AS
Business Studies

7131/1 Paper 1
Mark scheme

7131
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Version 1.0: Final Mark Scheme

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 Assessment Writer.

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 aqa.org.uk.

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

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 descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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 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, ie if the response is predominantly 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. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which 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 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.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

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

Section A

Objective Test Answers

Total for this section: 10 marks

Question Number	Answer
1	C
2	C
3	A
4	A
5	C
6	B
7	B
8	D
9	C
10	B

(1 mark for each correct answer)

Section B

total for this section: 20 marks

1	**1**	*A business is planning to invest in a new machine which will cost £220 000. The machine will lead to an annual increase in revenue of £75 000. It will also lead to extra labour costs of £28 000 per annum but will reduce the firm's energy costs by £4 000 a year. Calculate the percentage return on investment per annum from the new machine.*
		[4 marks]

Marks for this question: AO1 = 2 and AO2 = 2

Answer = 23.2% or 23% (4 marks)

Annual return is £75 000 – £28 000 + £4 000 **(1 mark)** = £51 000 **(1 mark)**

$$\text{return on investment} = \frac{\text{annual return}}{\text{initial cost}} \times 100 = \frac{£51\ 000}{£220\ 000 \textbf{ (1mark)}} \times 100 = \frac{23.2\%}{\textbf{(1mark)}}$$

If no valid calculation: award 1 mark for correct formula (above)

possible OFR applications:

£75 000 / £220 000	= 34.1% or 34%	**award 2 marks**
£47 000 / £220 000	= 21.4% or 21%	**award 3 marks**
£79 000 / £220 000	= 35.9% or 36%	**award 3 marks**
£79 000 / £248 000	= 31.85%	**award 2 marks**

1	2	*A business is deciding whether or not to increase its annual expenditure on TV advertising.* *Referring to **Figure 1** below, use calculations to advise the business on whether or not it should increase its annual TV advertising expenditure.* **[5 marks]**

Marks for this question: AO1 = 1, AO2 = 3 and AO4 = 1

Answer: net gain = £6.1 million (4 marks)
Therefore: increase annual TV advertising expenditure (1 mark)   TOTAL = 5 marks

Broken down as follows:

Expected value of decision =
0.8 * 15   =   12 **(1 mark)**
0.2 * -4.5   =   -0.9 **(1 mark)**
12 – 0.9   =   £11.1m **(1 mark)**

Net gain = £11.1m - £5.0m = £6.1m   **(1 mark)**

Do nothing pays zero so increasing its annual TV advertising expenditure is better option = **1mark**

NB OFR might apply here for an appropriate / logical recommendation

NB if show 0.8 x 15 and 0.2 x -4.5 but no further work = 1 mark

1	3	*The Blake Mouton grid uses the term 'Country Club Manager' or 'Accommodating Manager' for a particular style of management and leadership. Explain whether this style of management is likely to be suitable for a business that is looking to increase productivity.*

[5 marks]

Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** provides an answer to the question set that : • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	5
2	**A reasonable response overall that focuses on some of the demands of the question.** provides an answer to the question set that : • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	3–4
1	**A limited response overall with little focus on the demands of the question.** provides an answer to the question set that : • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–2

Examples of how assessment objectives might be met in this question include:

• demonstrate knowledge and understanding of relevant issues such as how this management style will affect the managers behaviour and the subordinates (AO1)
• be applied to the context of a business looking to increase productivity (AO2)
• analyse how the productivity of a business or its staff might be affected by this management style (AO3)

Possible responses:

- the manager will show a high concern for people
- the manager will show a low concern for production and so output may not grow
- employee morale/satisfaction is likely to be high – motivated staff are more likely to achieve targets
- employees are likely to have independence / autonomy
- objectives such as increasing productivity may not be achieved if employees are given insufficient direction

NB the indicative content is not exhaustive and other creditworthy material should be awarded marks as appropriate

1	4	*Explain how debt factoring might benefit a retailer that offers long-term credit to its customers.*
		[6 marks]

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** provides an answer to the question set that : • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** provides an answer to the question set that : • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** provides an answer to the question set that : • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–2**

Examples of how assessment objectives might be met in this question include:

• demonstrate knowledge and understanding of relevant issues such as the meaning of debt factoring and how it operates (AO1)
• be applied to the context of a retailer / business that offers long-term credit to its customers (AO2)
• analyse how debt factoring benefits / improves cash flow (AO3)

Possible responses:

- debt factoring provides an immediate injection of cash flow in situations where goods have been sold on credit
- the retailer will have cash and so will be able to replenish its inventory/stock
- the factoring company takes responsibility for collecting the money
- risk has been passed to the factoring company, to some extent

NB// the indicative content is not exhaustive and other creditworthy material should be awarded marks as appropriate

Section C: generic grids

9 mark analytical questions: AO1 = 3, AO2 = 3 and AO3 = 3

level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

16 mark evaluative questions: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The student will typically demonstrate:	marks
4	**An excellent response overall that is fully focused on the demands of the question.** provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	**A good response overall that focuses on many of the demands of the question.** provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	**A reasonable response overall that focuses on some of the demands of the question.** provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	**A limited response overall with little focus on the demands of the question.** provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	1–4

Section C: Data Response

Total for this section = 50 marks

1 5 . 1	*Analyse how its marketing decisions might have helped Halfords to achieve its high market share in the bicycle and bicycle accessories markets.*
	[9 marks]

	holistic view	guidance	mark
L3	**Good** offers well developed arguments analysing how Halfords' marketing decisions may have helped it to achieve high market share	**top:** two or more good arguments with clear and consistent focus on high market share **mid / bottom:** two or more good arguments linking Halfords' marketing decisions to its market share	9 7 - 8
L2	**Reasonable** offers arguments that provide some depth and / or range	**top:** one reasonable argument and one good argument	6
		mid: two reasonable arguments or one good argument	5
		bottom: one reasonable argument	4
L1	**Limited** offers undeveloped arguments relating to marketing decisions	**top:** relevant points are made and some attempt to develop arguments	3
		mid: good knowledge demonstrated or some attempt to develop an argument	2
		bottom: limited knowledge demonstrated or relevant points are made but lacks arguments	1

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as the meaning of market share (AO1)
- be applied to the context of Halfords (AO2)
- analyse the ways in which its marketing decisions might lead to a high market share (AO3)

Possible lines of argument include:

- Place decisions have been beneficial. It has 465 retail outlets within a 20 –minute drive of 90% of the population and so it is very accessible to customers.
- It has online facilities which enable it to reach many customers. These online sales are boosted by its stores because most customers collect their online purchases.
- Product range. Halford's stocks a wide range of products and so customers are attracted by the high probability that they will find what they want.
- Its large size enables it to stock a wider product range than competitors, so that it is more likely to be able to meet the needs of its customers
- Complementary products such as servicing are offered.

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how a specific marketing decision taken by Halfords might contribute to this business achieving a high market share in the market(s) in which it operates.

Reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might be more likely to simply refer to sales (rather than high market share) without showing any understanding of market share or be generic.

| | | 5 . 2 | *Halford's has modified its business approach and is expecting to achieve higher profitability as a result. Do you believe that Halfords' operations management decisions are more likely to increase its profitability than its staff training programme? Justify your view.* | **[16 marks]** |

		holistic view	guidance	mark
L4	**Excellent** offers well selected and well argued reasons for and against the view (balance) that OM decisions are more likely to increase profitability than the staff training programme; weighs up the arguments made to reach logical, well supported judgement on whether OM decisions are more likely to increase profitability		**top:** • tight focus on question throughout • judgement clearly built on competing arguments (OM & staff training) • precise understanding of issues • well structured • clearly in context of the question	**15-16**
			lower end: • builds mainly on competing arguments (OM & staff training) • mainly precise understanding of issues • clear attempt to structure the answer • mainly in context of the question	**13-14**
L3	**Good:** offers good arguments for and against the view (balance) that OM decisions are more likely to increase profitability than the staff training; some judgement of arguments relating to importance of OM decisions and staff training but with little effective comparison; focus with some support		**top:** • well developed argument(s) and individual / partial judgement of argument(s) (OM & staff training) • some judgement of question as a whole	**11-12**
			bottom: • some well developed argument(s) (OM & staff training) and individual / partial judgement of argument(s) but limited judgement of the question as a whole	**9-10**
L2	**Reasonable** offers reasonable arguments on both sides or well argued but argument focuses only on one factor (OM or staff training); some judgement of arguments but not addressing whole question; some focus without support		**top:** reasonable argument(s) with some judgement of individual argument(s) and/or attempt to answer question as a whole	**7-8**
			bottom: reasonable argument(s) but uneven (e.g. focused very much on one factor) with limited judgement and no attempt to answer question as a whole	**5-6**
L1	**Limited** offers some arguments but little judgement; does not answer question as whole; very limited or no focus		**top:** • limited attempt to develop arguments • some attempt to link judgement to points	**4- 3**
			bottom: • undeveloped points / assertions	**2-1**

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as the meaning, or examples, of operations management or staff training or profitability (AO1)
- be applied to the context of Halfords' management operations and staff training (AO2)
- analyse how its approach to operations management / staff training might help a business to increase its profitability (AO3)
- evaluate quantitative and qualitative information to make an informed judgement on how significant certain influences may be in terms of their scope for increasing profitability (AO4).

Possible lines of argument include:

in order to increase profitability Halfords will need to reduce costs and / or increase its prices.

The changes outlined below tend to improve profitability by EITHER enabling the business to cut its unit costs OR increasing the selling price and thus increasing the profit margin on the good or service being provided.

Operations management factors:

- improving its product range should enable it to appeal to more customers. This should increase sales volume (and possibly added value in the case of certain market segments)
- supply chain improvements improve flexibility, dependability and speed of response. This enables quick delivery which can be a major factor in encouraging customers to purchase a good
- high quality service provides another revenue stream for Halfords (e.g. selling a bulb and charging to fit it). These services offer convenience and so they can be sold at high prices, increasing profit margins and added value
- improving capacity utilisation should lower fixed costs per unit and thus lower unit costs.

staff training factors:
- staff training should improve labour productivity which will increase output from the same number of staff and so reduce labour costs per unit (and contribute towards lower unit costs)
- staff training is vital in improving customer service, allowing extra profit to be made from services such as fitting bulbs and batteries.

BUT an investment in staff training will have an impact on costs.

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how a specific decision taken by Halfords relating to OM or staff training might impact on profitability.

Reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might fall short of establishing a link to increasing profitability or be generic.

Evaluation:

All of the operations management decisions are likely to boost Halfords' profitability because they lower costs or enhance its ability to raise prices.

Staff training does not cut costs but does improve quality and should bring in extra revenue streams and enable higher prices to be charged.

On balance the operations management decisions are broader and increase price and lower costs, so they are likely to be a greater influence on profitability. However, their success is linked to the quality of staff training which may be a more significant factor in the longer run.

1 6 . 1	*Analyse the possible benefits to Thomas Cook of using market segmentation.*
	[9 marks]

		holistic view	guidance	mark
L3	**Good** offers well developed arguments analysing the benefits to Thomas Cook of using marketing segmentation and establishing clear links between Thomas Cooks' approach to marketing segmentation and potential / likely benefits		**top:** two or more good arguments with clear and consistent focus on Thomas Cooks' approach to marketing segmentation	**9**
			mid / bottom: two or more good argument(s) linking Thomas Cooks' approach to marketing segmentation to likely benefits	**7-8**
L2	**Reasonable** offers arguments that provide some depth and / or range		**top:** one reasonable argument and one good argument	**6**
			mid: two reasonable arguments or one good argument	**5**
			bottom: one reasonable argument	**4**
L1	**Limited** offers undeveloped arguments relating to marketing segmentation		**top:** relevant points are made and some attempt to develop arguments	**3**
			mid: good knowledge demonstrated or some attempt to develop an argument	**2**
			bottom: limited knowledge demonstrated or relevant points are made but lacks arguments	**1**

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as the meaning of market segmentation (AO1)
- be applied to the context of Thomas Cook and its use of market segmentation (AO2)
- analyse how this approach might be result in marketing and other possible benefits for Thomas Cook (AO3)

Possible lines of argument include:

- marketing material can be tailor-made and targeted to the specific segments who will want holidays at the particular hotel/resort
- hotels are designed to meet the needs of specific market segments and so customer satisfaction is likely to be high
- Thomas Cook can save costs by only providing the specific facilities that will interest the target market
- most of Thomas Cook's hotels were aimed towards the premium price market and so high profits may be achieved

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how Thomas Cook's approach to marketing segmentation as a whole or a specific aspect of the approach might have a beneficial impact on the business such as cost savings, increased customer satisfaction or profitability.

Reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might be more likely to simply refer to marketing activities in general rather than to Thomas Cook's specific approach to marketing segmentation or refer to the travel industry in general or be generic.

1 6 . 2		To what extent do you think that the changes Thomas Cook is making to its human resource flow are likely to improve the performance of the business? **[16 marks]**	
	holistic view	**guidance**	**mark**
L4	**Excellent** offers well selected and well developed lines of argument assessing the extent to which the HR changes are likely to improve performance of the business; weighs up the arguments made to reach logical, well supported judgement on extent to which HR changes are likely to improve business performance	**top:** • tight focus on question throughout • clearly focusing on the links between two or more aspects of the HR changes and performance • judgement clearly built on competing arguments (to what extent) • precise understanding of issues • well structured & clearly in context of question	**15-16**
		lower: • builds mainly on competing arguments (to what extent) • focus on the links between two or more aspects of the HR changes and performance • mainly precise understanding of issues • clear attempt to structure the answer • mainly in context of the question	**13-14**
L3	**Good:** offers arguments assessing the extent to which the HR changes are likely to improve the performance of the business; some judgement of arguments but not well focused on the question of whether HR changes are likely to improve business performance; focus with some support	**top:** • well developed argument(s) and individual / partial judgement of argument(s) (relating to the links between two or more aspects of the HR changes and performance) • some judgement of question as a whole	**11-12**
		bottom: • some well developed argument(s) (relating to the links between two or more aspects of the HR changes and performance) • individual / partial judgement of argument(s) but limited judgement of the question as a whole	**9-10**
L2	**Reasonable** offers reasonable arguments relating to link between HR change and performance; some judgement of but not addressing whole question; some focus without support	**top:** reasonable argument(s) with some judgement of individual argument(s) and/or attempt to answer question as a whole	**7-8**
		bottom: reasonable argument(s) but uneven (e.g. focused very much on one aspect of HR change) with limited judgement and no attempt to answer question as a whole	**5-6**
L1	**Limited** offers some arguments but little judgement; does not answer question as whole; very limited or no focus	**top:** • limited attempt to develop arguments • some attempt to link judgement to points **bottom:** • undeveloped points / assertions	**4- 3** **2-1**

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as the meaning of human resource flow and business performance (AO1)
- be applied to the context of Thomas Cook and its restructuring / rationalisation (AO2)
- analyse how the proposed changes to Thomas Cook's HR flow might improve the performance of the business (AO3).
- evaluate the extent to which the changes in its HR flow might enable Thomas Cook to improve the performance of the business (e.g. to become more efficient and effective in a strongly competitive and rapidly changing market where the quality of customer experience is of paramount importance) (AO4)

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The main elements in the changes to Thomas Cook's human resource HR flow are redundancy, re-deployment (changes to the management structure) and re-training, and changes to terms and conditions.

Possible lines of argument include:

- redundancy may lead to lower morale amongst the workforce, even those not directly affected. This is likely to impact negatively on its main objective
- redundancy is likely to lead to conflict between managers and employees, possibly leading to industrial action by employees' representatives, such as a trade union
- in the short-term redundancy will mean higher costs (redundancy payments) and possible cash flow problems (the business has 'high debts')
- re-deployment is likely to cause uncertainty and lower morale, especially amongst those branch managers for whom redeployment is likely to mean a job with less responsibility than before, and it might result in staff being 'overloaded'. On the other hand, increased responsibility might have a positive impact of motivation
- re-training will be costly for Thomas Cook, as its new strategy suggests that employees need significant changes to their skills and re-training can lower efficiency in the short-run. On the other hand, training is an investment in people and may have a positive impact on skills and motivation levels
- a more streamlined organisation will cut costs and thus improve efficiency
- skilled staff and online booking should improve the Thomas Cook's flexibility of Thomas and retrained staff will be better equipped to offer holidays that suit their customers' needs (which fits with its more 'focused' approach
- changes to terms and conditions (future limitations on redundancy payments and time off to replace overtime) are also likely to cause uncertainty and anxiety, and are likely to be resisted

A good argument is shown when a candidate develops a chain of reasoning that is clearly in context. For example, a line of argument could clearly demonstrate how a specific HR change proposed by Thomas Cook might improve and / or weaken the performance of the business.

Reasonable argument might be shown through less developed chains of reasoning that are in context or well developed chains of reasoning that lack context and a clear focus on the question. For example, a reasonable argument might be more likely to simply refer to the HR flow in general rather than to Thomas Cook's specific approach or be generic.

Evaluation:

In the short-term the new approaches are likely to lower morale within the workforce. Efficiency may be impaired because staff will be unfamiliar with the new systems and approach

Staff training does not cut costs but should improve quality and should bring in extra revenue streams and allow higher prices to be charged. It should improve both flexibility and customer service

Loss-making branches are being eliminated and the greater focus on online booking should save costs, but how can Thomas Cook persuade customers to use their skills when booking online?