



AS BUSINESS 7131/1

Paper 1 Business 1

Mark scheme

June 2023

Version: 1.0 Final



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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? 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.

Section A

Total for this section: 10 marks

Question number	Answer
01	C Net gain
02	B After its mission and before its financial objectives
03	B Statement 1 is true. Statement 2 is false.
04	D Reduced unit costs
05	B Statement 1 is true. Statement 2 is false.
06	C Scenario C
07	D A decrease in price, an increase in fixed costs and a decrease in variable costs per unit.
08	A Statement 1 is true. Statement 2 is true.
09	D Lowering unit costs
10	A Statement 1 is true. Statement 2 is true.

(1 mark for each correct answer)

Section B**Total for this section: 20 marks**

11

The following data applies to a business.

Price of product	£5
Variable cost per unit	£3
Fixed costs	£30 000
Number of sales of product	22 000

Calculate the margin of safety for the business.

[3 marks]

Marks for this question: AO1 = 2 and AO2 = 1**The demands of the question are:**

- calculate the margin of safety for the given example.

Indicative content:Answer = 7 000 units **(3 marks)**

Broken down as follows:

$$\frac{£30\,000}{(£5 - £3)} \quad \textbf{(1 mark)}$$

$$= 15\,000 \quad \textbf{(2 marks)}$$

$$22\,000 - 15\,000 = 7\,000 \text{ units} \quad \textbf{(3 marks)}$$

NB// if no valid calculation(s): award a maximum of 1 mark for K/U of margin of safety

Own figure rule can be applied.

Alternative methods can be credited.

1	2	Explain one factor that will cause the share price of a public limited company to increase.
		[3 marks]

Marks for this question: AO1 = 2 and AO2 = 1

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 the question are:

- to be able to explain a factor affecting public limited company's share price.

Indicative content:

- a rise in the performance of a business (most likely through profits increasing) will lead to an increase in the desire to purchase those shares of a public limited company. This leads to an increase in the demand for the shares of a business, this in turn will lead to share prices rising
- a change in dividend policy by a public limited company or an increase in dividends returned to shareholders would lead to an increase for the demand the shares of that business, which in turn would lead to a rise in the price of the share
- speculation by investors expecting the future value of a business to rise (due to improved performance in the market more generally or other external factor) could lead to increased demand for shares and increased share prices.

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

1 3

The table below shows data for the market for a product in 2020.

Business	Sales (2020)	Sales growth (2021)
X	£40 million	10%
Y	£100 million	50%
Z	£186 million	0%
All other businesses	£170 million	0%
Total market size	£496 million	?

Calculate the market share of Business X in 2021.

[4 marks]**Marks for this question: AO1 = 2 and AO2 = 2****The demands of the question are:**

- calculate the market share for the given example.

Indicative content:Answer = 8% **(4 marks)**

Broken down as follows:

£ 40 million × 110% = £ 44 million **(1 mark)**£100 million × 150% = £150 million **(1 mark)**

Market size in 2021

= £44 million + £150 million + £186 million + £170 million = £550 million **(3 marks)**Market share = $\frac{\text{£44 million}}{\text{£550 million}} = 8\%$ **(4 marks)**

Own figure rule can be applied.

Alternative methods can be credited.

NB// if no valid calculation(s): award a maximum of 1 mark for K/U of market share

1	4	Explain one benefit to a newly established business of producing a budget.	[4 marks]
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Marks for this question: AO1 = 2 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable response that is explained using knowledge and understanding and is applied to the context.	2–3
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain one benefit of using a budget in a newly established business.

Indicative content:

- the construction of a budget for costs will allow the newly established business to control the spending on expenditure so that the costs do not spiral out of control. This allows planning for the expected amount to be spent and ensures that, if accurate, the business does not overspend on materials and can keep costs down. This is particularly important to a newly established business who may find it hard when starting out to keep costs under control
- constructing a budget will allow the business to monitor performance in the early stages for a newly established business. By keeping a close eye on the spending and sales compared to target, the business is able to analyse the success against expectations and take remedial action. The newly established business is then more likely to survive the early stages of starting out
- a business may use the budget to establish priorities within the business for areas that they need to ensure are resourced well. The business focus, for example, may lead to more being budgeted for market research or product advertising. Newly established businesses can focus on areas that will allow them to survive
- a budget allows a newly established business to plan for the amount of sales made. This allows planning for the expected number of products sold and planning for the production levels that might be required. If the prediction is accurate there should be less wasted materials and better meeting of demand, making the firm more efficient.

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

1	5	A business is creating a new product. The business has produced a market map of rival products which is seen below. Analyse how using this market map of rival products might affect the positioning of the new product. [6 marks]
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Marks for this question: 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 many 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 that focuses on many of 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 are:

- analyse how using a market map might influence decisions in a given business
- use market map example to apply how the market map might be used for a new product in this case.

Indicative content:

- using a market map may allow a business to identify where there are gaps in the market for sales. This in turn allows the business to create a product/brand that can exploit the gaps that may be identified. This allows them to increase their sales volumes and increase market share often avoiding overly competing with a rival
- in this particular marketing map, it appears that the market is swamped with products that are relatively high price and high quality. The gaps in the market mean there is less likely to be direct competition
- in this case there are gaps for low quality high price products as well as low price and high-quality products. It is likely the low price and lower quality area, with just one competitor which is likely to be potentially profitable, may appeal to the business.

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

Section C

Total for this section: 50 marks

16	.	1	Analyse how increasing the level of inventory held could impact on BZT Ltd's profitability.	[9 marks]
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Marks for this question: 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 depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	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 limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few 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 range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:

- analyse the impact on profitability of increasing inventory held by BZT Ltd.

Indicative content:

- increasing inventory held would allow more branded goods to be available in store, reducing the complaints from customers and in turn improving online reviews and therefore leading to an improved reputation, which may allow it to raise prices to improve profitability on each good sold
- the holding of more inventory is likely to require larger amounts of storage, and given that BZT Ltd is a high street chain and its storage costs are relatively high this will force up its fixed costs and push down its profit per unit
- increasing the amount of inventory held will allow BZT Ltd to negotiate much larger discounts on its goods than it currently achieves due to bulk buying discounts. These discounts will reduce the cost of sales and increase its gross profit margins.

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

16	.	2	Dean is considering removing BZT Ltd's price match promise and focusing more on its free support service instead.
			To what extent do you think this is the right decision?
			[16 marks]

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

Level	The candidate 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

The demands of the question are:

- analyse the reasons for and against BZT Ltd removing the price match promise and focusing on the free support service
- make supported judgement for or against the business removing the price match promise and focusing on the free support service for their long-term future.

Indicative content:

- Dean sees the price match promise as a tradition and believes the business is widely recognised for this, and removing the price matching may lose them customers. The business is already having higher costs than online competitors and any increase in price is likely to lose some customers
- while removing the price match promise may be damaging in the market as a whole to sales, BZT Ltd customers seem to be price inelastic and not price sensitive. Increasing prices will have a marginal impact on the sales in the market of over 60s and this is the largest growing market
- the free support service needs specialist staff and this will create additional costs. If the focus is moved more towards this free support service, costs will rise even more and may lead to even further price rises. This may not affect sales significantly with customers over the age of 60 but would not be a successful strategy with the customers of the online competitors who are price sensitive
- evidence suggests that the growing demographic is in the over 60s. Given the information on the market research about the average age of the customer for BZT being over 60, this appears to be the target market of BZT and therefore it should focus on this type of customer. These customers do not seem to be price sensitive but rather more interested in the support service that is unique to BZT. Removing the price match promise will allow the business to spend more resources promoting other elements of the business such as their support service
- Dean may want to remove the price match promise as margins are lower than competitors as shown in the table and reducing the prices lowers their margins further.

Evaluation:

The business may have based itself on the price match promise in the past but with online retailers having much lower costs, it is now becoming impossible for the business to be profitable this way. There is plenty of evidence that the business is being successful with the older demographic, who are not price sensitive, and will find the other USPs appealing, such as the free support service, which online retailers do not offer. Therefore, further support on this, despite some increased costs, seems to be a good move as they have some scope to raise prices.

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

17	.	1	Analyse the implications of the operational data in Table 3 on the prices that Napara plc can charge its customers.	[9 marks]
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Marks for this question: 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 depth and range of knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	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 limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few 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 range and depth of knowledge and understanding of issues in the question - demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:

- analyse the impact of the operational data shown on the prices that Napara plc can charge.

Indicative content:

- the data shows that there is poor productivity in the factory at present and this will mean cost per unit for the business will be relatively high. This is likely to impact on the prices that Napara plc can charge pushing them upward
- evidence shows that the lead times for the cars are much shorter than rivals and as a result customers may be willing to pay a higher price to get their hands on the car more quickly as the case study indicates they are not willing to wait
- the data shows that product recalls are high relative to rivals in a market where customers want reliable vehicles. As a result of these high recalls, customers will know that there may be hassle involved with returning cars and will be expecting to pay a lower price for a car more likely to be needed to be returned as a result.

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

17	.	2	Napara plc is considering involving employees in the planning for the new production line for the electric cars. To what extent do you believe Napara plc should involve the employees in these planning decisions? [16 marks]
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Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate 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 - demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question	1–4

	• makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	
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The demands of the question are:

- analyse the case for and against staff being involved in the decision making about the new production line of electric cars
- make supported judgement on whether staff should be involved in the decision making about the new production line.

Indicative content:

- currently staff have poor motivation and distrust management, in particular on safety decisions. If the business involves employees in the planning decisions they may make better decisions on safety roles and motivation may increase. This in turn will improve the ethical reputation of the business by removing bad news headlines. Customers in the new market expect high quality cars and also good levels of ethics. With current issues over safety of staff creating negative headlines, the business will not be able to effectively compete in this market. Involving staff in the planning decisions process may prevent safety issues occurring
- involving employees in planning decisions can have significant impacts on labour productivity and quality rates. The highly skilled staff at Napara plc may also be more knowledgeable than the management, who do not have production experience. This means involving employees in planning decisions may be more beneficial than to not. The employees in the factory may be more likely to make the right decisions on job roles and this might allow productivity and quality to go up. In particular, as customers in the new market expect high quality cars, this involvement of staff could be very important
- if staff are highly-skilled and are allowed to make decisions that allow them to use their skills and make jobs less repetitive this could raise motivation. This could increase the level of staff performance at Napara plc and the new car line requires these skilled workers. Higher productivity will lead to higher profitability
- the shareholders want to launch the new cars as quickly as possible in this rapidly changing market. Involving the staff in the planning decisions and consulting with them is likely to slow down this process. This could lead to the business losing a competitive edge on others. Shareholders are likely to be unhappy with this
- the staff are relatively skilled but with many being union members the job losses could potentially be resisted. If the business tries to bring in these changes against their will there may be strikes and long delays to production. It is also likely that wage rises will be required. Involving the staff in planning decisions may allow some of the staff to be more placated or it could be that the staff create more jobs and try to raise wages
- although the staff are highly skilled, this is in the production of traditional cars. However, in the new electric market the employees may not be able to make the correct decisions if they lack experience here, and may lack the knowledge for this market and potentially could make costly mistakes.

Evaluation:

To stop the trend of falling profits the business does need to move into this new, lucrative market for electric cars. Shareholders are keen to do this quickly. However, Napara plc also needs to maintain a good image to compete in this new market. This decision about involving employees in the planning is important. Staff do not currently trust management and if they work together with the employees and take their advice in the planning then the safety, productivity and quality may all increase. Although this is costly and may take time, given that the customers in this new market are willing to pay more but expect higher quality cars and good ethics, the time and cost may be worthwhile and it could improve the falling profits in the long term.