

INTERNATIONAL A-LEVEL **BUSINESS**

BU04

Unit 4 Business decision making

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.

Further copies of this mark scheme are available from oxfordaqa.com

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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: 36 marks**

Question	Part	Marking guidance	Total marks
1		<p>Enzo's is a successful chain of fast food restaurants in Italy. The owner wants to enter other European markets using franchising. Is franchising the best way for Enzo's to enter other European markets?</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 arguments for and against franchising,
- in the given context,
- and make a judgement to whether franchising is the best way to enter other European markets.

Indicative content

Arguments for

- Franchising may be quicker than other methods such as foreign direct investment as the entrepreneur will not need to spend time looking for premises or staff. This will be done by the franchisee who may have local market knowledge and will know good locations for the restaurants, local competition and perhaps know staff who can work there. This could speed up this process and make it more likely to be successful.
- The more franchisees the entrepreneur has, the better the brand recognition will be. A stronger brand should lead to more trust in the brand which should lead to more sales. The fast food market is highly competitive and customers are more likely to try out a brand they know.
- Franchisees have a vested interest in the restaurant. As they own the restaurant they are more likely to want to make it a success than a manager would be. They might open more restaurants, for example, which would increase market share more rapidly than if the entrepreneur was opening new restaurants themselves.
- Franchisees could bring new ideas to the business as they understand the local market so could suggest new menus or experiences which could help grow sales in this new market.

Arguments against

- Initial costs to set up a successful franchise model can be high, particularly with the costs to fit out a restaurant such as the kitchen equipment. Picking the right franchisees and making sure they have the right support is important and can take time to establish, this could delay the process.
- If the franchisee does not maintain the standards and quality of the restaurant, the brand name could be damaged (particularly risky in the food and beverage industry) which could decrease sales and market share.
- Restaurants are not particularly expensive to set up in comparison to other industries. It would take a lot of time and money to develop the processes needed to standardise the franchise which could delay the process.

Potential judgement

- Overall, the success of a franchise depends mostly on developing a successful franchise model with quality training and standardised processes to pass onto the franchisor. Once established, it can be a quicker way (than foreign direct investment) to increase sales and be successful due to the motivation of the franchisor who is effectively the restaurant owner. However, if the entrepreneur rushes into franchising without making sure the model is effective, it could fail and damage the brand reputation they have worked hard to establish.

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		<p>Strada plc is an international fashion retailer aiming to become the market leader. The marketing director has prioritised suppliers over other stakeholders to achieve this aim. Is this the right 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 reasons why suppliers should be prioritised,
- in the given context,
- and make a judgement as to whether suppliers are the priority when aiming to become the market leader.

Indicative content

Arguments for

- In order to grow sales to become the market leader, the retailer will need to ensure it has the right products at the right time. This means that suppliers must deliver the right clothing with high quality to satisfy customers. If products were out of stock, delivery was delayed or clothing was defective, customers could move to a competitor and the retailer would not achieve their aim of becoming the market leader.
- In order for businesses to grow and increase sales they may need to negotiate favourable payment terms, particularly with fashion retailers where they will not receive money from the customer until the transaction is completed. Prioritising supplier relationships could offer them better payment terms so the retailer can effectively manage their cashflow as sales grow.

Arguments against

- Customers: To become the market leader, Strada plc will need to increase sales to gain more market share. Prioritising customers will help them to do this. This is particularly important as the fashion market is highly competitive so Strada plc will need to make sure it is meeting its customer's needs in order to satisfy its customers which will help to increase customer loyalty, repeat sales and win market share to become the market leader.
- Competition: Strada plc is an international fashion retailer and as a result is operating in a highly competitive market. If it does not pay attention to its competitors' prices, marketing tactics, products etc it could fall behind and not achieve its aim.
- Employees: The employees of Strada plc will be highly influential in its aim to become market leader. Store workers can influence a customer's experience of the brand and its decision to purchase clothing. Other staff such as e-commerce staff will keep its website working and ensure customers have a good experience and wish to return, all of this impacts on sales. If Strada plc do not prioritise employees it may not have clothes to sell and will not achieve its aim.

Potential judgement

- Overall, it is important to satisfy all stakeholders when aiming to increase sales to become market leader. Suppliers are very important however in the fashion industry as fashion moves so quickly the retailer needs to have the right suppliers to meet demand from customers in order to satisfy customers' needs. However, employees are also a priority as without satisfying employees they will not be able to manage suppliers. There is a balance when prioritising stakeholders and managers should review its stakeholders continuously in order to satisfy all stakeholders and to be successful in its aim.

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
3		<p>A manufacturer is investing in new technology to improve productivity.</p> <p>The finance director has decided to choose Investment A. Is this the right decision?</p> <p>Using Table 1, 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.

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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 reasons for choosing Investment A,
- and make a judgement as to whether the finance director was right to choose Investment A.

Indicative content

Arguments for

- The reason why they are investing in the new technology is to increase productivity. Investment A is forecast to increase productivity by 1% more than Investment B so should be the investment that is chosen to deliver the aim. Although 1% is negligible, this coupled with the fact it is a cheaper investment makes this the correct decision.
- Investment A's initial cost is \$600 000 cheaper than package B. Depending on how the business plans to finance the investment will make this the sensible choice.

Arguments against

- Investment B has a higher average rate of return (\$210 000 opposed to \$96 000) which means that the return on investment is higher so financially this would be the better option as it would pay back more in the longer term.
- Investment B is also paid back earlier despite a larger initial investment which means that this investment might prove the least risky choice despite the higher initial investment cost.

Potential judgement

- When considering quantitative information, Investment B looks to be the best decision due to its higher average rate of return and shorter payback period. However, it all depends on how reliable the forecasts are.
- Qualitative information is also important to be used in decision making. The manufacturer should also consider how long the technology should last, how well workers will be able to adapt to using the technology and how much it might cost to maintain the technology before making a decision.

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: 44 marks

Question	Part	Marking guidance	Total marks
4		<p>Explain one way Petrair might benefit from the use of Lewin's force field analysis when making the decision to reduce costs.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> Petrair would be able to visually see the driving and resisting forces of the change such as an increase in costs or a negative impact on staff morale. This will help them to make a balanced decision, understanding the challenges of making the change. The visual representation can help stakeholders to collaborate and understand the decision; they can prioritise the driving/resisting factors and therefore make a more informed decision. <p>Credit valid alternative content.</p>	<p>4</p> <p>AO1 = 2 AO2 = 1 AO3 = 1</p>

Question	Part	Marking guidance	Total marks
5	1	<p>Calculate the operating profit margin for March 31 2025.</p> <p>25.9% or 25.9 (2 marks) Operating profit margin = $(2200/8500) \times 100$ (1 mark)</p> <p>OFR applies</p>	<p>2</p> <p>AO1 = 1 AO2 = 1</p>

Question	Part	Marking guidance	Total marks
5	2	<p>Calculate the forecast gross profit margin for March 31 2026.</p> <p>71.4% or 71.4 (2 marks) Gross profit margin = $5000/7000 = \times 100 = 71.4$ or 71.4% (1 mark)</p> <p>OFR applies</p>	<p>2</p> <p>AO1 = 1 AO2 = 1</p>

Question	Part	Marking guidance	Total marks
6		<p>Using Table 3, calculate Petrair's market share in 2025.</p> <p>20 or 20% (2 marks) States the formula (Petrair's revenue/whole market revenue) $\times 100$ (1 mark) $8\,500/42\,500 = 0.2$ (1 mark) $0.2 \times 100 = 20\%$ (2 marks)</p>	<p>2</p> <p>AO1 = 1 AO2 = 1</p>

		OFR applies	
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Question	Part	Marking guidance	Total marks
7		<p>Explain one benefit to Petrait of having a strong organisational culture.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A strong organisational culture helps to retain staff, staff feel a sense of belonging, the airline industry is competitive and needs skilled workers such as pilots or engineers so retaining staff is important as it is difficult and expensive to recruit and train new staff. • Staff are more likely to be engaged when a business has a strong organisational culture. They will be more likely to maintain high quality standards if they are happy and feel valued which will help to develop and maintain Petrait's brand reputation. • When staff are happy and engaged staff absenteeism should be lower. If staff are absent from work in an airline it could cause flights to be delayed or cancelled which could damage the reputation of the airline and push customers to travel with competitors. <p>Credit valid alternative content.</p> <p>Good response (4 marks) Explains one benefit of having a strong organisational culture and explains how this benefits Petrait.</p> <p>Reasonable response (3–2 marks) Explains one benefit of having a strong organisational culture but does not relate this to Petrait.</p> <p>Limited response (1 mark) Demonstrates some knowledge of organisational culture.</p>	<p>4</p> <p>AO1 = 2 AO2 = 1 AO3 = 1</p>

Question	Part	Marking guidance	Total marks
8	1	Analyse the potential benefits to Petrair of reducing costs in order to reduce prices.	9 AO1 = 2 AO2 = 2 AO3 = 5

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 benefits of reducing costs,
- in the given context.

Indicative content

- Petrair is losing sales to low cost airlines who fly to the same destinations, sales revenue has been reducing steadily over the last two years and so Petrair needs to do something to compete.
- Reducing costs will allow it to reduce its prices and regain its customers who chose to travel with competitors due to their cheaper prices.
- Fuel prices (which can't be controlled by Petrair) are rising and so it should look to reduce costs elsewhere to reduce risk.
- Operating profit margin is expected to increase by 2.7% in 2026 with the reduction in costs.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
8	2	Analyse the problems of reducing costs in order to reduce prices.	9 AO1 = 2 AO2 = 2 AO3 = 5

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The demands of the question are:

- to analyse the problems of reducing costs,
- in the given context.

Indicative content

- Peter Sanchez has worked hard to build up a strong reputation and has won employer of the year over the last three years. Reducing the bonuses and financial incentives such as reduced price flights for friends and family could damage the strong culture it has built. This could result in valued staff leaving the airline and working for a competitor giving the competitor an advantage.
- Without the crew and pilots the aeroplanes would not be able to fly, unhappy staff could result in higher absenteeism and a decline in customer service taking away everything Petrair has built over the years. This could take away its unique selling point and make it even harder for it to compete in this difficult market.
- Customers will return to Petrair, the decline in sales has only been over the last two years, it is too early to tell if this is going to be a longer term problem as customers holiday infrequently. Market research shows that customers use Petrair for its service and not its price. 60% of its customers have not flown with another airline, Petrair's customer retention seems to still be high with 35% of customers being frequent flyers.
- Despite a reduction in sales in 2025, operating profit still rose by 3.5% between 2024 and 2025 suggesting that Petrair are already managing costs without this change. Operating profit is expected to increase by 2.7% in 2026 with the reduction in costs, sales revenue is expected to decline, probably due to the reduction in prices suggesting that this reduction in costs and prices may not be worthwhile.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
8	3	<p>With reference to your analysis, recommend whether Petrait should reduce costs in order to reduce prices.</p> <p>You should justify your recommendation.</p>	<p>12</p> <p>AO2 = 2 AO3 = 4 AO4 = 6</p>

Examiners are reminded that 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 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 evaluate whether Petrair should reduce costs,
- and provide a justified recommendation.

Indicative content

- Petrair is a limited company owned by Peter Sanchez who has worked hard to establish a unique selling point or providing excellent quality service whilst not discriminating through price.
- It has established a unique selling point as a result of its staff who are loyal to the airline and provide an excellent service, a change in pay and conditions could upset staff and could damage this unique selling point.
- The market research shows that customers are loyal to Petrair with 60% of customers returning to travel with Petrair and 40% new customers trying out Petrair for the first time despite the more expensive prices. This should give Petrair confidence that customers are price sensitive and will return to fly to Petrair following 'trying out' its competition. Although it is to be noted that this is a small sample (200 customers) so should not be relied upon completely.
- Reducing prices reduces revenue, the profit margins show that Petrair's profit was recovering anyway despite any changes.
- It is probably too early to tell the impact of the competition in the longer term. Petrair should have confidence in its staff and business model in the hope that customers return to the business due to the high quality service it provides.
- The low cost airline only owns 29% of the market share, the market is large enough to accommodate many airlines who target diverse audiences.

Credit valid alternative content.

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

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	2	2	2	6	12
2	2	2	2	6	12
3	2	2	2	6	12
Section B					
4	2	1	1		4
5.1	1	1			2
5.2	1	1			2
6	1	1			2
7	2	1	1		4
8.1	2	2	5		9
8.2	2	2	5		9
8.3		2	4	6	12
Unit Total	17	17	22	24	80