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Paper 3 Case Study

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MARK SCHEME

Maximum Mark: 100

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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This document consists of **15** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer				Marks
1	Analyse the threats to CSP of the changes in the energy market and government policy				10
	Level	Knowledge 3 marks	Application 2 marks	Analysis 5 marks	
	2	3 marks Good knowledge shown of threats/impact of them.	2 marks Points well applied to the case	4–5 marks Good use of theory/reasoned argument to explain the likely impact of threats	
	1	1–2 marks Knowledge shown of threats/impact of them.	1 mark Some application to the case	1–3 marks Some use of theory/reasoned argument to explain the likely impact of threats	
	0	No creditable content			
Note: Credit impacts on CS as a business, not, e.g. customers unless link is made with CS.					
Answers could include					
Knowledge: Threats – external factors that impact business negatively Definitions of terms from text, for example government subsidies, government grants, energy efficiency					
Application Use of information from text as to what this means for CS, green energy provider, solar panels, ‘green’ mission statement Increasing energy efficiency of electrical products Withdrawal of government grants from European governments Subsidies to individual and business customers have been reduced or removed					
Analysis Reasoned chain of argument, e.g. governments will no longer be giving grants/subsidies, which will increase productions costs. Will CS need to increase prices of solar panels to customers? Electrical devices more efficient now, needing less energy, maybe less incentive for customers to install solar panels? May have to drop prices otherwise solar panels out of reach for most householders/small businesses Also credit references to technical developments, can CS afford to keep up?					

Question	Answer	Marks
2(a)(i)	Refer to Appendix 1. Calculate: the operating profit margin for 2018 Units required for full marks OPM = Operating profit / sales revenue · 100 (1 mark if no relevant calculation) 2018: \$20 m / \$70 m · 100 [1] = 28.57% [2] Accept 28.6% and 29% 28.57 or 28.6 or 29 [1] Forecast OPM: 10 / 72 · 100 = 13.9% [1]	2
2(a)(ii)	the dividend yield for 2018. Units required for full marks Dividend Yield = Dividend per share / price per share · 100 [1] Dividend per share = total dividend / shares [1] 2018: Dividend per share 5 m / 10 m = (\$)0.50 per share [2] 0.50 / \$6.50 · 100 [3] = 7.69% [4] 7.69 [3] OFR	4

Question	Answer					Marks
2(b)	Refer to your results in 2(a) and any other information. Recommend to CSP’s shareholders whether they should sell their shares in the company.					12
	Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks	
	2	2 marks Good knowledge shown of factors	2 marks Points well applied to the case	3–4 marks Good use of theory/reasoned argument to explain the reasons for keeping/selling shares	3–4 marks Good judgement shown in answer and conclusion.	
	1	1 mark Knowledge shown of factors	1 mark Some application to the case	1–2 marks Some use of theory/reasoned argument to explain the reasons for keeping/selling shares	1–2 marks Some judgement shown in answer and conclusion.	
	0	No creditable content				
Note: L1 of AN and EVAL if only use results or other information.						
OFR applies for results. Answers may include						
Knowledge Role of shareholders and reasons for buying shares Importance of dividends as returns and link with profit General reasons for holding/selling shares Knowledge of investor ratios						
Application Comparison of figures from Appendix 2/Use of results OPM – 2018 \$20 m / \$70 m · 100 = 28.57% – Forecast \$10 m / \$72 m = 13.89% – OPM has decreased by 14.68% points or 14.68 / 28.57 · 100 = –51.38% change Dividend yield – 2018 \$0.50 / \$6.50 · 100 = 7.69% – Forecast \$0.30 / \$5 · 100 = 6% – Dividend yield has decreased by 1.69% points or 1.69 / 7.69 = –21.98% change Dividend paid is forecast to fall by \$2 m Share price forecast to fall						

Question	Answer	Marks
2(b)	Reference to reasons for forecast falling share price, such as less grants and subsidies leading to lower forecast profit Tammy's strategies for growth Need for continuing future investment, may depress shareholder returns? Analysis Impact on shareholders as stakeholders Reasoned arguments for holding or selling, including long term view Possible ethical objective of investors in CS Evaluation Balance of evidence – for or against? Are shareholders short term or long term investors? Accuracy of forecast data? Long term future bright for greener energy?	

Question	Answer				Marks	
3	Evaluate the Marketing Director’s view that ‘the greener energy mission statement is the most important factor in the success of our solar panel marketing’ (lines 10–11)				16	
	Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks		Evaluation 4 marks
	2	2 marks Good knowledge shown	2 marks Points well applied to the case	4–6 marks Good use of theory/reasoned argument to explain the likely importance		4–6 marks Good judgement shown in answer and conclusion
	1	1 mark Knowledge shown	1 mark Some application to the case	1–3 marks Some use of theory/reasoned argument to explain likely importance		1–3 marks Some judgement shown in answer and conclusion
	0	No creditable content				
	Note: L1 for AN and EVAL if only consider marketing mix 4Ps.					
Answers may include						
Knowledge Mission statement: a formal summary of the aims and values of a company, organization, or individual Environmental objectives as part of corporate and marketing objectives Marketing planning: including budget, objectives, integrated marketing mix						
Application CSP are involved in a ‘green’ industry Higher prices and less discounts compared to competitors due to longer guarantee period, but possible to still be ‘green’ and pay less References to consumer’s reasons for choosing to install solar panels, but also reasons for buying solar phone chargers and lamps						
Analysis Development of why green objectives may be important or not – will it attract more customers? Do consumers really care? Are consumers willing to pay higher prices for green energy when subsidies disappear? Will the benefit of CSP longer guarantee outweigh competitor’s offers of lower prices? Possible impacts on company image and reputation						

Question	Answer	Marks
3	Evaluation Future use if green energy becomes the ‘norm’ Judgement as to how important ‘green’ may be – is price more important? Risks over long term as more competition in ‘green’ technology and need to stay ‘ahead of the game’	

Question	Answer	Marks
4(a)(i)	Refer to the table in Appendix 2 and lines 53–57. Calculate: the change in capacity utilisation which will result if the special order is accepted Capacity utilisation = current capacity / maximum capacity · 100 [1 if no relevant working] Current CPU = 32 000 / 44 000 · 100 = 72.7% [1] With special order = 42000 / 44 000 · 100 = 95.45% [1] Therefore change is 22.8% points [4] or change is 22.8 / 72.7 = 31.4% [4] Allow range of answers 22–23% 22.8 [3] 31.4 [3]	4
4(a)(ii)	the change to CSP's profits if the special order is accepted. Change to profits will be total contribution. Total contribution = contribution per unit · extra output for special order OR Contribution per unit = selling price – variable cost per unit [1 if no relevant calculation] Variable unit cost = 4 + 1 + 1.50 = 6.50 [1] Contribution per unit = \$7 – 6.50 = \$0.50 [2] Total contribution = \$0.50 · 10 000 = \$5000 [4] If fixed costs included then –\$0.50 · 10 000 = –\$5000 negative contribution [3] Profit for the year with special order \$85 000 [2] Profit for the year without special order \$80 000 [1] Some attempt [1–2 marks]	4

Question	Answer					Marks
4(b)	Refer to your results from 4(a) and any other information, recommend whether CSP should accept the special order from X tours.					12
	Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks	
	2	2 marks Good knowledge shown of factors	2 marks Points well applied to the case	3–4 marks Good use of theory/reasoned argument to explain the advantages and disadvantages of special order.	3–4 marks Good judgement shown in answer and conclusion.	
	1	1 mark Knowledge shown of factors	1 mark Some application to the case	1–2 marks Some use of theory/reasoned argument to explain the advantages and disadvantages of special order	1–2 marks Some judgement shown in answer and conclusion.	
	0	No creditable content				
Note: L1 of AN and EVAL if only use results or other information.						
OFR applies for results. (In this case if fixed costs have been included then contribution will be negative). Answers may include						
Knowledge Meaning of capacity utilisation and why it is important Meaning of total contribution and importance in profit calculations Relevant points about special orders						
Application Reference to results Application of changes to capacity and profits Reference to other points from the text, including nature of special order						
Analysis Reasons for and against acceptance of special order <i>For</i> – addition to profit, better use of resources, could lead to more orders in future. <i>Against</i> – capacity utilisation over 95%, no spare capacity for other orders that may be at full price, will it dilute present sales of lamps from other retailers? If another order comes in this will put the company over capacity						
	Evaluation Accept or decline order? Short/long term? Is it a 'one off' order? Management objectives?					

Question	Answer					Marks
5	Evaluate the possible benefits to CSP of the close involvement of employees and the ECE trade union in the workplace.					16
	Level	Knowledge 2 marks	Application 2 marks	Analysis 4 marks	Evaluation 4 marks	
	2	2 marks Good knowledge shown	2 marks Points well applied to the case	4–6 marks Good use of theory/reasoned argument to explain the likely impact of TU involvement	4–6 marks Good judgement shown in answer and conclusion	
	1	1 mark Knowledge shown	1 mark Some application to the case	1–3 marks Some use of theory/reasoned argument to explain the likely impact TU involvement	1–3 marks Some judgement shown in answer and conclusion	
	0	No creditable content				
Note: Benefits must be to CSP. If impact on employees then this should be linked to what it may mean for the business. Knowledge Role of HRM Employee participation Role of TU in HRM Importance of collective bargaining Knowledge of principle of linking pay with profits (profit sharing) and high quality work (target setting?) Application CSP production staff are likely to be relatively unskilled They are currently involved in decision making through the TU and can also put forward suggestions. How might pay, in this case be linked to profit and high quality work, e.g. through some form of QA or TQM, linked with solar panel production and/or necessity for high quality reference to case What may be TU objectives in this case? Job losses? Possibility of less pay as paid on piece rate at present						

Question	Answer	Marks
5	Analysis - Impacts on CSP as a company, such as de-motivated insecure staff - Benefits of collective bargaining in this case - Impact on labour costs – may decrease, but may need to recruit more workers who are more skilled, so more costs Evaluation - Long/short term impacts - References to economic factors, e.g. falling unemployment - Management of change issues - Relationship with TU issues	

Questions 6 and 7 use the following marking grid.

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgement throughout with well supported conclusion/recommendations focused on the case
2	3 marks Good knowledge shown of factors	3 marks Points well applied to the case	3–4 marks Good use of theory/reasoned argument to explain the advantages and disadvantages or uses.	4–6 marks Some judgement shown in the main body of the answer and an attempt to support conclusion. OR Well supported conclusion/recommendation focused on the case.
1	1–2 marks Knowledge shown of factors	1–2 marks Some application to the case	1–2 marks Some use of theory/reasoned argument to explain the advantages and disadvantages or uses.	1–3 marks Limited attempt to show judgement either within the answer OR a weakly supported conclusion/recommendation with some focus on the business in the case
0	No creditable content			

Question	Answer	Marks
6	Discuss the usefulness of strategic choice techniques for the directors of CSP when making a choice between options A and B. Note: Limit to L1 if no knowledge of specific techniques Knowledge Meaning of strategic choice Ansoff, force field analysis, decision trees as SC techniques Investment appraisal techniques: payback, ARR & NPV as SC techniques Link with other aspects of strategic management – SWOT and PEST, Porters 5 forces, Boston Matrix, Core competencies, vision and mission statements, as strategic analysis techniques when preparing for choice (Note: not rewardable as SC techniques) Application Option A is potentially market development but accept market penetration Option B product development/diversification Use of the techniques/factors for two options Comparison of options using the techniques. For instance comparison of likely risks/returns – Probability of success for B is lower – EMV for B is higher – Understanding of driving forces Analysis How techniques may be used and the advantages and disadvantages Decision trees – estimation of probability difficult. Use of probability aims to take account of uncertainty resulting in better decision making Ansoff's Matrix – focus on risk of different strategic options Force field analysis – subjective. Encourages consideration of a range of factors Managers may manipulate to favour one option Investment appraisal. – NPV allows time value of money to be taken into account so business can see if project covers costs and makes a return – Payback important to businesses that face cash flow problems – ARR. Key metric for judging business success is profitability Evaluation Limitations of techniques, e.g. role of estimation Very dynamic nature of this market. Link to probabilities could be made and their likely accuracy Other information that could be useful? Qualitative information needed Impact of management objectives and attitudes Long and short term impacts	20

Question	Answer	Marks
7	Evaluate the importance of contingency planning for CSP. Knowledge What is contingency planning? How CP as part of strategic implementation fits with strategic choice and analysis Application Contingency planning for CSP as above – allow broad interpretations, including problems caused by related products such as lamps and phone chargers How might these risks be assessed? Comment on recent changes such as government policy and market changes Comment on risks such as fire due to faulty installation – more of a risk as company grows? The fast developing market and associated risks Analysis How contingency planning may be used and advantages and disadvantages Predictable versus unpredictable risks Associated financial implications Development and impact of APP points Evaluation Will there need to be a significant change? Have risks been assessed over the years? What are the main factors that could lead to successful CP? Other factors such as external factors that need to be considered	20