

INTERNATIONAL A-LEVEL **BUSINESS**

BU03

Unit 3: Business strategy

Mark scheme

January 2026

Version: 1.0 Final

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

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

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How to mark

Aims

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

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

Approach

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

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

Assessment Objectives

This component requires students to:

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

The marking grids

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

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

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

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

Using the grids

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

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

Step 1 Determine a level

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

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

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

Step 2 Determine a mark

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

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

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

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

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

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

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in 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
1	1	<p>Using Table 1, calculate the return on capital employed for Ergo plc in 2025.</p> <p>2 or 2% (3 marks) $35.2/1760 \times 100$ (2 marks) $35.2/1760$ (1 mark) Operating profit / Capital employed $\times 100$ (1 mark if only formula given)</p> <p>OFR applies</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
1	2	<p>Analyse one benefit to Ergo plc of window dressing its accounts.</p> <p>Indicative content</p> <ul style="list-style-type: none"> Window dressing accounts is a short-term approach to financial reporting. It involves businesses attempting to make accounts look better than they are. Ergo is a plc. Window dressing accounts could encourage more people to purchase shares. This could help Ergo raise further capital to improve the business, such as updating the systems to reduce customer waiting times. Window dressing could help Ergo to keep current shareholders happy/confident in the business. If a lot of shareholders decide to sell, this would reduce the value of the company and it could be more of a challenge to borrow more money if needed. A low return on capital employed (OFR) has already resulted in a lack of shareholder confidence. <p>Credit valid alternative content.</p> <p>Good response (4 marks) Analyses one benefit of window dressing in the context of Ergo.</p> <p>Reasonable response (3–2 marks) Explains why window dressing is beneficial but does not link to Ergo.</p> <p>Limited response (1 mark) Shows knowledge of window dressing, such as a definition.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p>

Question	Part	Marking guidance	Total marks
1	3	Ergo plc is considering a strategy of retrenchment. Analyse how SWOT analysis could help with this decision.	9 AO1 = 2 AO2 = 1 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	A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> includes well-focused analysis with logical chains of reasoning includes well-focused application to the given context shows sound knowledge and understanding of business terminology and concepts with few, if any, errors is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question <ul style="list-style-type: none"> includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places includes reasonable application to the given context focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding that may: <ul style="list-style-type: none"> include some limited analysis but lacks focus and development include some limited application to the given context include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse how SWOT analysis,
- can assist with decision making,
- in the context of Ergo implementing a strategy of retrenchment.

Indicative content

- SWOT analysis is a tool which analyses the internal aspects of a business as well as the external environment. SWOT stands for strengths, weaknesses, opportunities and threats.
- Retrenchment means reducing the size of the business, in terms of number of employees, locations, number of products etc.
- Ergo could identify weaknesses, such as unprofitable product lines. This could assist the business when decisions need to be made about which products to stop producing. Making the decision to remove the unprofitable lines could assist with improving the return on capital employees for Ergo.
- Ergo could identify threats, such as rising competition online. Research could help it to identify whether retrenchment could assist them with becoming more competitive against rival businesses in the market. It could help with decisions such as how many employees to make redundant.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
1	4	<p>Ergo plc is considering implementing a strategy of process innovation. Would this improve its return on capital employed?</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 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>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 judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <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 attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse whether a strategy of process innovation,
- would increase Ergo plc's return on capital employed,
- and make a judgement.

Indicative content

Arguments for

- Process innovation involves changing the manufacturing process or updating technology to make things more efficient.
- Ergo is experiencing issues with long wait times due to outdated systems. Process innovation could improve the systems and therefore the experience that customers have. This could boost revenue and operating profit, resulting in a higher return on capital employed.
- Process innovation could reduce the operating costs of the business by increasing efficiency, for example more efficient technology allowing for more sales and higher revenue to be generated whilst operating costs could fall. This could increase operating profit and therefore increase return on capital employed.
- Process innovation could reduce the operating costs of the business by reducing the number of employees needed. Technology could replace employees in stores and warehouses, meaning fewer salaries would need to be paid. This is unlikely to reduce revenue, meaning operating profit would increase and therefore increase return on capital employed.

Arguments against

- Process innovation can be expensive. This may require an increase in borrowing (non-current liabilities) or further investment from shareholders and therefore reduce the return on capital employed if the operating profit didn't increase as a consequence of the investment.
- There are a large number of issues that Ergo is facing that do not relate to the process. This means that improving the technology would not solve the issues it is facing, therefore not increasing revenue. Even though it may reduce the costs in the long term; process innovation will be expensive in the short run.

Potential judgement

- If Ergo's biggest challenge is the wait times for customers, process innovation could significantly improve revenue. Shorter wait times would improve the reputation of the business and therefore, significantly improve sales. This could result in a higher return on capital employed.
- It depends on the cost of the process innovation. If it is expensive to implement, this could require significant borrowing, resulting in a short term reduction in return on capital employed. Technology for managing stock may be very sophisticated and expensive.

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>Ergo plc is making an investment decision. Are financial factors, such as investment appraisal, or non-financial factors more important for Ergo when making this decision?</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 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>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 judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <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 attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the importance of financial factors,
- to analyse the importance of non-financial factors,
- for Ergo when implementing a new strategy,
- and make a judgement as to which are the most important factors.

Indicative content

Arguments for

- Investment criteria calculate payback, average rate of return and other quantitative data to help a business decide on potential investments.
- Ergo is a plc and shareholders expect a return on their investment. This makes things such as average rate of return very important to calculate, because it allows it to assess the profitability of a project. Profitability will allow a business to see if the investment is worthwhile. The accounting rate of return for this project is negative, suggesting that it could be a bad investment for shareholders, who must be considered an important stakeholder for Ergo.
- Payback would not be achieved. The ability to have a project pay for itself is important for a business, especially from a cash flow perspective. Ergo is facing many challenges and cash flow is likely to be important. Payback can help it to decide whether a project should be undertaken.

Arguments against

- Quantitative data ignores qualitative factors such as the opinion of other stakeholders.
- Despite not appearing profitable or achieving pay back, a strategy of process innovation could be worthwhile as the numbers are estimates, so therefore, could be incorrect.
- Customer opinion is very important, and this could be more important than numerical data. If the process innovation is successful, this could help the business to be more successful in the long term due to customer satisfaction.

Potential judgement

- For a business seeking to satisfy shareholders, the financial data is the most important factor to consider. Ergo is a plc and shareholders are currently not happy. Financial factors are therefore the most important factor to consider when making investment decisions.
- Ergo sells homeware and operates in an increasingly competitive market. Despite the strategy not appearing profitable in the short term, it is more important to consider non-financial factors such as stakeholder perspectives.

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
2	1	<p>Using Figure 1, calculate the total float in the production of the new hampers for Activity C.</p> <p>3 or 3 weeks (3 marks)</p> <p>Total float = Latest finishing time – Duration – Earliest start time (1)</p> <p>$11 - 4 - 4$ (1)</p> <p>$11 - 4 - 4 = 3$ (1)</p> <p>OFR applies</p>	<p>3</p> <p>AO1 = 1</p> <p>AO2 = 2</p>

Question	Part	Marking guidance	Total marks
2	2	<p>Analyse one difficulty Entraver may face when trying to maintain a competitive advantage.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A competitive advantage is something a business has which encourages customers to choose it over others. • Maintaining a competitive advantage can be difficult because it requires regular financial investment. Entraver may need to spend a lot of money on marketing research or developing new hampers which may be difficult to access. • Another difficulty could be keeping up to date in a dynamic market. Tastes and preferences change, especially when a business sells in multiple markets. Entraver may find it challenging to keep products relevant with new competitors in the market. <p>Credit valid alternative content.</p> <p>Good response (4 marks) Analyses one difficulty of maintaining a competitive advantage for Entraver.</p> <p>Reasonable response (3–2 marks) Explains a difficulty of maintaining a competitive advantage but is unlikely to link to Entraver.</p> <p>Limited response (1 mark) Shows knowledge of competitive advantage such as a definition.</p>	<p>4</p> <p>AO1 = 1</p> <p>AO2 = 1</p> <p>AO3 = 2</p>

Question	Part	Marking guidance	Total marks
2	3	Analyse the importance of globalisation to the profitability of Entraver.	9 AO1 = 2 AO2 = 1 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	A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> includes well-focused analysis with logical chains of reasoning includes well-focused application to the given context shows sound knowledge and understanding of business terminology and concepts with few, if any, errors is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question <ul style="list-style-type: none"> includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places includes reasonable application to the given context focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding that may: <ul style="list-style-type: none"> include some limited analysis but lacks focus and development include some limited application to the given context include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the importance of globalisation,
- to the profitability of Entraver.

Indicative content

- Globalisation is the process of the world becoming interconnected, making trade easier.
- Globalisation has allowed Entraver to access new markets. Currently, Entraver sells in France. Globalisation makes it easier to access new markets, allowing for higher sales and revenue, as well as the potential to benefit from economies of scale. This can lead to higher profits as the cost per hamper will fall meaning higher profit margins.
- Entraver will be able to bulk buy hamper ingredients, allowing for purchasing economies of scale. As they are luxury hampers, the price is likely to remain high, increasing the profitability of Entraver.
- Entraver can access technology and skills in other markets it may not be able to access if it remains selling only in France. This could increase the speed of assembling the hampers, allowing for lower unit costs and higher profit margins.
- Globalisation can help strengthen the brand image and reputation of Entraver; making them well known. This could make the hampers more price inelastic and, therefore, allow for higher prices and higher profit margins if the costs don't rise.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
2	4	<p>Directors of Entraver are concerned about the political instability in Country A. Is the political instability the biggest concern about Country A for Entraver?</p> <p>Using Table 3, and any other relevant information, assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 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>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 judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <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 attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the impact of political instability in Country A,
- to analyse alternative concerns about Country A,
- and make a judgement as to whether political instability is the biggest concern about Country A.

Indicative content

Arguments for

- Political instability means the likelihood of disruptions or conflicts within government.
- Political instability could mean changes to tariffs and quotas. The hampers are physical products which would be subject to tariffs and/or quotas. Country A is currently 92/190 countries in terms of ease of doing business. Political instability could reduce this even more and make it harder for Entraver to operate. This could increase costs and reduce profits.
- Political instability could reduce growth in real GDP. Currently, GDP is growing at 2.5%. Any political instability could reduce this, meaning it could be harder to sell hampers in Country A as spending would be lower. Lower revenue could reduce profits in Country A.
- A new political party coming into power could cause a lot of disruption and uncertainty. This is likely to cause a fall in real GDP as businesses may invest less. This could mean that people have less money to spend on luxuries such as a food hamper (the income elasticity of demand is +3). This could cause a fall in sales for Entraver.

Arguments against

- Political instability is speculative. It may not happen, meaning Country A may still be a good option for Entraver.
- Inflation is currently low at 1%. This could be a bigger concern for Entraver than political instability as this could mean local businesses are not raising prices much or at all. Entraver's hampers could therefore become more expensive. Inflation could increase also above the current rate of 1%, reducing real incomes and making it harder for Entraver to sell to residents of Country A. This could reduce sales and therefore profits.
- Ease of doing business is 92/190. This could be a greater concern than political instability because it could be difficult to sell in the country, making Country A difficult or expensive to operate in.
- Tastes and preferences in Country A could be extremely different to those in France, meaning that Entraver needs to spend a lot of time and money adapting the hampers.
- The hampers are luxury items and therefore without understanding the demographics and average income of Country A compared to France, it is difficult to know if they will sell well there, which could make it riskier.

Potential judgement

- Hampers are a luxury product with an income elasticity of +3. Political instability is likely to reduce the real incomes of citizens of Country A; meaning that hampers will experience a significant fall in sales and therefore be unprofitable. Political instability is likely to have an effect on the economic data as well, making it likely to be the biggest impact.
- There are a lot of unknown factors about Country A which are likely to make it more concerning as a location. The political instability is also not guaranteed to happen; making other aspects more concerning.

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>Entraver is considering altering the contents of its hampers to respond to local conditions. Will this increase sales and profits?</p> <p>Assess the arguments for and against and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 2 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>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 judgements but these have little support from arguments or do not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. <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 attempted evaluation which is weak and unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse the arguments for and against altering a product to suit a local market,
- in the context of Entraver,
- and make a judgement as to whether it will increase sales.

Indicative content

Arguments for

- Entraver is currently based in France. Hampers are tailored to the French market. The hampers contain items of food and drink, which are often personal to the market and therefore altering the product to suit the tastes and preference of the market would be advantageous and encourage more people to buy them.
- Entraver could use its scale of production to make minor adaptations to the hampers which would ensure customer satisfaction. This could help to boost sales and profits as well as brand reputation. This could make entering new markets in the future much easier.

Arguments against

- Altering the contents of the hampers could result in Entraver losing its USP. French hampers overseas could be different and unique. The market is growing and therefore Entraver must differentiate itself.
- This could reduce the ability for Entraver to benefit from economies of scale. Changing the contents of the hamper to suit the local market could make it harder to reduce unit costs. This could reduce the profitability of Entraver's hampers.
- Researching the wants and needs of Country A could be time consuming for Entraver. This could allow time for competitors to develop and launch hampers, meaning Entraver would not be first to market.

Potential judgement

- If Country A is culturally very different to France, altering the hampers would be a good idea, as this could encourage people to purchase them.
- There may be many rivals to Entraver, making the concept of 'localisation' unprofitable, especially if the competitors are domestic businesses with a better understanding of local tastes and preferences.

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			3
1.2	1	1	2		4
1.3	2	1	6		9
1.4	2	2	2	6	12
1.5	2	2	2	6	12
Section B					
2.1	1	2			3
2.2	1	1	2		4
2.3	2	1	6		9
2.4	2	2	2	6	12
2.5	2	2	2	6	12
Unit Total	16	16	24	24	80