

**AS LEVEL**  
*Exemplar Candidate Work*

# **BUSINESS**

H031  
For first teaching in 2015

## **The wider business environment (Component 2)**

Version 1



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# Introduction

This resource has been produced by a senior member of the AS Business examining team to offer teachers an insight into how the assessment objectives are applied. It takes exemplar candidate responses from the Summer 2016 series and provides some commentary on what factors contribute to overall levels.

Please note that this resource is provided for advice and guidance only and does not in any way constitute an indication of grade boundaries or endorsed answers.



# A grade candidate responses

## Question 1

State **two** reasons why a business may produce a business plan.

[2]

- 1 Helps them gain sources of finance from a bank.
- 2 Helps to set out aims and objectives for the business and employees to meet

### Commentary on the answer

This provides two very clear answers which give no doubt about the candidate's knowledge.

2 marks.

## Question 2

State **two** advantages to a business of using flow production.

[2]

- 1 faster method of production.
- 2 low unit costs.

### Commentary on the answer

A faster method of production implies knowledge that the method leads to higher levels of output and so was accepted on the mark scheme. Candidate correctly refers to 'unit' costs rather than just saying lower costs which would be incorrect.

2 marks.

## Question 3

State what is meant by a 'person specification'.

[2]

Where of which a businesses releases  
an advertisement for a job, requesting  
what a n <sup>applicant's</sup> ~~person~~ requirement must  
be. eg. good at teamwork.

### Commentary on the answer

Candidate incorrectly thinks that the person specification is part of a job advertisement. The answer just qualifies for 1 mark, as it refers to characteristics of a job applicant. As exemplified by the mark scheme, the answer would need to make reference to these characteristics being needed for a specific job to gain a second mark.

1 mark.

## Question 4

The table below shows incomplete budgeting data for a small business. Complete the missing data in the four unshaded boxes.

[4]

|               | Forecast (£)      | Actual (£) | Variance (£) | Favourable/Adverse |
|---------------|-------------------|------------|--------------|--------------------|
| Sales revenue | 23000             | 25,000     | 2000         | Favourable         |
| Labour costs  | ↓ 8,000<br>12,000 | 12500      | 4500         | Adverse            |
| Other costs   | 6000              | 5500       | 500          | Favourable         |
| Profit        | 9000              | 7000       | 2000         | Adverse            |

### Commentary on the answer

All answers correct. The candidate clearly crosses out a wrong answer and shows where their amended answer should go.

4 marks.

## Question 5

An employee may claim 'unfair dismissal' if dismissed for being a member of a trade union. State two other reasons why an employee may successfully claim unfair dismissal.

[2]

- 1 For becoming pregnant, ~~regulates~~  
 therefore, requesting maternity leave
- 2 If the business did follow the dismissal regulations that they had set out.

### Commentary on the answer

The first answer is correct.

The second answer is not unfair dismissal. It is actually hinting at the concept of 'wrongful dismissal' which is not the same thing as unfair dismissal. This was quite a common mistake made by candidates and Centres may need to focus more on the distinction between the two concepts.

1 mark.

## Question 6

State **one** advantage and **one** disadvantage to a business of being a public limited company.

[2]

- Advantage ~~Able to sh~~ Has limited liability
- Disadvantage Loss of control due to the shareholders

### Commentary on the answer

Both answers are not only correct but also nice and brief. Too many candidates, especially higher grade ones, write far too much for an answer which can only gain 1 mark. The key word in this case is 'state' which does not require any form of explanation.

For example, 'State your favourite colour.' The candidate only needs to say what their favourite colour is, not why it is their favourite.

2 marks.

# Question 7

Calculate the rate of labour turnover for 2014.

[2]

| Year | Average number of employees | Number of employees leaving |
|------|-----------------------------|-----------------------------|
| 2015 | 3560                        | 178                         |
| 2014 | 2625                        | 84                          |
| 2013 | 2540                        | 122                         |



Calculate the rate of labour turnover for 2014.

$$\begin{aligned}
 \text{LT} &= \frac{\text{Employees left}}{\text{average number of employees}} \times 100\% \\
 &= \frac{84}{2625} = 3.2\% \quad \checkmark \checkmark
 \end{aligned}$$

## Commentary on the answer

Correct answer and clearly set out.

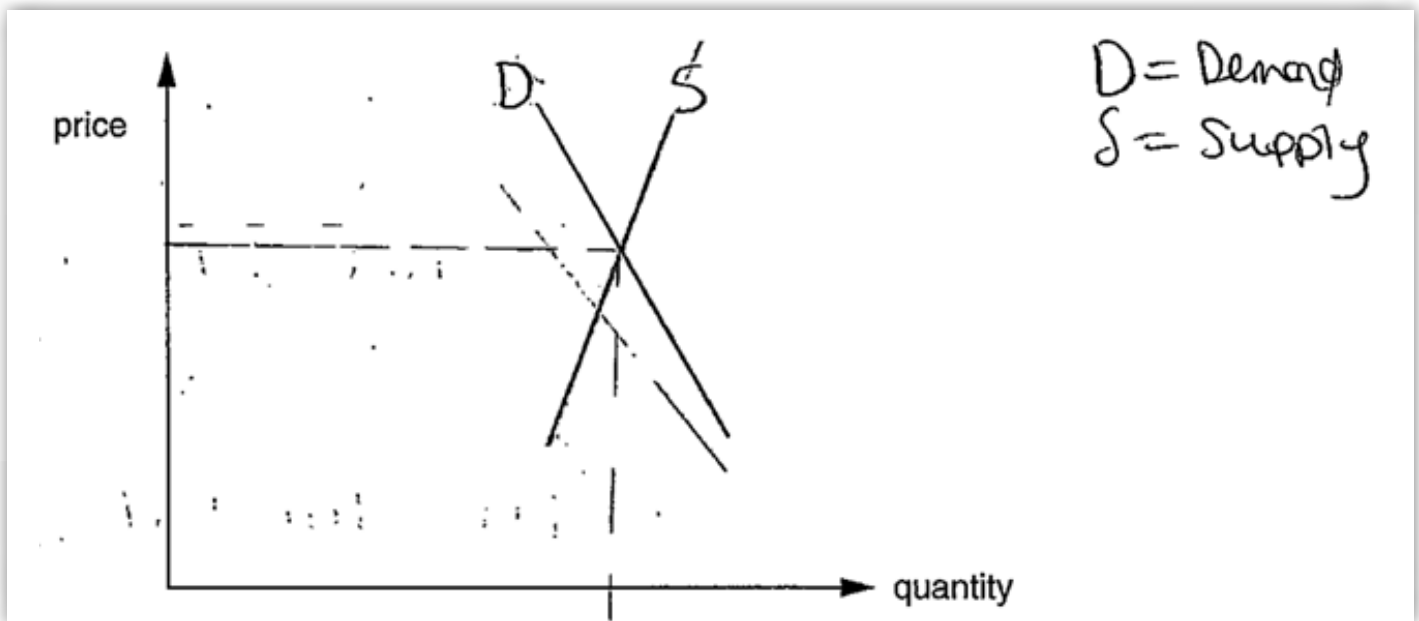
2 marks.



## Question 8

Construct a demand and supply diagram to show the effect on equilibrium of an increase in consumer income.

[2]



### Commentary on the answer

As per the mark scheme, 1 mark can be awarded for correctly drawing and labelling the two schedules. Another mark can be awarded as an equilibrium is clearly shown by the dotted lines to both axes [a label on the intersection would have been acceptable as well].

However, no further marks can be awarded as the demand schedule has not been shifted to show the increased consumer income.

**2 marks.**

## Question 9

Outline **two** ways A.G. Barr may segment its market.

[4]

1. ~~Location~~ They could segment the market by the popularity in each location so they can target the certain areas with their popular drink.
2. They can segment the market through the age of their target market and sell market fizzy drinks to children and the Stramroe spring water to adults.

### Commentary on the answer

The first answer only gains 1 mark [for referring to segmenting by location]. However, there is no contextual content. There must be some reference to A.G. Barr's products, for example, Irn-Bru can be targeted in Scotland where it originated and the Funkin brand can be sold in London.

The second answer gains 2 marks as it has made an attempt to contextualise the segmentation by age (fizzy drinks for children and spring water for adults).

Candidates are expected to use the context provided in the Resource Booklet to support their answers where reference is made in the question to the business.

**3 marks.**

## Question 10[a]

Explain **one** reason why a business may include 'goodwill' in its Statement of Financial Position.

[2]

Because, as it is an intangible asset, it may interest investors to see whether they want to invest in association to the brand's reputation.

### Commentary on the answer

This answer is just good enough for 2 marks. Mention of goodwill being an intangible asset is good enough for 1 mark. Then, there is just enough explanation provided as to why goodwill may be used, namely, to value a brand. A better explanation would have referred to goodwill ensuring that the 'true value' of a business is measured.

2 marks.

## Question 10[b]

Calculate A.G. Barr's acid test ratio for 2015.

[2]

$$\begin{aligned} \text{ATR} &= \frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}} \\ &= \frac{51899 + 25503 + 16761 - 94163}{56181} \\ &= \frac{94163}{94163} \\ &= 1.4 : 1 \end{aligned} \quad [2]$$

### Commentary on the answer

Correct answer (to an appropriate degree of accuracy) and well set out with all working clearly shown. Although the working is not necessary (unless requested in a question) it is always best to show it so that it may be possible to award a mark, even if the answer is wrong.

2 marks.

## Question 11

Evaluate how regulation of the market may affect A.G. Barr's operations.

[12]

The Competition and Markets Authority ~~has~~ can <sup>highly</sup> influence the way A.G. Barr's operations runs as the business will not be able to gain market share through mergers and takeovers, <sup>and</sup> will not be able to set prices to help compete against new competitors. ~~However, it could benefit consumers~~

If regulations are put in place, like the attempted merger ~~and with~~ Britvic, A.G. Barr will not be able to increase its own market share <sup>which is currently 22% of their</sup> in to ~~the~~ market ~~and~~ price ~~as~~ as the CMA investigate mergers that could restrict competition; Therefore, A.G. Barr's sales ~~will~~ not ~~for~~ rise with a new merger and therefore will not gain enough market share dominance to act as a monopoly or oligopoly with over established companies. This therefore means that they could not take advantage

of the ability of their control over the market and will not be able to reduce competition by setting a lower price to significantly disadvantage smaller companies attempting to enter the market. In my opinion, this restriction in allowing merges to happen will significantly affect A.G. Barr's ability to expand to other markets such as the mixer drinks. However, as A.G. Barr's sales seems to be increasing by 5% in the last financial 3 months, A.G. Barr could be able to ~~expand~~<sup>gain</sup> more market share on focusing on its own brands and marketing them ~~out~~ instead thus increasing revenue and profits.

I believe that

However, as A.G. Barr only have a small percentage (2%) of the market share in soft drinks, the regulations of the market could work in A.G. Barr's favour as for the companies whom have more market share, (eg. Coca Cola) the restriction of mergers and ~~illegal~~ anti-competitive agreements such as cartels, could provide A.G. Barr with more of a chance to gain more market dominance as ~~target~~<sup>more dominant</sup> companies will not be able to gain more market

share. This could therefore lead to A.R. Barr gaining more sales and have more of an ability to compete and interest potential customers. In my opinion, this advantage of the regulations helping competition through restricting mergers will significantly help A.R. Barr become more competitive but it depends on whether the companies wishing to merge are approved by the CMA. If they are approved, ~~it would work~~ this opportunity to compete may not be as significant to A.R. Barr.

In terms of A.R. Barr's operations, as CMA are enforcing consumer protection legislation, A.R. Barr will have to ensure their products are of high quality so that they will not be fined for breaking consumer protection laws. Therefore this would mean that A.R. Barr would have to enforce new

practices of quality assurance to make sure they meet the standards set by the law. However, this would be a ~~time~~ time consuming process, potentially leading to opportunity costs. ~~As~~ In my opinion, regulating consumer protection will only affect A.R. Barr if they have low quality products, however as they already have had a rise in goodwills to £80,917 from £74,107, it shows how the business's reputation has increased thus meaning ~~so~~ that more competitors are satisfied with the production.

## Commentary on the answer

This question was not generally very well answered, with many candidates not really knowing what 'regulation of the market' really involved. However, this answer is one of the best and it was ultimately awarded full marks.

The answer begins by making reference to mergers and takeovers as a form of regulation (AO1). In the second paragraph there is then some necessary reference to the context of A.G. Barr having its previously planned merger with Britvic investigated by the CMA (AO2). The very brief link to how this may have affected A.G. Barr's sales and market share is a very basic piece of analysis which just gains an AO3 mark. However, the end of this paragraph moves into AO4 when it mentions that any regulation of mergers may restrict A.G. Barr's ability to gain more market share, but this is questioned by referring to the contextual evidence in Extract B where we are told that the company has seen 5% growth in the final three months of the financial year. This is effective evaluation which reaches the top end of the AO4 marks.

The next paragraph achieves another piece of effective evaluation by considering the other side of the argument, namely how any regulation of larger firms, such as Coca-Cola, may prevent cartels or anti-competitive agreements, so that A.G. Barr may be better able to gain more market dominance. This is supported by analysis further on in the paragraph when the candidate writes, "This could therefore lead to A.R. Barr (sic) gaining more sales and have more of an ability to compete and interest potential customers."

By this stage, the answer has gained all of the AO1, AO2, AO3 & AO4 marks, so is worth full marks. However, there is one more evaluative comment at the very end of the answer where the candidate suggests that regulation will only affect a firm producing poor quality products or with a poor image. Effective use of Extract C, which shows increasing intangible assets, supports this point.

**12 marks.**

## Question 12

To what extent do you agree that A.G. Barr is an ethical business? Justify your view.

[20]

It can be argued that A.G. Barr is an ethical business due to the fact that they value their employees and they care about their production process in reference to how it affects the surrounding environment. However, on consideration to the merger between A.G. Barr and Birtic, it could be argued against.

A.G. Barr seem to value their employees in terms of the employees' ability for self-growth through training as they "increase their skills." This will mean that the employees will be able to gain knowledge and ~~pro~~ skills, helping increase their value of an employee potentially making it possible for them to seek higher positioning roles and promotions. By offering a<sup>a</sup> pension scheme and monetary benefits will ~~them~~ make sure the employees' physiological needs are met. However, in my opinion although these benefits helps employees succeed in the



business and help satisfy their needs, it ~~highly~~ depends on whether they offer minimum wage or more. As ~~for~~ they may only dominate within the ~~the~~ EU the ethical ~~not~~ issue of sweatshops may not be as apparent if they created the products outside of the EU.

In terms of A. R. Barr's attitude towards its effect on the community and environment surrounding, I believe A. R. Barr ~~sets~~ acts as an ethical business as they help the environment by improving their carbon emissions, water consumption and waste. This means that environmental issues such as global warming will be less impacted due to the control of carbon emissions. This positive reputation that A. R. Barr's gains through ethical acts allows their goodwill to increase. And, as their goodwill has increased by £6810 since 2014, it shows how valuable being an ethical business is to their surroundings and themselves.

However, regarding the potential merger between A.R. Barr and BnWic, I believe that it could be argued that A.R. Barr's attempt to gain market share could have been offset if it was as the regulations state "the increased size of the merged company would mean new entrants and smaller companies would be disadvantaged significantly". Therefore this places A.R. Barr in a negative light due to the fact that they ~~to~~ could have tried to take advantage of this power to control the market by setting lower prices to lower the possibility for new businesses to start.

However, in my opinion I believe  
 that A.G. Barr is an ethical business  
 as they are considerate of their  
 employees' wellbeing and their  
 affect on the environment. Even  
 though it could be viewed unethical  
 for A.G.B. to want to merge to  
 to drive out smaller companies, as they  
 have a 2% market share, his ability to  
 create a cartel and drive down prices would  
 be less likely.

## Commentary on the answer

This candidate has performed very well up to this point, only dropping five marks. However, their answer to the final question, which accounts for one third of the paper marks, is not up to the same standard.

There are only a couple of ethical issues mentioned – environmental issues, such as controlling carbon emissions, and the provision of a pension scheme and other benefits to employees (although it is important to note that an employer providing training or helping an employee to gain new skills is not rewardable as an ethical issue, due to these being legal requirements.)

There is also some contextual reference, including evidence about increased goodwill in Extract C.

Both of the above points mean that all of the AO1 & AO2 marks were awarded. This answer is ultimately disappointing as the rest of it only contains just one piece of analysis. At the end of the third paragraph, the increase in intangible assets is used to show that the company may be doing something 'right' from an ethical point of view, as its brand has increased in value over the last year. Although only one point, it was classed as 'good' analysis and so was awarded 6 AO3 marks.

The rest of the answer contains a lot of repetition (especially the final paragraph) and material which is not of an ethical nature [in particular, the penultimate paragraph's discussion of A.G. Barr's attempt to gain more market share from its proposed merger with Britvic.]

The analytical part of the answer could be improved by considering another ethical issue. For example, the evidence in Extract F about the company's involvement in the 'Public Health Responsibility Deal' could have been considered. It could have been evaluated by questioning whether any company making and selling sugary and fizzy drinks can be seen to be ethical.

The complete absence of any evaluation means that no mark of more than 12 can be awarded. There needs to be some attempt to balance the different viewpoints and/or a general consideration of whether A.G. Barr is really ethical. How many other companies may be doing exactly the same things as those mentioned in Extract F? Can we really accept what we are told in Extract F at face value given it comes from the company itself? Is reducing calorie content by 5% really enough and does being the official soft drink sponsor of the EFL really look that good given the questionable ethics of the football industry?

**10 marks.**

# B/C grade candidate responses

## Question 1

State **two** reasons why a business may produce a business plan.

[2]

- 1 To give the business a sense of direction.
- 2 To convince a bank that an ~~idea~~ loan will be repaid on time as they have a clear financial plan.

### Commentary on the answer

These two answers are a little similar but 2 marks were still awarded as one was about general planning and the other had a financial angle.

2 marks.

## Question 2

State **two** advantages to a business of using flow production.

[2]

- 1 You can mass produce a particular product very quickly and efficiently.
- 2 Can use buying economies of scale when sourcing raw materials as they can buy in bulk reducing cost.

### Commentary on the answer

Both answers are correct but could be briefer. For example:

1. Quicker production
2. Benefit from economies of scale.

Time could have been saved for the later, more involved, answers.

2 marks.

## Question 3

State what is meant by a 'person specification'.

[2]

This is part of a job description where they look for the types of characteristics as they are looking for in a recruit. For example someone with good communication or leadership skills.

### Commentary on the answer

A good answer which recognises that the specification is for a particular recruit, with examples.

2 marks.

## Question 4

The table below shows incomplete budgeting data for a small business.

Complete the missing data in the four unshaded boxes.

[4]

|               | Forecast (£) | Actual (£) | Variance (£) | Favourable/Adverse |
|---------------|--------------|------------|--------------|--------------------|
| Sales revenue | 23000        | 25,000     | 2000         | Favourable         |
| Labour costs  | 8000         | 12500      | 4500         | Adverse            |
| Other costs   | 6000         | 5500       | 500          | adverse            |
| Profit        | 9000         | 7000       | 2000         | adverse            |

### Commentary on the answer

The answer for 'Other costs' should be favourable.

3 marks.

## Question 5

An employee may claim 'unfair dismissal' if dismissed for being a member of a trade union.

State **two other** reasons why an employee may successfully claim unfair dismissal.

[2]

1 ~~Is they have evidence~~ Is the employer has no evidence that  
the employer has been racist or ageist during the dismissal.

2 Is dismissed because they are pregnant and employer doesn't  
want to pay maternity costs.

### Commentary on the answer

The second answer is correct.

The first answer is too vague. It may be that the candidate is trying to refer to racial or age discrimination. However, what has the employee actually been dismissed for? If the answer had said dismissal on racial or age grounds then that would have been marked correct.

When there is only 1 mark available for an answer, although examiners will always try to err on the side of the candidate, the answer does need to be clear.

**1 mark.**

## Question 6

State **one** advantage and **one** disadvantage to a business of being a public limited company.

[2]

Advantage They can gain share capital from selling shares publicly.

Disadvantage They can be takeover if someone purchases 51% of their shares.

### Commentary on the answer

Both answers are clearly correct.

Although the grammar is incorrect in both answers, this is not taken into account in these short questions (only Questions 11 and 12 assess written communication). As long as the examiner can understand what the candidate is trying to say a mark can be awarded.

**2 marks.**

# Question 7

Calculate the rate of labour turnover for 2014.

[2]

| Year | Average number of employees | Number of employees leaving |
|------|-----------------------------|-----------------------------|
| 2015 | 3560                        | 178                         |
| 2014 | 2625                        | 84                          |
| 2013 | 2540                        | 122                         |

Calculate the rate of labour turnover for 2014.

$$\frac{84}{2625} \times 100 = 3.2\%$$

## Commentary on the answer

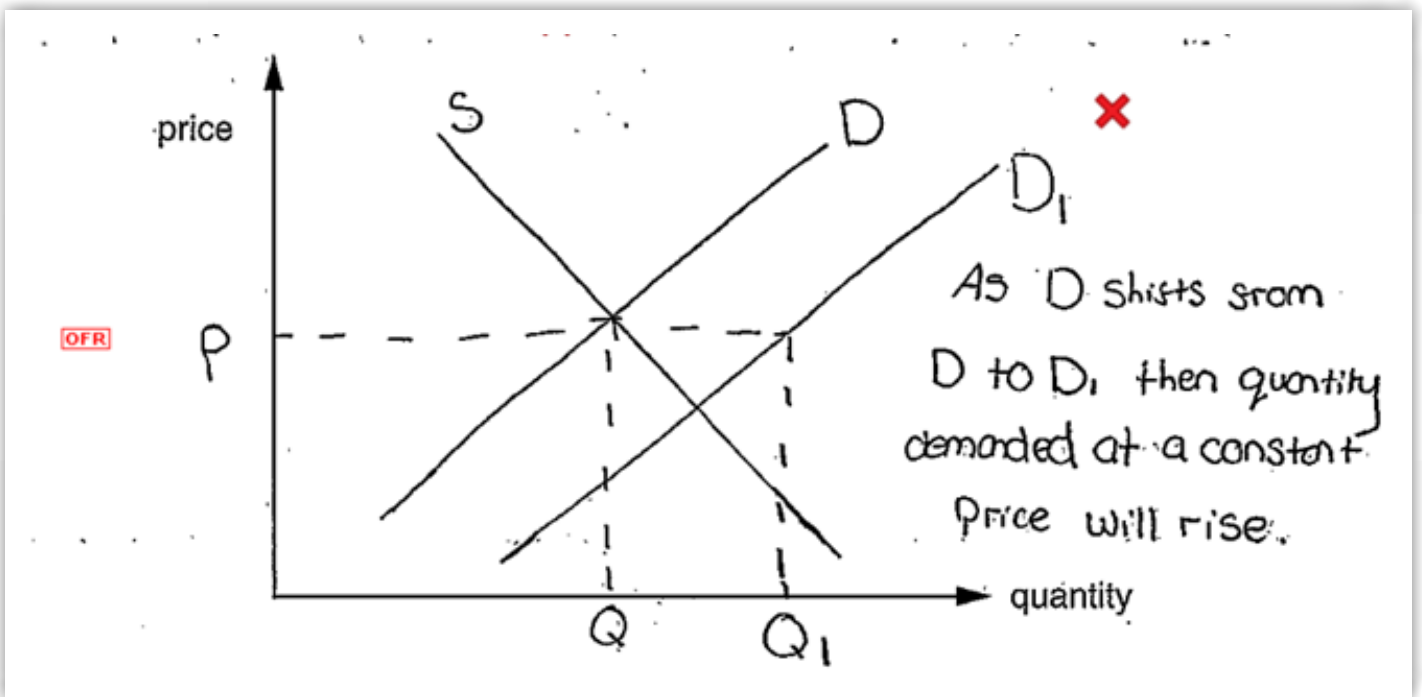
Correct answer and clearly set out.

2 marks.

## Question 8

Construct a demand and supply diagram to show the effect on equilibrium of an increase in consumer income.

[4]



### Commentary on the answer

It was quite a common mistake to see answers which appeared to show some understanding of the concept of a market equilibrium diagram but with at least one fundamental flaw.

In this example, the supply and demand schedules were labelled the wrong way round. Although following on from this mistake the rest of the answer is 'correct', only one mark was awarded for showing knowledge that equilibrium is attained where the supply and demand schedules intersect.

No further marks were awarded as it would have been unfair on those candidates who did label the schedules correctly.

The microeconomics part of the specification is one that is not always well understood by candidates. Centres also need to ensure they have paid close attention to the 'Quantitative Skills' requirements listed in Annex 1 of the specification.

**1 mark.**



## Question 9

Outline **two** ways A.G. Barr may segment its market.

[4]

- 1 Age - They could split up the market depending on different age groups that buy into the fizzy drink market.
- 2 Fizzy drink market and ~~soft~~ juice drink market. They have different products that are aiming at different people.
- Gender - A business may. They may look to sell different products to different genders. Iron Bru to boys and the juice drink to girls.

### Commentary on the answer

The first answer only gains 1 mark (for referring to segmenting by age). However, there is no contextual content. This could have been the Funkin brand aimed at 18-30 year olds and Strathmore at older customers.

The second answer gains 2 marks as, although rather stereotyped, it has made an attempt to contextualise.

**3 marks.**

## Question 10[a]

Explain **one** reason why a business may include 'goodwill' in its Statement of Financial Position. [2]

Goodwill is money spent on establishing the brand with money spent ethically to increase the reputation of the business. This may be to show investors or consumers that they do give back to the environment and community. [2]

### Commentary on the answer

The first sentence was given the benefit of the doubt of 1 mark, as it does make reference to goodwill having some effect on the reputation of the business. The second sentence is typical of many wrong answers which suggested that goodwill was something that showed stakeholders how ethical the company was. There needed to be some reference in the answer to goodwill being a measure to help the correct valuation of a company's intangible assets (although this term did not have to be used.)

1 mark.

## Question 10[b]

Calculate A.G. Barr's acid test ratio for 2015. [2]

$$\frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} = \frac{77402}{56181} = 1.38$$

### Commentary on the answer

Correct answer and well set out with all working clearly shown.

2 marks.

# Question 11

Evaluate how regulation of the market may affect A.G. Barr's operations.

[12]

Regulations from the government as well as private organisations have a huge effect on the day to day operations of the business environment.

The health and safety at work act made it so that all companies must write risk assessments and make sure all the correct procedures are in place. This is a very costly process as well as time consuming so can lead to increased costs for a business. However following these legislations can lead to better relationships with staff helping to increase their motivation by meeting standard safety needs as shown in Maslow's pyramid. Furthermore following these acts helps to avoid bad press and maintain a strong brand reputation.

Another regulation they have to conform to is competition law enforced by the CMA. These objectives are to keep markets competitive to get the best results for employers. This act will stop them from merging with ~~small~~ businesses that would make the market anti-competitive hindering their ability to dominate the market. However this law does protect them from potential takeover from a big company like Coca-Cola as that would be deemed to eliminate competition. This is good for A.G. Barr's as they can continue to compete in a market where they are making a profit.

Finally regulations like the data protection act stops businesses from sharing information about consumers. This is

beneficial for consumers as it decreases the risk of identity fraud and ~~steps~~ protects them.

~~To conclude~~ Furthermore companies like organisations like the CC will take a long time to make a decision on certain events as they have lots of information to make a decision from. ~~This is~~ consequently A.G. Barr will have to plan well in advance for future operation such as a merge as they take a long time to go through.

To conclude government and EU regulations have a big effect on business's and the market they operate in. They aim to protect customers and employees as well as keeping the market competitive. This can be costly for a business but is followed and also protect them too.

## Commentary on the answer

This is a very weak answer which contains very little application to the context or analysis of the impact on A.G. Barr.

The answer begins with a very theoretical discussion of Health & Safety regulation. However, there is no link to A.G. Barr at all so it can only score marks at AO1. The candidate could have referred to the complexities of producing a food product, where Health & Safety may be more expensive and have more catastrophic consequences for A.G. Barr if not followed. Food labelling regulations may also have been relevant at this point (and highly contextual).

The second paragraph does refer, in a very tangential way, to regulation of mergers. However, the application is only implied [by referring to Coca-Cola which is in the same industry as A.G. Barr] and then there is a very basic piece of analysis in terms of the ability of A.G. Barr to continue making profits. There is no reference to the impact of the failed merger with Britvic (due to the CMA's investigation) or whether restricting mergers will have more positive or negative consequences for A.G. Barr.

The third paragraph briefly mentions the Data Protection Act but fails to show how the business is affected (the only reference is to the consumers). Again, there is no contextual reference either. Data protection is probably not a good example of regulation to use in this examination. There is no real specific context that a candidate can use so any answer would be very generic and so will not gain more than AO1. This is a good example of candidates needing to choose which pieces of knowledge from within a topic should be chosen for a particular question in Section B. It is vital to consider what context is available before making this decision, rather than going into an examination with a pre-determined list.

The final two paragraphs continue the theme of no real application to A.G. Barr, other than a very brief reference to it having to plan well in advance for any mergers (presumably because of the delay which may be caused by the CMA- although that is only implied). Ultimately, this answer only gains both of the AO1 marks along with just one AO2 and one AO3 mark. There is no attempt at any stage to make any evaluative comments.

**4 marks.**

## Question 12

To what extent do you agree that A.G. Barr is an ethical business? Justify your view.

[20]

From the case study I would agree that they are an ethical business.

They run many community schemes as well as support their staff in the workplace.

Looking after staff and managing them well is highly important to

ensuring the success of a business. Offering workers bonus's such as

Cash incentives and flexible holiday hours all boost motivation as

described by Taylor's theory of motivation that you will work harder

if bonus's are offered. Furthermore providing training to "increase

their skills, develop their talents and support the delivery of our ambitions

business objectives". Further boosts motivation as they see a big part

of the business and its plan. All these things help to reduce labour

turnover and absenteeism helping to boost productivity and reduce

cost on recruitment. Keeping employees happy does make them an

ethical business and will give them a good reputation for employee

relations.

However A.G. Barr do not just do it out of the kindness of their

hearts. They know that a motivated and skilled workforce will

increase productivity and reduce costs leading to greater profit

in the long run. Furthermore being represented in the media as ethical

will help to attract new customers and increase sales.

So although I agree that A.G. Barr's is an ethical business,

they are doing it to increase profit and achieve their objectives.

Secondly we are told that they support various schemes to help out community programmes for example being a member of the public

health responsibility deal. Supporting these schemes can be costly and time consuming but will cause the company to be more ethical. Supporting these schemes helps to protect the environment, aid local people and be part of a community. All of these schemes will help to promote them as an ethical business we care about the environment and the community they work in.

However as a producer of soft drinks people may argue that their product contributes heavily to some of the problems highlighted like energy use, waste, carbon emissions, contributing to a poor diet and litter on the landscape. A.G. Barr uses non biodegradable cans that litter the landscape. They are arguing that they are trying to ensure correct disposal but would this be an issue if they changed the way their product was packaged. So A.G. Barr may be trying to solve problems but I believe they are contributing more to the problems with their product than they are at solving them.

Finally A.G. Barr's use objectives and a business plan well to ensure their business is working ethically and within legislation. They may have used a pestle analysis to outline areas of importance for a business the business and to see what could be improved. Having a clear plan with objectives allows stakeholders to see the direction of the business as well as its attention to ethically, ethical issues. This could attract investment or provide motivation for employees as they understand they are part of an ethical business.

To conclude i think that A.G. Barr is an ethical business in an unethical market. They look after employees which does have it's benesies. Sinancially & and ethically with increased productivity and less labour turnover. Furthermore the social schemes goes part of the way to sort out the mess which they themselves had helped to create.

## Commentary on the answer

This answer contains good knowledge and application, gaining all of the AO1 & AO2 marks. There is reference to community schemes, flexible holidays, public health, carbon emissions and energy use.

There is, however, virtually no analysis of these issues to consider whether A.G. Barr is ethical or not. The only time where the answer gets close to an AO3 mark is at the very end of the fourth paragraph, where there is mention of how support of the environment and the local community may help the business to be seen as ethical. This gains just one AO1 mark. There could have been a discussion about how A.G. Barr may try to cut down on litter by encouraging customers to dispose of empty drinks bottles properly [by recycling them], whether flexible holidays will really be seen as ethical [when many other firms also offer these and are, in fact, a legal requirement in many cases], or the ways in which A.G. Barr (as a producer of less healthy drinks) can help public health and whether that can ever be seen as ethical.

The final mark for the question is significantly helped by a single piece of good evaluation in the fifth paragraph which gained four of the AO4 marks available. This is a good consideration of how much A.G. Barr is actually doing for the environment when it is using non-biodegradable packaging, namely aluminium cans. The candidate questions whether A.G. Barr is helping to solve the problem or is just contributing to it.

The rest of the answer is not answering the question [business plans and objectives] and then concludes by just repeating points made earlier. This is a common problem in many answers where a candidate produces no new material in the final paragraph(s) and just repeats earlier points, thinking that this is evaluation.

This answer could have been significantly improved if it had contained some analysis, in context, of one or two positive points which supports the argument that A.G. Barr is ethical (such as the way in which it tries to look after its employees). This would then allow a consideration of the different arguments for and against the issue. It is not really possible to come to an effective conclusion [and hence gain the top AO4 marks] if both sides of the argument have not first been analysed in context.

**9 marks.**

# D/E grade candidate responses

## Question 1

State **two** reasons why a business may produce a business plan.

[2]

- 1 To know one direction they want to go in
- 2 ~~So~~ To estimate how much profit, labour costs are etc

### Commentary on the answer

The first answer is correct. The second answer is not.

1 mark.

The mark scheme specifically excludes any reference to estimating profits/revenue etc. Although this data may be in the business plan it is not why one is produced. Financial data is included in a business plan to help with funding.

## Question 2

State **two** advantages to a business of using flow production.

[2]

- 1 Its quicker
- 2 All employees are involved and have a job to do

### Commentary on the answer

The first answer is correct. However, the second answer may well be a true statement about flow production but it is not an advantage. A suitable advantage with regards to the workforce could have been the ability to use division of labour or specialisation.

1 mark.



## Question 3

State what is meant by a 'person specification'.

[2]

A person specification is a detailed list of all the traits and characteristics about a person.

### Commentary on the answer

This answer only contains examples of what may be in a person specification which can be awarded one mark. There is no reference to those characteristics being linked to a specific job which is a vital part of what the term means.

1 mark.

## Question 4

The table below shows incomplete budgeting data for a small business.

Complete the missing data in the four unshaded boxes.

[4]

|               | Forecast (£) | Actual (£) | Variance (£) | Favourable/Adverse |
|---------------|--------------|------------|--------------|--------------------|
| Sales revenue | 23000        | 21,000     | 2000         | Favourable         |
| Labour costs  | 17,000       | 12500      | 4500         | Adverse            |
| Other costs   | 6000         | 5500       | 500          | Adverse            |
| Profit        | 9000         | 7000       | 2000         | Favourable         |

### Commentary on the answer

It was rare to find candidates getting no marks for this question (with 90% getting 2 or more marks) but this is one such case.

In each case, the answer is effectively the opposite of what is correct. This would suggest that the candidate does not understand the concept of favourable and adverse. It is always important to see these as 'good' and 'bad' as opposed to 'positive' and 'negative' so that confusion does not arise when considering the variances of revenue/profit and cost data.

0 marks.

## Question 5

An employee may claim 'unfair dismissal' if dismissed for being a member of a trade union.

State **two other** reasons why an employee may successfully claim unfair dismissal.

[2]

1 ... Whistle blowing ...

2 ... Pregnancy ...

### Commentary on the answer

Both answers are correct.

**2 marks.**

## Question 6

State **one** advantage and **one** disadvantage to a business of being a public limited company.

[2]

Advantage ... Anyone can work for them just not family and friends ...

Disadvantage ... Barriers to entry are greater ...

### Commentary on the answer

The first answer shows a clear confusion between working and owning. Anyone can buy shares in a plc (although that in itself is not an advantage).

In the second answer, barriers to entry may be greater in certain industries but that is not just because firms happen to be a plc. In addition, the barriers to entry would not be a disadvantage to the plc (as an incumbent firm) but rather to potential new entrants to the industry.

**0 marks.**

# Question 7

Calculate the rate of labour turnover for 2014.

[2]

| Year | Average number of employees | Number of employees leaving |
|------|-----------------------------|-----------------------------|
| 2015 | 3560                        | 178                         |
| 2014 | 2625                        | 84                          |
| 2013 | 2540                        | 122                         |

Calculate the rate of labour turnover for 2014.

$$2625 \div 84 = 31.25 \quad \underline{31.3\%}$$

## Commentary on the answer

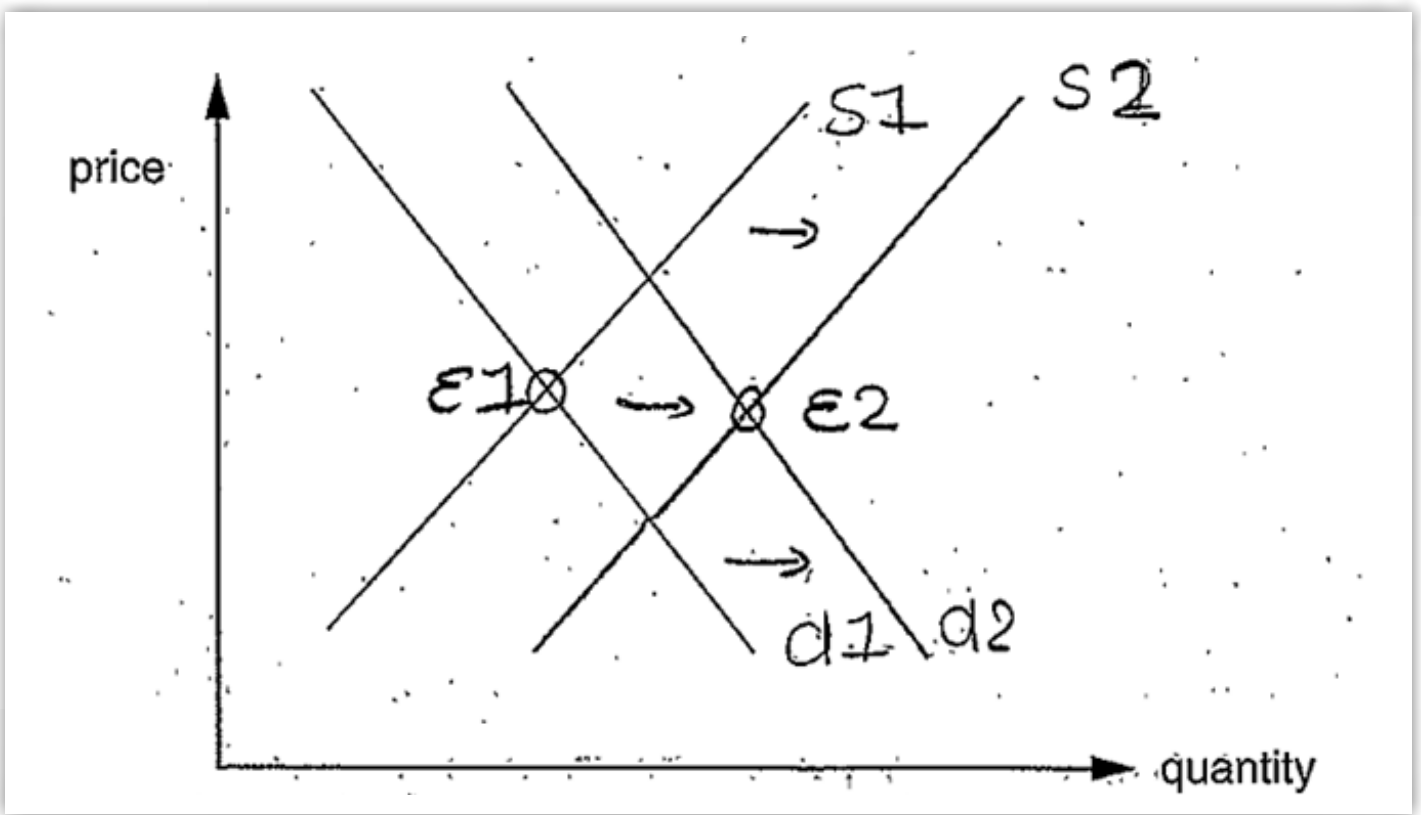
Although the candidate has used the correct numbers from the table, the formula is 'upside down'. There is then a second error as the answer needs to be multiplied by 100 to turn it into a percentage. If the candidate had done this and produced an answer of 3,130% (or 3,125%) then one mark could have been awarded using the own figure rule (OFR).

**0 marks.**

## Question 8

Construct a demand and supply diagram to show the effect on equilibrium of an increase in consumer income.

[4]



### Commentary on the answer

The candidate has correctly drawn and labelled the diagram, shifting demand to the right. The mark scheme did still allow this answer to be given full marks, even though the supply schedule has also been moved. This is because the final equilibrium (E2) is correct on the diagram when both demand and supply schedules have shifted.

It can be argued that supply will increase, as business confidence may increase as consumer income rises.

**4 marks.**

## Question 9

Outline **two** ways A.G. Barr may segment its market.

[2]

- 1 They may segment the market into age groups. This could be useful as they could see what type of age buys what type of drink.
- 2 They can also segment the market into gender to see what males prefer to drink compared to females so they know how to advertise it.

### Commentary on the answer

Two correct methods of segmentation have been provided (age and gender) so 2 marks can be awarded. However, in both cases, a suitable example, using the context of A.G. Barr, has not been given.

Candidates must be reminded about what different keywords mean. 'Outline' requires an explanation of the method, in context.

**2 marks.**

## Question 10[a]

Explain **one** reason why a business may include 'goodwill' in its Statement of Financial Position. [2]

To show that they've donated money to charity to show they are an ethical company, and to see how much was donated.

### Commentary on the answer

This was a common wrong answer. Many candidates clearly had no idea about what 'goodwill' meant and then appeared to guess that it had something to do with how ethical the business is.

Centres must ensure that candidates are taught the meaning of the items found in a Statement of Financial Position or Income Statement, now that this part of the subject has been added to the AS part of the specification.

0 marks.

## Question 10[b]

Calculate A.G. Barr's acid test ratio for 2015. [2]

~~181,149~~ 56,181 + 42,025 = 98,206

### Commentary on the answer

This candidate has no idea how to calculate acid test, as they have just added together current liabilities and non-current liabilities. Only current liabilities are part of the acid test ratio and should be divided into current assets minus inventory.

Centres should also be reminded that OCR has produced a document to help identify what components of the financial documents candidates must know and how they may be set out in future examinations. This document can be found on the OCR website at <http://www.ocr.org.uk/Images/295409-a-guide-to-the-financial-accounting-area-of-study-teacher-guide.pdf>

0 marks.

## Question 11

Evaluate how regulation of the market may affect A.G. Barr's operations.

[12]

In February 2015, A G Barr expanded into a deal to buy Finken LTD.

This was not referred to in the UK competition authorities.

The merge between A.G. Barr and Britvic in July 2013 was approved by the Competition Commission (CC).

The CC ~~said that~~ did not consider that the increased size of the business would mean that new entrants and smaller companies would be at a disadvantage. The merge did not go ahead.

The regulations on the market may affect A.G. Barr's operations as

They cannot expand and merge into a bigger business. The money spent on the merge in 2013 would have been a waste as it did not go ahead. This money could have been ~~invested~~ invested in something else to improve the drinks etc. This

is bad as A-G Barr wasted money on something that never happened.

The merge in 2015 could affect the A-G Barr as there would be a restriction to competition. As there is no competition, the A-G Barr may find that they will find it hard to improve their products and may become of a low quality. This would be bad as customers would be unsatisfied with their products and services.

Overall regulations on the market may affect A-G Barr's operations as they cannot expand into a bigger business, and would of been a waste of money as the merge in 2013 didn't go ahead. Also if there was no competition, products may become out of date and a low quality.



## Commentary on the answer

This is a very weak answer which contains only a little knowledge and application to the context but no analysis or evaluation.

The second paragraph is the only part of the answer which gains any marks thanks to the mention of merger control as a form of regulation (AO1) and the merger which did not take place between A.G. Barr and Britvic (AO2). Other than a very vague reference to how the business could have spent the wasted money on something else (such as what?), there is no attempt to consider how this episode may have affected A.G. Barr, both now and in the future, or whether the control of mergers (or regulation of this sort) will be actually more of a help than a hindrance. This for a business which only has a 5% market share in an industry controlled by a few very large and dominant firms.

The final two paragraphs contain nothing of merit. There is first of all a reference to 'no competition' when the opposite is true and then there is repetition of previous points with nothing added.

**3 marks.**

## Question 12

To what extent do you agree that A.G. Barr is an ethical business? Justify your view.

[20]

Ethics are what's morally right and morally wrong by human beings.

A.G. Barr would be seen as an ethical business to the employees as they provide benefits to working for them. Things such as a pension scheme is seen to be ethical as they are providing a reward to employees for working for them. Some companies don't provide a pension scheme which leads to employees becoming unmotivated at work. Other things such as holiday entitlement is also good as employees should be allowed when working for a business as if they didn't have a holiday, employees would become exhausted and stressed from constantly working. The benefits A.G. Barr provide make them an ethical business which is good.

A.G. Barr have also introduced social responsibility programmes

These include improving the environment and changing long term behaviour and attitudes towards littering. This is good and is ethical as they are thinking about the environment and how they can improve it for the people who live in it. By doing this A.G. Barr are going to be seen as a good ethical business and more people will want to use their service.

Another example of A.G. Barr being an ethical business is that they voluntarily joined the 'Government's Public Health Responsibility Deal' to improve people's lives by being healthier. By reducing the calorie content of their soft drinks by 5%, consumers of the drinks will be much more healthier, so they are providing a healthier service. However 5% could be seen as not much by some

people and may say they should reduce the calories content by a greater percentage so its even healthier.

By also offering healthier eating options in their staff restaurant, staff's health is more likely to improve, so the business is doing good by their employees which is ethical. They are also encouraging more physical activity in the workplace. This means staff will be even more healthier which is good and ethical.

A.G. Barr also states that they are encouraging everyone to ~~dispose~~ dispose of the drinks packaging properly. This will be seen as ethical as they are improving the environment. Also by improving energy use, carbon emissions, water consumption and waste in materials they are improving the local ~~an~~ environment.

even further.

Overall I think A.G Barr are an ethical business as they offer benefits to their employees, encouraging healthier lifestyles to the consumers and are trying to improve the environment. This is ethical as they are improving the lives of people who are involved with the business.

## Commentary on the answer

Nearly half of the candidate's marks come from this question alone.

There is enough knowledge and application shown within the answer to gain all of the AO1 and AO2 marks. To be fair, the answer does not start with much promise. The first full paragraph is made up of lots of examples about how the business looks after its workers but without showing how this makes it ethical or not. The next paragraph only contains descriptive material – how does caring for the environment show A.G. Barr to be ethical?

We have to wait until the third paragraph for a hint of analysis. Suggesting that consumers will be healthier if A.G. Barr reduces calorie content by 5% is very basic analysis. However, the candidate has then stopped to consider this, rather than rushing on to the next thing they can think of. Reasonable evaluation is shown by questioning, at the end of this paragraph, whether a 5% reduction is enough and whether the firm should be doing more. This is an excellent example of the correct approach to answering this sort of question. First, identify an ethical issue. Second, use the context to show how that is seen to be affecting the business or a stakeholder. Third, and vitally, stop to question whether this will actually happen in this context, will the impact be significant and/or whether there is an opposite point of view which may be more relevant.

Unfortunately for the candidate, the rest of the answer does not follow this pattern. The fourth and fifth paragraphs raise other ethical issues (healthy eating options for the staff and environmental issues) but only show a brief impact on stakeholders which is only rewardable as reasonable analysis. These points could have been evaluated by considering whether providing healthy eating in the staff restaurant is really ethical or whether it is the role of an employer to do this. Do all of the employees eat in the canteen? Will these options be more expensive so that those on lower pay do not benefit? How ethical is that?

The final paragraph is another example of one which just repeats points made earlier, along with a bland statement that the business is or is not ethical. This is nothing more than an unsupported statement which is not evaluation. The final paragraph(s) should be an opportunity to weigh up the relative strengths of the pros and cons raised earlier. A good method to help candidates to achieve this is to consider the phrase 'It depends'. It is perfectly possible to conclude that A.G. Barr is, or is not, an ethical business, but what does this decision depend on? Which stakeholder are you considering? How reliable is the data you have access to? Is ethics more important than the financial state of the business or are they inextricably linked?

**11 marks.**



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