

# INTERNATIONAL A-LEVEL **BUSINESS**

## **BU03**

Unit 3: Business Strategy

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Mark scheme

June 2025

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Version: 0.1 Pre-Standardisation



2 5 6 X B U 0 3 / M S

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

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

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## How to mark

### Aims

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

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

### Approach

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

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

### Assessment Objectives

This component requires students to:

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

## The marking grids

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

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

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

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

## Using the grids

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

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

## Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level.

The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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

## **Step 2 Determine a mark**

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

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

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

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

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

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

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

## **Annotating scripts**

You should 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: 40 marks**

| Question | Part     | Marking guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Total marks                                               |
|----------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>1</b> | <b>1</b> | <p>Opening a factory in Singapore is expected to cost 1 million euros. Estimated net cash flows are 250 000 euros per year for the first five years.</p> <p>Using the information above, calculate the average rate of return for opening a factory in Singapore.</p> <p>5 or 5% (3)<br/> 1 250 000 euros (total inflows over 5 years) minus 1 000 000 euros (initial cost) = 250,000 euros<br/> Average profit = 250 000 euros / 5 = 50 000 euros (1)<br/> 50 000 / 1 000 000 × 100 (1)</p> <p>Alternative method:<br/> 250 000 / 1 000 000 × 100 = 25% / 5 = 5%</p> <p>OFR applies</p> | <p><b>3</b></p> <p><b>AO1 = 1</b><br/> <b>AO2 = 2</b></p> |

| Question | Part | Marking guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Total marks                                                                 |
|----------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 1        | 2    | <p>ASEAN is considering more protectionist policies.</p> <p>Analyse <b>one</b> impact these policies could have on the sales of Lujo if it continues to export to Singapore.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Protectionism is where an economy will attempt to raise barriers, often to protect domestic industries, such as use of a tariff.</li> <li>• A tariff is a tax on imports. As Lujo's cars are imported into Singapore, Lujo would be required to pay this additional tax.</li> <li>• 25% is a large addition to cost. This could force Lujo to increase prices as the CEO has already expressed that Lujo cannot afford to pay this. If its cars are price elastic, this would result in a decrease in sales.</li> <li>• If Lujo's cars are price inelastic, if prices are increased due to the increase in costs, sales may only drop by a small proportion, or not at all.</li> <li>• If the majority of cars in Singapore are imported, this tariff would be applied to them as well. Competitors therefore may also increase prices and sales for Lujo may not fall.</li> </ul> <p>Credit valid alternative content.</p> <p><b>Good response (4 marks)</b><br/>A good response will analyse the impact that the protectionist policy could have on Lujo's sales if it continues to export to Singapore.</p> <p><b>Reasonable response (3–2 marks)</b><br/>A reasonable response is likely to explain the impact of a protectionist policy on the sales of a business but without application to Lujo.</p> <p><b>Limited response (1 mark)</b><br/>A limited response may give knowledge of protectionism or a tariff.</p> | <p><b>4</b></p> <p><b>AO1 = 1</b><br/><b>AO2 = 1</b><br/><b>AO3 = 2</b></p> |

| Question | Part | Marking guidance                                                                                                                                                       | Total marks                                                        |
|----------|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| 1        | 3    | Analyse <b>two</b> potential consequences to Lujo of setting up a factory in Singapore.<br><br>Base your answer on the cultural differences shown in <b>Figure 1</b> . | <b>9</b><br><br><b>AO1 = 2</b><br><b>AO2 = 1</b><br><b>AO3 = 6</b> |

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

| Level | Marks | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3     | 7 – 9 | <b>A good response that focuses on many of the demands of the question</b> <ul style="list-style-type: none"> <li>includes well-focused analysis with logical chains of reasoning</li> <li>includes well-focused application to the given context</li> <li>shows sound knowledge and understanding of business terminology and concepts with few, if any, errors</li> <li>is well-structured.</li> </ul>                                                                                                 |
| 2     | 4 – 6 | <b>A reasonable response which focuses on some of the demands of the question</b> <ul style="list-style-type: none"> <li>includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places</li> <li>includes reasonable application to the given context</li> <li>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.</li> </ul> |
| 1     | 1 – 3 | <b>A limited response that has little focus on the demands of the question</b><br>A limited response with some understanding that may: <ul style="list-style-type: none"> <li>include some limited analysis but lacks focus and development</li> <li>include some limited application to the given context</li> <li>include some limited knowledge and understanding of business terminology and concepts but some errors are likely.</li> </ul>                                                         |
|       | 0     | <b>No credit worthy material.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**The demands of the question are:**

- to analyse **two** consequences to Lujo,
- when setting up a factory in Singapore,
- based on the cultural differences shown in **Figure 1**.

**Indicative content**

- There is only a small difference in power distance. Despite power distance potentially causing issues around the respect for the hierarchy, there is only a small difference between Spain and Singapore.
- Singapore scores slightly higher for power distance, suggesting employees are likely to be respectful of the rules and hierarchy put in place by Lujo.
- If local managers are used in Singapore, any differences in culture are likely to be overcome anyway. Retaining a Spanish culture is likely to be less important as this is manufacturing of the vehicles with no customer interaction.
- Lujo is likely to be very capital intensive, making the need to motivate employees less important.
- Spain scores higher for individualism, suggesting employees are more likely to work alone and take credit for successes.
- Singapore scores lower for individualism, suggesting a more collective society where people work as a team and successes are shared. This could pose a challenge for managers who may encourage individual successes. This could be less successful when trying to motivate workers in Singapore.

Credit valid alternative content.

| Question | Part | Marking guidance                                                                                                                                       | Total marks                                                  |
|----------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1        | 4    | <p>The marketing director believes Lujo should take over Buscadas. Do you agree?</p> <p>Assess the arguments for and against and make a judgement.</p> | <p>12</p> <p>AO1 = 2<br/>AO2 = 2<br/>AO3 = 2<br/>AO4 = 6</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><b>An excellent response that focuses fully on the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes supported evaluation in a final conclusion and within response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes well-focused application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and with few, if any, errors</li> <li>• is well-structured and well-focused on the question.</li> </ul> <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> |

|          |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3</b> | <b>7 – 9</b> | <p><b>A good response that focuses on many of the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes some reasonable, supported evaluation</li> <li>• includes analysis with some logical chains of reasoning</li> <li>• includes some good application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and concepts with relatively few errors</li> <li>• is relatively well-structured and generally focused on the question.</li> </ul> <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> |
| <b>2</b> | <b>4 – 6</b> | <p><b>A reasonable response which focuses on some of the demands of the question</b></p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> <li>• there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes reasonable application to the given context</li> <li>• shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.</li> </ul> <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>     |
| <b>1</b> | <b>1 – 3</b> | <p><b>A limited response that has little focus on the demands of the question</b></p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> <li>• includes attempted evaluation which is weak and unsupported</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some limited application to the given context</li> <li>• includes some limited knowledge and understanding of business terminology and concepts but errors are likely.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                              |
|          | <b>0</b>     | <b>No credit worthy material.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

**The demands of the question are:**

- to analyse the arguments for Lujo taking over Buscadas,
- to analyse the arguments against Lujo taking over Buscadas,
- and make a judgement.

**Indicative content**

**Arguments for**

- Buscadas has a market share of 24% in Spain and Lujo has 17% meaning a combined market share of 41%. This would make the combined business much larger. This could result in greater economies of scale as it would be buying car parts in larger quantities, allowing it to reduce prices and be more competitive in the market.
- Buscadas has developed an electric car which Lujo would own if it purchased Buscadas. This means that Lujo would be able to quickly enter a growing market without having to spend time and money developing an electric vehicle.
- The owner of Buscadas is open to a takeover. This will mean that any future takeover is less hostile. Hostile takeovers can be more time consuming and there can be a time where employees do not work as effectively. If the owner is open to a sale, this is less likely to happen, meaning Lujo can organise production more efficiently.
- Buscadas has a good reputation for reliability and customer service. This could be seen as a positive as it could improve the reputation of Lujo.

**Arguments against**

- The initial cost of taking over Buscadas is 1.4 million euros which could be unaffordable for Lujo and require it to borrow money. It could also force Lujo to raise prices to recoup this investment and mean its cars are less competitive against others.
- There is a risk of resistance from the employees of Buscadas. The owner will be open to a takeover due to the purchase price, but the employees will be still working for the business, but now for Lujo. If the employees are resistant, this could cause lower morale and productivity.
- There is a risk of a culture clash. Buscadas has a better reputation than Lujo, suggesting there may be different cultures within the organisation. The fact that Buscadas has developed an electric car suggests that the business may be more innovative, eg a matrix structure.

**Potential judgement**

- 1.4 million may be cost effective if the owner of Lujo considers the electric vehicle development would cost them a lot of money and this option means they don't have to. This makes the takeover of Buscadas a good idea.
- Most of Lujo's cars are exported to Singapore (70%). The takeover of another domestic business won't necessarily help with this strategy if the reason for slow growth is that the market in Singapore is slowing down.

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                                                  |
|----------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 1        | 5    | <p>Do you believe that Lujo should spend more time and finance on corporate social responsibility (CSR)?</p> <p>Assess the arguments for and against and make a judgement.</p> | <p>12</p> <p>AO1 = 2<br/>AO2 = 2<br/>AO3 = 2<br/>AO4 = 6</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><b>An excellent response that focuses fully on the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes supported evaluation in a final conclusion and within response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes well-focused application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and with few, if any, errors</li> <li>• is well-structured and well-focused on the question.</li> </ul> <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><b>A good response that focuses on many of the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes some reasonable, supported evaluation</li> <li>• includes analysis with some logical chains of reasoning</li> <li>• includes some good application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and concepts with relatively few errors</li> <li>• is relatively well-structured and generally focused on the question.</li> </ul> <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>  |

|          |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2</b> | <b>4 – 6</b> | <p><b>A reasonable response which focuses on some of the demands of the question</b></p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> <li>• there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes reasonable application to the given context</li> <li>• shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.</li> </ul> <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> |
| <b>1</b> | <b>1 – 3</b> | <p><b>A limited response that has little focus on the demands of the question</b></p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> <li>• includes attempted evaluation which is weak and unsupported</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some limited application to the given context</li> <li>• includes some limited knowledge and understanding of business terminology and concepts but errors are likely.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                          |
|          | <b>0</b>     | <b>No credit worthy material.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

**The demands of the question are:**

- to analyse whether or not corporate social responsibility (CSR) should be improved,
- in the context of Lujo,
- and make a judgement.

**Indicative content**

**Arguments for**

- The local community may be customers of Lujo. If they are unhappy with the way Lujo operates, this could reduce sales.
- Bad PR could cause a fall in demand for Lujo's cars. It is already experiencing a fall in sales, so keeping stakeholders happy could be vital.
- With better CSR, Lujo's cars may become more price inelastic. This could allow the cost of the tariff to be passed on to consumers, allowing them to continue to sell in Singapore.
- Lujo's rival has a better reputation. This could help Lujo to compete more effectively if the takeover does not take place.

**Arguments against**

- 70% of Lujo's cars are exported to Singapore. Customers in Singapore may not see the negative press, reducing the need to improve CSR.
- Acting in a more responsible manner could increase Lujo's costs, for example reducing the environmental impact, forcing prices up. Lujo is already facing many other challenges and higher costs could add to the issue.
- This could attract more ethical investors, which could help Lujo with some of the upcoming projects, such as a new factory.
- With many other issues to deal with, would Lujo have time to deal with this?

**Potential judgement**

- It is likely that customers will care more about the price and quality of the car as opposed to CSR, meaning Lujo would be better to concentrate efforts and investment reducing costs etc.
- This could be a USP for Lujo, as many businesses in the car industry do not focus on CSR. If customers are concerned this could help to increase sales.

Credit valid alternative content.

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

## Section B

Total for this section: 40 marks

| Question | Part     | Marking guidance                                                                                                                                                                                                                                                                                                                                                                                                                          | Total marks                                               |
|----------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>2</b> | <b>1</b> | <p>On 31/1/2024, PF's current ratio was 0.9.</p> <p>Using the data in <b>Table 2</b>, calculate the difference in current ratio between 31/1/2024 and 31/1/2025.</p> <p>0.4 or –0.4 (3)<br/>           Formula (can be implied): Current assets/Current liabilities (1)<br/>           31/1/2025: <math>725\,000 / (1\,000\,000 + 450,000) = 0.5</math> (1)<br/>           Difference = <math>0.9 - 0.5</math> (1)</p> <p>OFR applies</p> | <p><b>3</b></p> <p><b>AO1 = 1</b><br/> <b>AO2 = 2</b></p> |

| Question | Part | Marking guidance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Total marks                                                                 |
|----------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 2        | 2    | <p>Analyse <b>one</b> potential stakeholder conflict that may occur due to the proposed change in the product's positioning.</p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Proposal is to move from low price, low added value to differentiation. This will require higher prices and higher quality.</li> <li>• Owners and employees may conflict. Owners are likely to want this change in position as it offers the potential for higher margins, but it will require a big change to how employees have been working.</li> <li>• Customers and owners may conflict. Customers may not want the price to increase. This change represents the largest change in price, whereas owners may feel it offers a better chance to reposition and attract new customers.</li> </ul> <p>Credit valid alternative content.</p> <p><b>Good response (4 marks)</b><br/>A good response will analyse one conflict that could occur between two different stakeholder groups, in the context of this decision.</p> <p><b>Reasonable response (3–2 marks)</b><br/>A reasonable response will explain a problem that a stakeholder group may have with this decision, but not how this could cause conflict with another group.</p> <p><b>Limited response (1 mark)</b><br/>A limited response will demonstrate knowledge of one or more stakeholder group/s.</p> | <p><b>4</b></p> <p><b>AO1 = 1</b><br/><b>AO2 = 1</b><br/><b>AO3 = 2</b></p> |

| Question | Part | Marking guidance                                                               | Total marks                            |
|----------|------|--------------------------------------------------------------------------------|----------------------------------------|
| 2        | 3    | Analyse <b>two</b> potential benefits to PF of changing to a matrix structure. | 9<br><br>AO1 = 2<br>AO2 = 1<br>AO3 = 6 |

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

| Level | Marks | Descriptor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3     | 7 – 9 | <b>A good response that focuses on many of the demands of the question</b> <ul style="list-style-type: none"> <li>includes well-focused analysis with logical chains of reasoning</li> <li>includes well-focused application to the given context</li> <li>shows sound knowledge and understanding of business terminology and concepts with few, if any, errors</li> <li>is well-structured.</li> </ul>                                                                                                 |
| 2     | 4 – 6 | <b>A reasonable response which focuses on some of the demands of the question</b> <ul style="list-style-type: none"> <li>includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places</li> <li>includes reasonable application to the given context</li> <li>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.</li> </ul> |
| 1     | 1 – 3 | <b>A limited response that has little focus on the demands of the question</b><br>A limited response with some understanding that may: <ul style="list-style-type: none"> <li>include some limited analysis but lacks focus and development</li> <li>include some limited application to the given context</li> <li>include some limited knowledge and understanding of business terminology and concepts but some errors are likely.</li> </ul>                                                         |
|       | 0     | <b>No credit worthy material.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

**The demands of the question are:**

- to analyse **two** benefits of a matrix structure,
- in the context of Prima Fashion.

**Indicative content**

- A matrix structure allows for more collaboration between departments. This could allow for greater innovation and therefore better ideas for fashion design.
- This could improve motivation of existing employees, through giving them a range of different tasks and opportunities. Higher levels of motivation could assist with the development of new products/designs.
- Employees would gain more experiences and skills from working in different departments. This could help them to become more flexible and skilled, improving the designs of the business.

Credit valid alternative content.

| Question | Part | Marking guidance                                                                                                                                                      | Total marks                                                  |
|----------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 2        | 4    | <p>The finance director is concerned about the liquidity of PF. Are they right to be concerned?</p> <p>Assess the arguments for and against and make a judgement.</p> | <p>12</p> <p>AO1 = 2<br/>AO2 = 2<br/>AO3 = 2<br/>AO4 = 6</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><b>An excellent response that focuses fully on the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes supported evaluation in a final conclusion and within response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes well-focused application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and with few, if any, errors</li> <li>• is well-structured and well-focused on the question.</li> </ul> <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><b>A good response that focuses on many of the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes some reasonable, supported evaluation</li> <li>• includes analysis with some logical chains of reasoning</li> <li>• includes some good application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and concepts with relatively few errors</li> <li>• is relatively well-structured and generally focused on the question.</li> </ul> <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>  |

|          |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2</b> | <b>4 – 6</b> | <p><b>A reasonable response which focuses on some of the demands of the question</b></p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> <li>• there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes reasonable application to the given context</li> <li>• shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.</li> </ul> <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> |
| <b>1</b> | <b>1 – 3</b> | <p><b>A limited response that has little focus on the demands of the question</b></p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> <li>• includes attempted evaluation which is weak and unsupported</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some limited application to the given context</li> <li>• includes some limited knowledge and understanding of business terminology and concepts but errors are likely.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                          |
|          | <b>0</b>     | <b>No credit worthy material.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

**The demands of the question are:**

- to analyse the reasons why the finance director should be concerned about PF's liquidity,
- to analyse the reasons why the finance director should not be concerned about PF's liquidity,
- and make a judgement.

**Indicative content**

**Arguments for**

- The current ratio of PF has fallen from 0.9 to 0.4 (allow OFR) suggesting that it may find it more challenging to access cash in the short term.
- The business is looking to create a range of new designs, and it may need cash to be able to do this (for example paying employees) as well as purchasing higher quality materials to match the rising incomes in Portugal.
- Purchasing higher quality materials will be more expensive and may require access to cash. It may also require PF to find new suppliers who may not be willing to offer PF trade credit, making access to cash important.
- PF's supplier is not willing to offer trade credit due to falling sales, so it will need cash to purchase stock. It holds large amounts of stock, meaning a lot of cash is likely to be required.

**Arguments against**

- PF is an established business and, therefore, it is unlikely that the overdraft will be recalled. The bank may even be willing to extend it in order to allow greater access to cash.
- PF may be able to use existing suppliers to buy higher quality materials, who may be willing to offer trade credit if PF can prove it has created a better business model.
- PF may have access to non-current assets which it could sell to generate cash, overcoming any short-term liquidity issues.
- The finance director could increase non-current liabilities which appear to be relatively low at 150 000 euros. This could improve the short-term liquidity position for PF.

**Potential judgement**

- If the business has a good relationship with its current suppliers, liquidity issues may not be a problem.
- Without access to future credit, either from the bank or suppliers, PF may struggle to be able to access cash and survive in the long term.

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                                                  |
|----------|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| 2        | 5    | <p>Option 2 is to move PF's position on Bowman's strategic clock. Will this help PF to increase profits?</p> <p>Assess the arguments for and against and make a judgement.</p> | <p>12</p> <p>AO1 = 2<br/>AO2 = 2<br/>AO3 = 2<br/>AO4 = 6</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><b>An excellent response that focuses fully on the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes supported evaluation in a final conclusion and within response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes well-focused application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and with few, if any, errors</li> <li>• is well-structured and well-focused on the question.</li> </ul> <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><b>A good response that focuses on many of the demands of the question</b></p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> <li>• includes some reasonable, supported evaluation</li> <li>• includes analysis with some logical chains of reasoning</li> <li>• includes some good application to the given context</li> <li>• shows sound knowledge and understanding of business terminology and concepts with relatively few errors</li> <li>• is relatively well-structured and generally focused on the question.</li> </ul> <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>  |

|          |              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2</b> | <b>4 – 6</b> | <p><b>A reasonable response which focuses on some of the demands of the question</b></p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> <li>• there is likely to be some attempt to make relevant judgements but these have little support from arguments or do not address the question as a whole</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes reasonable application to the given context</li> <li>• shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.</li> </ul> <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> |
| <b>1</b> | <b>1 – 3</b> | <p><b>A limited response that has little focus on the demands of the question</b></p> <p>A limited response with some understanding.</p> <ul style="list-style-type: none"> <li>• includes attempted evaluation which is weak and unsupported</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some limited application to the given context</li> <li>• includes some limited knowledge and understanding of business terminology and concepts but errors are likely.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                          |
|          | <b>0</b>     | <b>No credit worthy material.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

**The demands of the question are:**

- to analyse whether or not a differentiation strategy will increase profits,
- in the context of PF,
- and make a judgement.

**Indicative content**

**Arguments for**

- Position 4 represents a differentiation strategy, which could involve PF making unique designs that are more appealing to the wealthier customers in Portugal. This could allow PF to charge higher prices and increase profits.
- Current low-price designs may result in low or falling sales for PF due to the fact the clothes may not be attractive to the changing demographics. Making the designs higher quality and higher price could increase sales.

**Arguments against**

- The brand has always been associated with low priced, value clothing, so customers may not be prepared to pay the higher prices for PF clothing. This could result in a fall in sales and profits.
- It may be very expensive for PF to create new designs. It may require employee training or new employees altogether. This could result in higher costs and therefore lower profits.
- With rising average incomes, higher end businesses may set up in Portugal. Remaining as a low-cost producer could assist PF in retaining its USP.

**Potential judgement**

- Current sales, liquidity and profits seems to suggest that a change in strategy is needed in order to increase profits. Without a change, it is possible that profits will continue to fall. It may depend on the reason for falling sales.
- This represents such a drastic change, the business may need to spend a lot of money rebranding PF and creating new designs in order to change consumer perception. This could cost too much and result in losses.

Credit valid alternative content.

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

**Assessment Objective Grid**

|                   | <b>AO1</b> | <b>AO2</b> | <b>AO3</b> | <b>AO4</b> | <b>Total</b> |
|-------------------|------------|------------|------------|------------|--------------|
| <b>Section A</b>  |            |            |            |            |              |
| <b>1.1</b>        | 1          | 2          |            |            | <b>3</b>     |
| <b>1.2</b>        | 1          | 1          | 2          |            | <b>4</b>     |
| <b>1.3</b>        | 2          | 1          | 6          |            | <b>9</b>     |
| <b>1.4</b>        | 2          | 2          | 2          | 6          | <b>12</b>    |
| <b>1.5</b>        | 2          | 2          | 2          | 6          | <b>12</b>    |
|                   |            |            |            |            |              |
| <b>2.1</b>        | 1          | 2          |            |            | <b>3</b>     |
| <b>2.2</b>        | 1          | 1          | 2          |            | <b>4</b>     |
| <b>2.3</b>        | 2          | 1          | 6          |            | <b>9</b>     |
| <b>2.4</b>        | 2          | 2          | 2          | 6          | <b>12</b>    |
| <b>2.5</b>        | 2          | 2          | 2          | 6          | <b>12</b>    |
| <b>Unit Total</b> | <b>16</b>  | <b>16</b>  | <b>24</b>  | <b>24</b>  | <b>80</b>    |