

V1.0



AS

Business

Specimen Assessment Material
Mark scheme

AS-level Paper 1 7131/1

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Version 2.0

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events in which all examiners participate 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 examiner understands and applies it in the same correct way. As preparation for standardisation each examiner 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, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

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

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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 a description of the response at the middle of the level. There are marks in each level based on the division of the total number of marks for the question.

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 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; 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 will help with this. The exemplar materials used during standardisation will illustrate the performance needed to achieve a specific mark. 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.

Examiners are required to assign each of the candidates' 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 (included for each question and summarised on page 22) and be careful not to over/under credit a particular skill. For example, in questions 15.2 and 16.2 more weight should be given to AO4 than to AO3, AO1 and AO2. This will be exemplified and reinforced as part of examiner training and standardisation.

Candidates are expected 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	This occurs when students demonstrate knowledge of relevant 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	This occurs when students apply knowledge and understanding to a business context to show how individuals and organisations are affected by and respond to business issues. The context could be any scenario such as a case study or a scenario provided in an essay question; it can also include data used for calculations.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences	This occurs when students analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences. Analysis involves deconstructing an issue to consider its component parts; making linkages and connections and understanding their impact; and constructing logical chains of reasoning.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues	This occurs when students evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues. Evaluation involves a balanced judgement based on relevant arguments, which makes salient points, acknowledging qualifying factors and understanding the potential limitations of the arguments. Where relevant, a judgement may involve developing and proposing solutions.

The business issues referred to in the descriptors above are internal and external changes and include business opportunities and problems.

Section A

Objective Test Questions

Total for this section: 10 marks

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

(1 mark for each correct answer)

Section B

Total for this section: 20 marks

11	<i>Explain one possible use of market mapping for a new sports shop.</i>	[4 marks]
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Marks for this question: AO1 = 2 and AO2 = 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 marks
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2–3 marks
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context .	1 mark

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

- demonstrate knowledge and understanding of relevant issues such as market mapping (AO1).
- be applied to the context of a new sports shop (AO2).

Market mapping identifies key customer requirements/features in a market and how products are positioned in the market in terms of those requirements/features.

Possible uses include:

- to identify possible gaps in the market relative to existing competitors
- to identify which variables appear to have the biggest influence on customer numbers, eg product range, store design
- to identify how a particular firm’s products are perceived in the market place compared to competitors’, eg a sports shop may be seen as targeting ‘fashion’ sportswear, or sportswear for competitive athletes.

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

12 Calculate the fixed costs of the business.

[5 marks]

Marks for this question: AO1 = 2 and AO2 = 3

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

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

Answer = £6600 (5 marks)

Broken down as follows:

$$\text{Break-even output} = \frac{\text{Fixed costs (FC)}}{\text{Selling price} - \text{Variable cost per unit}} \quad \text{(2 marks)}$$

$$550 \text{ units} = \text{FC} / (\text{£}18 - \text{£}6) = \text{FC} / \text{£}12 \quad \text{so FC} = 550 \times \text{£}12 = \text{£}6600$$

(1 mark)
(1 mark)
(1 mark)

OR

$$\text{Contribution per unit} = \text{Selling price per unit} - \text{Variable cost per unit} = \text{£}18 - \text{£}6 = \text{£}12 \quad \text{(2 marks)}$$

$$\text{Total contribution} = \text{Contribution per unit} \times \text{Number of units sold} \quad \text{(1 mark)}$$

At break-even Total contribution = Fixed costs

$$\text{So Fixed costs} = \text{£}12 \times 550 = \text{£}6600$$

(1 mark)
(1 mark)

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

13 Calculate the expected value and the net gain of modifying the product. Using these calculations, advise the business on which of the two options available in the decision tree that it should choose. Show your workings.

[6 marks]

Marks for this question: AO1 = 3 and AO2 = 3

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

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

Expected value of modifying the product

$$= (0.6 \times \text{£}25\text{m}) + (0.4 \times -\text{£}5\text{m}) = \text{£}15.0\text{m} - \text{£}2.0\text{m} = \text{£}13.0\text{m}$$

(1 mark)
(1 mark)
(1 mark)
(1 mark)

Deduct initial cost of £2.2m, so net gain is £13.0m – £2.2m = £10.8m **(1 mark)**

Decision (**needed for 6th mark**): Increase promotional spending. **(1 mark)**

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

14	<i>Analyse one way in which a large house-building firm might respond to a new competitor setting up in its market.</i>	[5 marks]
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Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

Level	The candidate will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a good knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed and is applied effectively to the context.</p> <ul style="list-style-type: none"> • 	4–5 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a reasonable knowledge and understanding of issues in the question</p> <p>demonstrates analysis which is developed and is applied to the context.</p> <ul style="list-style-type: none"> • 	3–4 marks
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development and with mainly descriptive application to the context.</p> <ul style="list-style-type: none"> • 	1–2 marks

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

- demonstrate knowledge and understanding of relevant issues such as responses to a new competitor entering the market (AO1).
- be applied to the context of a large house building firm (AO2).
- analyse how a business might respond to a new entrant (AO3).

Possible responses:

- the firm may cut its prices if demand is perceived to be price elastic and this would prevent sales switching to the new competitor; this might affect the design and materials used to keep costs lower
- as a large business it may have resources to invest in a promotional campaign to attract sales away from the new entrant; it may also have well established links, eg with estate agents, which it may increase communications with to get greater coverage of their properties
- It may consider what it is building relative to the new competitor and how it can communicate its benefits to differentiate
- it may not do very much if demand is growing fast in this market so that both businesses can sell more in the future.

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

Section C

Total for this section = 50 marks

15.1 *Analyse the possible reasons why Nissan is investing heavily in developing a new model of car.*

[9 marks]

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The candidate will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed and is applied effectively to the context.</p>	7–9 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>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.</p> <p>demonstrates analysis which is developed and is applied to the context.</p>	4–6 marks
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development and with mainly descriptive application to the context.</p>	1–3 marks

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

- demonstrate knowledge and understanding of relevant issues such as the investment and new product development (AO1).
- be in the context of Nissan (AO2).
- analyse the possible impact of factors influencing investment in developing a new model of car (AO3).

Possible lines of argument include:

- to increase sales by matching changing customer needs
- to respond to changes in the market, eg launches by competitors, developments in technology
- because of the expected returns from the investment in a new car
- to achieve a balanced product portfolio. Models of cars have a relatively short product life cycle and the company will also want to have a balanced portfolio in terms of market size and growth to maintain its strong market position. Existing cars might be in the decline stage of the product life cycle and so there is a need to launch new models
- because of new technology enabling new processes, new designs and new types of car, eg electric cars, to target new markets or prevent customers switching to competitors.

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

15.2 *To what extent do you think the performance of Nissan's workforce has been the main factor influencing its decision to increase car production at the Sunderland factory in the UK?*

[16 marks]

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

Level	The candidate will typically demonstrate:	Marks
4	<p>An excellent response overall that is fully focused on the key demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question.</p> <p>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question.</p> <p>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.</p>	13–16 marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.</p> <p>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</p>	9–12 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>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.</p>	5–8 marks

	<p>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.</p> <p>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</p>	
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question.</p> <p>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</p>	1–4 marks

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

- demonstrate knowledge and understanding of relevant issues such as the performance of employees and decision making (AO1).
- be applied to the context of a Nissan's decision to increase car production at Sunderland (AO2).
- analyse the possible impact of employee performance on a decision to produce more at Sunderland (AO3).
- evaluate qualitative and quantitative information to make an informed judgement on whether the performance of Nissan's workforce has been the main factor influencing the decision to increase car production at Sunderland. For example it may consider the importance of workforce performance relative to other factors (AO4).

An excellent response must make a supported judgement on the extent to which the performance of the workforce has been the main factor influencing Nissan's decision. This involves a judgement of the significance of the workforce relative to other factors.

Possible lines of argument include:

- Nissan's Sunderland plant is the most productive car factory in Europe. This may impact on unit costs.
- Nissan's leadership in the market is relevant. The company has come up with successful cars – the Qashqai model in particular is a worldwide success. Nissan has grown significantly in Europe over the last few years; although the European market has grown by 4%, Nissan's market share has grown by 25%.
- Employer–employee relations are excellent and staff turnover at a record low level. This means low replacement costs and less chance of lost efficiency from people leaving. This has secured work which could have gone to Nissan factories in other countries.
- The weakness of the pound makes the UK an attractive place to manufacture at the moment, adding to Nissan's profit margins.

- Government policy has helped.

Evaluation:

Several factors have been identified above, some of which are related to the employees. However, the other factors have all played a part too, and so overall the performance of Nissan's workforce is one of a number of factors.

The article suggests that factors such as Nissan's leadership and marketing, along with external factors, have been important forces behind the increase in demand and the need for Nissan to produce more cars. However, the performance of the workforce has been a key factor in Nissan's decision to use the UK to help expand its production level.

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

16.1 *Analyse how transferring ownership of Royal Mail from the public to the private sector might affect its stakeholders.*

[9 marks]

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The candidate will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed and is applied effectively to the context.</p>	7–9 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>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.</p> <p>demonstrates analysis which is developed and is applied to the context.</p>	4–6 marks
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development and with mainly descriptive application to the context.</p>	1–3 marks

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

- demonstrate knowledge and understanding of relevant issues such as the public and private sector and stakeholders (AO1).
- be applied to the context of the Royal Mail (AO2).
- analyse the possible impact of transferring ownership on stakeholders (AO3).

Stakeholders are those who are affected by the activities of a business.

Possible lines of argument include:

- the government will raise funds that can help investment elsewhere; it will free time and resources for other areas of government, eg health and education
- the service to customer may improve if the new business generates profits for investment (less reliant on government funding and more access to private finance); more reliable, faster delivery
- the service to customers may suffer if the company manages to change legislation so it can increase prices, charge different prices to different areas, or reduce coverage to all households
- the impact on employees may depend on changes made, eg could be changes to way they work and number employed
- it creates shareholders who can gain from dividends and share price increases (or lose from share price falls).

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

16.2 *Do you think buying shares in Royal Mail plc when they were first sold was a good decision? Justify your answer.*

[16 marks]

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

Level	The candidate will typically demonstrate:	Marks
4	<p>An excellent response overall that is fully focused on the key demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question.</p> <p>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question.</p> <p>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.</p>	13–16 marks
3	<p>A good response overall that focuses on many of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a depth and range of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.</p> <p>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</p>	9–12 marks
2	<p>A reasonable response overall that focuses on some of the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>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.</p> <p>demonstrates analysis which is developed, applied to</p>	5–8 marks

	<p>the context and considers some of the issues in the question.</p> <p>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</p>	
1	<p>A limited response overall with little focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <p>demonstrates a limited range and depth of knowledge and understanding of issues in the question.</p> <p>demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question.</p> <p>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</p>	1–4 marks

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

- demonstrate knowledge and understanding of relevant issues such as shares and influences on decisions (AO1).
- be applied to the context of the Royal Mail (AO2).
- analyse the possible impact of buying shares on investors (AO3).
- evaluate qualitative and quantitative information to make an informed judgement on whether buying shares in the Royal Mail was a good decision. For example it may consider the relative rewards, the risk and the opportunity cost (AO4).

An excellent response will make a supported judgement on whether the decision was good or not. This may depend on factors such as when they are sold or the motives for buying.

Possible lines of argument include:

- There was a rapid increase in the share price from £3.30 to £5.60, offering a very attractive return to shareholders with short-term horizons.
- The shareholders were only able to buy 227 shares, so the maximum profit on this if they sold when the share price was £5.60 was £522.10.
- Ethically-minded shareholders may have been interested in having shares so that they could raise issues at the AGM, such as the potential threat to the one-price, six-days-a-week service to every household. However, such shareholders may be a tiny minority due to the small size of their shareholdings in relation to Royal Mail's 1 billion shares with voting rights.
- The prospect for dividends is promising, as half-yearly profits have doubled to £283 million. This might make it attractive to shareholders with a longer-term view.
- Sales grew at 9% from July to September 2013, and is possibly accelerating as online parcel deliveries are continuing to rise, leading to the possibility of further rises in the company's share price.
- The company may face industrial action as the CWU seeks to protect and enhance the position of its members employed by Royal Mail. The trade union is potentially powerful as over 75% of Royal Mail's employees are members.

Evaluation:

Much will depend on the objectives of the shareholders in purchasing the shares. Those seeking a short-term gain would be satisfied by the increase in price to £5.60, or even the immediate share price rise. Thus, for this group the decision was a good one.

However, for those seeking a longer-term investment the position is less clear. The company's profits are rising in the short-term which may boost dividends, but problems may remain. Labour relations are potentially problematic (and this is important for a business supplying a service) and difficulties here may reduce future profits and share performance. The existence of the 'universal service' constraint may limit long-term profitability and this could be difficult to overcome. It remains to be seen whether this was a good decision for those seeking a long-term return.

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

Assessment Objectives

	AO1	AO2	AO3	AO4	TOTAL
1–10	8	2			10
11	2	2			4
12	2	3			5
13	3	3			6
14	1	2	2		5
15.1	3	3	3		9
15.2	4	2	4	6	16
16.1	3	3	3		9
16.2	4	2	4	6	16
Paper total	30	22	16	12	80