AS

BUSINESS

7131/1

Paper 1 Business 1

Mark scheme

June 2019

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 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, i.e. 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.

Marking guidance

- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, e.g. is this a good response? A reasonable one? A limited one? You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at drifting when you have a big centre; refer back to standardisation scripts.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given e.g. for an extended response well-argued but does not focus fully on the issue of long term feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded, e.g. L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

Section A

Total for this section: 10 marks

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

(1 mark for each correct answer)

Section B

Total for this section: 20 marks

1	1	A business had a labour turnover of 15% in 2017 and 25% in 2018. Explain the likely impact of this change in its labour turnover on its recruitment costs.

[2 marks]

Marks for this question: AO1 = 1 and AO2 = 1

Level	The candidate will typically	Marks
2	Provide a response that is explained using knowledge and understanding and is applied to the context.	2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

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

- demonstrate knowledge and understanding of increase in labour turnover (AO1)
- be applied to the context of recruitment costs (AO2).

Possible responses:

If the labour turnover increases by 10% this means there is a greater proportion of staff leaving the firm. This in turn is likely to lead to an increase in its need to recruit more staff and increase the recruitment costs.

Further guidance

Level 1 will show understanding of labour turnover increase and Level 2 responses will show understanding and explain link(s) to recruitment costs.

| 1 | 2 | A manager is considering whether to launch a new, innovative product.

Explain **one** limitation of using a decision tree to make this decision.

[4 marks]

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

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	3-2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

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

- demonstrate knowledge and understanding of decision trees (AO1)
- be applied to the context of a company launching a new innovative product (AO2).

Decision tree is a mathematical model using risk to help a manager make a decision.

Possible responses:
- estimates of the sales of the new product and associated costs could be difficult and probabilities will be based on limited data as this is an innovative product
- as this is a one off product launch the use of an average is not very useful
- must consider any biases in the data from use of pre-existing product information in a new product launch
- only focuses on quantitative data

Further guidance

Likely responses for level 3 will understand the limitations of using decision trees, clearly identifying a limitation and linking it to this context of innovative products.
A level 2 response is likely to understand limitations of decision trees and clearly identify and explain a limitation without linking fully to the context of innovative products.
A level 1 response is likely to show just a limited explanation of the issues around decision trees.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

1	3	The following data applies to a business:

- break-even output = 500 units
- fixed costs = £30 000
- variable cost per unit = £30.

The business is currently operating at its break-even output. Calculate its selling price. Show your workings.

[4 marks]

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

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

- demonstrate knowledge and understanding of relevant issues such as variable cost per unit (AO1)
- be applied to the context of the data provided (AO2)

- **answer = £90 (4 marks)**

broken down as follows:

CPU approach	b/e approach	marks
b/e output (500) = FC 30000 / CPU	TVC = 15 000 (500 x 30)	1
at 500 units needs total contr of 30 000	TC = 45 000 (30 000 + 15 000)	2
so CPU is 60	so TR = 45 000 (TC = TR)	3
CPU (60) = price – VC (30) = **90**	TR (45 000) = price x output (500) so price = 45000 / 500 = **90**	4

please note:

- ➢ alternative methods may be credited
- ➢ if no valid calculation(s): award a maximum of 1 mark for K/U of break-even OR contribution
- ➢ TVC of £15 000 = 1 mark
- ➢ TC of £45 000 = 2 marks

| 1 | 4 | The total output of a business increased by 15.5% between 2017 and 2018. Using the table below calculate the change in labour productivity. Show your workings. |

	Labour productivity (units)	Number of employees	Total units output
2017	80	40	
2018		42	

[5 marks]

Marks for this question: AO1 = 1 and AO2 = 4

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

- demonstrate knowledge and understanding of relevant issues such as productivity (AO1)
- be applied to the context of the data provided (AO2).

answer = 8 units (5 marks)

2017 output: 80 x 40 = 3200	1 mark
increase in output: 15.5% of 3200 = 496	2 marks
2018 output: 3200 + 496 = 3696	3 marks
2018 L productivity: 3696 / 42 = 88	4 marks
change: 88 – 80 = +8 units	5 marks

please note:

> ➢ alternative methods may be credited
> ➢ if no valid calculation(s): award a maximum of 1 mark for K/U of labour productivity
> ➢ £8 = 4 marks
> ➢ - 8 = 4 marks

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1	5	Analyse **one** effect of an ageing population on the level of profits of a private hospital business.

[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 demographics or profits (AO1)
• be applied to the context of an ageing population and private health care business (AO2)
• analyse how profits are affected by changing demographics (AO3).

Possible responses:
• the ageing population may lead to a higher costs for health care businesses as more resources (medicine, staffing, etc.) will be needed which will lead to lower levels of profit
• the ageing population may lead to a greater level of demand and prices may also be able to rise which will lead to higher levels of revenue with costs not rising as rapidly this would push profits up.

Further guidance
Likely responses for level 3 will understand the issue of changing demographics, clearly identifying one effect it will have on profit and linking this effect to the context of a private hospital business.
A level 2 response is likely to understand the issue of changing demographics, clearly identifying one effect it will have on profit but fail to fully link this effect to the context of a private hospital business.
A level 1 response is likely to show an understanding the issue of changing demographics in general without linking to how it impacts on level of profits or any link to context of a private hospital business.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Section C

Total for this section: 50 marks

16	.	1	With reference to Maslow's hierarchy of needs analyse:

- **one** way Colbecks can motivate warehouse employees and
- **one** way Colbecks can motivate head office employees.

[9 marks]

Marks for this question: 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**

Examples of how assessment objectives might be met in this question include:
- demonstrate knowledge and understanding of relevant issues such as motivators within Maslow's hierarchy and key terms of the tiers (AO1)
- be in the context of Colbecks with warehouse staff requiring safety/physiological and head office requiring self-esteem/self-actualization (AO2)
- analyse how the motivators may be used to increase motivation (AO3).

Possible responses:
- for those workers who are in the warehouse job security, through long term contracts or fixed work may meet safety needs that leads to high productivity
- increased pay for those in the warehouse may work as a means of providing further lower level needs, such as better housing and food
- pay may not be effective with head office staff as they are already well rewarded but the tell style of management is unlikely to build on their higher order skills of self-esteem through praise and responsibility. These improvements are likely to have more effect on productivity
- more advanced tiers, such self-esteem, would allow motivation to be higher for those in the head office and may be easy to achieve in a family run business through genuine praise and awards
- decision making and a sense of achievement for those in head office positions is likely to motivate if Chris does not currently allow many decisions to be made outside the team (due to his tell style of management).

Further guidance

good response: likely to demonstrate a clear link between relevant aspects of theory and the needs of BOTH warehouse staff and head office employees and to analyse how Colbeck's might motivate BOTH types of staff as a consequence

NB: L3 requires use of valid terms from the model

reasonable response might:
- focus on just one type of staff
- link relevant aspects of theory to the needs of BOTH warehouse staff and head office employees
- link the needs of BOTH warehouse staff and head office employees to ways in which Colbeck's might motivate BOTH types of staff (but with no reference to the model)

limited response: might demonstrate some understanding of the issues (theory / context / ways to motivate) but fail to make links

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

16	.	2	Chris needs to make a decision about how to raise the finance for the expansion. Do you think using a bank loan or venture capital would be the better option? Justify your answer.
			[16 marks]

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically	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	1–4

| | | 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. | |

Examples of how assessment objectives might be met in this question include:
- demonstrate knowledge and understanding of bank loans and venture capitalists (AO1)
- be applied to the context of Chris's decisions and situation (AO2)
- analyse the possible impact of taking on external investment against the debt of a loan (AO3)
- evaluate information to make an informed judgement on whether the a bank loan or external investment is best. For example it may consider the importance of interest rates and the importance of the family ownership (AO4).

Possible responses:
- ability of Colbeck's to pay a loan is high as it is profitable but there is a suggestion of cash flow difficulties, should this really be the priority? It has taken out another loan so it could be left quite exposed to interest rate changes which are predicted to rise
- the loss of control associated with a venture capitalist will have significant harm to Chris if he likes the idea of keeping the business in the family. Losing positions for his daughter may be key
- the venture capitalist is offering well above market value which is positive but may harm the culture currently existing and Chris' vision for the business
- the costs may be considerably higher in paying back a loan rather than shares. The expansion is not needed at the moment given that the business is profitable.

Evaluation:
Factors identified as above but also that other factors that may play a part too, like the speed at which a loan can be accessed. Students should take information from case study to draw conclusions about whether the family ownership is the main driver for Chris, given his wishes for the business or if the need for finance is so urgent that he should take the risk of higher interest rates.

Further guidance

A level 4 response is likely to understand the importance of the family dynamic within the decision, the heritage of the firm, include thorough analysis of the long term impacts of ownership, balancing this overall with the level of debt and interest rate threat from a loan and make a definitive decision about what Chris should do for his particular business and family.

A level 3 response is likely to consider some impacts of the change in ownership might have in general and make some judgements about why a loan might be preferable for Chris in this scenario to new ownership.

A level 2 response is likely to analyse how a loan compares in general terms to shares with consideration of some elements of Colbeck's situation.

A level 1 response is likely to address some advantages or disadvantages to loans and equity in general terms and may make a generic judgement.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

| 17 | . | 1 | The decision making at Doyles is centralised. Analyse **two** possible effects on Doyles of the centralisation of its decision-making. [9 marks] |

Marks for this question: 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 depth and range of 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 limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few 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 range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

Examples of how assessment objectives might be met in this question include:
• demonstrate knowledge and understanding of relevant issues such as centralisation (AO1)
• to be in the context of Doyles (AO2)
• to analyse the possible effects of centralisation to Doyles (AO3).

Possible responses:
• there could be a significant control over budgets and spending allowing Doyles to be more successful and make higher profit margins
• negotiations in teams centrally might gain better deals and economies of scale
• common decisions can be made throughout the chain so central distribution, for example, can allow decisions to be more effective and consistent
• there may be a lack of autonomy for local stores to set their own prices or decide on targeting in poor areas

Further guidance

level 3 responses will consider **two** effects of centralisation specifically related to the context of Doyles

a student is likely to achieve level 2 if they have applied one effect well to Doyles or explained the effects of centralisation without a link to the context of Doyles

level 1 responses are likely to show some general understanding of centralisation without context

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

17	.	2	Do you believe that Charlotte should renew her contract with Doyles or start selling online only? Justify your answer.

[16 marks]

Marks for this question: 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 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

Examples of how assessment objectives might be met in this question include:
- demonstrate knowledge and understanding of relevant issues such as channels of distribution and branding (AO1)
- be applied to the context of Charlotte's business (AO2)
- analyse how the effect of moving online will effect Charlotte against staying with a retailer (AO3)
- evaluate a range of valid information to make an informed judgement on how significant the choice of moving online is in increasing the profitability of the business (AO4).

Possible responses:
- online allows her to make significantly more profit margin (calculation may be used to add to answer with Doyles £20 x 40 items = £800 or online £64 x 18 = £1152)
- her sales will fall initially online and she will have to spend significantly on advertising
- online sales will require her to take on more business decisions
- time taken to advertise the business may take away from her love of making the product.
- she could use her award and brand to sell under her own name
- there needs to be careful consideration of the risk of giving up a successful contract.
- the market is growing so she has the potential to expand in the long run
- to fulfill orders she already has to work very hard, does she have time to run her own more complex operations?

Evaluation:
On balance, Charlotte wants the business to become more profitable. The product has potential to be branded and use her awards and personal story. She could also make a larger amount of profit in the long run. However, there are large risks involved with the amount of advertising she will have to do and potentially giving up a stable contract. Although initially she may lose sales and have to spend more time advertising in the long run she is likely to be more profitable.

Further guidance

A level 4 response is likely to understand the importance of the risk within the decision, the passion Charlotte has for her products and how using online sales, despite the risks, can allow her business to expand rapidly. It is likely to make a definitive decision about what Charlotte should do with her particular business given the scenario with some factors she must consider.

A level 3 response is likely to consider what the impacts of selling online might have in general compared to selling through a retailer and make some judgements about why online/Doyles might be preferable for Charlotte in this scenario.

A level 2 response is likely to analyse how online compares to retailer distributors as a channel of distribution in general terms to increase sales, with some consideration of elements of Charlotte's situation.

A level 1 response is likely to address some advantages or disadvantages online or retailer channels and may make a generic judgement.

please note:

- ➢ one valid calculation (e.g. .£800 or £1152) only = L1 (4 max)
- ➢ two valid calculations (e.g. £800 & £1152) only BUT no judgement = L2 (6 max)
- ➢ two valid calculations (e.g. £800 & £1152) only + a logical judgement = L2 (8 max)
- ➢ calculations are NOT required to reach level 4

Specification Coverage (excluding MCQs)

Assessment Objectives	Paper 1 Marks	Paper 1 %	Required %
AO1	21	30	34 -40
AO2	20	29	26 – 30
AO3	17	24	18 – 22
AO4	12	17	12 – 18
Overall mark	70	100	100

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