OXFORD AQA
INTERNATIONAL QUALIFICATIONS

INTERNATIONAL A-LEVEL

BUSINESS

BU04

Unit 4 Business Decision Making

Mark scheme

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241XBU04/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as in the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level; eg if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the lead examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the lead examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in some questions more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 36 marks**

Question	Part	Marking guidance	Total marks
1		A public limited company (plc) has experienced a fall in profits in recent years. Its shareholders believe the ineffective leadership style of the Chief Executive is the reason for this. Assess the arguments for and against replacing the Chief Executive and provide a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.

3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse reasons for replacing the Chief Executive
- to analyse reasons for not replacing the Chief Executive
- to provide a judgement as to whether replacing the Chief Executive is an appropriate response to falling profits.

Indicative content

Arguments for:

- If profits continue to fall this is likely to reduce dividend payments and the share price.
- The new Chief Executive may develop a strategy to achieve the objectives wanted by the shareholders.
- The new Chief Executive may have fresh ideas on how to stop profits from continuing to fall.
- The new Chief Executive may have a different leadership style that may motivate employees to improve the performance of the business.

Arguments against:

- Could be expensive to replace the Chief Executive.
- The new Chief Executive may be no better at improving the profitability of the business
- Falling profits may not be the fault of the Chief Executive. This may be result of major external influences.
- Change of leadership may create conflict in the business. There may be a culture clash between the new Chief Executive and the remaining employees.
- Maybe easier/cheaper for Chief Executive to change his/her leadership style.

Potential judgement:

- Depends on the amount of the fall – is it significant? Is the business still making profit?
- Do the shareholders have a replacement available?
- Are competitors experiencing similar issues?
- Is the Chief Executive the problem with the business or are there other internal problems that the business needs to address?

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
2		A business is looking to off-shore its production facilities to improve profits. Do you think off-shoring will improve profits? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to analyse the arguments for and against the impact of off-shoring to a business
- to consider factors that may affect the location of the production facilities of a business
- to provide a judgement as to whether off-shoring can improve profits.

Indicative content

Arguments for:

- Off-shoring may reduce labour costs due to lower local wage rates.
- Supply of materials may be cheaper and more convenient.
- Off-shoring may reduce transport costs in delivering product to consumers.
- Off-shoring may attract government grants and subsidies at the new location.
- Off-shoring may achieve lower rental costs for the production space.
- Off-shoring may enable the business to remain competitive in the market.

Arguments against:

- Off-shore location may have poor infrastructure. Unreliable power supply/internet/communication may reduce the efficiency of the operations of the business.
- Off-shore location with lower costs may have poor regulation/legislation. May expose the business to fraud/corruption.
- Change of location may damage brand image of the business which reduces consumer loyalty.
- Relocation will have a short-term cost in terms of disruption. Critical employees may be unwilling to work in different location.

Potential judgement:

- Depends on whether the production location is important to the customers of the business.
- Depends on which factors are most important to the performance of the business.
- Whether the costs at the off-shore location will remain lower in the long term.
- Whether critical employees are willing to work in the new off-shore location.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
3		A business is operating in an economy with a high level of inflation. Its Marketing Director does **not** want to increase its prices. Do you agree? Assess the arguments for and against **not** increasing prices and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding: • includes attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- to explain the impact of inflation on a business
- to consider factors that will affect the pricing decision
- to provide a judgement as to whether keeping prices the same is suitable in a time of high inflation.

Indicative content

Arguments for:

- Consumers may be attracted to a business that provides stability in a changing economic environment.
- Not increasing the price of its products may provide a competitive advantage.
- Not increasing prices may build brand loyalty from consumers in the long term.
- The business may build market share as consumers choose the business instead of rivals.

Arguments against:

- Increasing costs of production whilst the selling price remains the same is likely to reduce the profit margin on each sale.
- Consumers may not be price sensitive to the products that the business sells. Demand may not increase even though the price does not increase.
- Not increasing prices may trigger a price war with rivals leading to no advantage being gained.

Potential judgement:

- The success of the pricing strategy depends on the price elasticity of demand for the products.
- The success of the strategy depends on the level of competition within the market. Whether rival businesses have chosen to increase their prices.
- The success of the strategy depends on whether the business can become more efficient to reduce the impact of rising costs.
- Does the business want to increase sales at the expense of the profit margin? Or should the business protect its profit margin and compete via non-price methods?

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Section B **Total for this section: 44 marks**

Question	Part	Marking guidance	Total marks
4		Using **Table 1**, calculate the new gearing ratio for Min plc if $200 m is borrowed to finance the takeover. Give your answer to **one** decimal place. Correct formula = non-current liabilities / non-current liabilities + equity × 100 = 1 mark (AO1) Correct answer = 250 / (250 + 95) × 100 = 72.46% = 4 marks. Accept 72.5% or 72.5 Incorrect rounding. If 72.4% or 72.6% written, award 3 marks. If original gearing calculated, 50 / (50 + 95) × 100 = 34.48% award 2 marks.	**4** **AO1 = 2** **AO2 = 2**

Question	Part	Marking guidance	Total marks
5		Explain **one** impact of technological change on Min plc. **Indicative content** Accept any other valid content. **Good response 3 marks** May link the change in listening habits, as younger people use alternative technological devices, to the lack of growth in sales of Min plc. Using information in the case study. **Reasonable response 2 marks** May link the lack of growth in sales to a technological change. **Limited response 1 mark** May identify technological change, but not link this to Min plc. Some knowledge but no developed explanation.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
6		Using **Table 2**, calculate the Average Rate of Return the takeover is forecast to achieve. Correct formula = (total net cash flow – initial investment) / time (years) = net cash flow per year Net cash flow per year / initial investment × 100 = Average Rate of Return = 1 mark (AO1). ($360m – $200m) / 4 years = $40m per year. $40m / $200m × 100 = 20% = ARR = 4 marks. If % sign missing award 3 marks. Correct formula and application of data, but incorrect calculation = 3 marks. Correct formula and partial application of data = 2 marks. Alternative method = $360m – $200m = $160m. $160 / $200 × 100 = 80%. 80% / 4 = 20% = 4 marks	**4** **AO1 = 2** **AO2 = 2**

Question	Part	Marking guidance	Total marks
7		Explain how an ageing population might affect the demand for surgical robots. **Indicative content** Accept any other valid content. **Good response 3 marks** May link an ageing population to the 4% increased demand for healthcare products, such as the surgical robots provided by Sung Healthcare. **Reasonable response 2 marks** May recognise that an ageing population may choose to demand more healthcare products. **Limited response 1 mark** May indicate that an ageing population may change their pattern of consumption.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
8	**1**	Analyse the benefits to Min plc of the takeover of Sung Healthcare Ltd.	**9** **AO1 = 2** **AO2 = 2** **AO3 = 5**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

The demands of the question are to:

- using the case study, analyse how the takeover will benefit Min plc.

Indicative content

- ARR for takeover forecast to be 20%, which exceeds target return of 15%.
- Healthcare market forecast to grow 4%. Takeover enables Min plc to access a growing market with long-term potential.
- Existing market is stagnant. Hard to improve sales and profits with existing products. Further market penetration will require additional costs from extra marketing expenditure.
- Should reverse decline in share price. Investors should recognise benefits of new product portfolio.
- Sung has a product that has intellectual property protection which reduces prospect of direct competition.
- Increasing sales of radios via marketing delivers a lower forecast return – $10m profit from $40m expense = 6.25% ARR.

Accept any other valid content.

Question	Part	Marking guidance	Total marks
8	**2**	Analyse the problems that the takeover of Sung Healthcare Ltd may cause Min plc.	**9** **AO1 = 2** **AO2 = 2** **AO3 = 5**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
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	0	**No credit worthy material.**

The demands of the question are to:

- using the case study, analyse how the takeover may cause problems for Min plc.

Indicative content

- Borrowing $200 m will increase gearing of Min to 72.46%, making the business vulnerable to a rise in interest rates. OFR.
- The Production Director has concerns over whether the workforce will be able to produce the new products successfully. Training costs may have been under-estimated.
- The takeover means the business will be entering new markets with a new product. Diversification could be risky as Min plc has no experience in the market that Sung operates in.
- The takeover may lead to a conflict of culture. The way the two firms operate may be incompatible.

Accept any other valid content.

Question	Part	Marking guidance	Total marks
8	**3**	With reference to your analysis, recommend whether Min plc should proceed with the takeover of Sung Healthcare Ltd. You should justify your recommendation.	**12** **AO2 = 2** **AO3 = 4** **AO4 = 6**

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
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	0	**No credit worthy material.**

The demands of the question are to:

- evaluate the benefits and problems that may arise from the takeover
- provide a justified recommendation as to whether Min plc should proceed with the takeover.

Indicative content

- Staying with current products is a safer option, but this is likely to deliver less profit in the future.
- Borrowing the money for the takeover is a risk if interest rates increase in the future.
- The takeover enables Min plc to enter a growing market with the prospect of higher future profits.
- The current product is not attractive to investors as indicated by falling share price. This is not delivering the objective of maximising shareholder value.
- The decision depends on the board's attitude to risk. The takeover has the potential for a conflict of culture, but current production is not achieving the objective of the business.
- The decision depends on how adaptable the workforce at Min plc is to new production techniques.

Credit valid alternative content.

No decision is right or wrong but should be assessed on the quality of argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	2	2	2	6	**12**
2	2	2	2	6	**12**
3	2	2	2	6	**12**
Section B					
4	2	2			**4**
5	1	2			**3**
6	2	2			**4**
7	1	2			**3**
8.1	2	2	5		**9**
8.2	2	2	5		**9**
8.3		2	4	6	**12**
Unit Total	**16**	**20**	**20**	**24**	**80**