaders may lack skills needed to delegate • team leaders may feel overworked. <p>AO2 Application (APP) two marks</p> <p>In order to achieve any APP marks learners MUST use the information in the question stem. See AN section for examples.</p> <p>Possible APP marks include:</p> <ul style="list-style-type: none"> • flat structure • increase in industry costs • (eight) new staff / skilled workers / apprentices • manufacturing high quality beds • small span of control / span of control of three or five • large increase in orders • any appropriate use of information from the chart. <p>AO2 Analysis (AN) two marks</p> <p>Award one mark for a developed explanation of an advantage of increasing the span of control and one mark for a developed explanation of a disadvantage of increasing the span of control, up to a maximum of two marks.</p>			
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	<p>Eg:</p> <ul style="list-style-type: none"> • keeping costs low (AO1) is important as costs across the industry are rising (AO2 APP) allowing Mascose Bedding Ltd to remain competitive (AO2 AN) • there may be increased delegation to the skilled workers, which acts as a motivator (AO1). This is important to maintaining the high quality of beds (AO2 APP), helping to maintain brand image (AO2 AN) • chain of command is not lengthened (AO1), keeping the hierarchy flat (AO2 APP), helping to prevent delays in decision making (AO2 AN) • team leaders may not have time to monitor quality of work (AO1) of new staff / apprentices (AO2 APP) leading to issues with quality (AO2 AN) • team leaders may be unable to delegate. They lack the necessary experience (AO1) as they have only had small spans of control (AO2 APP) and so become overworked and take time off (AO2 AN). <p>AO3 Evaluation (EV) three marks</p> <p>EV1: Award one mark for an assessment of whether the director’s decision to increase the span of control was correct. This must be more than a simple unsupported judgement.</p> <p>Eg: Keeping costs low was the most important factor as costs were rising across the industry. If they could not manage their costs Mascose Bedding Ltd could have become uncompetitive and gone into decline.</p> <p>EV2: Award an additional mark if the learner has supported the assessment with evidence / an argument which evaluates both options.</p> <p>As EV1 plus, eg:</p>			
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	<p>Leaving the span of control small, allowed team leaders to continue close monitoring of the quality of the beds, which is what the business's reputation was built on and was vital if sales were to rise.</p> <p>EV3: Award one further mark for a fully supported realistic assessment as to whether the decision was the right one. There is no correct answer. Learners may argue that the decision was the right one or the wrong one.</p> <p>As EV2 plus, eg: Mascose Bedding Ltd made a luxury product so it was vitally important that the quality was maintained. If team leaders had to manage two unskilled apprentices as well as the three existing team members, quality could quickly fall. It would not take long for poor reviews to deter future buyers. Also, if team leaders' absence rates rose through being overworked this would increase costs or delay delivery of the beds to the customers, both of which would damage Mascose Bedding Ltd. Therefore, I think they should have introduced two new team leaders and an assistant factory manager and accepted the increase in costs which would be offset by the increase in sales.</p>			
<p>2 (a)</p>	<p>Which one of the following describes the term 'patent'?</p> <p>A A licence granted by one business to another to use its name B A payment made to employees on the value of sales C Legal protection against copying for authors, composers and artists D The right to be the only user or producer of a specified product or process</p> <p>Answer: D (The right to be the only user or producer of a specified product or process)</p>	<p>AO1</p>	<p>1</p>	

<p>2 (b) (i)</p>	<p>Mascose Bedding Ltd is getting negative reviews about its Daisy mattress. The most common complaint is that within 6 months of purchase the mattress has lost its shape and there are clear hollows in the middle of the bed.</p> <p>The managers decide to meet with the workforce to take suggestions on how the issues with the Daisy mattress could be solved.</p> <p>Identify which letter in the Tannenbaum and Schmidt model shown in Figure 2 best describes this type of leadership.</p> <p>[Figure 2]</p> <p>Answer: E</p>	<p>AO1</p>	<p>1</p>	
<p>2 (b) (ii)</p>	<p>Mascose Bedding Ltd develops and launches a new mattress every 2 years.</p> <p>The directors' style of management is democratic. Ideas for changes and for improvements to the mattresses often come from the workforce.</p> <p>Explain the possible impact of using a democratic style of management on two internal stakeholders of Mascose Bedding Ltd.</p> <p>AO1 Knowledge (K) two marks</p> <p>Award one mark for each correctly identified internal stakeholder up to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • employees / skilled workers / apprentices • directors 	<p>2 x AO1 4 x AO2</p>	<p>6</p>	

	<ul style="list-style-type: none"> • (factory) managers / team leaders • owners. <p>AO2 Analysis (AN) four marks</p> <p>Award up to two AO2 marks for an explanation of the possible impact on each identified stakeholder, up to a maximum of four marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • employees / skilled workers / apprentices (AO1) are consulted on issues and so feel important (AO2), so motivation / job satisfaction is likely to be high (AO2) • employees / skilled workers / apprentices (AO1) may resent being consulted on issues (AO2) as they don't see it as their job and may be demotivated (AO2) • directors / factory manager / team leaders (AO1) can benefit from a wider range of ideas (AO2), making their job easier (AO2) • directors / factory manager / team leader (AO1) may spend a lot of time in consultation (AO2), limiting the ability to complete tasks to deadline so they have to work longer hours (AO2) • owners (AO1) may benefit from an increase in the value of the business (AO2) as democratic leadership can result in reduced absenteeism, cutting costs (AO2). 			
<p>2 (c)</p>	<p>Mascose Bedding Ltd's bestselling mattress is the Buttercup. It has been on the market for 5 years and provides 30% of the business's sales revenue. The selling price of the Buttercup is £1100.</p> <p>Mascose Bedding Ltd's competitors sell additional items with the same branding as their mattresses. Examples include pillows and pet bedding. Mascose Bedding Ltd does not do this.</p>	<p>3 x AO1 3 x AO2 3 x AO3</p>	<p>9</p>	

	<p>Mascose Bedding Ltd offers their mattresses in three sizes: single, double and king size. One of their competitors has recently introduced an even bigger mattress called the Californian king size. Currently, no other bed and mattress manufacturer offers this option.</p> <p>Market research suggests that consumers aged under 36 years old spend the most, with an average spend of £500 per mattress.</p> <p>The target market for the Buttercup is high earners over 36 years of age.</p> <p>The directors of Mascose Bedding Ltd have decided to extend the life of the Buttercup rather than withdrawing it from production, as sales remain high. The directors do not want to lower the price of the Buttercup to extend the mature phase of its lifecycle.</p> <p>Suggest three possible extension strategies, other than lowering the price, that the company could use to make sure sales remain high. Explain how each of the strategies could maintain sales of the Buttercup.</p> <p>Advise the directors of Mascose Bedding Ltd on which of the three extension strategies they should use.</p> <p>Justify your answer.</p> <p>AO1 Knowledge (K) three marks</p> <p>Award one mark for each extension strategy, up to a maximum of three marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • new marketing campaign / increase advertising 			
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	<ul style="list-style-type: none"> • find new markets / extend product range • add value • change appearance / packaging. <p>AO2 Analysis (AN) three marks</p> <p>Award up to three marks for explaining how the extension strategies could maintain sales – maximum one mark per strategy.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Mascose Bedding Ltd could invest in additional advertising (AO1) to raise awareness of the Buttercup mattress so it is fresh in the customer’s mind when they shop for a new mattress (AO2) • Mascose Bedding Ltd could look for new markets for its beds (AO1) such as the under 36s as they are not currently the target market (AO2) • Mascose Bedding Ltd could extend its product range (AO1) to include the Californian king size which could attract more customers as only one other mattress manufacturer offers this (AO2) • Mascose Bedding Ltd could add value to the mattress (AO1) such as including a ‘smart element’ which tracks sleep which would persuade people to update their mattress (AO2) • Mascose Bedding Ltd could change the outer material of the mattress (AO1) making it look like a new product so more people will buy it (AO2). <p>AO3 Evaluation (EV) three marks</p> <p>EV1: Award one mark for a supported recommendation as to which extension strategy the directors should use.</p> <p>Eg: The directors should add value to the mattress by adding some additional technology. This will give the Buttercup mattress a clear USP making it stand</p>			
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	<p>out from the competition. Mascose Bedding Ltd has a reputation as an innovative company so doing this will also enhance its brand image.</p> <p>EV2: Award one additional mark for a more detailed evaluation of the chosen extension strategy. This can be another supporting argument or an argument against.</p> <p>As EV1 plus, eg: However, for this strategy to be successful the cost of developing the new technology needs to be less than the revenue generated by the additional sales of the mattress. If not, there may be more revenue but higher costs, resulting in Mascose Bedding Ltd being worse off than if it had withdrawn the product.</p> <p>EV3: Award one further mark for a fully supported judgement as to which is the best extension strategy.</p> <p>As EV2 plus, eg: In the longer term, if the technology proves to be successful, Mascose Bedding Ltd could include it as standard in all their mattresses. This could add to sales across the whole range. This development would then be the best choice even if the Buttercup’s increase in sales did not cover the cost of the technology as the long-term benefits outweigh the short-term costs.</p>			
<p>3 (a)</p>	<p>Which one of the following would not add value to a product or service?</p> <p>A Additional product features B Branding C Excellent customer service D Reworking defective products</p> <p>Answer D: (Reworking defective products)</p>	<p>AO1</p>	<p>1</p>	

<p>3 (b)</p>	<p>Mascose Bedding Ltd employs five delivery drivers to deliver the beds and mattresses to retail stores across the UK.</p> <p>All five drivers are employed on permanent full-time contracts. The contracts include a clause that states that the drivers do not have to work on Saturday or Sunday.</p> <p>There are some days when the drivers have very little to do. On those days, the drivers help in other parts of the factory that are busy (eg packing).</p> <p>Staff turnover amongst the drivers is very low.</p> <p>To reduce costs, Mascose Bedding Ltd is considering changing the drivers' contracts from permanent contracts to zero-hours contracts.</p> <p>Explain one advantage and one disadvantage which may result from Mascose Bedding Ltd changing contracts from permanent full-time to zero-hours.</p> <p>AO1 Knowledge (K) two marks</p> <p>Award one mark for a valid advantage and one mark for a valid disadvantage.</p> <p>Advantage, eg:</p> <ul style="list-style-type: none"> • no obligation to provide drivers with work • flexibility • not paying drivers when they are not working. <p>Disadvantage, eg:</p> <ul style="list-style-type: none"> • reduced loyalty • no guarantee drivers will work when asked. 	<p>2 x AO1 4 x AO2</p>	<p>6</p>	
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	<p>AO2 Analysis (AN) and / or Application (APP) four marks</p> <p>Award up to two marks for each explained advantage and disadvantage. The marks can be for a general explanation (AN) or an explanation in context (APP). Maximum four marks.</p> <p>Advantage, eg:</p> <ul style="list-style-type: none"> • there is no obligation to provide the workers with hours (AO1) enabling the business to cut costs (AO2 AN) which is important as industry costs are rising (AO2 APP) • flexibility (AO1) means that drivers can be asked to work any day of the week, including at weekends (AO2 APP) improving customer service (AO2 AN) which can help Mascose Bedding Ltd remain competitive (AO2 AN) • the drivers are not paid when they are not working (AO1) which helps cut costs as the drivers are not always busy (AO2 APP) which helps to maintain profit margins (AO2 AN). <p>NB: Only award 'cut costs' once.</p> <p>Disadvantage, eg:</p> <ul style="list-style-type: none"> • there is no guarantee the drivers will work when asked (AO1), so customers have to wait for deliveries, damaging customer service (AO2 AN) which may lead to the loss of customers (AO2 AN) • reduced loyalty to the business (AO1) which may increase staff turnover of the drivers, which is currently low (AO2 APP), increasing recruitment costs (AO2 AN). 			
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<p>3 (c) (i)</p>	<p>The directors of Mascose Bedding Ltd use ratio analysis to monitor the company’s performance.</p> <p>Identify one profitability ratio they could use.</p> <p>AO1 Knowledge (K) one mark</p> <p>Award one mark for correctly identifying one of the following profitability ratios:</p> <ul style="list-style-type: none"> • return on capital employed • net profit margin / net profit percentage • gross profit margin / gross profit percentage • profit margin. 	<p>1 x AO1</p>	<p>1</p>	
<p>3 (c) (ii)</p>	<p>Table 1 is an extract from the two most recent balance sheets of Mascose Bedding Ltd.</p> <p>[Table 1]</p> <p>The directors are concerned about the liquidity of the business.</p> <p>Evaluate the liquidity position of the business using the acid test ratio for the years 2021 and 2022.</p> <p>AO1 Knowledge (K) one mark</p> <p>Award one mark for stating the formula for the acid test ratio.</p> <p>(current assets – stock) ÷ current liabilities</p> <p>OR</p>	<p>1 x AO1 4 x AO2 3 x AO3</p>	<p>8</p>	

	<p>Award one mark if a learner accurately describes the acid test ratio.</p> <p>Eg: The acid test ratio gives an indication of a business's ability to pay its current liabilities out of its current assets even if it cannot sell its stock.</p> <p>A mark can be awarded if a learner demonstrates understanding of the acid test ratio through its use, without having to write the formula separately or provide a definition.</p> <p>AO2 Application (APP) four marks</p> <p>Award two marks for extracting the correct figures for each year. Award two marks for each correct calculation of the acid test ratio.</p> <p>2021: acid test ratio = $83 \div 81$ (AO2) = 1.02:1 (AO2) 2022: acid test ratio = $80 \div 85$ = 0.94:1 (AO2)</p> <p>Ratios expressed as a percentage or without ':1' can be accepted as correct.</p> <p>2021: accept 1.02 and 102% 2022: accept 0.94 and 94%</p> <p>AO3 Evaluation (EV) three marks</p> <p>EV1: Award one mark for an evaluation of the significance of the acid test ratios. This must be more than an unsupported judgement.</p> <p>Eg: The ratio has got worse so the directors should be worried.</p> <p>EV2: Award one additional mark for a more detailed evaluation of the significance of the acid test ratios.</p>			
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	<p>As EV1 plus, eg: The ratio in 2021 suggested that the business could pay all its current liabilities / has £1.02 for every £1.00 it owes, even if they could not sell their stock, but in 2022 the business would not be able to pay all its current liabilities / has only 94p to pay its current liabilities if it cannot sell any stock.</p> <p>EV3: Award one further mark for a fully supported evaluation of the significance of the acid test ratios.</p> <p>As EV2 plus, eg: The ratio has only deteriorated a little. It is unlikely that Mascose Bedding Ltd will not sell all their stock, as sales are rising. But it is important that the directors monitor the liquidity. If the acid test ratio continues to fall, Mascose Bedding Ltd could struggle to meet its current liabilities.</p> <p>Learner can still achieve evaluation marks if the calculations are incorrect, but the interpretation of results is meaningful.</p>			
4 (a)	<p>Which one of the following is an example of a short-term business objective?</p> <p>A Becoming market leader B Business survival C Expansion into new markets D Increasing overall brand awareness</p> <p>Answer: B (Business survival)</p>	AO1	1	
4 (b)	<p>The most recent market research carried out by Mascose Bedding Ltd identified two main issues:</p> <ul style="list-style-type: none"> Mascose Bedding Ltd’s brand identity is not as strong as it was the number of online bed and mattress sellers is increasing. 	3 x AO1 3 x AO2	6	

	<p>The directors agree to appoint a marketing director to address these issues. The director they appoint will manage a team of two people and be responsible for devising and implementing the company's marketing strategy.</p> <p>Before advertising the job in a national newspaper, the directors write a job description and person specification.</p> <p>Identify and explain three reasons why writing a person specification is an important part of the recruitment process.</p> <p>AO1 Knowledge (K) three marks</p> <p>Award one mark for each valid reason for drawing up a person specification, to a maximum of three marks. Reasons can apply to the business or to the applicant.</p> <p>Eg:</p> <ul style="list-style-type: none"> • it helps with writing a suitable job advert (AO1) • it informs potential applicants about skills and qualifications needed for the job (AO1) • it establishes the essential criteria against which all candidates will be judged objectively (AO1) • it provides a template for transparent decision making during the selection process (AO1) • it enables all candidates to be tested against the same list of priorities (AO1). <p>AO2 Analysis (AN) three marks</p> <p>Award up to three marks for explanations of the identified reason for drawing up a person specification – maximum of one mark per identified reason.</p>			
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	<p>Eg:</p> <ul style="list-style-type: none"> • it helps when writing a suitable job advert (AO1), increasing the chances of receiving suitable applications (AO2) • it informs potential applicants about the skills and qualifications needed for the job (AO1) reducing the number of unsuitable applicants from applying and saving the directors time (AO2) • it establishes the essential criteria against which all candidates will be judged objectively (AO1) so that the directors are more likely to appoint a person who has the necessary skills to do the job (AO2) • it provides a template for transparent decision making during the selection process (AO1) reducing the chances that unlawful discrimination will take place (AO2) • all candidates will be tested against the same list of priorities (AO1) which helps remove bias, prejudice and personal interest (AO2). 			
<p>4 (c)</p>	<p>There is a growing number of new entrants into the market, especially those selling mattresses online. The new entrants have 9% of total market share. This share is increasing year-on-year.</p> <p>The number of mattresses purchased from high street shops is falling each year.</p> <ul style="list-style-type: none"> • Retailing experts predict an increase in the number of large high street shops closing over the next 10 years. • The fastest growing online seller offers free delivery and free returns within 100 days. The profit margins on their sales are lower than selling through high street retailers. • The average amount spent on a mattress bought online is £500. • The target market for Mascose Bedding Ltd is high income earners aged 36 or older. • The main buyers of mattresses are the 18–35 age group. This group change their mattresses every 6 years, on average. 	<p>2 x AO1 4 x AO2 3 x AO3</p>	<p>9</p>	

	<ul style="list-style-type: none"> • Consumers aged 36 and older replace their mattresses every 12 years, on average. <p>The directors of Mascose Bedding Ltd are concerned that the new entrants into the market will reduce Mascose Bedding Ltd’s sales and market share. Chloe is the new marketing director. She is given these tasks:</p> <ul style="list-style-type: none"> • prevent a loss in market share • strengthen the brand identity • make sure the company continues to be successful into the future. <p>Chloe suggests that Mascose Bedding Ltd sells its mattresses online as well as through high street shops.</p> <p>Analyse the advantages and disadvantages to Mascose Bedding Ltd of selling its mattresses online. Use the information given above.</p> <p>Would you recommend that the board of directors accepts Chloe’s suggestion?</p> <p>Justify your recommendation.</p> <p>AO1 Knowledge (K) two marks</p> <p>Award one mark for each identified valid advantage or disadvantage of selling mattresses online, up to a maximum of two marks.</p> <p>Advantage, eg:</p> <ul style="list-style-type: none"> • reach a wider target market • reach new markets • increase sales • good reviews can be posted 			
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	<ul style="list-style-type: none"> • can offer incentives for referrals to friends • can focus marketing closely on target market. <p>Disadvantage, eg:</p> <ul style="list-style-type: none"> • may be difficult to overcome customer reticence as they feel they need to try the mattress / target market may not buy big ticket items online • may dilute the quality image of brand • lack of experience with online sales • additional costs • bad experiences can be shared more easily. <p>AO2 Application (APP) two marks</p> <p>Award up to two APP marks for the valid use of data from the stimulus. The application may be awarded anywhere in the answer.</p> <p>Eg:</p> <ul style="list-style-type: none"> • there is an increasing number of new entrants • new entrants have 9% of market share, which is growing year-on-year. • purchases of mattresses made at retailers are falling year-on-year • the number of online sellers is increasing • retailing experts have predicted the increased closure of large high street stores over the next 10 years • the fastest growing online seller offers free delivery and free returns within 100 days • online sellers of mattresses have lower profit margins than traditional models • the average spend on a mattress bought online is £500 • the biggest buyers of mattresses are the 18–35s who change their mattresses every 6 years on average • consumers aged 36 and older replace their mattress every 12 years on average. 			
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	<p>Also award:</p> <ul style="list-style-type: none"> • mattresses are a high-cost item / Buttercup costs £1100 • sell through retailers. <p>AO2 Analysis (AN) two marks</p> <p>Award up to two AN marks for explanations of the identified advantage(s) / disadvantage(s) of selling mattresses online – maximum one AN mark per advantage or disadvantage.</p> <p>Advantages, eg:</p> <ul style="list-style-type: none"> • selling online will enable Mascose Bedding Ltd to reach a wider target market (AO1), which may prevent a fall in sales (AO2 AN). A fall in shop sales is likely to happen as the number of sales made through high street retailers is decreasing (AO2 APP) • reaching new markets is important (AO1) as the current target market of over 36s (AO2 APP) is growing slowly, if at all. Mascose Bedding Ltd therefore need to increase sales in new markets to compensate for this (AO2 AN) • can focus marketing closely on target market (AO1) so spending on marketing is more effective (AO2 AN), which is important when there are a growing number of new entrants to the market (AO2 APP). <p>Disadvantages, eg;</p> <ul style="list-style-type: none"> • may be difficult to overcome customer reticence. Customers may feel that they need to try the mattress (AO1) as it is such an expensive item / costs £1100 (AO2 APP) so sales may not increase (AO2 AN) • may dilute image of the brand (AO1), resulting in falling market share (AO2 AN) through retail outlets (AO2 APP) • lack of experience (AO1) may result in poor delivery of an online service (AO2 AN) 			
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	<ul style="list-style-type: none"> introducing an online service will incur additional costs (AO1), so the business may have to accept lower profit margins (AO2 AN) in the same way that other online bed and mattress sellers do (AO2 APP) bad experiences can be shared online (AO1) which may deter potential customers from buying a mattress from Mascose Bedding Ltd (AO2 AN), and customers can easily switch to purchasing from another online seller as other sellers are increasing in number (AO2 APP). <p>AO3 Evaluation (EV) three marks</p> <p>EV1: Award one mark for an assessment of whether the board of directors should accept the recommendation.</p> <p>Eg: The directors want to continue the business into the future, so they should move to selling online as well as through retailers. If they remain with the current model of only selling through stores, sales are likely to fall in the long term as sales of mattresses through retail shops are falling and the growing number of competitors will provide additional competition.</p> <p>EV2: Award one additional mark where the learner has supported the assessment with evidence / argument which evaluates both options.</p> <p>As EV1 plus, eg: Customers are unlikely to buy such a high-priced mattress online. This is something that customers will keep for 12 years and will want to try out in the shops. Even if the customer can return the mattress free of charge if not satisfied, they may still think the purchase is too risky.</p> <p>EV3: Award one further mark for a fully supported realistic assessment as to whether the business should sell online. There is no correct answer. Learners may argue that the decision was the right one or the wrong one.</p>			
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	<p>As EV2 plus, eg: Mascose Bedding Ltd should move to sell online. The opportunity to reach customers through retail outlets is likely to fall as high street store closures continues to increase. Mascose Bedding Ltd will also lose customers in the future due to their aging profile. It is vital that the business makes up for this loss in sales through going online. Mascose Bedding Ltd will be able to reach those customers who do not have access to a retail outlet and also take advantage of the trend toward online shopping.</p>			
Part B				
<p>5</p>	<p>A chain of small hotels has asked Mascose Bedding Ltd to supply it with 500 mattresses.</p> <ul style="list-style-type: none"> • The hotel chain will only confirm the order if they receive a discount of 30% on each mattress. • The hotel chain insists on delivery within 4 weeks of placing the order. • If they accept the order, Mascose Bedding Ltd would have to ask its workers to increase the number of hours they work. The workers will receive a bonus in addition to their wages if they agree to work longer hours. • Delivery times to existing customers would have to be increased by 2 weeks. • A significant number of hotels have closed within the last year and this trend is predicted to continue, although the future is uncertain. • Costs across the industry are predicted to rise. <p>The directors of Mascose Bedding Ltd are split on whether to accept or reject the order.</p> <p>Discuss whether the directors should accept or reject this order.</p> <p>Justify your recommendation.</p>	<p>2 x AO1 8 x AO2 3 x AO3</p>	<p>13</p>	<p>Please see grid below Question 6 for levels approach to marking Question 5 and Question 6.</p>

	<p>AO1 Knowledge (K) two marks</p> <p>Award two marks for identifying relevant consequences of accepting or rejecting the order.</p> <p>Eg:</p> <ul style="list-style-type: none"> • will increase revenue • helps spread risk • costs will increase • workforce may refuse to do overtime / extra hours • could damage relations with existing customers. <p>AO2 Application (APP) four marks</p> <p>Award up to four marks for an answer in context (using the stimulus):</p> <ul style="list-style-type: none"> • 500 mattresses • discount of 30% • hotel chain • bonus • delivery time extended by two weeks. <p>Application can be awarded for relevant use of context from other parts of the paper including:</p> <ul style="list-style-type: none"> • high quality mattress • new entrants into market. <p>AO2 Analysis (AN) four marks</p> <p>Award up to four marks for developed advantages of accepting or rejecting the order.</p>			
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	<p>Eg:</p> <ul style="list-style-type: none"> • selling 500 (AO2 APP) mattresses will increase revenue for Mascose Bedding Ltd (AO1) which will help lower its break-even point (AO2 AN) and increase the opportunity for greater profit (AO2 AN) • helps spread risk (AO1); if demand for high quality mattresses falls in the consumer market (AO2 APP), Mascose Bedding Ltd can focus on selling to other hotel chains (AO2 AN) reducing the chance of making a loss (AO2 AN) • costs will increase (AO1) as bonuses will have to be paid (AO2 AN), reducing the profit margin still further (AO2 AN) on the sale of these mattresses (AO2 APP) • workforce may refuse to work additional hours (AO1) as bonus is not sufficient (AO2 APP), so Mascose Bedding Ltd may have to increase the bonus (AO2 AN) making the order unprofitable (AO2 AN) • could damage relations with existing customers (AO1) as delivery times will be increased by two weeks (AO2 APP) which may make them less competitive (AO2 AN) so losing market share (AO2 AN). <p>AO3 Evaluation (EV) three marks</p> <p>EV1: Award one mark for a recommendation as to whether the directors should accept or reject the order that is more than a simple unsupported judgement.</p> <p>Eg: They should accept the order as earning additional revenue is most important as costs in the industry are rising and the additional revenue will help cover this rise.</p>			
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	<p>EV2: Award one additional mark where the learner has supported the recommendation with evidence/argument which evaluates both accepting and rejecting the order.</p> <p>As EV1, plus eg: Rejecting the order is the best option as the risk of upsetting existing customers is too great. Some may not be prepared to wait an extra two weeks for their mattress and will choose to go to competitors so revenue will fall.</p> <p>EV3: Award one further mark for a fully supported realistic recommendation as to whether the order should be accepted or rejected.</p> <p>There is no correct answer. Learners may argue that either accepting or rejecting the order is the better decision.</p> <p>As EV2, plus eg: I think the business should accept the order as this may lead to orders from other hotel chains in the future. This will reduce the risk of selling to only one market and may improve long-term profitability. There is a small risk that a few customers may switch to competitors, but this is unlikely as the needs are for a luxury handmade product and customers will probably be prepared to wait an additional two weeks.</p>			
<p>6</p>	<p>Mascose Bedding Ltd has plans to automate some of the simpler elements of the manufacturing process. The more complex elements will still require workers who are highly skilled. To finance the automation, directors plan to borrow £4.5 million over the next 3 years. The board of directors has identified two possible threats to the business:</p> <ul style="list-style-type: none"> • Availability of skills: 50% of Mascose Bedding Ltd’s highly skilled workers are due to retire in the next 4 years. There is a skills shortage in the industry. 	<p>2 x AO1 8 x AO2 3 x AO3</p>	<p>13</p>	<p>Please see grid below Question 6 for levels approach to marking Question 5 and Question 6.</p>

	<p>Automation will mean Mascose Bedding Ltd will need fewer workers with the skills to make mattresses. However, some of the existing skilled mattress makers are due to retire and Mascose Bedding Ltd will need to replace them with workers who have the appropriate skills. It takes 5 years for an apprentice to become fully skilled.</p> <ul style="list-style-type: none"> • Spending power of the target market: There are fears that a slowdown in the economy will severely impact the income of Mascose Bedding Ltd’s target market. Experts predict that the level of employment will fall across all income groups in society. <p>Evaluate the possible impacts of these two threats on Mascose Bedding Ltd.</p> <p>Which of the two do you think will have the most impact?</p> <p>Justify your answer.</p> <p>AO1 Knowledge (K) two marks</p> <p>Award one mark for each identified impact on Mascose Bedding Ltd up to a maximum of two marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • may find it difficult to recruit staff with the required skills • sales may fall due to the slowdown in the economy • may be difficult to borrow if economy slows down as banks are less willing to lend. <p>AO2 Application (APP) four marks</p> <p>Award one AO2 APP mark for each relevant reference to the stimulus, up to</p>			
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	<p>a maximum of four marks.</p> <ul style="list-style-type: none"> • 50% of the skilled workers due to retire • five years to train an apprentice • skills shortage in the industry • plan to automate • borrow £4.5 million • falling levels of employment • the market for beds from consumers is predicted to grow by 0.7% for the next three years • hand-made, high quality beds, luxury item • increasing industry costs. <p>AO2 Analysis (AN) four marks</p> <p>Award up to two AN marks for valid analysis of the impact of a skills shortage on Mascose Bedding Ltd.</p> <p>Award up to two AN marks for valid analysis of the impact of a slowdown in the economy on Mascose Bedding Ltd.</p> <p>Learners may provide one extended explanation that justifies the award of two AN marks OR two separate explanations, each of which may be awarded a single AN mark.</p> <p>A learner that only considers one issue can only be awarded a maximum of two AN marks.</p> <p>Eg:</p> <ul style="list-style-type: none"> • Mascose Bedding Ltd may find it difficult to recruit staff with the required skills (AO1) as there is a skills shortage in the industry (AO2 APP). They could start to recruit apprentices now (AO2 AN) so that as the skilled 			
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	<p>workers retire the apprentices will have some of the necessary skills (AO2 AN)</p> <ul style="list-style-type: none"> • as there is a skills shortage (AO2 APP) Mascose Bedding Ltd may have to increase wages (AO1) to attract apprentices, which will increase their costs (AO2 AN) and lower their profit margin (AO2 AN) • Mascose Bedding Ltd could automate more of the manufacturing process (AO1), but this would be expensive (AO2 AN) and may damage the brand image of the mattress (AO2 APP) • as levels of employment fall (AO1) consumers have less income to spend. A hand-crafted mattress at a high price could be considered a luxury item, so consumers may defer spending or trade down to a cheaper model (AO2 APP). Either will result in a drop in sales (AO2 AN) which will reduce revenue, and it may be that the business has to make staff redundant (AO2 AN) • it may be difficult to borrow in an economic slowdown as banks are less willing to lend (AO1). Mascose Bedding Ltd plan to borrow £4.5 million over three years (AO2 APP) and may find that the banks will not lend such a large sum, or if they will, Mascose Bedding Ltd may have to pay a higher interest rate (AO2 AN) which will put up its costs (AO2 AN). If it cannot borrow the full amount, it may have to buy less machinery or finance its purchase through issuing more shares to the existing shareholders or to outside investors (AO2 AN). <p>AO3 Evaluation (EV) three marks</p> <p>EV1: Award one mark for a justified judgement, with reference to the case study, as to which factor will have the most impact, with at least one justified reason.</p> <p>Eg: I think that the impact of the economic slowdown is the issue that will have the most impact on Mascose Bedding Ltd. The level of employment is falling</p>			
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	<p>across all income groups so sooner or later sales will fall and Mascose Bedding Ltd will not need the additional skilled workers or the loan.</p> <p>EV2: Award two marks for a justified judgement, with reference to the case study, as to which factor will have the most impact with at least two justified reasons.</p> <p>As EV1, plus eg: In addition, competitors may lower their prices if sales start to fall across the industry. Mascose Bedding Ltd could lower its own prices to maintain market share but it is already suffering from increasing industry costs and lowering prices, and this will lower profit margins still further. Mascose Bedding Ltd's position will weaken still further if it still wants to borrow from the bank and it may be refused the loan.</p> <p>EV3: Award three marks for a justified judgement, with reference to the case study, as to which factor will have the most impact and the justifications made will be detailed and clear.</p> <p>As EV2, plus eg: It is also true that Mascose Bedding Ltd's competitors will be subject to the effects of the economic downturn and may suffer a downturn in sales. Mascose Bedding Ltd could survive if it manages the impact of the economic downturn better than its competitors. But unless the economic downturn is very short lived it is unlikely that the business is going to need additional skilled staff and any retirements will help them cut costs through natural wastage.</p>			
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Mark scheme for Q5 and Q6

EV3	3	Makes a sound judgement that is fully supported / justified
EV2	2	Makes a sound judgement that is partly supported / justified
EV1	1	Makes limited judgement(s) with limited support / justification
Level 5	9–10	Excellent Analysis and Excellent Application
Level 4	7–8	Sound / Good Analysis AND Sound / Good Application
Level 3	5–6	Limited / Reasonable Analysis AND Limited / Reasonable Application
Level 2	3–4	Limited / Reasonable Analysis OR Limited / Reasonable Application
Level 1	1–2	Limited response, mainly knowledge

Note that learners do not have to get to Level 5 before they can achieve EV marks.

It is quite possible that a learner will be at Level 4 and occasionally at Level 3 but pick up EV1 or even EV2 marks; however, it is unlikely that such learners would progress beyond EV2.

Very occasionally a learner may be at Level 1 (2 marks) and achieve an EV1 mark.

In the Analysis section at Level 2 a limited response achieves three marks and a reasonable response achieves four marks.

Assessment Objective Grid

Question	AO1	AO2	AO3	Total
1 (a)	1			1
1 (b)	3	3		6
1 (c)	2	4	3	9
2 (a)	1			1
2 (b)(i)	1			1
2(b)(ii)	2	4		6
2 (c)	3	3	3	9
3 (a)	1			1
3 (b)	2	4		6
3 (c)(i)	1			1
3(c)(ii)	1	4	3	8
4 (a)	1			1
4 (b)	3	3		6
4 (c)	2	4	3	9
5	2	8	3	13
6	2	8	3	13
Total	28	45	18	91