

**NOVEMBER 2002**

**GCE ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK : 60**

**SYLLABUS/COMPONENT : 9707/03**

**BUSINESS STUDIES**



a) i) **SUGGEST POSSIBLE ADVANTAGES TO THE BUSINESS OF EMPLOYING A PART-TIME AND FLEXIBLE WORKFORCE. 4**

Content: Makes for efficient use of staff, reduces labour costs in off peak periods, able to perform a number of different tasks, possibly less job security and therefore easier to vary number of staff.

Knowledge and Application
Level Two: Outlines ONE/TWO advantages to this hotel of a part-time and flexible workforce. 3 - 4 marks.
Level One: Lists advantages or outlines ONE. 1 - 2 marks

ii) **DISCUSS HOW THE DIRECTORS MIGHT ENCOURAGE THE NEW EMPLOYEES TO WORK EFFECTIVELY AS PART OF A TEAM. 8**

Content: Effective recruitment and training of the right personnel, job enrichment so that experience is given to each employee of several aspects of the hotel's work, team building, communications based on meetings with staff, Kaizen style approach to problem solving. Development could include the difficulties of team working with part-time staff, the reluctance of existing staff to accept new contracts which could lower morale, possible reluctance of management to accept the styles of leadership necessary for this approach to be effective.

Knowledge and Application	Analysis and Evaluation
	Level Two: Evaluates the likely effectiveness, in the context of this case, of the measures analysed in Level One. 4 - 6 marks.
Level One: States one or two measures which could improve team working. 1 - 2 marks	Level One: Analyses in the context of the case how measures taken by owners might be effective in establishing teamwork. 2 - 3 marks. Analysis with no context. 1 mark

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**b) i) CONDUCT AN INVESTMENT APPRAISAL OF THE NEW CONFERENCE CENTRE USING PAYBACK AND NPV METHODS OF APPRAISAL. ASSUME ALL COSTS AND REVENUE ARE IN CASH. 10**

Content: Any two methods from: payback, NPV.

Year	Net Cash Flows (\$000)	DCF (10%)
0	(2600)	
1	(200 days x \$6) 0.6 = 720	655.2
2	720	597.6
3	720	540
4	720	489.6
5	720 (5 marks for this table)	446.4 (1 mark for multiplying cash flows OFR by discount factors.)

A further 2 marks each for calculating payback (OFR) and NPV (OFR)

Alternative cash flow calculations:

(2600)	1 mark
250 days x 6 = \$1.5m	2 marks
200 days x 6 = £1.2	3 marks
200 x 6 x 0.6 = .72m	4 marks

If only one correct result then:

Payback = 3 years and 7 months (approx) 7 marks

NPV = \$128800 @ 10% 8 marks

Award credit for attempt to calculate other result

If working shown but incorrect answer then award marks as shown above.

**ii) RECOMMEND WHETHER NIKOLAI AND CHRISTINA SHOULD PROCEED WITH THIS NEW INVESTMENT. USING YOUR RESULTS FROM B) I) AND ANY OTHER INFORMATION AVAILABLE TO YOU, EXPLAIN THE REASONS FOR YOUR RECOMMENDATION 10**

Content: OFR applies to the candidate's calculations. Comments required on the results: payback is only 18 months shorter than the expected life span of the project. NPV is positive but not very high. Is this project profitable enough given the uncertainty over forecasted cash flows and the future economic environment e.g. interest rates? Other factors could be: may give the hotel a competitive edge, may increase revenue in other departments, adverse effects on staff, uncertainty over interest rates and whether economic growth will continue, can the project be afforded? There is no definite answer but the best answers must give a fully justified decision.

Knowledge and Application	Analysis and evaluation
	Level Two: Decision based on preceding analysis plus evaluation of that decision by considering both quantitative (not necessarily appraisal results) and qualitative factors. 5 - 8 marks
Level One: Recognises / lists some of the factors which might be relevant or makes unsupported statements about investment appraisal results. 1 - 2 marks	Level One: Appropriate analysis of candidates own investment appraisal results and/or explanation of other factors. 1 - 4 marks

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**C) ANALYSE THE FACTORS THAT THE OWNERS SHOULD CONSIDER BEFORE DECIDING ON AN APPROPRIATE SOURCE OF FINANCE FOR THIS PROJECT ASSUMING THEY DECIDE TO PROCEED WITH IT. 8**

Content: Medium / long term project so short terms sources are unlikely to be appropriate. Leasing of equipment is possible but the building costs need to be covered by retained profits or long term loans or share capital - or any combination. Analysis of these might include: are profits being made and are they in a liquid form? Is borrowing appropriate? Gearing ratio? Interest rates and future movements of them? Cost of share issue? Will it mean "going public"? Possible loss of control. No overall judgement is necessary for full marks but the analysis should be in the context of the case.

Knowledge and Application	Analysis and Evaluation
	Level Two: Full analysis of at least two factors involved in this decision within the context of the case. 4 - 6 marks
Level One: Some recognition of different sources of finance or factors affecting choice of finance but no analysis in context or discussion of suitability. 1 - 2 marks	Level One: Limited analysis of factors or good analysis of one factor but not rooted in the context of the case. 1 - 3 marks

**d) EXAMINE THE USEFULNESS OF CRITICAL PATH ANALYSIS IN PLANNING THE CONSTRUCTION OF THE NEW CONFERENCE CENTRE. 8**

Content: CPA is a planning techniques which places activities in sequence and, when activity times are allocated, allows analysis of critical path, ESTs, LFTs and float times. No diagram is necessary but if one is included and it is appropriately referred to then this will earn credit. Allows total project duration to be estimated. Allows critical activities to be identified. Allows float times to be analysed and resources reallocated if necessary. Problems on the CP can be met with appropriate responses elsewhere on the diagram. Useful for this business as there is a clear time limit to meet and the project is complex with many activities. BUT time consuming, based on estimates and with one-off projects may be quite inaccurate.

Knowledge and Application	Analysis and Evaluation
Level Two: Attempts to put advantage into context. 2 marks	Level Two: Clear understanding and evaluation shown of the usefulness and limitations of this technique - and these are covered in the context of this business. 4 - 6 marks.
Level One: Some understanding shown of at least one feature or benefit of CPA. 1 mark	Level One: Explains the usefulness or limitations but there is no clear evaluation in the context of this business. Evaluative comments may earn top marks in this level if they are not directed at the hotel. 1 - 3 marks

**E) ASSUME THE OWNERS DECIDE TO GO AHEAD WITH THE NEW INVESTMENT. OUTLINE AND EVALUATE A MARKETING PLAN FOR THE LAUNCH OF THIS NEW CENTRE. 12**

Content: Clear marketing objectives needed. Conduct market research into the precise nature and needs of this market and direct the marketing strategy accordingly. Marketing mix needs to be integrated and relevant to this business service. Hotel may have limited resources available for the strategy. Strategy needs to be kept up to date by continuous customer feedback.

Knowledge and Application	Analysis and Evaluation
Level Two: Some attempt to apply the points made regarding marketing strategy to the case. 3 - 4 marks	Level Two: Analysis of main features is in context and there is clear justification for the plan / strategy proposed for this business. 5 - 8 marks
Level One: References made to features of a marketing plan / strategy but no application in context and no coherence which would enable a strategy to be identified. 1 - 2 marks	Level One: Some analysis or explanation of points but no clear integration or justification or if there is it is not in case context. 1 - 4 marks