

INTERNATIONAL AS **BUSINESS**

BU01

Unit 1 Business and Markets

Mark scheme

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2 4 6 X B U 0 1 / M S

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 question 12, 13 and 14 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: 17 marks

Question	Part	Marking guidance	Total marks
1		<p>Figure 1 shows the output of each sector in an economy as a proportion of total output.</p> <p>Using Figure 1, which of the following statements is correct?</p> <p>Answer key: D – The service sector is the largest when measured by output.</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks						
2		<p>Table 1 shows financial data for company X.</p> <p style="text-align: center;">Table 1</p> <table><tr><td>Dividends per share</td><td>\$0.15</td></tr><tr><td>Original issue price of each share</td><td>\$2.00</td></tr><tr><td>Current share price</td><td>\$3.75</td></tr></table> <p>Using Table 1, the dividend yield for company X is:</p> <p>$\\$0.15/\\$3.75 \times 100 = 4.0\%$</p> <p>Answer key: B – 4.0%</p>	Dividends per share	\$0.15	Original issue price of each share	\$2.00	Current share price	\$3.75	<p>1</p> <p>AO1 = 1</p>
Dividends per share	\$0.15								
Original issue price of each share	\$2.00								
Current share price	\$3.75								

Question	Part	Marking guidance	Total marks															
3		<p>Table 2 shows data for a business between 2020 and 2023.</p> <p style="text-align: center;">Table 2</p> <table><tr><th>Year</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr><tr><td>Sales (\$m)</td><td>25</td><td>45</td><td>65</td><td>110</td></tr><tr><td>Market size (\$m)</td><td>100</td><td>200</td><td>320</td><td>400</td></tr></table> <p>Based on the information shown in Table 2, which of the following statements is correct?</p> <p>Market share for each year: 2020: 25.0%, 2021: 22.5%, 2022: 20.3%, 2023: 27.5%</p> <p>Answer key: A – Market share was highest in 2023.</p>	Year	2020	2021	2022	2023	Sales (\$m)	25	45	65	110	Market size (\$m)	100	200	320	400	<p>1</p> <p>AO1 = 1</p>
Year	2020	2021	2022	2023														
Sales (\$m)	25	45	65	110														
Market size (\$m)	100	200	320	400														

Question	Part	Marking guidance	Total marks																
4		<p>Table 3 shows the market share of companies in an industry.</p> <p style="text-align: center;">Table 3</p> <table><tr><th>Company</th><th>Market share (%)</th></tr><tr><td>A</td><td>29</td></tr><tr><td>B</td><td>22</td></tr><tr><td>C</td><td>16</td></tr><tr><td>D</td><td>11</td></tr><tr><td>E</td><td>8</td></tr><tr><td>All other companies</td><td>14</td></tr><tr><td>Total</td><td>100</td></tr></table> <p>Calculate the 3-company concentration ratio if D and E merge.</p> <p>70 or 70% (2) 29+22+(11+8) (1) If original data is used correctly – 67 or 67% (1) One error in calculation, eg 29+22+16+8 = 75 (must show workings) (1)</p> <p>OFR applies</p>	Company	Market share (%)	A	29	B	22	C	16	D	11	E	8	All other companies	14	Total	100	<p>2</p> <p>AO1 = 1 AO2 = 1</p>
Company	Market share (%)																		
A	29																		
B	22																		
C	16																		
D	11																		
E	8																		
All other companies	14																		
Total	100																		

Question	Part	Marking guidance	Total marks
5		<p>Explain one use of market mapping for a business entering a market for the first time.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Market mapping is positioning products or businesses against products of competitors in relation to specified criteria, eg price, quality, etc. • It helps businesses to identify gaps in the market – where the product might be best positioned when launched, making it easier to enter a market initially. • Allows a business to identify where the market is crowded which is useful for a business that does not have the experience in competing within the market. • Allows a business to potentially avoid competition by positioning away from other businesses which may be advised until the business can build up customer loyalty. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one use of market mapping in the context of a business entering a market for the first time.</p> <p>Reasonable response (2 marks) Explains one use of market mapping but is a general benefit with no link to the context of a business entering a market for the first time.</p> <p>Limited response (1 mark) Identifies relevant knowledge of market mapping with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
6		<p>Explain one effect of higher interest rates on a business that builds and sells houses.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Interest rates represent the cost of borrowing money – as a percentage of the amount borrowed. • Increased interest rates will raise the cost of borrowing money. This may affect how much a housebuilding business can borrow – borrowing money to buy land and materials may be expensive. • Increased interest rates will mean that the interest costs of any existing debts increase (assuming variable interest rates) and this reduces the profits of business and may negatively affect cash flow. This will mean the business has less money available for spending on materials to build more houses or struggles to pay other expenses, such as the construction workers' wages. • Increased interest costs make it harder for the business to manage its cash flow. This is more difficult for a housebuilding business as there is a long lead time between the cash outflow of building houses and the cash inflow from eventually selling the houses. • Higher interest rates encourage people to save more. This means they are less likely to spend and more likely to remain in their current house rather than move (and buy) houses. • Higher interest rates make mortgages more expensive. This will affect the customers of the business meaning they are less likely to be able to afford to buy houses and may mean that house prices need to be reduced – affecting the profits of the business. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one effect of higher interest rates in the context of a business that builds and/or sells houses.</p> <p>Reasonable response (2 marks) Explains one effect of higher interest rates but with no link to the context of a business that builds and/or sells houses.</p> <p>Limited response (1 mark) Identifies relevant knowledge of interest rates with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
7		<p>Explain one disadvantage to a co-operative of operating with many members.</p> <p>Indicative content</p> <ul style="list-style-type: none"> Decision-making is more complex as in a co-operative each member has an equal input into decision-making – rather than in proportion to their shareholding – and more members will make the decision-making aspect of running the business more costly in terms of time. More members in the co-operative may mean that the co-operative spends more money in the decision-making process, as each member has an equal say in the business. These costs could be through the costs of consultation, such as holding more meetings to make decisions. Members of the co-operative are unlikely to have the same expertise as might be found concentrated in the board of directors of a public limited company. With many members, the lack of expertise in members may make it more difficult to run the business as it will be more complex and may require expertise which is not present. Less returns per member, as profits must be shared among a larger group, this may discourage investment from future members <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one disadvantage of operating as a co-operative that has many members.</p> <p>Reasonable response (2 marks) Explains one disadvantage of operating as a co-operative but makes no link with the number of members.</p> <p>Limited response (1 mark) Identifies relevant knowledge of co-operatives with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
8		<p>Explain one advantage of using dynamic pricing for a business selling tickets for sporting events.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • It will make it easier to sell all tickets as the price can rise or fall to ensure that demand matches supply over a long period of time – which is how tickets for an event are more likely to be sold. • A business may not know how to price tickets for the event as the popularity of the teams or individuals may change quickly – which means dynamic pricing is useful so that prices rise or fall to the right level to maximise revenue and sell sufficient tickets. • Tickets are likely to be sold over a period of time to a wide variety of customers. This means one fixed price over the period may not be appropriate. • Tickets are likely to be sold using e-commerce/online sales. This makes it easier to use dynamic pricing which prices tickets based on immediate changes to online demand. • If the event is more popular than expected, the price can rise quickly so as to maximise profits. • Sporting events involve high fixed costs so dynamic pricing could be used to maximise capacity utilisation. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one advantage of using dynamic pricing in the context of a business selling tickets for a sporting event.</p> <p>Reasonable response (2 marks) Explains one advantage of using dynamic pricing but with no link to the context of a business selling tickets for a sporting event.</p> <p>Limited response (1 mark) Identifies relevant knowledge of dynamic pricing with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Section B

Total for this section: 27 marks

Question	Part	Marking guidance	Total marks
9		<p>A business produces a range of chocolate bars. It has noticed a rise in the number of consumers who want healthier products.</p> <p>Analyse how using the Boston Matrix may help it to increase its sales.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

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.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> 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	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> 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	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> 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 analyse the uses of the Boston Matrix,
- for a business wanting to increase sales,
- that currently produces a range of chocolate bars,
- with an increasing number of consumers wanting healthier products.

Indicative content

- Helps identify the chocolate bars that are the cash cows of the business – high market share with low market growth – as these will be profitable and will generate cash for the business. The cash cows can be ‘milked’ of money and this can be used to help develop future stars and problem children (question marks) that might need promoting or other funding increases to increase their sales (eg the healthier alternatives – low sugar chocolate bars, healthier snacks, etc), to increase overall sales.
- Some of the chocolate bars will be dogs – low market growth and a low market share – these will not be selling large quantities (though may still be covering their costs) and, given the rise in demand for healthier products, could be considered whether the business should cease production of these as they are unlikely to contribute significantly to sales (and may damage the brand of the business).
- Cash cow products should be marketed in a way that maintains their high level of sales. If chocolate bars are likely to diminish in popularity, then the business may wish to consider extending their life through extension strategies.
- Stars – those bars with a high market share in a growing market can be identified and supported with appropriate funds. Expanding production of this chocolate bar should lead to more sales overall.
- The business may not have ‘star’ products and identifying this may help the business to develop chocolate bars that can become future stars for the business – possibly with funding from cash cows.
- The Boston Matrix allows businesses to analyse whether they have a balanced portfolio of products – as consumer preferences move towards healthier alternatives, the demand for different chocolate bars will change and this can allow a business to increase or decrease production of different bars to ensure sales are increased/maximised.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		<p>A supermarket is operating in an economy with falling average incomes.</p> <p>Analyse one advantage and one disadvantage to this business of launching an own label brand.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

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.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • 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	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • 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	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • 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 analyse one advantage and one disadvantage,
- of a supermarket launching an own-label brand,
- in an economy with falling average incomes.

Indicative content

Advantages

- Branding makes it easier for customers (potential and actual) to recognise a product in the market. If there are many competitors then this will help the business establish itself and maintain or grow market share.
- Own label brands can be more profitable for a business than selling established brands as the cost to the business is likely to be lower than buying in branded products to sell. In a period of falling average incomes, this will be helpful in maintaining profits.
- When average incomes are falling, sales may fall as consumers cut back on spending on non-essentials and switch to cheaper products or to cheaper supermarkets. Launching an own label brand may make it easier to retain customers during this difficult trading period.
- The own label brand can be used to promote better value for money in a period where average incomes are falling. This can be used to attract customers away from more established supermarkets that might be associated with selling higher priced products of established brand names (this has been successfully used by discount supermarkets in Europe, such as Aldi).
- A supermarket can launch new products more easily under its own label brand. Consumers are more willing to buy new products from brands they know and trust. This will help with the costs of promoting a new product if the brand can be applied to the new product and therefore reduce spending for the supermarket. In an economy where incomes are falling, being able to save money will be an important advantage.
- Brands can give a business added value. In a market where incomes are falling it will be important that a business has an edge over its rivals, otherwise it will lose market share. Own label brands can act as a selling point for the business and can be used to differentiate the products sold under that brand from other products.

Disadvantages

- Launching an own label brand will require an investment. Money may not be as freely available in a period where average incomes are falling and, presumably, sales revenue might be lower in this period.
- Products sold under an own label brand may be seen as inferior to those sold under an established brand. It may be harder to generate sales in a period where incomes are falling.
- A supermarket that launches an own label brand may find that sales of some of its product range are affected by sales of others under the same label. If product(s) have a poor reputation, then it may affect negatively the sales of other products under the same own label brand.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		Analyse two difficulties of starting up a business in the designer jewellery market.	9 AO1 = 3 AO2 = 3 AO3 = 3

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.

Level	Marks	Descriptor
3	7 – 9	A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 analyse the two difficulties,
- for a new start-up business,
- in the designer jewellery market.

Indicative content

- Finance will be needed to start the business and may not be available for a new start-up without any significant financial backing. May be harder for a start-up to borrow money with no previous evidence of business success. Designer jewellery is expensive and may require a larger investment than other types of goods when building up starting stock – making the lack of finance more significant.
- In the designer jewellery market, there are more likely to be established businesses in competition. This may make it harder to establish a new business in the market without customer loyalty or experience.
- Designer jewellery is less likely to be impulse purchases and customers may be less willing to risk purchasing from a newly established business, making it harder to build up loyalty or a customer base big enough to cover start-up costs.
- To break into a market, a new business would often use special offers and penetration pricing. These options are less likely to be effective in the designer jewellery market where price skimming or premium-type pricing is more likely to be used.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A private limited company is looking to change to a public limited company to help fund international expansion. Is this change a good idea?</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

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	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> 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. <p>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.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> 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. <p>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.</p>

2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does 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. <p>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.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is 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 benefits of changing business type to a public limited company,
- for a company looking to expand internationally,
- making a supported judgement on whether changing business type is a good idea.

Indicative content

Arguments for

- Public limited companies are businesses that are separate legal entities and shares are available for purchase by the general public.
- International expansion is likely to require significant finance compared with local expansion – more research, legal fees, hire of consultants with knowledge of international markets, etc. The ability to raise larger amounts of finance is far more likely if the business converts into a public limited company – by issuing shares publicly – and can be used to fund the international expansion. This financing is less likely to be available if it remains a private limited company (other than by borrowing).
- Expertise of operating internationally is likely to be needed and this is more likely to be found by bringing in outside help with new shareholders. Changing to a public company may attract outside investors which may bring the expertise of operating on an international level. This is less likely to be found if the company restricts its directors to the smaller group contained within the private limited company.
- Changing to a public company may increase the public profile of the business and generate publicity and attention. This may help with the international expansion as it may raise the profile outside its own country making it easier to reach new customers in international markets.

Arguments against

- Control over running the business is more likely to be diluted or lost to outside investors as the change means ownership is spread over a larger group of investors, not necessarily with any direct connection to the business. This may mean the focus on international expansion is more likely to be lost to outside pressure on achievement of other objectives and strategies from a larger number of shareholders.
- The change to a public limited company can be expensive which may use up valuable resources which would be used for the planned expansion overseas. The conversion cost will be saved if it remains a private limited company.
- Outside investors with less connection to the company are more likely to be short-termist than those found within the private company. International expansion would benefit from internal finance out of retained profits and this is less likely to occur with pressure from outside shareholders for quick returns.

Potential judgement

- The size and likely cost of the expansion. A larger cost implication is likely given it is international (compared with local or national) expansion and this makes it more likely that the company will need to convert into a public company to generate sufficient funding.
- A successful private company could always remain private and rely on other sources of finance – such as a debenture issue or loan.
- Steps can be taken if the company goes public to mitigate the negative risk factors – not issuing too many shares so that control is maintained and making it clear that dividends are unlikely to be declared – with a clear statement of the company's plans may help.

Credit valid alternative content.

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

Question	Part	Marking guidance	Total marks
13		<p>A clothing retailer has several stores. It is considering a switch to only selling online. Is this a good idea?</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

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	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does 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. <p>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.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is 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 benefits and difficulties of only selling online,
- in the context of a clothing retailer,
- making a supported judgement over the move to selling only online.

Indicative content

Arguments for

- If selling to the mass market then closing all shops would save large amounts of money in terms of property prices and rental charges – likely to be high values as retailers often need to be located in areas of high demand, such as town centres.
- Selling online may make it easier to attract customers – especially if selling to the mass market – as the physical location of where shops are based no longer matters.
- Increasingly, customers are happy to buy clothing online – with the option to return unsuitable purchases making it easier for customers.
- It may be easier to judge the likely stock levels needed for certain items of clothing based on the online behaviour of customers and potential customers – websites provide information about likely buying patterns making it easier to avoid stocking clothing that is not desired.

Arguments against

- Costs of moving to online may be significant as the website and platform used must be functional enough to illustrate the clothes being sold in sufficient detail. Recruitment of staff to deal with online sales will generate further costs.
- Costs of redundancy of 'shop' staff may be high – unless these staff can be redeployed within the business model.
- Customers may be less likely to buy clothing online as they wish to physically try on items before making a purchase. This would mean sales may be lost if shops are closed.
- More focus will be placed on the price of the clothing if sold online. Other parts of the marketing mix, such as place, physical environment, etc may become less important. In a mass market, prices may need to be lowered so as to compete with other businesses selling the same type/brand of clothing.
- The business will need to ensure that it can deal with all aspects of online sales, as failure to meet customer demands may mean loyalty is lost and sales decline. With clothing, speed of distribution and dealing with returns promptly will become more important than when dealing with sales in shops.

Potential judgement

- Many clothing retailers already have a substantial online presence so it is wise to sell clothing online – especially if there is a net saving in cost.
- It will depend on who the target market is as certain segments are more or less likely to shop online. Younger people are more likely to buy online whereas older customers are more likely to prefer buying in a physical shop.
- If it is fashion clothing that is sold, then price becomes a less important part of the marketing mix as consumers will be more willing to pay a higher price – but the speed of dealing with orders and returns will become even more important.
- Cost of switch to online-only sales may be high – is this an issue? (it may depend on whether staff can be redeployed, how high redundancy payments might be, etc). This can be compared with any savings in costs, through no longer having to pay to run stores.
- Why can't the business consider offering a mix of both sales in shops and also online sales at the same time – many businesses do?

Credit valid alternative content.

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

Question	Part	Marking guidance	Total marks
14		<p>A chain of vegan cafés sells to a small number of loyal consumers. It is considering moving into the mass market and also selling non-vegan food. Is this a good idea?</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

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	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does 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. <p>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.</p>
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is 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 entering the mass market,
- in the context of a chain of vegan cafés with loyal customers, also offering non-vegan food,
- making a supported judgement.

Indicative content

Arguments for

- Mass market approach involves a business targeting the whole market and not using segmentation.
- Allows a business to aim at a larger number of customers leading potentially to larger sales and profits. Vegan food sold in cafés is a growing market which could indicate the potential for expansion into a mass market with increased sales and profits.
- Non-vegan food sold in cafés would represent the mass market which would mean more potential sales and profits.
- Aiming products at the whole market may allow economies of scale to be exploited. For example, it may be able to achieve purchasing (bulk buying) discounts on buying ingredients. There is likely to be competition in the market from other vegan and non-vegan cafés which means any cost savings will be important in competing.
- Market trends of increasing emphasis on health, welfare and environmental issues may also lead to an increase in the demand for vegan cafés meaning there is more likely to be sufficient demand for the product when combined with the sale of non-vegan food as well to make the increase in output a good idea.
- The focus on vegan food/drinks with their current customers may make it easier to enter a mass market where there is more likely to be increased competition. It has loyal customers and may still be able to charge a high price even when entering the mass market.

Arguments against

- The current loyal customers may be lost if it begins to offer non-vegan food as well. The original selling point will be lost and this may mean it is harder to differentiate the business in the mass market.
- There will be less competition in their current market, this means the business will have less pressure to keep prices low and should be able to build up a customer base gradually if the market is expanding. Vegan food could be viewed as a niche product which means there is likely to be less competition.
- Entering the mass market may mean that the selling price has to fall. There is likely to be increased costs of ingredients and therefore the revenue or contribution earned on each sale may not be high enough to cover costs.
- There may be more competition from existing larger national/international café chains. These may have more expertise at operating in a mass market and have consumer loyalty. It will also be harder to compete against existing businesses and price reductions or other promotions may be necessary.
- The cost of entering the mass market will be high for this business. There will be costs of acquiring property, properly fitting out new cafés and the recruitment and training costs for staff to work in the cafés.

Potential judgement

- A business may wish to combine a mass market approach and focusing on smaller segments with specialist tastes if it offers a range of different types of food – vegan and non-vegan.
- Using online sales and promotions makes it easier to cater for specialist and changing tastes. This is a growing market – more people, especially those who use cafés, are more likely to be sympathetic with consuming vegan products.
- Lack of experience in this market may make it harder to be successful – and mass market approach could be risky. Even having knowledge of running a chain of vegan cafés may not be sufficient for running a much larger chain, regardless of the type of food.
- It will depend on the forecast for market growth and how many other businesses are currently in the non-vegan and vegan café markets.
- The market for vegan food may not continue to grow and may decline over time.

Credit valid alternative content.

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

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	1				1
2	1				1
3	1				1
4	1	1			2
5	1	2			3
6	1	2			3
7	1	2			3
8	1	2			3
Section B					
9	3	3	3		9
10	3	3	3		9
11	3	3	3		9
Section C					
12	2	2	3	5	12
13	2	2	3	5	12
14	2	2	3	5	12
Unit Total	23	24	18	15	80