

GCSE

Business Studies

Unit **A293**: Production, Finance and the External Business Environment

General Certificate of Secondary Education

Mark Scheme for June 2014

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

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

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

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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These are the annotations, (including abbreviations), including those used in scoris, which are used when marking

Annotation	Meaning
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.
	Benefit of doubt
	Cross
	Expansion of a point
	Error carried forward
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Repeat
	Tick
	Unclear. Use also to show that a page of writing has been read but for which no credit is given.
	Own figure rule

Subject-specific Marking Instructions

- All responses must be annotated.
- For responses marked with a points style of mark scheme, there should be one tick for each credit worthy point. A cross must be used to indicate that a response is incorrect – do not leave blank.
- For responses marked with a levels of response mark scheme, all the levels achieved should be annotated using L1, L2 and L3 near the statement that achieves the level.

Question		Answer	Marks	Guidance
1	(a)	Words inserted in this order: <ul style="list-style-type: none">• expenses• overdraft• interest• bankrupt	4	One mark for each correct identification, up to a maximum of four identifications.
1	(b)	A = true B = false C = true D = true	4	One mark for each correct identification, up to a maximum of four identifications.

Question	Answer	Marks	Content	Levels of response
1 (c)*	Whether or not they were correct to mortgage and buy the factory depends on what happened to property prices (L2). If these rose between 2012 and 2014 (L2) they might have made a profit by doing so, even after paying for the buying and selling costs (L2). They might have been better to lease first to see if the business would be a success (L2) before committing themselves to a substantial loan (L2) which they might find difficult to repay (L2). However given that prices were low when they bought the factory (L3), it is likely they would make profit (L3) when the came to sell.	10*	<p>Level 3: Evaluation</p> <ul style="list-style-type: none"> • Reference to ‘<i>good time to buy.</i>’ They were right to buy because they were able to buy when prices were low (L3) and so should be able to make a profit (L3) if they to sell it. • Reference to ‘<i>expanding production in 2014/at the end of the period.</i>’ They would have been better to lease because in 2014 they want to expand (L3). Leasing would have saved them money (L3), for example the costs of buying the factory (L3) such as finding a deposit/legal fees (L3). • Reference to ‘<i>as the business is successful.</i>’ The business has been successful (L3). They were right to buy the factory because they would be able to afford the payments (L3) and they could adapt it to meet their needs (L3). • <i>Reference to confidence about the success of the business.</i> Chloe was confident that the business would be a success (L3) so it made sense to buy the factory as she expected to be in business for a long period of time (L3) and this would work out cheaper in the long run than a lease (L3). • Be alert to the candidate who discusses more than one of the options <i>referring to the case study–</i> 	<p>Level 3 (8–10 marks)</p> <p>Evaluation A judgement is made based around evidence from the case study. There MUST be consideration of the two options at at least level 2 for 9 -10 marks.</p> <p><i>Straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p>Level 2 (3–7 marks)</p> <p>Analysis This analysis explains possible advantages/disadvantages of each option but does not provide a conclusion which draws on the key evidence indicated above. There must be analysis of each option to reach seven marks, otherwise cap at 6.</p> <p><i>Relatively straightforward ideas are expressed relatively clearly, legibly and appropriately. There will be some errors of spelling, punctuation and grammar which</i></p>

Question	Answer	Marks	Content	Levels of response
			<p>likely to be at the top of the L3 band.</p> <p>NB Do not credit the reference 'as they have taken a mortgage' as a L3 response.</p> <p>Level 2: Analysis in context Analyses advantages/disadvantages Leasing – cost is spread, immediate use, no need to continue leasing at the end of a fixed period of time, no ownership, is dearer (allow can be cheaper in the <i>short term</i>), no freedom to modify the factory, maintenance paid, Mortgage: needs a lump sum/deposit to start, payment spread, interest needs to be paid, income can be earned to pay interest, interest rate could change – leads to uncertainty, indebtedness rises, building as security, ownership, can sell that asset, could make a profit, could lease if they do not want to use it, freedom to modify the factory</p> <p>Level 1: Knowledge and application</p> <ul style="list-style-type: none"> • Leasing is renting/regular payments for the use of the factory. • Buying using a mortgage involves taking a loan to buy the property. 	<p><i>will be noticeable and intrusive.</i></p> <p>Level 1 (1–2 marks) Knowledge and application One point for knowledge comments about a mortgage, one for knowledge comments about leasing.</p> <p><i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p>

Question			Answer	Marks	Guidance
1	(d)	(i)	Tunisian Tabil	1	One mark for the correct answer.
1	(d)	(ii)	<p>L2</p> <p>The value of sales of Punjabi Masala rises (L2) from £600,000 in 2012 or 10% of £60,000 (L2) to £152,000 in 2013 or 8% of £1,900,000 (L2)/by £92,000 (L2 x 2).</p> <p>L1</p> <p>The percentage of sales of Punjabi Masala falls (L1).</p>	4	<p>Level 2 (2–4 marks)</p> <p>Responses refer to the change in the value of the sales of Punjabi Masala. NB The candidate must have the correct answer to get 4 marks.</p> <p>Level 1 (1 mark)</p> <p>Responses refer to a change in the percentage in the share of sales accounted for by Punjabi Masala.</p>
1	(e)	(i)	Competitive	1	One mark for the correct answer.
1	(e)	(ii)	<p>A = true</p> <p>B = false</p> <p>C = true</p> <p>D = true</p>	4	One mark for each correct identification, up to a maximum of four identifications.

Question			Answer	Marks	Content	Levels of response
2	(a)*	(i)	<p>Batch production would be most appropriate. Job production would not be suitable because it involves making individual products (L1) which will be individually designed (L1). This is not appropriate for BSB as it produces quantities of different spices, each quantity being different depending on the recipe (L2).</p> <p>Flow production involves mass production/on an assembly line (L1) and is appropriate where large amounts of a product are to be</p>	8*	<p>Level 3: Evaluation</p> <ul style="list-style-type: none"> BSB Batch production gives the flexibility (L3) to meet the different orders as they are required (L3). It allows them to have a wider target market (L3) which will increase sales (L3) Batch will reduce storage and 	<p>Level 3 (6–8 marks)</p> <p>Evaluation</p> <p>One L3 credit for each point which identifies links to the case study reference that BSB needs to be <i>flexible</i> as it meeting the <i>orders</i> of different customers as required. The candidate is focussing on the suitability of batch to meet the</p>

Question	Answer	Marks	Content	Levels of response
	<p>produced (L1) though it can be an inexpensive way to produce (L1). This is not appropriate because BSB needs to make a range of spices (L2).</p> <p>In this case batch is the best because it means that BSB can switch production from one kind of spice to another (L2) and produces different quantities (L2). Batch production means that BSB would be flexible (L3) in order to meet the orders of customers (L3) as and when it received them (L3).</p>		<p>so reduce costs because spices can be produced only as required by customers.</p> <p>Level 2: Analysis and application</p> <ul style="list-style-type: none"> • Flow would be suitable for producing a lot of spices if only one kind of spice was sold (L2) Flow would not be appropriate because BSB produces more than one spice blend/a variety of spices. (L2) To use flow would require more than one production line which would probably require a bigger factory. • Job would only be suitable if each spice was an individual product (L2) which required the input of skilled labour (L2). • Job would not be appropriate because BSB 	<p><i>needs of its customers/their orders and so sell successfully (not just the production advantage of being able to produce a range). If a candidate does not refer to job and flow production, they can only achieve L2.</i></p> <p><i>Straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p>Level 2 (3–5 marks)</p> <p>Analysis and application Explains how the batch method would be used in relation to spice production and/ indicates why job or flow could not be used. Marks at L2 are to be given for discussing the reasons why job and flow are not suitable. Level 2 answers will focus on the production <i>process</i> but not deal with the</p>

Question	Answer	Marks	Content	Levels of response
			<p>needs to produce different blends of spices according to a recipe (L2) not just one individualised spice packet for each individual customer. (L2).</p> <ul style="list-style-type: none"> • Batch is suitable when different kinds of spices need to be made in quantity (L2). A disadvantage is that they would lose time changing/cleaning machinery (L2). <i>(Not related to the customer needs).</i> • Batch would be good because they can use the same machinery for different spices (L2) which saves the cost of buying different machines (L2). <i>(Not related to the customer needs).</i> <p>Level 1: Knowledge of methods</p> <ul style="list-style-type: none"> • Batch – producing one kind of product, then changing to produce a second kind. • Job – production of each product individually. • Flow – involves mass production/an assembly line. 	<p>way in which BSB can then meet the market needs of its customers.</p> <p><i>Relatively straightforward ideas are expressed relatively clearly, legibly and appropriately. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p>Level 1 (1–2 marks)</p> <p>Knowledge</p> <p>One point for each statement of knowledge about any two of the methods of production, not applied to spice production.</p> <p><i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p>

Question		Answer		Marks	Guidance								
2	(a)	(ii)	Blenders, oven workers/roasters, packagers, packers, Chloe/research worker, Ade/production manager, human resources manager, finance manager, office worker.	2	One mark for each correctly named job or Ade/Chloe.								
2	(a)	(iii)	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Advantages</td> <td style="width: 50%;">Disadvantages</td> </tr> <tr> <td>C</td> <td>A</td> </tr> <tr> <td>D</td> <td>B</td> </tr> <tr> <td>E</td> <td></td> </tr> </table>	Advantages	Disadvantages	C	A	D	B	E		5	One mark for each correct identification, up to a maximum of five identifications.
Advantages	Disadvantages												
C	A												
D	B												
E													
2	(b)	(i)	<ul style="list-style-type: none"> • Spices • Pouches • Labels • Labour 	2	One mark for each correct identification, up to a maximum of two identifications.								
2	(b)	(ii)	Any appropriate example: <ul style="list-style-type: none"> • Interest on loans • Uniform business rate • Worker on fixed contract. • Mortgage repayments • Cost of lighting 	1	One mark for a correct answer. Do not accept rent, electricity, utility bills.								

Question	Answer	Marks	Guidance																																
2 (b) (iii)	<p>The graph plots three lines: Revenue (black line with diamond markers), Total Fixed Costs (blue line with triangle markers), and Total Costs (red line with square markers). The y-axis is labeled 'Costs/Revenue (£)' and ranges from 0 to 20,000 in increments of 5,000. The x-axis is labeled 'Sales (number of pouches)' and ranges from 0 to 10,000 in increments of 2,000. Revenue starts at (0,0) and increases linearly. Total Fixed Costs is a horizontal line at £5,000. Total Costs starts at (0,5000) and increases linearly. The Revenue and Total Costs lines intersect at 5,000 sales.</p> <table border="1"> <caption>Data points from the graph</caption> <thead> <tr> <th>Sales (pouches)</th> <th>Revenue (£)</th> <th>Total Fixed Costs (£)</th> <th>Total Costs (£)</th> </tr> </thead> <tbody> <tr><td>0</td><td>0</td><td>5000</td><td>5000</td></tr> <tr><td>2000</td><td>4000</td><td>5000</td><td>7000</td></tr> <tr><td>4000</td><td>8000</td><td>5000</td><td>9000</td></tr> <tr><td>5000</td><td>10000</td><td>5000</td><td>10000</td></tr> <tr><td>6000</td><td>12000</td><td>5000</td><td>11000</td></tr> <tr><td>8000</td><td>16000</td><td>5000</td><td>13000</td></tr> <tr><td>10000</td><td>20000</td><td>5000</td><td>15000</td></tr> </tbody> </table>	Sales (pouches)	Revenue (£)	Total Fixed Costs (£)	Total Costs (£)	0	0	5000	5000	2000	4000	5000	7000	4000	8000	5000	9000	5000	10000	5000	10000	6000	12000	5000	11000	8000	16000	5000	13000	10000	20000	5000	15000	6	<p>Up to six marks. One mark for each line (TR, FC, TC). One mark for each correct label (TR, FC, TC).of a correctly drawn line. If you see a graph which contains accurately drawn lines but which do not obey the instruction to go up to 10,000, credit the labelling only.</p>
Sales (pouches)	Revenue (£)	Total Fixed Costs (£)	Total Costs (£)																																
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2 (b) (iv)	The break-even point is 5000 sales.	1	One mark for the correct break even figure.																																
2 (b) (v)	<p>£5000 profit (2)</p> <p>£20,000 - £15,000 (1)</p>	2	<p>Up to two marks for the correct answer</p> <p>One mark for a correct method where the answer is incorrect.</p>																																

Question			Answer	Marks	Content	Levels of response
2	(b)	(vi)	<p>They are not useful as they are only estimates (L1) and they will mislead planning and decision-making (L1). There are a number of reasons why the figures may not be accurate: external cost may change (L1) such as the price of spices (L1), the exchange rate could change (L1), wages they may need to pay to workers could change/rise (L1). Also there may be new competitors (L1) which could force BSB to reduce the prices it charges (L1). <i>However/despite this</i>, break even can help the planning/decision making process (L2) it can calculate the profit/loss at a given output (L2), decide whether to accept an order (L2). The business can use break even analysis to work out how many they need to sell to break (L1) and how much profit they would make at a particular output. However, there are problems with this data. For example, external costs may change (L2), they may have to reduce the price they charge (L2) if a competitor cuts its price (L2).</p>	5	<p>Level 2</p> <p>The candidate will present uses of break-even analysis but will communicate that care is needed in making use of them and then explains why.</p> <p>OR</p> <p>The answer may start with why they are not so useful/what are the limitations but go on to conclude that they do have their uses.</p> <p>Level 1</p> <p>Usefulness Helps to predict whether it is worth selling/manufacturing a product. Know how much to produce to break even. Sets a target. Calculate profit at <i>level of output (not just profit)</i>. Can work out the price to charge to make a profit. Calculate loss at a level of output. Inform planning and decision-making</p>	<p>Level 2 (4–5 marks)</p> <p>Evaluation The candidate presents a discussion which questions the extent to which break-even analysis is useful. It should be clear that the candidate has written more than two lists – this might be indicated by a connective (however/despite this). It is indicating the weighing up the issue.</p> <p>Level 1 (1–3 marks)</p> <p>Analysis States advantages or disadvantages.</p>

Question			Answer	Marks	Content	Levels of response
					Problems: Are estimates, (do not allow miscalculation). Figures may change because: eg external costs/variable costs, exchange rates, competition, price changes, sales are not as predicted.	

Question			Answer	Marks	Guidance
3	(a)	(i)	Words in this order: <ul style="list-style-type: none"> • globalisation • trade 	2	One mark for each correct identification, up to a maximum of two identifications.
3	(a)	(ii)	<ul style="list-style-type: none"> • It buys spices from abroad. • It sells spices to customers in different parts of the world over the Internet. • Chloe travels the world meeting spice producers. 	2	One mark for each correct identification, up to a maximum of two identifications.
3	(b)	(i)	£18	1	One mark for the correct answer.
3	(b)	(ii)	$1680/80$ (1) = £21 (2)	2	Up to two marks for the correct answer. One mark for the correct method where an incorrect answer is given.

Question			Answer	Marks	Content	Levels of response
3	(b)	(iii)	<p>The rise in the price will increase costs (L1) and BSB may need to increase the price it charges (L1) to cover its costs/maintain profits (L1). It could buy from another country if the cardamom is cheaper there (L1). This means it would not have to increase its prices (L1). The decision depends upon what the competitors are likely to do (L2)– if they are also going to raise their prices, BSB should do so also as it will not lose sales (L2)</p> <p>It will depend on how much the prices rises (L2). The greater the price rise (L2) the greater the effect on costs (L2) and BSB may not be able to keep the price of cardamom unchanged (L2) even by reducing its profit margin (L2).</p>	6	<p>Level 2</p> <ul style="list-style-type: none"> • <i>Deciding factors:</i> • Depends on what other sellers do – if they raise prices also, BSB can without losing sales. • Depends on how big the rise in the price of cardamom – it may not be very big, BSB may only need to raise the price a little. • It depends if the supply can be reliable from another country – if it is not reliable they may lose customers. • It depends if the quality is good enough from another country – if they change to a poorer quality supplier they may lose customers. • Recognises the issue of having already got established relationships with suppliers or the need to find/build relationships with new producers and the possibility of a short run disruption of production (This could be used to suggest that this is OK if the problems are overcome). • It depends how much cardamom BSB uses, if it is not a lot they could raise prices without affecting their profitability significantly. • An explicit reference to a 	<p>Level 2 (4 – 6 marks)</p> <p>Evaluation Comes to a reasoned judgement which justifies the choice or indicates what the choice would depend on or implications of the choice.</p> <p><i>Cap at 5 if both options are not considered.</i></p> <p>Level 1 (1 - 3 marks)</p> <p>Analysis The candidate analyses advantages and disadvantages about either or both options without any comparison</p>
3	(b)	(iii)	<p>It will depend on how much cardamom BSB uses (L2). If it does not use a lot of cardamom in its blends (L2) the rise in price will not have a significant impact on costs (L2) and it may be able to absorb the rise without changing its prices (L2).</p> <p>Whether or not competitors are equally affected (L2) – if competitors are similarly affected (L2) they too will have to raise prices (L2) and BSB will be able to do likewise without losing sales (L2).</p> <p>BSB already has good supplies from India and Tanzania and it would want to be sure that the</p>			

Question	Answer	Marks	Content	Levels of response
	<p>quality from other suppliers in other countries would be just as good before it changed. (L2)</p>		<p>competitive market as a reason for not raising the price.</p> <ul style="list-style-type: none"> • Refers to the fact that BSB is about providing high quality spices and that they have celebrity endorsement and so may be able to raise the price. <p>Level 1</p> <p>The candidate analyses why one strategy is appropriate.</p> <p><i>BSB buys from a different country:</i></p> <ul style="list-style-type: none"> • If the price is cheaper • Will keep costs down • Will not need to raise prices. • Will not lose sales • Will maintain profit/profit margin • There are other countries that supply cardamom. <p><i>BSB raises prices:</i></p> <ul style="list-style-type: none"> • So it covers the increased costs • Will not lose profits/profit margin • It will lose sales 	

Question			Answer	Marks	Guidance														
3	(c)	(i)	Words inserted in this order: <ul style="list-style-type: none"> • average • increases 	2	One mark for each correct identification, up to a maximum of two identifications.														
3	(c)	(ii)	<table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 50%; text-align: left;">Type</th> <th style="width: 50%; text-align: left;">Description</th> </tr> </thead> <tbody> <tr> <td>Bulk-buying economies</td> <td>A business has lower advertising costs.</td> </tr> <tr> <td>Financial economies</td> <td>Using machinery to reduce the cost of production.</td> </tr> <tr> <td>Managerial economies</td> <td>A discount given for buying in large quantity.</td> </tr> <tr> <td>Marketing economies</td> <td>When a business sells a range of goods in order to spread its risk.</td> </tr> <tr> <td>Technical economies</td> <td>When a large business pays a lower rate of interest on a bank loan than a smaller business does.</td> </tr> <tr> <td></td> <td>Specialist managers are able to improve the efficiency of the business.</td> </tr> </tbody> </table>	Type	Description	Bulk-buying economies	A business has lower advertising costs.	Financial economies	Using machinery to reduce the cost of production.	Managerial economies	A discount given for buying in large quantity.	Marketing economies	When a business sells a range of goods in order to spread its risk.	Technical economies	When a large business pays a lower rate of interest on a bank loan than a smaller business does.		Specialist managers are able to improve the efficiency of the business.	5	One mark for each correct identification up to a maximum of identifications.
Type	Description																		
Bulk-buying economies	A business has lower advertising costs.																		
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3 (d)*	<p>It will create jobs. As the town is in recession (L3) and there is high unemployment (L3) this is a priority for the council (L3). The council should give planning permission.</p> <p>The factory is to be built on the outskirts of the town and therefore although it may be an eyesore it may not be seen by many people (L3).</p> <p>The factory is to be built on a field and a lot of people in the town get benefit from this as a view or as a place to go walking (L2), if it is only a few people, (L3) then the council should grant planning permission.</p> <p>I would need to know how many jobs were created (L3). If it is not many (L3), then the council should not grant planning permission.</p> <p>Points rewarded here for statements being used clearly in the comparison of benefits and costs, it is not just listing them.</p> <p>It will create jobs which will reduce unemployment (L2).</p>	10*	<p>Level 3</p> <p>The decision to grant planning permission will depend on weighing up the external costs and benefits setting this against relevant evidence in the case study. It is enough to link job creation to the recession, rising level of unemployment that Bowton had experienced. Other issues treated similarly are reducing population, weak consumer confidence or the risk of relocation away from the town.</p> <p>Building on farmland or building on the outskirts of town will need a discussion about the extent of social costs and benefits.</p> <p>Another approach is to suggest that further information is required to make a judgement or it depends on (the additional information needs to be stated and its relevance explained) eg the size of the factory, the number of new jobs, the distance from the town.</p> <p>The candidate will use these points as the lynch pin of the decision.</p> <p>Level 2 Both sides- See below</p>	<p>Level 3 (8–10 marks)</p> <p>Evaluation Makes a recommendation related to the context specifically.</p> <p><i>Straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar but these are unlikely to be intrusive or obscure meaning.</i></p> <p>Level 2 (3–7 marks)</p> <p>Analysis Discusses both valid external costs and benefits.</p> <p><i>Relatively straight forward ideas are expressed relatively clearly, legibly and appropriately. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p> <p>Level 1 (1–2 marks)</p> <p>Knowledge and application</p>

Question			Answer	Marks	Content	Levels of response
3	(d)*				<p>Level 1 Either/ Or:</p> <p>Costs to the Town include:</p> <ul style="list-style-type: none"> • Increased traffic / congestion (1) which will mean delays on the road(1). • Increased noise pollution (Do not credit just the word 'pollution') • Increased air pollution / fumes / greenhouse gas / CO2 / global warming / etc • Visual pollution / eyesore (1) which results from the factory spoiling the view (1) • The loss of a greenfield site / farmland where the factory is to be built. • Reduces property values <p>Benefits to the Town include: Increased employment / jobs Increase construction jobs Increase factory jobs Reduce unemployment / rate of</p>	<p>States only one side - either valid external costs or valid external benefits</p> <p><i>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive.</i></p>

Question			Answer	Marks	Content	Levels of response
					<p>unemployment increase income / money / wealth in the area.</p> <p>Increased trade for businesses in the town because people have more money to spend / there is a multiplier effect.</p> <p>Increases tax revenue for the council, through more uniform business rate revenue.</p>	

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