

INTERNATIONAL AS BUSINESS BU02

Unit 2: Managing Operations, Human Resources and Finance

Mark scheme

June 2024

Version: 1.0 Final



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>A business is asking for the views and suggestions of its employees on ways it can save money.</p> <p>This process is known as:</p> <p>Answer key: A – Consultation.</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
2		<p>Which of the following is an advantage of Just in case (JIC) inventory control in comparison to Just in time (JIT) inventory control?</p> <p>Answer key: A – Easier to supply demand quickly.</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
3		<p>A business sells 100 units at a price of \$30 per unit. It reduces the price to \$25 per unit and sells 150 units.</p> <p>Calculate the difference in revenue.</p> <p>Answer key: B – \$750</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
4		<p>Explain one reason why investing in more training might be an advantage to a business with high labour turnover.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Training staff might make them feel valued and motivate them which might make them more likely to be loyal to the business and lower labour turnover. • Training staff might help them to be multi skilled and/or more efficient in their work and might reduce the need for more employees to replace the ones the business has lost. • A business with a high labour turnover could have a large number of employees regularly being brought into the company as replacements. Training will be an advantage here as these new recruits will not know what to do without it and things like productivity or customer service would suffer if the training was not there. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one advantage of providing training and links this to a business with high labour turnover.</p> <p>Reasonable response (2 marks) Explains one advantage of providing training but does not link this to a business with high labour turnover.</p> <p>Limited response (1 mark) Identifies relevant points with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks						
5		<p>Table 1 shows the financial data of a business.</p> <p style="text-align: center;">Table 1</p> <table><tr><td>Sales revenue</td><td>\$765 000</td></tr><tr><td>Cost of sales</td><td>\$259 650</td></tr><tr><td>Expenses</td><td>\$360 000</td></tr></table> <p>Calculate the operating profit margin of the business.</p> <p>765,000 – (259,650+360,000) = 145,350 or states correct formula (1 mark)</p> <p>145,350 / 765 000 = 0.19 (1 mark)</p> <p>0.19 x 100 =19% (1 mark)</p> <p>Award 3 marks if answer is correct without showing workings.</p> <p>OFR applies.</p>	Sales revenue	\$765 000	Cost of sales	\$259 650	Expenses	\$360 000	3 AO1 = 1 AO2 = 2
Sales revenue	\$765 000								
Cost of sales	\$259 650								
Expenses	\$360 000								

Question	Part	Marking guidance	Total marks				
6		<p>Table 2 shows financial information for a restaurant.</p> <p style="text-align: center;">Table 2</p> <table><tr><td>Contribution per meal</td><td>\$20</td></tr><tr><td>Monthly fixed costs</td><td>\$7 200</td></tr></table> <p>Calculate the margin of safety assuming the restaurant sells 550 meals per month.</p> <p>Break-even = fixed costs/contribution per unit = 7200 / 20 = 360 or 360 meals (1 mark)</p> <p>Margin of safety = 550-360 = 190 or 190 meals (1 mark)</p> <p>If stated correct formula for margin of safety award one mark.</p> <p>OFR applies.</p>	Contribution per meal	\$20	Monthly fixed costs	\$7 200	<p>2</p> <p>AO1 = 1 AO2 = 1</p>
Contribution per meal	\$20						
Monthly fixed costs	\$7 200						

Question	Part	Marking guidance	Total marks
7		<p>Explain one reason why a manufacturer with low labour productivity might have low profit.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • The lower the labour productivity the more the manufacturer will need to pay in terms of salaries/wages as the less they will make per hour/day – this will increase its expenses which will decrease profit. • A low labour productivity could indicate an issue in motivation or an issue with training as workers are not working quickly enough to manufacture the products. This could add extra expense to fix the problem such as training and/or financial incentives and so leads to higher expenses and lower profit. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one reason why low labour productivity might impact on profit and links this to a manufacturer with low labour productivity.</p> <p>Reasonable response (2 marks) Explains an impact of low labour productivity on profit but does not link this to a manufacturer with low labour productivity.</p> <p>Limited response (1 mark) Identifies relevant points 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 reason why having good supplier relations is important for a new business.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A new business needs to establish a customer base and good supplier relations will help them to make sure they have good quality stock which could lead to customers being satisfied and repeat purchases. • A new business may need to have some flexibility on payment options whilst they start up and establish their cash flow, good relationships with suppliers might help them do this. • Suppliers may be able to support them with marketing, training and advice which could help at the start of a business. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one reason why having good supplier relations is important and links this to a new business.</p> <p>Reasonable response (2 marks) Explains one reason why having good supplier relations is important but does not link this to a new business.</p> <p>Limited response (1 mark) Identifies relevant points 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		Analyse two ways the operational activities of a clothing manufacturer could help improve its customer satisfaction.	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 two ways,
- the activities of the operations department can improve customer satisfaction,
- for a clothing manufacturer.

Indicative content

- Speed of response – the operations department are responsible for managing the speed of response to a customer, for example how quickly it processes an order from one of its customers. Ensuring this is managed and processed quickly will help improve customer satisfaction, the speed of response is particularly important in the clothing market as fashion changes quickly and there is high competition so it is important for the clothing manufacture to respond quickly.
- Environmental objectives/ethics – as more customers are conscious of sustainability and the operations department are responsible for sourcing materials and packaging which could help the environment – this could help improve customer satisfaction. This is particularly relevant to the clothing industry which has been criticised for fast fashion and wastage.
- Measuring quality – the operations department are responsible for measuring and maintaining quality standards, ensuring standards are met and as expected from the customer will help improve customer satisfaction (for example collecting customer feedback), this is more important if the customer is paying a high price for the clothing as they will expect good quality.
- Costs – the operations department can help control costs, they would be responsible for monitoring any increases in costs of clothing supplies and negotiating costs in order to keep costs satisfactory for customers thus improving satisfaction.
- Inventory control – monitoring and controlling inventory will help the clothing manufacturer to meet customer orders to improve customer satisfaction.
- Technology – the operations department are likely to invest in new technology (for example inventory control technology) which could increase speed of response and quality of goods leading to an increase in customer satisfaction.

Note: Answers with non-operational responses can be awarded at L1.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		<p>A business is experiencing a decline in market share.</p> <p>Analyse two ways that removing a level of hierarchy could help this business regain its market share.</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 two ways,
- removing a level of hierarchy,
- could help a business regain its market share.

Indicative content

- A business with a declining market share is either losing sales or not keeping up with market growth, reducing the staffing costs in the business through removing a level of hierarchy might still enable the business to reduce staffing costs which could help it survive in the short term whilst devising new strategies to help regain its market share.
- Removing a level of hierarchy might allow the business to be more responsive to the changing environment, for example reducing the number of managers in the business could allow quicker decision making which could lead to the business becoming more innovative and regain its market share through new product innovation.
- Less levels of hierarchy might result in managers being closer to the needs of the business which might help it to respond better to the needs of its customers to allow it to regain market share.
- Removing a level of hierarchy might create more opportunities for the remaining managers to empower staff and delegate as more authority is passed down the hierarchy. This could lead to improved motivation, productivity and innovation which could improve customer service and its product offering to regain market share.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		Analyse two ways that the finances of a business might be affected by a competitor opening nearby.	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 two ways,
- the finances of a business,
- might be impacted by a competitor opening nearby.

Indicative content

- Revenue objectives/targets (sales or turnover) may not be met or may need to be revised as the competitor may take away sales from the business, particularly if they have a unique selling point or customers are not loyal to the business.
- Expenses may increase as the business tries to compete with the new competitor through a new marketing campaign.
- Gross and operating profit/margins targets may not be met or may need to be revised as sales might decline and expenses increase as above. In addition to this, the business might need to lower its prices to compete which will have a negative impact on profits.
- Managing cash flow might need to be prioritised as the business income declines and expenses increase to try to compete.
- It should be noted that a competitor opening nearby can be a benefit for the business as it could bring more footfall to the area, might encourage the business to be more innovative etc, therefore any arguments relating to positive impacts on financial objectives should be rewarded.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A car manufacturer imports some of its inventory. Will implementing lean production make it more profitable?</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 develop arguments for and against,
- implementing lean production,
- and to make a judgement on whether it will help the business be more profitable.

Indicative content

Arguments for

- Lean production should help the car manufacturer eliminate waste as goods are delivered to order. For a car manufacturer, storage costs can be high as a car has many parts so needs to hold lots of inventory. With lean production it would order from its supplier once the customer has ordered the car, likely getting it shipped straight to the factory so there is no need for any storage.
- The process of lean production relies on the involvement of employees as part of implementing Kaizen, particularly customer service and warehouse staff who would be heavily involved in ensuring products are ordered from the supplier and delivered to the customer on time. Involving staff makes them feel valued and should increase motivation, reducing labour turnover which can be high in retail, which can save costs for the business and increase productivity, which in turn should increase profit.
- Lean production can help the business gain competitive advantage as staff are more likely to be more engaged, innovative and quicker to respond to change, which is very important in car manufacturing as technology moves quickly and the market is highly competitive. This should help the business gain more sales and increase profit.
- Car technology move quickly, as lean production means that the manufacturer will hold no stock so there is less chance of it having stock that has gone obsolete and cannot be used. This means that it does not have money tied up in stock it cannot use which should increase profit.

Arguments against

- Implementing lean production can take time therefore benefits may not be seen instantly, it may take some investment in the short term which means that the positive impact on profit may only be seen in the longer term.
- Lean production requires supplies and orders to be delivered just in time, as the car manufacturer imports its inventory from other countries this can increase the risk of problems with shipping, if suppliers fail to deliver on time the reputation of the manufacturer could be damaged and sales might decline impacting negatively on profit.
- The option to save money, particularly in shipping costs, from purchasing economies of scales is removed which will likely increase expenses and decrease profit.
- Customers might want quick delivery – with lean production and minimal buffer stocks, orders might be rejected if the manufacturer cannot meet customer orders which require immediate delivery, leading to decreasing sales and profit.

Potential judgement

- There are many benefits which can arise from lean production and it can certainly reduce costs if the business is able to implement it.
- However, the car manufacturer has overseas suppliers which can make lean production less effective due to delays with shipping and not allowing it to benefit from economies of scale.
- The likelihood is that the car manufacturer will lose out on sales through the implementation of lean production which will reduce its sales revenue meaning that they might not see the benefit from the reduction in costs.

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>Business A is concerned that its labour turnover will prevent it from achieving its objective of increasing market share. Table 3 shows human resource data for Business A.</p> <p style="text-align: center;">Table 3</p> <table><tr><td></td><td>2022</td><td>2023</td><td>Industry average 2022</td><td>Industry average 2023</td></tr><tr><td>Labour turnover</td><td>30%</td><td>35%</td><td>22%</td><td>21%</td></tr><tr><td>Labour productivity (output per month)</td><td>12 000</td><td>15 000</td><td>8 000</td><td>8 500</td></tr></table> <p>Using the data in Table 3, assess the arguments for and against and make a judgement.</p>		2022	2023	Industry average 2022	Industry average 2023	Labour turnover	30%	35%	22%	21%	Labour productivity (output per month)	12 000	15 000	8 000	8 500	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>
	2022	2023	Industry average 2022	Industry average 2023														
Labour turnover	30%	35%	22%	21%														
Labour productivity (output per month)	12 000	15 000	8 000	8 500														

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 develop arguments for and against,
- the idea that labour turnover will prevent business A from achieving its objective,
- and to make a judgement.

Indicative content

Arguments for

- The labour turnover has improved from 30% to 35%. This is a lot higher than the industry average and also going in a different direction which suggests an issue with staff leaving the business.
- Recruitment costs will be high if there is a need to replace the staff that are leaving. This will reduce the amount of profit the business makes and can re-invest back into the business, reducing its competitiveness and preventing it from achieving its objective.
- Employees who are leaving the business could be highly skilled and go and work for competitors. This could give them a competitive advantage and reduce the chances of the business increasing its market share.
- A high labour turnover could indicate an issue with motivation in the business. Low motivation of employees could have a negative impact on quality and could give the business a bad reputation, reducing the likelihood of it increasing its market share.

Arguments against

- The high labour turnover could be due to natural wastage, restructuring or a more capital intensive production method and could actually be positive. This could allow the business to decrease costs and increase profit to re-invest back into the business and increase the likelihood of it increasing its market share.
- Labour turnover is increasing and is higher than the industry average. Labour productivity is almost twice the industry average suggesting that the employee motivation is high and that labour turnover is not an issue.

Potential judgement

- The business should do some further research into the reasons why employees are leaving. If they are leaving to move to a competitor it could be an issue as they may take their training and skills to the competitor giving them a competitive advantage.
- The labour productivity is much higher than the industry average which suggests that employees are satisfied and motivated. The high labour turnover could be due to intentional redundancies and natural wastage which has resulted in improved efficiency. This should help the business to meet its objective of increasing market share.

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 start-up business wants to reach its break-even output quickly. It is considering increasing its prices. Is this the best way to help it to break even quickly?</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 assess the arguments for and against increasing prices,
- as the best way to help a start-up business break even quickly,
- and make a judgement.

Indicative content

Arguments for

- Increasing its selling price will increase its contribution per unit which will mean the business will need to sell less units to reach its break-even point, however this will only help it break-even quickly if customers are prepared to pay the increase in price. As this is a start-up business and new to the market customers may not be prepared to pay a higher price.
- Increasing prices for a start-up business could be a good idea as it can make the product more desirable as customers believe that it is a premium brand and worth paying for, this can increase overall demand allowing it to break even quickly.

Arguments against

- Increasing prices for a start-up might not be a good idea as it is just starting out and may not yet have gained customer loyalty, new customers can be reluctant to pay higher prices for something they have not yet tried, particularly if there are established competitors charging lower prices.
- It could try to decrease the fixed costs, for example rent or mortgage payments, but this is generally reliant on its suppliers accepting a reduced rate which they may not do particularly for a newly established start-up business. It could try to reduce capacity which will mean it may not be able to produce/stock as much which could mean it takes longer to break-even. This might not be an issue for a start-up business as it is just starting up and establishing its customer base. If it can do this contribution would be increased as fixed costs lower reducing the number of sales it needs to break even which could help it break even quickly.
- It could try to reduce variable costs such as materials and labour to reduce the break-even point but this could impact on quality which could impact on sales meaning it doesn't sell as many and it takes longer to reach their break-even output.
- It could lower its selling price, this would increase the break-even point but it might sell more units in a shorter space of time which would mean it should break even quicker. This is using penetration pricing and is often suitable for start-ups whilst it tries to establish a customer base, in time it could slowly increase prices which could help it to increase profit following reaching break-even point.

Potential judgement

- It depends on the product that the start-up is selling and how price sensitive the market is to a change in price, generally start-up businesses use lower prices to help them to gain a foothold in the market, however if the product is new or innovative then increasing prices would be suitable.
- There are other alternatives in reducing fixed costs or variable costs which would be the better option but that all depends on the supplier agreeing to lowering their costs or switching suppliers which can take time and would depend on the power the business has over the supplier, a start-up business might not have much power.

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	2			3
5	1	2			3
6	1	1			2
7	1	2			3
8	2	1			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	24	23	18	15	80