

INTERNATIONAL AS BUSINESS

BU01

Unit 1: Business and Markets

Mark scheme

January 2025

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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 summarise your judgement briefly at the end of each response. This will help you decide on the overall level and is helpful for others to understand the mark given. Ensure the comments fit with the level awarded and the language of the level descriptors used in the mark scheme. Next to your comment put the level awarded, eg L4. 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		Which of the following is an advantage of operating in a mass market? Answer key: C – High levels of sales	1 AO1 = 1

Question	Part	Marking guidance	Total marks
2		Statement 1: strategy is the overall goal the owner of a business wishes to achieve. Statement 2: tactics are short term plans focusing on day-to-day decision making. Choose one option below. Answer key: B – Statement 1 is false and statement 2 is true	1 AO1 = 1

Question	Part	Marking guidance	Total marks
3		Which of the following is likely to lead to rising profits for luxury retailers? Increases in: Answer key: C – incomes of consumers.	1 AO1 = 1

Question	Part	Marking guidance	Total marks						
4		<p>Calculate the market capitalisation for this business using data from Table 1.</p> <p style="text-align: center;">Table 1</p> <table><tr><td>Number of shares issued</td><td>25 000</td></tr><tr><td>Initial share price</td><td>\$0.25</td></tr><tr><td>Current share price</td><td>\$0.37</td></tr></table> <p>\$9250 ($\\$0.37 \times 25\,000$) or 9250 (2) \$0.37 $\times$ 25 000 shown as working but incorrectly calculated (1)</p> <p>OFR applies</p>	Number of shares issued	25 000	Initial share price	\$0.25	Current share price	\$0.37	2 AO1 = 1 AO2 = 1
Number of shares issued	25 000								
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Current share price	\$0.37								

Question	Part	Marking guidance	Total marks
5		<p>Figure 1 shows a decision tree. This shows the outcomes if a business decides to either:</p> <ul style="list-style-type: none"> • launch a new product, or • increase advertising of its current product range. <p style="text-align: center;">Figure 1</p> <p>Using the decision tree calculate the net gain of choosing to increase advertising of its current product range.</p> <p> $(0.5 \times \\$7m) + (0.5 \times \\$6m) = \\$6.5m - \\$2m = \\$4.5m$ (3) $(0.5 \times \\$7m) + (0.5 \times \\$6m) = \\$6.5m$ (2) $(0.5 \times \\$7m)$ or $(0.5 \times \\$6m) - \\$2m$ (ie \$1.5m or \$1m) (working needed) (2) $(0.5 \times \\$7m) = \\$3.5m$ (1) $(0.5 \times \\$6m) = \\$3m$ (1) </p> <p>OFR applies</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
6		<p>A market has many established businesses.</p> <p>Explain one difficulty for an entrepreneur setting up in this market.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • An entrepreneur may lack finance. This will make it harder to spend money on promoting the business. In a market with established businesses this may make it harder to survive. • Entrepreneurs are more likely to lack experience in this market. This will make it harder to operate as efficiently as other businesses. Established businesses are more likely to be able to minimise costs making it harder for the entrepreneur to get the business established. • An entrepreneur may not be able to build up a customer base. New businesses may find it more difficult to tempt customers away from other businesses. Established businesses are more likely to have built up customer loyalty. This makes it harder for the entrepreneur to gain sufficient market sales. • An entrepreneur may struggle to build up close links with suppliers. Established businesses may have more power over suppliers making it harder for the entrepreneur to access necessary materials or credit facilities with the suppliers. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one difficulty for an entrepreneur setting up in the context of a market with many established businesses.</p> <p>Reasonable response (2 marks) Explains one difficulty for an entrepreneur setting up with no context of a market with many established businesses.</p> <p>Limited response (1 mark) Identifies relevant knowledge of difficulties of entrepreneurs setting up with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
7		<p>A business sells luxury holidays.</p> <p>Explain one benefit to this business of using relationship marketing.</p> <p>Indicative content</p> <ul style="list-style-type: none"> Relationship marketing refers to marketing activities that emphasise and develop the relationship between the business and its individual customers, so as to build customer loyalty and repeat sales The business is more likely to retain customers. This is due to the building of a personal relationship between the business and the customer. Luxury holidays are likely to be repeat purchases – perhaps yearly – so this will generate more sales and profits for the business. It is likely to lead to improved customer satisfaction. This will help increase sales for the business. Luxury holidays are more likely to be bought on non-price factors so improved satisfaction will increase sales for the business. Businesses that use relationship marketing are more likely to improve sales through word-of-mouth marketing as well as more traditional promotional methods. This may be a more effective way of reaching new customers as feedback can be provided on holidays to potential customers. Hard to show the full experience of a luxury holiday using other methods of promotion. Based on the competitive nature of the luxury holidays market, a relationship marketing approach creates loyalty and repeat purchases. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one benefit for a business of using relationship marketing when selling luxury holidays.</p> <p>Reasonable response (2 marks) Explains one benefit for a business of using relationship marketing but with no context of selling luxury holidays.</p> <p>Limited response (1 mark) Identifies relevant knowledge of relationship marketing but with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
8		<p>During a period of falling profits, explain one advantage of being a family business.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • As a family business, the owners have more of a personal stake in ensuring the business is successful through these family connections. If the business is experiencing falling profits, then there is more chance of the family members being willing to work harder to turn things around compared with a business where there is no family connection. • Family members are more likely to trust one another. In a business this trust may make it easier to run a business together than in a business with unconnected shareholders. In a period of falling profits, this trust may make a difference in helping the business to survive the difficult period. • Family members in the same business may be more willing to take a longer-term view in the decision-making within the business. In periods of falling profits, sound decision-making will be more important. • If the members of a business are connected by family, then they are more likely to work harder to ensure business success. With falling profits, family members will work even harder for each other to ensure the business does not fail. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one advantage of being a family business during a period of falling profits.</p> <p>Reasonable response (2 marks) Explains one advantage of being a family business but not connected with a period of falling profits.</p> <p>Limited response (1 mark) Identifies relevant knowledge of family businesses 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 manufacturing business believes its products are entering the maturity stage of the product life cycle.</p> <p>Analyse two changes the business may make to its marketing mix.</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 changes to the marketing mix,
- in the context of a manufacturing business,
- at the maturity stage of the product life cycle.

Indicative content

- Price may be changed. At the maturity stage, there is likely to be more competition in the market and businesses are competing for a static number of sales. Price reductions may follow as this can encourage customers to continue to buy from the business or can tempt customers away from other businesses if they have not reduced their prices. Price reductions may be useful for a manufacturer of retail goods as lower prices may attract more customers.
- Extension strategies may be used to prolong the sales. Current product sales may have levelled off and the business may consider launching updated versions of its existing range or new versions of its products. New product sales would replace those that are becoming harder to sell. For a manufacturing business, updated versions of the products they make would be the appropriate extension strategy. These updates may incorporate newer features or better use of technology.
- It may decide to target new market segments. It could target either new geographical segments (perhaps outside their own country) or different types of consumers. A manufacturer might target more retailers to stock its products if it does not sell directly to consumers.
- Promotion may be needed to maintain sales. Advertising could be used to reach a wider audience for the products its manufacturers, or to persuade buyers to switch from other businesses. For a manufacturer of retail goods, advertising will need to be both informative and persuasive. For manufacturers of industrial goods, sold to other businesses, it is more likely to be informative advertising.
- The business may change where the product is sold, or how it is distributed. The business may switch distribution methods or where the products are sold in order to maintain sales. It may look to sell through other retailers, to encourage a wider range of customers.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		<p>A sole trader is starting a new business in an established market.</p> <p>Analyse two benefits for the sole trader of producing a business plan.</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 benefits of producing a business plan,
- for a sole trader starting a new business,
- in an established market.

Indicative content

- A business plan can help support an application for a loan from a bank (or another lender). The plan will help convince the lender that the sole trader has considered the financial position of the business. Business plans often contain cash flow forecasts and this can illustrate to the lender that the sole trader will be capable of paying back the loan and the interest out of the cash inflows each month. Sole traders are likely to have access to smaller amounts of personal savings than larger types of business, so borrowed money is more likely to be needed.
- By planning ahead, the sole trader can anticipate problems in advance of them potentially occurring. Entering a new market will be difficult as it is more likely to contain unknown issues. A plan may address these issues. For example, a sale forecast and a cash flow forecast may show when cash flow is likely to be low or negative and this can be anticipated and responded to via the plan. Lack of experience with the business and the market will make it more likely that unanticipated problems arise.
- The business idea can be carefully considered in case the idea may not be commercially viable. Entering a new market can be difficult and costly. Market research and analysis can form part of the business plan and this may indicate that the sole trader would be better off not pursuing the idea, or at least modifying the business idea before setting up and launching. Established businesses in the market may be difficult to compete with unless research allows the sole trader to identify where the market and product positioning.
- A plan will help the business owner to determine whether it has the necessary internal resources in terms of finance, resources and staffing (or expertise). For a sole trader, there are a lot of things needed that are relying on one person. This is why planning will highlight any shortfalls in terms of what is not available internally.
- A sole trader has to make all the major decisions within the business – HR, marketing, finance and operations. This will be difficult compared with a larger business which can allow managers and owners to specialise in areas. A business plan will often contain plans for each of the major functional areas and this will allow greater coherence and coordination between these different areas. For example, planning for finance in order to buy materials, in order to produce output to satisfy the sales forecast, etc. In a new market, there will be lots of decisions that are needed in different functional areas to get the business set up and operating. Planning these out in advance will make the job less difficult.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		<p>A market is dominated by big businesses.</p> <p>Analyse two reasons why a small business in this market may target a market niche.</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 why a business may target a market niche,
- for a small business,
- in a market dominated by big businesses.

Indicative content

- Niche markets are smaller parts of a larger market/market segment where customers have specialised tastes not currently catered for by businesses targeting the mass market.
- A business targeting niche markets can charge a higher price than it would in a mass market. This is because it faces less direct competition from the bigger businesses targeting the mass market. The higher selling price would be useful as it may enable the smaller businesses to survive given they are unable to compete on cost grounds alone – given that bigger businesses are more likely to experience cost efficiencies (economies of scale).
- Using a niche marketing approach enables the business to generate customer loyalty. A niche marketing approach means that the business will cater for parts of a market not currently targeted by other businesses. Smaller business can focus on this smaller group of customers and provide a product closer to what this market segment wants and is currently not provided for. Bigger businesses aim their products at larger market segments and may not be able to focus on a smaller group of loyal customers as done by smaller businesses.
- Focusing on a smaller part of the market – the niche market – allows the business to build up a clearer picture of the market it operates in. This gives a smaller business an advantage over bigger businesses which are looking at the larger market. Having a clearer idea of what is happening in the market allows the smaller businesses to adapt and to respond to changes more quickly. For bigger businesses they are often slower in responding to changes that have taken place.
- There will be less competition in the market niche than there is in the mass market. Smaller businesses may struggle to compete with larger businesses in the same market. The market is dominated by big businesses which have advantages in terms of funding, scale, likely expertise, etc. Therefore a smaller business is more likely to be successful if it focuses on a market niche instead of the mass market.
- Bigger businesses may have larger marketing budgets. This makes it easier for these businesses to target larger, mass market audiences. Smaller businesses do not have the same resources. As a result, smaller businesses cannot afford large marketing budgets and, by focusing on market niches, which are smaller parts of the overall market, they can stay within their marketing budgets.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A large chain of supermarkets is aiming to increase sales revenue. Is targeting repeat sales the best way of achieving this?</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 whether focusing on repeat sales will increase sales revenue,
- in the context of a large chain of supermarkets,
- and make a judgement as to whether focus on repeat sales is the best way to increase sales.

Indicative content

Arguments for

- Repeat sales are where a business encourages customers to return to the business and make further purchases.
- Encouraging repeat sales will mean an increase in the sales revenue from an existing group of customers. This will result in an increase in sales revenue if achieved. For a supermarket chain, repeat sales are achievable given that supermarkets sell necessities which are needed on a daily/regular basis.
- There are a number of techniques available to a supermarket that can result in repeat sales. Special offers, loyalty programmes, targeted promotional activities etc, which should encourage a customer to stay with the same supermarket.
- The cost of encouraging repeat custom is lower than attracting new customers to the business. Advertising and price reductions may be necessary to attract customers away from other supermarket chains.
- Other options for increasing sales revenue may be less effective given a supermarket chain is likely to have plenty of competition – which means, for example, price rises would not be as effective (ie demand is likely to be more price elastic).

Arguments against

- There is a limit to how much sales revenue can be increased by repeat sales. For a supermarket there is only so much that can be repeat purchased. The level of sales revenue can increase only up to a point.
- A supermarket has other options for increasing sales revenue, such as opening up new supermarkets in new locations, or offering a greater variety of products for sale, aiming for more online sales. If successful, these would also increase sales revenue.
- Methods of encouraging repeat sales may mean that selling prices have to be reduced (either directly or via promotional offers – likely in a supermarket). This means the increase in sales revenue may not occur.

Potential judgement

- Encouraging repeat sales is a common and established way supermarkets use to increase sales revenue – customer loyalty is a key concept which supermarkets use and keep through different techniques.
- There is nothing to stop a supermarket using a variety of different methods – increased advertising, expansion of the chain, expansion of the product range – to increase sales revenue, in addition to encouraging repeat custom.
- Repeat sales is likely to work but it may not work on a continual basis – keeping custom will maintain but not necessarily increase revenue.
- Other methods may be better in the longer term as repeat sales may require discounts and other offers which mean they generate less sales revenue than new customers.

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 small restaurant updated its menu. When researching these changes, it relied on secondary marketing research. Was 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 secondary marketing research,
- in the context of a restaurant that has updated its menu,
- and make a judgement over whether relying on secondary marketing research is a good idea.

Indicative content

Arguments for

- Secondary marketing research uses data that has already been collected. It can either be free of charge and publicly available or sold by a research company for a fee to interested businesses.
- Secondary marketing research is less expensive to access – it may be free but not necessarily the case. Being less expensive is probably advantageous for a smaller business that may have limited resources and cannot afford to invest in primary marketing research.
- Secondary marketing research is appropriate for a restaurant as this business is likely to face competition from other restaurants which means it may struggle to fund primary marketing research.
- In many cases, secondary marketing research is quick and easy to obtain (even if paid for). The business does not have to spend time collecting the information, as this is already available. Speed of access may be important in a market where there is competition and a longer time period associated with primary marketing research is not ideal.
- The restaurant industry is a well-established market. There is likely to be secondary data already available. This is not a new market and information about consumer habits and trends is likely to be there to be used. This information is likely to be relevant in terms of information about the size, age profile, typical spending habits and so on for this market. This would be useful for the business.

Arguments against

- Secondary marketing research will contain information not specific to the restaurant's needs. Although there will be general information available, they are likely to want to know how people are currently reacting to their current menu when looking for data on new ideas. This would suggest that primary marketing research would be more appropriate.
- If they are updating their menu then it would probably be the case that they would be best using the most up-to-date information available. This is unlikely to be the case with secondary marketing research and more likely to be found with primary marketing research.
- There is likely to be plenty of competitors in the restaurant market – either direct or indirect competition. This means having the most up-to-date, tailored research is likely to give the business a (temporary, at least) competitive edge over its rivals. Primary marketing research is more likely to be suited for this need.

Potential judgement

- A mix of research types would be useful. Focusing on only one type of research would be limiting.
- There are ways of obtaining primary marketing research that are less expensive – through existing customers. Incentives for new/potential, existing customers to complete research can be used (eg money off, special deals, etc) which means they can access primary research without incurring large expenses.
- It depends on how much money they can allocate to marketing research. It may be possible to use primary marketing research on a small scale but largely use secondary marketing research.

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>Two years ago, Omar graduated from school and started a business as a sole trader.</p> <p>He wants to expand his business nationally. Is converting it to a private limited company 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 converting a business from sole trader to private limited company,
- in the context of a young sole trader with two years' experience,
- wanting to expand the business nationally
- and make a judgement over whether converting to a private limited company is a good idea.

Indicative content

Arguments for

- Private limited companies are businesses that are separate legal entities.
- Allows a business to bring in new shareholders who can provide additional finance for the new company (though not as much as could be generated in a public limited company). This is likely to be advantageous for a business wishing to expand nationally as this will require additional funding. Retained profits in a sole trader's business are unlikely to be high after two years of trading – regardless of its success.
- Allows a business to potentially bring in additional expertise. Omar can choose who he allows to become shareholders and this means he can seek investors who are able to give advice and share expertise. As a young business owner this may be very useful – especially seeking help with expansion to parts of the country he may well be unfamiliar with.
- Omar would be protected by limited liability. He could lose his personal possessions if his business fails as a sole trader. With limited liability he can only lose his investment in the business and no more. If he is looking to expand then this may mean Omar has more money at risk so protection would be useful. Also as a young business owner, he may lack the experience necessary for future success and limited liability will further ensure Omar's risk is reduced.

Arguments against

- Omar has been successful so far with his business. He is less likely to need outside help and may be constrained by the need to work with other shareholders if converted into a company. As a sole trader he has more freedom to make decisions.
- The finance available by inviting shareholders into the new company may not be necessary even though Omar wishes to expand. He can look for other types of finance, such as loans or government support (which may be more likely to be offered to a young business owner).
- There are ways of expanding a business that may not require significant finance. An online business may be able to expand to cover a country without having to invest large sums of money.
- Converting to a private limited company generates extra costs and extra administration requirements, such as the costs of conversion and the costs and time spent in having to prepare financial statements. These may be significant costs for a smaller business, such as the one owned by Omar.
- Omar may enjoy having complete control over his business and would not want to dilute his ownership of his business which would occur if other shareholders became co-owners. He has been successful so far and would feel he can justify carrying on as he has done so far.

Potential judgement

- If Omar does not want to dilute his ownership of the business, then he could remain the only shareholder, which is possible with a private limited company, or ensure he retains majority control.
- He could also ensure he remains the majority shareholder if he wishes to retain control.
- Converting to a private limited company is less time consuming and complex than converting to a public limited company. It would not be too difficult for Omar to convert.
- Expansion of a business nationally is likely to be expensive and issuing shares to raise finance is a good way of avoiding debt.

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