AS
BUSINESS
7137/1

Paper 1

Mark scheme

Sample assessment materials

Version: 1.0

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, 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 demands of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Be positive in your marking. Look to reward what is there.
- 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 good response? A reasonable one? A limited 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 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.
- 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.

The following should be used at the end of the response:

L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4
L5	Level 5

| 0 | 1 | . | 1 | Define a "private limited company".

[2 marks]

DEFINE: 2 marks

The demands of the question are:
- Demonstrate knowledge and understanding of a "private limited company" (AO1)

Answers may include:
- Owned by shareholders. (1)
- Cannot sell shares to the public. (1)
- Has ltd after its name. (1)

Max 2 marks.

| 0 | 1 | . | 1 | Define a "private limited company".

| 0 | 1 | . | 2 | Explain what The Social Shepherd might consider when developing content for a social media campaign. |

[4 marks]

EXPLAIN: 4 marks

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

Level	The student will typically demonstrate	Marks
2	**A good response** Provides an answer to the question that: • demonstrates good knowledge and understanding • is applied well to the context	**3-4**
1	**A limited response** Provides an answer to the question that: • demonstrates some knowledge and understanding • attempts to apply to the context	**1-2**

The demands of the question are:
• Demonstrate knowledge and understanding of what might be considered when developing a social media campaign (AO1)
• In the context of The Social Shepherd (AO2).

Answers may include:
• Target audience – who are they aiming at eg age, lifestyle values; what will attract attention and lead to engagement? If an influencer was to be used, who would be suitable for the target audience?
• Message and call to action – what is the campaign trying to achieve? What are key messages and how best can these be conveyed?
• Budget – what type of content can be afforded?

| 0 | 1 | . | 3 |

Explain the change in The Social Shepherd's non-current assets shown in **Table 1**.

[4 marks]

EXPLAIN: 4 marks

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

Level	The student will typically demonstrate	Marks
2	**A good response** Provides an answer to the question that: • demonstrates good knowledge and understanding • is applied well to the context	**3-4**
1	**A limited response** Provides an answer to the question that: • demonstrates some knowledge and understanding • attempts to apply to the context	**1-2**

The demands of the question are:
• demonstrate knowledge and understanding of changes in non-current assets (AO1)
• in the context of The Social Shepherd and Table 1 (AO2).

Answers may include:
• Non-current assets are long-term assets; usually expected to be held by the business for more than 12 months. Typically, buildings and equipment and transport.
• This value for the Social Shepherd has increased by £22,704; could be eg new computer equipment or refurbished office; could be transport.

0 1 . 4 Analyse why the social media campaign in 2024 could be judged to be successful.

Use **Table 2** to support your answer.

[6 marks]

ANALYSE: 6 marks

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

3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context • good analysis	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • reasonable application to the context • reasonable analysis	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question that demonstrates: • some knowledge and understanding • limited application to the context • limited analysis	**1–2**

The demands of the question are:
• demonstrate knowledge and understanding of social media campaigns (AO1)
• in the context of the data in Table 2 (AO2)
• to analyse why the social media campaign in 2024 could be judged to be successful (AO3).

Answers may include:
• The number of people reached has increased 6 times.
• Engagement has increased 8 times.
• Engagement as percentage of reach has gone from 2.5% to 3.3% which is an improvement in conversion.
• The cost per conversion has fallen from 20 pence to 10 pence.

All relevant arguments will be credited.

| 0 | 1 | . | 5 | Assess whether the increase in the current and non-current liabilities of The Social Shepherd from 2023 to 2024 is a concern. |

Use **Table 1** and relevant calculations to support your answer.

[9 marks]

EVALUATE: 9 marks

Marks for this question: AO1 = 2, AO2 = 2, AO3 = 2, AO4 = 3

Level	The student will typically demonstrate	Marks
3	**A good response overall that focuses on the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context • good analysis • judgement which is supported by argument(s) based on quantitative and/or qualitative information	**7–9**
2	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • reasonable application to the context • reasonable analysis • judgement which has some support from argument(s) based on quantitative and/or qualitative information	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question that demonstrates: • knowledge and understanding which may lack depth or contain some inaccuracy • limited application to the context • limited analysis • judgement which has limited support from argument(s) based on quantitative and/or qualitative information	**1–3**

The demands of the question are:
• demonstrate knowledge and understanding of current and non-current liabilities (AO1)
• in the context of Social Shepherd and the data in Table 1 (AO2)
• to analyse the effect of the increase in the current and non-current liabilities (AO3)
• to support a judgement on whether the increase in the current and non-current liabilities of The Social Shepherd from 2023 to 2024 is a concern (AO4).

Arguments in support of the increase in the current and non-current liabilities of The Social Shepherd from 2023 to 2024 being a concern:
• Current liabilities have increased showing more is owed short term.

- Non-current liabilities have increased and gearing has gone from 0% to 5.39%. This may be a concern in terms of interest repayment.

Arguments against the increase in the current and non-current liabilities of The Social Shepherd from 2023 to 2024 being a concern:
- Current assets have increased more than current liabilities. The current ratio has increased from 1.3 to 1.5 so although some may say it is still low, the current ratio has improved suggesting better liquidity.

Judgement:
- Concerns over non-current liabilities depend on the terms of the loan (eg interest rates), the profit of the business and how the funds have been used.
- Overall, although liabilities have increased the current ratio is higher and gearing remains low suggesting these changes are not likely to be a concern.

All relevant arguments and judgements will be credited.

| 0 | 1 | . | 6 | To win more clients for its services, should the account managers at The Social Shepherd aim to: |

- ensure the price charged is lower than competitors

or

- focus on the benefits the company provides?

Assess both options and make a recommendation.

[15 marks]

EVALUATE: 15 marks

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

Level	The student will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context throughout • good analysis throughout • excellent evaluation of quantitative and/or qualitative information • a convincing judgement/recommendation which is built effectively on strong arguments and weighs up both options	**13–15**
4	**A good response overall that focuses on the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context • good analysis • good evaluation of quantitative and/or qualitative information • a clear judgement/recommendation which is supported by arguments and considers both options	**10–12**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question that demonstrates: • reasonable knowledge and understanding • reasonable application to the context • reasonable analysis • reasonable evaluation of quantitative and/or qualitative information • a judgement/recommendation which is supported by some of the arguments made	**7–9**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question that demonstrates:	**4–6**

	• limited knowledge and understanding • limited application to the context • analysis with little development • limited evaluation of quantitative and/or qualitative information to support the arguments • a judgement/recommendation which has limited support	
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question that demonstrates: • isolated or imprecise knowledge and understanding • descriptive application to the context • weak analysis • weak evaluation of quantitative and/or qualitative information • a judgement/recommendation based on assertions	**1–3**

The demands of the question are:
• demonstrate knowledge and understanding of customer relationship management (AO1)
• in the context of Social Shepherd (AO2)
• to analyse the two options (AO3)
• to support a judgement on which option account managers should use to win more clients (AO4).

Arguments for ensuring the price charged is lower than competitors:
• Clients will be price conscious; they are watching their budgets, especially as costs generally are rising.
• There are many competitors and so clients will want a competitive price.
• The budget may determine what is affordable and so price matters.

Arguments for focusing on the benefits the company provides:
• What really matters here are results – what return is generated on any marketing spend? If account managers can justify the investment by the returns then the price of any one campaign could be high and yet still be regarded as good value.

Judgement:
Overall, what clients will be willing to pay will depend on how much they will earn as a consequence of the campaign. This means convincing clients of the effectiveness of any campaign is vital. Clients will be price conscious and there may be a limit on the budget but the key is the price relative to the expected results.

All relevant arguments and judgements will be credited.

| 0 | 2 | . | 1 | Define "market capitalisation".

[2 marks]

DEFINE: 2 marks

Marks for this question: AO1 = 2

The demands of the question are:
- demonstrate knowledge and understanding of market capitalisation (AO1)

Answers may include:
- The total value of a company. (1)
- Calculated by share price multiplied by total number of shares. (1)

0 2 . 2 Explain why Foley used crowdfunding to raise money.

[4 marks]

EXPLAIN: 4 marks

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

Level	The student will typically demonstrate	Marks
2	**A good response** Provides an answer to the question that: • demonstrates good knowledge and understanding • is applied well to the context	**3-4**
1	**A limited response** Provides an answer to the question that: • demonstrates some knowledge and understanding • attempts to apply to the context	**1-2**

The demands of the question are:
• demonstrate knowledge and understanding of crowdfunding (AO1)
• in the context of Foley raising money (AO2).

Answers may include:
• Foley could not get money from investors individually – perhaps it was seen as too great a risk for one investor?
• Through crowdfunding Foley could access people who believe in the business and what it was trying to achieve and willing to take relatively small risk.

| 0 | 2 | . | 3 | Explain what Peloton might consider when deciding how much to spend on marketing in a year.

Use **Table 3** to support your answer.

[4 marks]

EXPLAIN: 4 marks

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

Level	The student will typically demonstrate	Marks
2	**A good response** Provides an answer to the question that: • demonstrates good knowledge and understanding • is applied well to the context	**3-4**
1	**A limited response** Provides an answer to the question that: • demonstrates some knowledge and understanding • attempts to apply to the context	**1-2**

The demands of the question are:
• demonstrate knowledge and understanding of what might be considered when deciding how much to spend on marketing (AO1)
• in the context of Peloton (AO2).

Answers may include:
• May depend on likely impact on revenues. We can see from the table that the marketing spend has been growing but so have total revenues and so it remains similar percentage. Higher marketing spend should usually be associated with higher revenues.
• Could be linked to specific campaigns eg launch of new piece of equipment or entry into a new market.

| 0 | 2 | . | 4 | Analyse how the data in **Figure 1** might affect Peloton's US marketing mix.

[6 marks]

ANALYSE: 6 marks

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

3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context • good analysis	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • reasonable application to the context • reasonable analysis	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question that demonstrates: • some knowledge and understanding • limited application to the context • limited analysis	**1–2**

The demands of the question are:
• demonstrate knowledge and understanding the marketing mix (AO1)
• in the context of Peloton and Figure 2 (AO2)
• to analyse how the data in Figure 2 might affect Peloton's US marketing mix (AO3).

Answers may include:
• The data shows that Peloton's US customers have relatively high incomes eg 9% above $250,000.
• This could affect price and may demand less price sensitive.
• May affect where to promote eg lifestyle of high-income earners and what they read; events they go to may differ. May promote in high end lifestyle magazines.
• Product design may focus on quality.

All relevant arguments will be credited.

0 2 . 5 Assess whether Peloton's shareholders should be pleased with the company's performance between 2017 and 2021.

Use **Table 4** and relevant calculations to support your answer.

[9 marks]

EVALUATE: 9 marks

Marks for this question: AO1 = 2, AO2 = 2, AO3 = 2, AO4 = 3

Level	The student will typically demonstrate	Marks
3	**A good response overall that focuses on the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context • good analysis • judgement which is supported by argument(s) based on quantitative and/or qualitative information	7–9
2	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • reasonable application to the context • reasonable analysis • judgement which has some support from argument(s) based on quantitative and/or qualitative information	4–6
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question that demonstrates: • knowledge and understanding which may lack depth or contain some inaccuracy • limited application to the context • limited analysis • judgement which has limited support from argument(s) based on quantitative and/or qualitative information	1–3

The demands of the question are:
• To demonstrate knowledge and understanding of measures of performance of a business (AO1)
• in the context of Peloton and Table 4 (AO2)
• to analyse the company's performance (AO3)
• to support a judgement on whether Peloton's shareholders should be pleased with the company's performance between 2017 and 2021 (AO4).

Arguments supporting that Peloton's shareholders should be pleased with the company's performance between 2017-2021:
• A loss was made in 2017 and this has increased.

- The subscriber growth rate is down.

Arguments supporting that Peloton's shareholders should not be pleased with the company's performance between 2017-2021:
- The subscriber growth rate is still very high (and obviously it is more difficult to grow fast the bigger you get.
- The churn rate is down so Peloton is not losing as big a proportion of members.
- Peloton's gross profit is up and gross profit margin is up from 34% to 36% (so the issue is expenses)
- Share price in 2019 is over $35 which is significant increase on when first traded publicly.

Judgement:
- It could be that there are positive signs and the bigger loss is because the business is scaling up for further expansion (eg marketing, administration spending).
- Or it could be that business has positives but needs to get a grip on expenses.

All relevant arguments and judgements will be credited.

| 0 | 2 | . | 5 | To expand the business in the future, do you think Peloton should focus on increasing:

- sales of its fitness equipment

or

- subscriptions to its online classes?

Use **Table 5** and relevant calculations in your answer.

Assess both options and make a recommendation.

[15 marks]

EVALUATE: 15 marks

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

Level	The student will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context throughout • good analysis throughout • excellent evaluation of quantitative and/or qualitative information • a convincing judgement/recommendation which is built effectively on strong arguments and weighs up both options	**13–15**
4	**A good response overall that focuses on the demands of the question.** Provides an answer to the question that demonstrates: • good knowledge and understanding • good application to the context • good analysis • good evaluation of quantitative and/or qualitative information • a clear judgement/recommendation which is supported by arguments and considers both options	**10–12**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question that demonstrates: • reasonable knowledge and understanding • reasonable application to the context • reasonable analysis • reasonable evaluation of quantitative and/or qualitative information • a judgement/recommendation which is supported by some of the arguments made	**7–9**

| 2 | **A limited response overall with little focus on the demands of the question.**
Provides an answer to the question that demonstrates:

• limited knowledge and understanding
• limited application to the context
• analysis with little development
• limited evaluation of quantitative and/or qualitative information to support the arguments
• a judgement/recommendation which has limited support | **4–6** |
| 1 | **A weak response overall lacking focus on the demands of the question.**
Provides an answer to the question that demonstrates:

• isolated or imprecise knowledge and understanding
• descriptive application to the context
• weak analysis
• weak evaluation of quantitative and/or qualitative information
• a judgement/recommendation based on assertions | **1–3** |

The demands of the question are:
• demonstrate knowledge and understanding of sales (AO1)
• in the context of Peloton (AO2)
• to analyse the two options (AO3)
• to support a judgement on which option Peloton should focus on to expand the business (AO4).

Arguments for focusing on equipment:
• Fitness equipment remains the most significant source of revenue but this is falling (85% to 78%); subscription fees are becoming more important.
• The profit from equipment has gone from $70m to $910m.

Arguments for focusing on subscriptions:
• Sales of fitness equipment have slowed with opening of gyms and also problems such as safety issues.
• Sales of equipment may necessarily slow unless new markets are targeted; once customers have equipment they may want to replace it at some time in the future and they may (if they have space) buy different piece of equipment but saturation could be reached.
• By comparison, with online streaming the offer can be developed to increase the range of classes and degree of participation.
• The profit from subscriptions is much smaller than from equipment ($4m compared to $542m) but the profit margin on equipment has gone down from 38% to 29% whereas the subscriptions' profit margin has risen from 12% to 62%.

Judgement:
• The item and data suggest subscriptions may have more opportunities for future growth especially as it is regular monthly income rather than a one-off sale.
• Need to make sure members have equipment in the first place; once they do can then focus on developing spending on subscriptions.

All relevant arguments and judgements will be credited.