



A-level
BUSINESS

7132/3

Paper 3 Business 3

Mark scheme

June 2021

Version: 1.0 Final Mark Scheme



2 1 6 A 7 1 3 2 / 3 / M S

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

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

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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.

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, eg is this a limited response? A reasonable one? A good one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at; refer back to standardisation scripts regularly.
- 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, eg 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, eg 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.

	Knowledge and understanding – used to credit knowledge of the specification and also to acknowledge ‘points’ made in relation to the question , perhaps explained, but once the point has some analytical dev, annotate AN or ARG
	Analytical but lacks context, ie a theoretical line of argument
	Argument (analysis in context)
	Developed argument (well-developed analysis in context)
	Judgement with support
	Losing/lost focus – not fully focused on the demands of the question
	benefit of doubt – though there is some uncertainty over the student’s meaning , the point or aspect of the argument will be accepted as valid, thus creditworthy
	Not answering the question - response has drifted from answering the question set. When using, be sure to read the whole response carefully – students will often drift back to answering the question later in their response – normal annotation should resume whenever they come back to addressing the demands of the question
	own figure rule – to be annotated where a valid argument develops following a miscalculation (ie a wrong answer is used correctly)
	used to annotate blank pages to show they have been scanned for any student response – please check the whole page
	ONLY used to show a correct calculation – please use KU when annotating valid points
	to show an incorrect calculation or a clearly incorrect link in a chain of logic – if in doubt, do not cross, use BOD
?	Meaning unclear
REP	Repetition

0	1	Analyse how AM plc needs to change its marketing mix to make its new strategy of focused differentiation successful.	[12 marks]
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Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student 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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. 	9–12
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. 	5–8
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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context. 	1–4

The demands of this question are:

- show an understanding of focused differentiation
- links adoption of focused differentiation to the need for changes in the marketing mix
- in the context of AM plc’s new strategy being successful.

Indicative content:

- prices will rise
- promotional methods will change to focus on a smaller and different range of customers – recognising the shift from business to consumer to business to business model
- product will change significantly, with a far greater focus on functionality
- place – the business will no longer distribute through retailers, focusing instead on direct channels
- valid references to the extended mix (people, physical evidence and process) should be credited
- accept other relevant arguments.

0	2	AM plc has a 'produce or perish' style of management.
		Analyse how this may have caused the performance data for its Chinese factory to differ from the average for similar factories in China, as shown in Appendix A . [12 marks]

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student 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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. 	9–12
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> <ul style="list-style-type: none"> • 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 • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. 	5–8
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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context. 	1–4

The demands of this question are:

- shows an understanding of a 'produce or perish' style of management
- links 'produce or perish' style of management to the data provided in Appendix A.

Indicative content:

- A 'produce or perish' style of management is one where management focus exclusively on production with no concern for people. The term was coined by Blake and Mouton.
- Unit costs are a little lower than other factories as a result of higher levels of productivity, caused by the 'produce or perish' style. However, given the significantly better than average productivity performance unit costs might be expected to be even lower. It is likely that quality problems and the high labour turnover are nearly negating the downward pressure on unit costs caused by higher than average productivity.
- Productivity is higher than average. This will be a direct result of management's exclusive focus on productivity. Supervisors were paid a bonus according to the output per worker figures for their section.

- Labour turnover is likely to be high due to the way work is arranged – a high division of labour and one small repetitive task – clearly focused on productivity. In addition, actions prompted by the production-driven bonus scheme for supervisors led to 'breaks were cut and shifts extended' also contributing to the very high labour turnover.
- Defect rate may well be the result of production focus with employees 'driven to work faster' and 'supervisors were paid a bonus according to the output per worker figures for their section' placing volume as opposed to quality at the top of the agenda. Furthermore, tired workers make more mistakes, so 'breaks were cut and shifts extended' – a clear result of the focus on production will have contributed to the high defect rate
- Accept other relevant arguments.

0	3	AM plc will use a 'Just in Time' system at its new factory. To what extent do you agree that this is a good idea?	[16 marks]
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student 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> <ul style="list-style-type: none"> • 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	<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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which 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	<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> <ul style="list-style-type: none"> • 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 • demonstrates 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	<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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates 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 focus on the question as a whole. 	1–4

The demands of this question are:

- analyse the pros and cons of using JIT
- in the context of AM plc's new factory
- justify a judgement on whether this is a good idea.

Indicative content:

Positives

- Zero stock of finished goods reduces the need for storage space and clutter within the factory. This should minimise overheads. In addition, there is no chance of finished goods becoming obsolete – a potential issue in a technology-driven industry such as this one.
- Minimising stock of materials and components means space is once more saved – reducing overheads, plus less cash is tied up in stock – helping the firm's liquidity at a time when cash is relatively tight – current ratio = 1
- Previous inventory turnover was four times per year – exceptionally low – JIT would significantly improve this figure.

Negatives

- May miss out on purchasing economies of scale – although business will now be fairly low volume.
- May struggle to meet sudden surges in demand with no stocks of finished goods – though this market is less likely to have surges than their former market. Furthermore, lead times will be higher if production does not start until an order is placed – but customers may be willing to wait if products can be tailored to their requirements.
- The environmental impact of many small deliveries creating more road traffic is a negative.

Accept other relevant arguments

Evaluation:

An effective judgement should flow from the arguments presented. Judgement is likely to come through the extent to which AM plc would be affected by the negatives – many industrial customers may be willing to wait for their product to be made from scratch, whilst most suppliers are UK based and should be able to deliver components rapidly.

0	4	To what extent is network analysis likely to be useful to AM plc when constructing its new factory?	[16 marks]
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Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student 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> <ul style="list-style-type: none"> • 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	<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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which 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	<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> <ul style="list-style-type: none"> • 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 • demonstrates 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	<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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates 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 focus on the question as a whole. 	1–4

The demands of this question are:

- analyse the benefits and limitations of using network analysis
- when planning and implementing a complex project such as building AM plc's new factory
- make a justified judgement on how useful network analysis will be in this case.

Indicative content:

Useful because:

- There is time pressure to get started in time for the company re-launch in ten months. Network analysis should help complete the project as quickly as possible.
- Network analysis allows managers to focus on critical activities to help prevent overall delays.
- Latest finish times allow mini-deadlines to be set for the contractors responsible for each activity's completion.
- Earliest start times can help to reduce working capital requirements ensuring materials are not purchased too early, tying up cash unnecessarily – useful given the company's strained liquidity position – current ratio = 1

Limitations:

- all activity durations will be estimates – although Roger has experience planning and managing similar projects from his previous role
- it's a planning tool, which can help with execution but does not guarantee deadlines will be met – there are likely to be many activities to complete and many contractors involved
- unexpected events can delay activities.

Accept other relevant arguments.

Evaluation:

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of the usefulness of critical path analysis. This will recognise limitations to the technique but also its usefulness in speeding up complex projects such as this one – in a context where speed is vital to AM plc. Recognition that Roger has experience of project management may also suggest that network analysis may be useful here.

0	5	Should AM plc invest in building its new factory at Site A or Site B?	
Use quantitative and qualitative information to justify your view.			[20 marks]

Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate:	Marks
5	<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> <ul style="list-style-type: none"> • 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 judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout. 	17–20
4	<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> <ul style="list-style-type: none"> • 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 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. 	13–16
3	<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> <ul style="list-style-type: none"> • 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 • demonstrates 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. 	9–12
2	<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> <ul style="list-style-type: none"> • 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 and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	5–8

1	<p>A weak response overall lacking focus on the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–4
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The demands of this question are:

- use quantitative data to analyse the benefits of both options
- use qualitative information to analyse the benefits of both options
- make a justified judgement on which option is best for AM plc.

Indicative content:

Calculations:

	Site A	Site B
Break-even output	$\frac{\pounds 6\text{m}}{\pounds 2\,500} = 2\,400$	$\frac{\pounds 4.5\text{m}}{\pounds 2\,000} = 2\,250$
Profit at maximum capacity	$10\,000 \times \pounds 2\,500 - \pounds 6\text{m} = \pounds 19\text{m}$	$8\,000 \times \pounds 2\,000 - \pounds 4.5\text{m} = \pounds 11.5\text{m}$
Payback	3y 4.3m	3y 2.08m
ARR (assuming 4-year life)	17.97%	25.83%

Arguments for Site A:

- profit at maximum capacity is higher – which may help to boost dividends to shareholders
- maximum capacity is higher – which is useful given the objective of growth
- closer to customers' headquarters.

Arguments for Site B:

- lower start-up costs – leaving more of the £10m available for marketing – which could be critical after such a major strategic change
- lower fixed costs
- break-even point is lower
- shorter payback period
- higher ARR
- more unemployed locally – skills from car manufacturing may be transferrable.

Accept other relevant arguments.

Evaluation:

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on which is the better location for the business, given its objectives of maximising growth and boosting dividends.

0	6	<p>In recent years many businesses that off-shored manufacturing have reviewed their decision to produce abroad and are re-shoring production.</p> <p>To what extent do you agree that all businesses that moved manufacturing abroad should now move production back to the UK?</p> <p style="text-align: right;">[24 marks]</p>
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Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

Level	The candidate will typically demonstrate	Marks
5	<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> <ul style="list-style-type: none"> • 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 whole throughout. 	21–24
4	<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> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which 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. 	16–20
3	<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> <ul style="list-style-type: none"> • 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 • demonstrates 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. 	11–15

2	<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> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates 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 focus on the question as a whole. 	6–10
1	<p>A weak response overall lacking focus on the demands of the question</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5

The demands of this question are:

- analysis of benefits and drawbacks of manufacturing in the UK
- for manufacturers currently manufacturing abroad
- makes a judgement on whether moving back to the UK is sensible for all UK firms with off-shored manufacturing.

Indicative content:

Good idea because:

- Increasingly sophisticated robotics allows jobs that used to need people to be done by machine. This reduces the relative importance of labour costs in total unit costs of manufactured goods.
- UK wage rates have grown far slower than those in several other countries – notably China and India – reducing the cost savings to be had from manufacturing abroad.
- Any off-shoring is likely to increase transport costs and times. These are also likely to be more subject to external shocks.

Not a good idea because:

- many costs in the UK (eg land, rates, utilities) remain far higher than in other global locations
- many companies may have begun manufacturing abroad but started selling in markets close to their off-shore manufacturing bases
- the terms of trade agreed upon Britain's departure from the EU may make exporting from the UK harder.

Accept other relevant arguments

Evaluation:

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of situations in which the statement could be true weighed up against situations in which it is false.

The extent to which moving manufacturing back to the UK depends on:

- the country to which the manufacturing has been off-shored
- whether the cost differential between the UK and an off-shore location has been eroded over time
- the practicalities of transporting the finished product from factory to market.

Overall: The statement is sweeping and will thus not be entirely true or false. There is little doubt that re-shoring has risen in popularity in recent years and the drivers behind this remain in place.