



AS Business

7131/1 Paper 1 Business

Mark scheme

7131

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Version/Stage: 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 Assessment Writer.

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

Further copies of this mark scheme are available from aqa.org.uk

Level of response marking instructions

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

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

Step 1 Determine a level

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

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

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

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

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 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 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.

Section A

Objective Test Answers

Total for this section: 10 marks

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

(1 mark for each correct answer)

1	1	<i>A manager of a business wants to increase its revenue. She estimates the price elasticity of demand for its products is -0.2. Explain whether the manager should decrease or increase prices.</i>	[3 marks]
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AO1 = 1 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.	3
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of this question are:

- to explain whether managers should increase or decrease price
- given that they want to increase revenue
- and the price elasticity of demand is -0.2 .

Indicative content:

- demand is price inelastic (less than 1)
- a given percentage change in price leads to a smaller percentage change in quantity demanded
- an increase in price increases revenue.

Approaches likely to be:

Level 3: shows clear understanding of why a price increase would increase revenue

Level 2: some understanding of demand being price inelastic and the effect on sales of price changes but link to revenue not clear

Level 1: identifies demand is price inelastic.

1	2	<i>Shown below is a cash flow forecast for a business.</i>		
			2018 £	2019 £
		Opening balance	(50 000)	
		Cash inflows	80 000	120 000
		Cash outflows	70 000	180 000
		Closing balance	(40 000)	
		<i>Calculate the closing balance of the business in 2019.</i>		
		[3 marks]		

AO1 = 1 and AO2 = 2

Opening balance for 2019 is (£40 000) **1 mark**

Net cash flow is (£120 000 - £180 000) = (£60 000) **1 mark**

Closing balance is (£40 000) + (£60 000) = (£100 000) **1 mark**

further guidance:

- use own figure rule (OFR)
- award a mark of 2 for an answer of £100 000 with no indication that it is a negative value
- award a mark of 2 for an answer of £20 000... (40 000) + 60 000
- award a mark of 2 for an answer of (£20 000)... 40 000 + (60 000)

1	3	<i>A retailer has decided to pay salaries to its employees instead of commission on the sales they make. Explain one benefit to the retailer and one benefit to the employees of making this change.</i>
		[4 marks]

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
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

The demands of the question focus on:

- explaining one benefit of paying salaries not commission to retailers
- explaining one benefit of paying salaries not commission to employees.

Indicative content:

- for the retailer this may reduce focus on “sales”; danger of commission is staff sell customers items even if they don't actually want them or they are not the appropriate items but generate higher commission. By moving to salaries staff may feel able to give the right advice even if it does not generate any immediate sales; this may lead to longer term brand loyalty for the retailer
- helps retailer with financial planning as the outlay per month is known
- may make earnings more certain for employees; this may make the job more attractive
- may make it easier for employees to plan as they have regular monthly income rather than relying on sales which may be out of their control. A known income means they can plan more effectively financially, eg if want to take out a loan.

further guidance:

- identifies one relevant **benefit** to either = L1 (1)
- identifies two relevant **benefits** (1 to each) = L2 (2)
- identifies one + explanation = L2 (2)
- identifies two (1 to each) + explains only one = L2 (3)
- identifies two relevant **benefits** (1 to each) + explains both = L3 (4)

1	4	Explain two factors that might influence how much inventory is held by a restaurant.
[4 marks]		

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
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

Demands of the question focus on:

- explaining factors that influence how much inventory is held
- by a restaurant.

Indicative content:

- costs of holding items and opportunity cost, eg some items may be expensive (such as wine) and this may limit the number of items held and the number of options held on the menu
- space available; space taken up for a stockroom is not being used for tables and is not earning revenue
- lead times; if quick this can reduce the amount go stock held. Many food items may be readily available quickly
- with food likelihood of it going off so won't want to hold much stock for these items. However will vary for item to item, eg fresh and frozen food
- demand may be higher at certain times, eg special occasion such as Valentine's Day so inventory may need to be higher then.

further guidance:

- identifies one relevant **factor** = L1 (1)
- identifies two relevant **factors** = L2 (2)
- identifies one + explanation = L2 (2)
- identifies two + explains only one = L2 (3)
- identifies two relevant **factors** + explains both = L3 (4)

1	5	<i>Mae has developed a games app she thinks could be very successful. She has just left school and wants to start selling the app. Analyse why venture capital may be a better source of finance for Mae than a bank loan.</i>	[6 marks]
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AO1 = 2, AO2 = 2 and AO3 = 2

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

The demands of the question focus on:

- explaining why venture capital might be better than a loan
- for Mae.

Indicative content:

- high risk proposal at this stage with no track record; venture capitalists are willing to take more risks than banks
- she is unlikely to have much collateral having just left school; banks will often want collateral for a loan
- venture capitalist may have expertise, contacts and a network that can help Mae when starting up.

Approaches likely to be:

- good response: explains why venture capital may be better than a bank loan in this context 6-5 marks
- reasonable response: explains benefits or disadvantages of venture capital and / or bank loans 4 -3 marks
- limited response: identifies relevant points 2-1 marks.

Section C: Data Response**Total for this section = 50 marks**

1	6	.	1	<i>Analyse how Sue's approach to job design might have affected Zoo's human resource performance as shown in Appendix C. Your answer should refer to two aspects of job design in Hackman and Oldhams' model.</i>	[9 marks]
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9 mark analytical questions: AO1 = 3, AO2 = 3 and AO3 = 3

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

The demands of the question focus on:

- linking Sue's approach to the human resource performance in Appendix C
- with reference to Hackman and Oldham's model.

Indicative content:

- Sue praises her staff which means that feedback is good. They feel their work is noticed and this is likely to make the job motivating
- Sue delegates many tasks so they have autonomy, ie they have the ability to decide things for themselves. This again should mean the job is motivating
- the motivation created by her approach means that people, once employed, want to stay (labour retention is relatively high), and they may also be inclined to try harder (leading to greater productivity than the industry average)

Approaches likely to be:

- good response: selects two relevant aspects of the Hackman and Oldham model relates them to Sue's actions and links clearly to appendix C
- reasonable response: some understanding of the model in relation to Sue's actions but not well linked to impact on employee performance or focuses on one aspect
- limited response: some understanding of job design and/or the employee performance indicators but links not made.

further guidance:

- level 3 requires use of terms from the model to be related to Sue's actions and a clear link to appendix C
- with no reference to appendix C the maximum that can be awarded would be level 2

1	6	.	2	<i>Do you think Sue should go ahead with the investment in the new production capacity? Justify your answer using quantitative and qualitative information.</i>
[16 marks]				

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

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

1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	1–4
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The demands of the question focus on:

- arguments for and against Sue going ahead with the investment
- the use of quantitative and qualitative information
- a judgment being made on whether to go ahead with the investment.

Indicative content

If successful the order will generate a high rate of return – well over the target Mike set.

If it wins the annual contract

Price per bag	200
VC per bag	130
Contribution Per Unit	70
Annual order	10 000 bags
Contribution from order	700 000
Increase in fixed costs per year	160 000
Profit/loss from order	540 000
Initial investment	1 500 000
Return on investment p.a.	36%

It has a major impact on the profits of the business which at the moment are:

Present position

Price per bag	250
<u>VC per bag</u>	<u>130</u>
CPU	120

Annual output	12 000
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Total contribution	1 440 000
Fixed costs	660 000

Profit	<u>780 000</u>
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The deal would increase annual profits of the business by around 69% (more than the 60% Mike wanted).

However there is a high degree of risk; if the company does not get the bigger order it will:

- have invested heavily in new capacity and increased fixed costs; sales have typically grown by 2% a year so much of this capacity would not be used; this would be very expensive
- it would be accepting a lower price than it usually does which could lead to demands from others to bring the price down
- Mike is inexperienced and may be driven more by his own ambition. He says there is “80%” chance of the negotiation being successful but that means there is a 20% chance it won’t be. Would it be better to let Sue be involved in the negotiations as she is more experienced.

Ultimately it depends on what Sue wants to do as she is the sole owner of the business. She may be wary of such a major change. She wants to hand over to her son in the future but this may be too early to let him make the major decisions.

Perhaps she should try to renegotiate the terms? Could she get a guarantee of the order first before the investment?

further guidance:

- calculations only BUT no judgement = L2 max (1 calculation only = 6 marks and 2 calculations = 8 marks)
- one valid calculation + logical judgement = L3 (9 max)
- two calculations + logical judgement based on both (i.e. 2 reasons to do it) = L3 (11 max)
- a response with no valid calculations and no judgement = max L2
- two calculations are not essential to reach L4
- use OFR
- £1 320 000 is the anticipated total profit assuming the deal goes ahead
- impact on sales likely to be an increase to 22 000 (83.3% increase c/w ‘typical’ 2%)
- what if existing customers force a price cut to £200... CPU falls to £70 and total contrib to £840 000 resulting in profit fall of £600 000 to £180 000

17 . 1	<i>Sports Success sells through its own retail outlets and online. Analyse how two elements of its marketing mix may differ between its retail outlets and its online store.</i>
	[9 marks]

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

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

The demands of the question focus on:

- analysing how two elements of the marketing mix vary
- between retail and online outlets.

Indicative content:

- the prices at retail outlets can be varied but not as much as they can change online. At the online store prices can be changed very regularly (with dynamic pricing) according to demand from different regions, at different times of day etc
- the physical environment is extremely important in its stores - the displays, the layout, the décor etc. This can be seen by the investment in the new upmarket stores and the focus on the interiors. Obviously the physical environment does not matter for online - what matters here is the website design
- the people - again not a key issue with online except for perhaps customer service staff online to answer queries. Key part of retail outlets in terms of how they serve people, their knowledge of the products and helping people find what they need
- the process. The interaction with customers and buying process will vary. In store customers can get face to face advice and direct questioning to identify their needs. Online this may have to be provided by the information that appears and eg live advice. How customers receive information will vary.

Approaches likely to be:

- good response: analyses two relevant elements of the marketing mix effectively showing clear differences between online and in store
- reasonable response: analyses one element effectively
- limited response: identifies relevant points.

further guidance:

- key to analysis here is explaining the difference ('effectively showing clear differences between online and in store)
- e.g. one element well explained + one element not so well explained might reach the bottom of L3

1	7	.	2	<i>The managers of Sports Success have introduced more employee representation in the business since 2017. To what extent do you think this is likely to benefit the company's stakeholders?</i>	[16 marks]
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16 mark evaluative questions: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

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

1	A limited response overall with little focus on the demands of the question. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	1–4
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The demands of the question focus on:

- analysing the likely impact of the introduction of employee representation on the company's stakeholders
- making a judgement on how likely these stakeholders are to benefit from more employee representation.

Indicative content:

- should mean employees are more listened to and have a great voice; this could improve conditions and rewards. May make working life better. However this will depend on how much action is actually taken by managers. Setting up committees, having someone on the Board and having surveys etc may lead to changes but significant changes may be ignored. As it stands the employee representative on the Board is chosen by senior managers and is one of 12 people- may be difficult to have much impact. The email scheme sounds good in that senior managers agree to read emails but they still choose what they act on- so far it has been free wifi and better food; these are probably not major changes and it may be they do not actually change very much
- should mean less criticism of the company. This may make the business more attractive to investors which may help the share price. The share price in 2017 has increased to 230 pence from 160 pence. This would benefit existing shareholders who would now hold higher priced shares
- overall this seems like a good move by the company to reduce criticism but the actual benefits for employees may be limited. Will depend on whether in future the company does make more significant changes. Perhaps better than it was but employees still seem to be in a weak bargaining position.

Further guidance:

- a focus on at least **two stakeholders** is required for L4 ('**stakeholders**' so at least 2 but 2 will do)