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# A-level BUSINESS 7132/1

Paper 1 Business 1

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Mark scheme

June 2022

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Version: 1.0 Final Mark Scheme



2 2 6 A 7 1 3 2 / 1 / 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 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.
- 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.

**Annotations for mark schemes**

|  |   |
|--|---|
| K U  | Knowledge and Understanding                       |
| AN   | Analytical but lacks context                      |
| ARG  | Argument  |
| DEV  | Developed argument                                |
| J  | Judgement with support                            |
| NFF  | Not Fully Focussed on the demands of the question |
| Bal  | Balanced response, eg both sides acknowledged     |
| Rng  | Range of arguments, eg two arguments presented    |
| BOD  | Benefit of the Doubt                              |
| NAQ  | Not answering the question                        |
| OFR  | Own Figure Rule                                   |
| SEEN   | Seen  |
| <input checked="" type="checkbox"/> <input type="checkbox"/> | TICK  |
| <input checked="" type="checkbox"/> <input type="checkbox"/> | CROSS   |
| <input type="checkbox"/> <input type="checkbox"/>            | Txt Box   |
| ?  | Unclear   |
| Highlighter  | Highlighter                                       |
| [ REP ]  | Repetition  |

**Section B – 9-mark questions**

The following should be used at the end of the response

|    |                          |
|----|--------------------------|
| L3 | L3 A good response       |
| L2 | L2 A reasonable response |
| L1 | L1 A limited response    |

**Section C and Section D – 25-mark essay questions**

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

|    |                          |
|----|--------------------------|
| L5 | L5 An excellent response |
| L4 | L4 A good response       |
| L3 | L3 A reasonable response |
| L2 | L2 A limited response    |
| L1 | L1 A weak response       |

**Section A****Objective Test Answers****Total for this section: 15 marks**

| <b>Question number</b> | <b>Answer</b>  |
|------------------------|--|
| <b>01</b>              | <b>B</b> employees and shareholders                                      |
| <b>02</b>              | <b>D</b> the experience curve  |
| <b>03</b>              | <b>C</b> expected value minus the initial cost                           |
| <b>04</b>              | <b>C</b> introducing fair trade principles                               |
| <b>05</b>              | <b>A</b> from minus £10m to £30m   |
| <b>06</b>              | <b>D</b> 3 only  |
| <b>07</b>              | <b>C</b> product development, resulting from qualitative market research |
| <b>08</b>              | <b>A</b> the market size, measured by volume, remains unchanged          |
| <b>09</b>              | <b>B</b> Statement 1 is true. Statement 2 is false.                      |
| <b>10</b>              | <b>C</b> Statement 1 is false. Statement 2 is true.                      |
| <b>11</b>              | <b>C</b> Statement 1 is false. Statement 2 is true.                      |
| <b>12</b>              | <b>D</b> learning and growth perspective                                 |
| <b>13</b>              | <b>A</b> economies of scope  |
| <b>14</b>              | <b>D</b> Statement 1 is false. Statement 2 is false.                     |
| <b>15</b>              | <b>A</b> achieve long-term growth  |

## Section B

|          |          |   |                  |
|----------|----------|---|------------------|
| <b>1</b> | <b>6</b> | Calculate the inventory turnover of Magpie plc. | <b>[2 marks]</b> |
|----------|----------|---|------------------|

**Marks for this question: AO1 = 1, AO2 = 1**

**Answer = 6.25 (2 marks)**

$$\text{Inventory turnover} = \frac{\text{Cost of sales}}{\text{Average inventories held}}$$

$$\frac{50}{8} = 6.25 \quad \text{or} \quad 6.25 \text{ times}$$

(1 mark for correct numerator OR denominator) + (1 mark for correct answer) **(2 marks)**

**Marker's Notes**

If calculated in days the correct answer is  $\frac{365}{6.25} = 58.4$  days (58 days) **(2 marks)**

NB Award 2 marks for 58 or 58.4, with no reference to days.

Do not award 2 marks if the correct measure is not used. For example, answers such as 6.25% or £6.25m are not correct, but should be awarded 1 mark. Similarly, award 1 mark for incorrect mumeres based on the digits 6-2-5, such as 62.5 or 625.

Award 1 mark for correct formula IF no valid calculation marks awarded.

|          |          |   |                  |
|----------|----------|---|------------------|
| <b>1</b> | <b>7</b> | Calculate the payables days for Magpie plc. | <b>[3 marks]</b> |
|----------|----------|---|------------------|

**Marks for this question: AO1 = 1, AO2 = 2**

**Answer = 87.6 days or 88 days (3 marks)**

Broken down as follows:

$$\text{Payables days} = \frac{\text{Payables}}{\text{Cost of sales}} \times 365$$

$$\frac{12 \text{ (1 mark)}}{50 \text{ (1 mark)}} \times 365 = 87.6 \text{ days or } 88 \text{ days (1 mark)}$$

OFR applies, but ONLY if EITHER the numerator OR denominator is correct.

Award 1 mark for correct formula IF no valid calculation marks awarded.

|          |          |   |                  |
|----------|----------|---|------------------|
| <b>1</b> | <b>8</b> | Calculate the current ratio for Magpie plc. | <b>[3 marks]</b> |
|----------|----------|---|------------------|

**Marks for this question: AO1 = 1, AO2 = 2**

**Answer = 1.32 : 1 or 1.3 : 1 or 1.32 or 1.3 (3 marks)**

Current ratio = Current assets : Current liabilities

$8 + 17 : 12 + 7 = 25$  (1 mark)  $: 19$  (1 mark) = 1.32 or 1.3 (Accept 1.31) (1 mark)

OFR applies, but ONLY if EITHER the numerator OR denominator is correct.

Award 1 mark for correct formula IF no valid calculation marks awarded.

|          |          |  |                  |
|----------|----------|--|------------------|
| <b>1</b> | <b>9</b> | Analyse why non-profit organisations set financial objectives. | <b>[9 marks]</b> |
|----------|----------|--|------------------|

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4**

| Level    | The student will typically demonstrate:  | Marks      |
|----------|--|------------|
| <b>3</b> | <p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>   | <b>7–9</b> |
| <b>2</b> | <p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul> | <b>4–6</b> |
| <b>1</b> | <p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>  | <b>1–3</b> |

**The demands of this question are:**

- to understand the meaning of non-profit organisations
- to understand the meaning of financial objectives
- to analyse the benefits of financial objectives for a business
- to apply this analysis to non-profit organisations.

**Indicative content:**

- showing understanding of, or gives example(s) of non-profit organisations
- explaining benefits of objectives, such as giving direction, providing a focus for decision-making, giving a sense of purpose to employees, and providing a yardstick against which actual performance can be measured and judged
- using financial objectives, such as profit (or break-even) and cash flow objectives, in this analysis
- recognising that financial objectives are needed by non-profit making organisations in order to secure their existence. Or pursue their corporate objectives.

**Marker's Note:** Maximum of 7 marks (low L3) for answers focused only on financial objectives. Accept all relevant arguments.

|          |          |  |                  |
|----------|----------|--|------------------|
| <b>2</b> | <b>0</b> | Analyse how widening a manager's span of control might affect labour productivity within the department she manages. | <b>[9 marks]</b> |
|----------|----------|--|------------------|

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4**

| Level | The student will typically demonstrate:  | Marks |
|-------|--|-------|
| 3     | <p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>   | 7–9   |
| 2     | <p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul> | 4–6   |
| 1     | <p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>  | 1–3   |

**The demands of this question are:**

- showing an understanding of span of control
- showing an understanding of labour productivity
- analysing how an increase in span of control can affect the labour productivity of the department.

**Indicative content:**

- analysing how an increase in the span of control can reduce the ability of managers to monitor and support subordinates or lower morale and thus lead to lower labour productivity
- analysing how an increase in the span of control can lead to increased delegation and greater responsibility for subordinates. This will lead to higher labour productivity because subordinates are motivated by responsibility and because tasks are carried out by people with relevant skills
- analysing that a greater span of control will lead to fewer levels of hierarchy, which can improve the speed of communication (but which can lead to some subordinates being less likely to receive communications). Developing this idea to show the impact on the department's labour productivity.

Accept all relevant arguments.

**Additional guidance**

Credit should be given to students who use logical arguments to show the impact on labour productivity. Arguments that focus on levels of hierarchy should be rewarded, BUT only if the connection between increased spans of control and reduced levels of hierarchy has been established.

|          |          |  |                  |
|----------|----------|--|------------------|
| <b>2</b> | <b>1</b> | Analyse why a business might choose to use labour intensive processes rather than capital intensive processes. | <b>[9 marks]</b> |
|----------|----------|--|------------------|

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4**

| Level    | The student will typically demonstrate:  | Marks      |
|----------|--|------------|
| <b>3</b> | <p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>   | <b>7–9</b> |
| <b>2</b> | <p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul> | <b>4–6</b> |
| <b>1</b> | <p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>  | <b>1–3</b> |

**The demands of the question are:**

- showing an understanding of capital intensive and labour intensive
- recognising the distinction between capital intensive and labour intensive (processes)
- analysing why labour intensive processes may be chosen instead of capital intensive processes.

**Indicative content:**

- identifying situations in which labour intensive processes are likely to provide better outcomes than capital intensive processes.

Possible examples include:

- the provision of tailor-made or craft goods or services where machinery may lack the flexibility of a human
- businesses which depend on the personal skills of the workforce, such as hairdressing, are more likely to use labour intensive methods
- where the capital expenditure needed for capital intensive processes is very high/beyond the means of a specific business
- customer preferences - customers may prefer personal service whilst others may prefer a low-cost product which is more easily achieved using capital intensive processes.

Accept all relevant arguments.

## Section C

|          |          |  |                   |
|----------|----------|--|-------------------|
| <b>2</b> | <b>2</b> | To what extent might the use of the Boston Matrix enable a multi-product business to achieve overall sales growth? | <b>[25 marks]</b> |
|----------|----------|--|-------------------|

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10

| Level    | The student will typically demonstrate:   | Marks        |
|----------|---|--------------|
| <b>5</b> | <p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul> | <b>21–25</b> |
| <b>4</b> | <p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>  | <b>16–20</b> |
| <b>3</b> | <p><b>A reasonable response overall that focuses on some demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>                                       | <b>11–15</b> |
| <b>2</b> | <p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>   | <b>6–10</b>  |

|          |  |            |
|----------|--|------------|
| <b>1</b> | <p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul> | <b>1–5</b> |
|----------|--|------------|

**The demands of the question are:**

- showing understanding of the Boston Matrix
- analysing how the categorisation of a product using the Boston Matrix can indicate its potential for sales growth
- assessing the overall impact on sales in the context of an individual business's product portfolio
- evaluating the usefulness of this concept as a means of assessing and influencing future sales growth.

**Indicative content may include:**

- showing understanding of the Boston Matrix
- understanding the meaning of the different categories of products
- analysing how the specific categories will have different implications for sales growth for a multi-product business; for example 'stars' and 'problem children' will benefit from being in a market with high growth
- analysing how strategies for growth can be adapted according to the individual products of the business; for example, 'cash cows' are likely to have high brand loyalty which can be used in promotions.

Accept all relevant arguments.

**Evaluation**

Assessing in broad terms; the impact of the Boston Matrix on sales growth and/or strategies for growth. Evaluating the usefulness and limitations of the Boston Matrix as a means of assessing and influencing future sales growth.

Possibly evaluating the usefulness of the Boston Matrix in comparison to other factors that might influence sales growth; for example, using an understanding of the matrix in a recession is likely to yield lower growth than would be possible in a period of economic growth.

The assessment of evaluation will be based on the quality of arguments presented. The main focus of the question is the Boston Matrix and so answers that argue that other factors are more important ways of achieving sales growth, without considering the usefulness (or not) of the Boston Matrix, will not be answering the question set.

|          |          |   |                   |
|----------|----------|---|-------------------|
| <b>2</b> | <b>3</b> | <p>Will the increased use of e-commerce lead to all retailers operating only online?<br/>Justify your view.</p> | <b>[25 marks]</b> |
|----------|----------|---|-------------------|

**25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10**

| Level    | The student will typically demonstrate:  | Marks        |
|----------|--|--------------|
| <b>5</b> | <p><b>An excellent response overall that is fully focused on the key demands of the question.</b><br/>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul> | <b>21–25</b> |
| <b>4</b> | <p><b>A good response overall that focuses on many of the demands of the question.</b><br/>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>  | <b>16–20</b> |
| <b>3</b> | <p><b>A reasonable response overall that focuses on some demands of the question.</b><br/>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>                                       | <b>11–15</b> |
| <b>2</b> | <p><b>A limited response overall with little focus on the demands of the question.</b><br/>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>   | <b>6–10</b>  |

|          |   |            |
|----------|---|------------|
| <b>1</b> | <p><b>A weak response overall lacking focus on the demands of the question.</b><br/>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul> | <b>1–5</b> |
|----------|---|------------|

**The demands of the question are:**

- understanding the meaning of e-commerce
- analysing reasons why online retailing might continue to grow
- analysing possible limitations to the growth of online retailing
- assessing circumstances that might promote or negate online growth
- drawing a reasoned conclusion on whether all retailers will become purely online providers.

**Indicative content may include:**

Analysis of factors that will continue to cause online growth. For example:

- online retailing reduces costs, such as rents for city centre properties
- online ordering provides businesses with more accurate forecasts of demand
- with flexible contracts, businesses can call in the exact number of workers needed to process online orders. For shops, staffing levels are based on previous experience and so over-staffing or under-staffing is more likely
- online ordering provides more data on customers, enabling the retailer to introduce more effective strategies
- lower costs can lead to lower prices (for goods with price elastic demand) or higher profit margins (for goods with price inelastic demand)
- 24 hour online retailing is much more convenient for many customers
- customers benefit from greater price comparison if retailers are online.

Analysis of factors that may restrict or prevent future online growth. For example:

- the decline in city centre retailing is likely to lead to lower rents, making stores a more attractive proposition
- online retailing involves technology costs, these will dissuade many (smaller) retailers from going online
- for products such as clothing, the tactile experience can help customers to decide on products. For these goods, some city centre shops are likely to remain
- services, such as coffee shops and hairdressers, cannot operate online
- customers may have concerns about the security of online retailing and continue to use stores.

Accept all relevant arguments.

**Evaluation**

Evaluation will depend on the quality of arguments presented.

Good evaluation is likely to show balance between factors encouraging online growth and factors limiting online growth.

Evaluating the circumstances in which online growth is most likely and those in which it is less likely. Providing arguments to show how online growth is likely to vary between different markets/products.

It is unlikely that all retailers will become **purely** online. However, the overall conclusion should be consistent with the arguments presented and/or the products and markets used in the analysis and evaluation of this topic.

## Section D

|          |          |   |                   |
|----------|----------|---|-------------------|
| <b>2</b> | <b>4</b> | Evaluate the extent to which the actions of the finance function of a business can help that business to achieve the lowest cost in its market. | <b>[25 marks]</b> |
|----------|----------|---|-------------------|

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10

| Level    | The student will typically demonstrate:   | Marks        |
|----------|---|--------------|
| <b>5</b> | <p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul> | <b>21–25</b> |
| <b>4</b> | <p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>  | <b>16–20</b> |
| <b>3</b> | <p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>                                | <b>11–15</b> |
| <b>2</b> | <p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>   | <b>6–10</b>  |

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

**The demands of the question are:**

- showing an understanding of low cost
- analysing different ways in which the finance function can help a business to achieve cost leadership
- assessing the overall impact of these ways of achieving cost leadership
- evaluating the extent to which decision-making by the finance function can help a business to achieve cost leadership.

**Indicative content may include:**

The finance function may help the business achieve cost leadership by:

- setting cost minimisation objectives
- achieving better budgetary control of cost budgets
- using investment appraisal to assess better ways of cutting costs in a way that increases profitability
- choosing sources of finance that minimise costs
- using ratio analysis, such as efficiency ratios, in order to minimise costs of inventory and debt collection
- analysing different methods of achieving cost leadership.

**Evaluation might include:**

- assessing the extent to which individual approaches can cut costs
- evaluating the relative merits of different strategies used by the finance function
- recognising the influence of external factors, such as competitors and consumer tastes, on these strategies
- examining how other functional areas can help towards cost minimisation and assessing their relative importance in comparison to the finance function.

**Evaluation**

Good evaluation should be based on analysis of the relative impact of the finance function in achieving cost minimisation across the business as a whole.

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|----------|----------|--|-------------------|
| <b>2</b> | <b>5</b> | Businesses using flexible employment contracts can be criticised for being unethical. To what extent should businesses avoid the use of flexible employment contracts? | <b>[25 marks]</b> |
|----------|----------|--|-------------------|

**25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 10**

| Level    | The student will typically demonstrate:   | Marks        |
|----------|---|--------------|
| <b>5</b> | <p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul> | <b>21–25</b> |
| <b>4</b> | <p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>  | <b>16–20</b> |
| <b>3</b> | <p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>                                | <b>11–15</b> |
| <b>2</b> | <p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>   | <b>6–10</b>  |

|          |   |            |
|----------|---|------------|
| <b>1</b> | <p><b>A weak response overall lacking focus on the demands of the question.</b><br/>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul> | <b>1–5</b> |
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**The demands of the question are:**

- understanding the meaning of flexible employment contracts
- understanding the meaning of ‘unethical’ and explaining why flexible employment contracts might be unethical
- analysing reasons why businesses might avoid the use of flexible contracts
- analysing reasons why businesses might choose to use flexible contracts
- comparing these reasons in order to make an overall judgement on the extent to which such contracts should be avoided.

**Indicative content may include:**

- explaining the nature of flexible employment contracts, such as part-time work, job-sharing, flexitime, annual hours, working from home and zero-hour contracts
- understanding the concept of unethical.

Analysing reasons why flexible employment contracts might be avoided:

- zero-hour contracts provide employees with very little security and can make it difficult for employees to find other work, even if their employer is not giving them hours of work
- flexible contracts are often given to the lowest paid, most vulnerable members of a business’s workforce
- in some cases it may be impossible to ensure that minimum wage legislation is being complied with
- flexitime may only suit the needs of the business rather than the welfare of the employees.

Analysing reasons why flexible employment contracts might be used:

- zero-hour contracts may suit the needs of employees who can choose when and where to work
- flexible contracts can enhance the quality of life of employees if they can choose their specific working hours
- flexible contracts can allow a business to respond more quickly to the needs of its customers and other stakeholders, such as owners and suppliers
- flexible contracts can enable a business to save costs and improve its productivity. This can ensure its survival, thus protecting jobs.

**Evaluation**

Some flexible employment contracts might be considered to be unethical. However, some elements, such as working from home, may be an unethical way of cutting business costs **or** a very ethical way of meeting the preferences of employees.

Job-sharing and flexitime are often desired by employees to a greater extent than employers and would be seen to be ethical.

A business should cater for all of its stakeholders’ needs. Flexible employment contracts may cause disadvantages for stakeholders, such as customers and owners, by reducing efficiency and increasing costs.

Overall evaluation should be based on the logical conclusion arising from the arguments used within the answer.

**Marker's Note**

The reference to unethical behaviour is intended to provide guidance. However, it is **not** necessary to include reference to it in the answer. Answers can achieve all five levels of response by just providing arguments for and against flexible contracts, without referring to ethical or unethical behaviour.