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Unit 1 Business and Markets

Mark scheme

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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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How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

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 descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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 in 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; eg if the response fulfils most but not all of 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.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that 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 of 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.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

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

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 12, 13 and 14 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 17 marks**

Question	Part	Marking guidance	Total marks
1		Look at **Figure 1.** What is the three firm concentration ratio in this market? Answer: D (72%)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
2		Which of the following statements is true? Answer: C (Shareholders of a public limited company have limited liability)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
3		Which of the following is an advantage of operating in a niche market? Answer: A (Ability to charge premium prices)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
4		In 2019, 3 million smart phones were sold in a country. In 2020, this had increased to 3.6 million smart phones. Calculate the market growth rate between 2019 and 2020. Answer: 20% (2 marks) If missing percentage sign (1 mark) If the formula/correct process is written but answer is incorrect/not attempted (1 mark) Formula: $\frac{\text{Change in market size}}{\text{Original market size}} \times 100$	**2** **AO1 = 1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
5		A government encourages start-up businesses. Explain **one** reason why a government will benefit from start-up businesses. **Indicative content** • Start-up businesses provide job opportunities, reducing the rate of unemployment. • Lower rate of unemployment means the government does not need to pay benefits to help people out of work. • More people working in the country means more taxes will be paid. • The start-up will pay tax to the government. • Supports entrepreneurial culture in society. • Tax money may be used to fund schools, hospital etc. Credit valid alternative content. **Good response – 3 marks** Links a start-up business to the benefit to the government, for example employing people in the country who will then earn money and pay tax to the government, which they can then spend to improve the country, e.g. more investment in schools. **Reasonable response – 2 marks** Identifies a benefit of a higher numbers of start-up business to a government but fails to explain why this is a benefit, for example a start-up business will employ people which means more tax to the government. **Limited response – 1 mark** Shows knowledge of a start-up business, for example they are a new company and will employ people, but fails to link to the government.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
6		Explain **one** benefit of sales forecasting to a supermarket. **Indicative content** • Sales forecasting helps a business to identify how many they expect to sell in the future. • This can help to avoid over-ordering stock. • Too much stock can increase costs in terms of storage. • Supermarkets often purchase perishable items. • Sales forecasting for a supermarket could avoid food items going out of date. • Helps to lower waste and reduce costs. • May predict surges in demand, enabling stock to be in place to avoid consumer disappointment e.g. BBQ items in a heat wave. • Allow it to forecast profits and therefore make decisions regarding opening new stores/investments etc. Credit valid alternative content. **Good response – 3 marks** Clearly links the benefit of sales forecasting to a supermarket, for example lowers the waste and therefore costs to the supermarket as it will prevent it from over-ordering and food going out of date. **Reasonable response – 2 marks** Explains the benefit of sales forecasting to a business but fails to apply to the context of a supermarket, for example reducing the amount of excess stock which could lower the costs of storage. **Limited response – 1 mark** Shows knowledge of sales forecasting, for example it is a tool used to help a business predict future sales.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
7		Explain **one** advantage to a business of using market mapping when entering a new market. **Indicative content** • Market mapping means plotting competitors based on two variables such as price and quality. • It can help a new firm identify a gap in the market. • A gap in the market can assist with a new business in terms of deciding how to position itself. • This could offer a higher chance of success for the business via a USP - the business could offer something customers want which is not provided by existing businesses. Credit valid alternative content. **Good response – 3 marks** Clearly explains an advantage of market mapping to a new firm entering a market, for example this will assist it in deciding on its positioning strategy, as it can differentiate itself from existing competitors and develop a USP, which could attract customers to it – vital for a new business. **Reasonable response – 2 marks** Explains a benefit of market mapping, for example it could help to spot any gaps in the market, but fails to link this to a new business entering the market. **Limited response – 1 mark** Shows knowledge of market mapping but fails to explain how it could benefit a new firm entering the market (for example it is a tool used to plot the existing businesses in the market).	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
8		A business based in the United States of America exports many products to China. Explain **one** impact on the business if the US Dollar strengthens against the Chinese Yuan. **Indicative content** • Appreciation of the dollar would make imports cheaper and exports more expensive. • More expensive exports would reduce demand from Chinese consumers. • This would lower revenue for the American business, possibly significantly as they export a 'large number.' • Impact would be minimised if the product had an inelastic price elasticity of demand. Credit valid alternative content. **Good response – 3 marks** Clearly links an appreciation of the exchange rate, i.e. exports becoming more expensive to the business, for example a reduction in its revenue due to lower demand from the Chinese market. **Reasonable response – 2 marks** Explains the impact of an appreciation in a currency, but fails to link to the business exporting to China, for example does not reference the impact to its revenue. **Limited response – 1 mark** Shows knowledge of an exchange rate, for example gives a definition.	**3** **AO1 = 1** **AO2 = 2**

Section B **Total for this section: 27 marks**

Question	Part	Marking guidance	Total marks
9		An entrepreneur operates as a private limited company. Analyse **two** reasons why an entrepreneur would choose to do this.	**9** **AO1 = 3** **AO2 = 3** **AO3 = 3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative content

The focus of this question is why an entrepreneur may choose to operate as a private limited company.

- A private limited company offers limited liability which could protect their personal assets in case of any legal disputes etc.
- An entrepreneur may be setting up a new business which could involve a lot of risk – this would help minimise the risk.
- Acting as a private limited company could make it easier to raise finance, via selling shares to family and friends (no interest to pay back).
- Additional finance generated from selling shares would make growth and expansion of the business quicker and easier.
- It is cheap and easy for a sole trader to become a private limited company.
- May suggest a more reliable status for the business which could attract more customers.
- It allows the entrepreneur to keep the business accounts private, meaning key data will not be shared with competitors.

Credit valid alternative content.

A good response will analyse two different reasons why an entrepreneur may choose to operate as a private limited company. For example: a private limited company means the owner would be a separate legal entity to the business. This reduces the risk for an entrepreneur who may have invested a large amount of their own money into the business. The limited liability will protect their personal assets, should the business not succeed.

A reasonable response may only analyse one reason why an entrepreneur may choose to operate as a private limited company, or discuss the benefits of acting as a private limited company without linking these to an entrepreneur.

A limited response may show understanding of private limited companies only.

Question	Part	Marking guidance	Total marks
10		Analyse **one** advantage and **one** disadvantage to a public limited company of investing in new product development.	**9** **AO1 = 3** **AO2 = 3** **AO3 = 3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative content

The focus of this question is to consider the impact (one advantage and one disadvantage) of investment in new product development to a public limited company.

Advantages:
- New product development (NPD) could make the business more attractive to shareholders.
- This could increase the share price (market capitalisation) and increase the value of the business.
- NPD could spread the risk through widening its product portfolio, allowing them to consistently reward shareholders via dividends.
- Raising future finance could become easier if shares are considered more appealing.
- NPD may enhance the reputation of the business to attract a higher calibre of employees.

Disadvantages:
- NPD comes with significant financial costs in the form of research and development.
- This could lower dividend payments in the short run and cause a fall in the share price (and market capitalisation).
- NPD is risky – if products have a short life cycle the lower dividend payments may persist in the long run and cause irreparable damage to the value of the business.

Credit valid alternative content.

A good response will clearly analyse at least one advantage and one disadvantage of investing in new product development to a public limited company. For example: new product development means large investment into innovation, either product or process. This is often an extremely costly process, which could diminish the profits of the company, leaving nothing to pay as dividends to shareholders. This could lower the share price/discourage people from future investment, making it more difficult to raise finance in the future.

A reasonable response may only focus on either advantage/s or disadvantage/s of new product development to a public limited company. It may also discuss advantage/s and disadvantage/s but without the context of a public limited company

A limited response may show understanding of new product development and/or public limited companies.

Question	Part	Marking guidance	Total marks
11		Analyse **two** ways that a growing business may benefit from producing a business plan.	**9** **AO1 = 3** **AO2 = 3** **AO3 = 3**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	**7 – 9**	**A good response that focuses on many of the demands of the question** • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding that may: • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	**No credit worthy material.**

Indicative content

The focus of this question is why a growing business may benefit from producing a business plan.

- A business plan is a document which often contains financial forecasts and strategic plans. The business could outline its growth strategy and provide some clear direction for directors and staff about how they could grow.
- This could be given to the bank and assist the business in gaining access to a loan – potentially at a lower rate of interest, which would help them to grow.
- It could be shared with other stakeholders, such as employees, to assist them in understanding the values/plans of the business, which could increase their motivation/productivity.
- A business plan will also include objectives of the business which could be a useful measure of success. The business could refer back to this document to allow it to check its progress against the plans.
- It helps to organise the business so that it recognises its strengths and weaknesses and develop an appropriate strategy using this.
- It allows the business to note down all of their resources, and plan for growth, for example it may help it to identify that more staff would be needed to allow it to grow.

Credit valid alternative content.

A good response will clearly analyse two reasons why the creation of a business plan will benefit a growing business. For example: a business plan will set out the objectives of a business. For a growing business, they will be experiencing increasing sales and customer numbers and there will be a greater need for consistency of product/service. The business plan is available to their staff who will be aware of the objectives as a result, and will therefore be able to fulfil the objectives of the firm, helping them to grow.

A reasonable response may only focus on one benefit of producing a business plan for a growing business, or discuss two benefits without the context of a growing business.

A limited response may show understanding of a business plan and/or what you would expect to find in a business plan.

Section C **Total for this section: 36 marks**

Question	Part	Marking guidance	Total marks
12		A clothing business is considering expanding internationally rather than domestically. Assess the arguments for and against and recommend a decision as to whether it should expand internationally or remain selling only in its domestic market.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 3** **AO4 = 5**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- whether or not a clothing firm
- should expand overseas
- or in the domestic market.

Indicative content

Possible arguments for:

- International markets may have a lower level of competitors than the domestic market, representing the opportunity for much more rapid growth.
- If the clothing tastes are similar in both markets, the firm could benefit from purchasing economies of scale, lowering average costs and potentially increasing profits.
- Operating in more than one country would spread the risk of any potential economic changes that may occur in one country, which may have a particular impact on the sales of clothing.
- It provides an opportunity to change their identity/brand image in a foreign market.
- This could offer the opportunity for a market development strategy in relation to Ansoff's matrix, which offers greater sales opportunities (this response is not anticipated by students unless they have completed the full A level course).

Possible arguments against:

- Remaining within its domestic market, the business will be familiar with clients tastes and preferences and therefore can focus its product range based on their current knowledge.
- Overseas is a riskier option as it would need to spend on market research/setting up a store or distribution network overseas.
- Domestic market may still present growth opportunities if it is not saturated.
- The business could expand domestically into a different market segment, which could be more familiar to it than an international market.
- It will open up the business to exchange rate fluctuations.

Overall, it depends on:

- Why is it looking to expand overseas? Is the domestic market saturated or not? If there are limited growth opportunities within the domestic market, international markets may be a viable option.
- Where is the business looking internationally? Clothing market requires good knowledge of customers tastes and preferences – if the market is vastly culturally different, it may require too much market research (expensive).

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
13		A luxury hotel chain wants to increase its profit. It has decided to lower its prices. Assess the arguments for and against this decision and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 3** **AO4 = 5**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- if a luxury hotel chain
- should lower prices
- to increase profit

Indicative content

Possible arguments for:

- Lowering prices could result in a more mass-market appeal, which could increase its capacity utilisation and therefore profit.
- Luxury rooms at an affordable price may represent good value for money with a range of customers and therefore could attract new customers to the hotel.
- As a hotel chain, there may be sites in a range of locations and therefore customers who previously may not have been able to afford the hotel could be attracted to it, increasing sales and possibly profit.

Possible arguments against:

- Reducing prices would lower the profit margin, which could potentially lower profits if there are not enough new customers.
- Costs are likely to be high as a luxury hotel chain will pay for high quality items such as luxury towels, bedding, shampoo etc – if the price is lowered too much it may cause a loss.
- It could force the hotel to lower costs in order to maintain profit margins, which could reduce the quality of the service.
- The luxury brand image could be damaged as a result of lower prices, which could be off putting for existing customers – this could lower its sales and profits.
- A luxury hotel will possibly have an inelastic price elasticity of demand, suggesting that lower prices would result in lower revenue and therefore profits.

Overall, it depends on:

- How much it is considering lowering prices by – a large amount could damage the brand and therefore reduce profits.
- Whether or not this is a long-term strategy with the intention of altering their position in the market, which could see them become more mass market and therefore increase profits.
- The economic climate – during an economic downturn a short term decrease in prices could help to increase profits during a time when they would traditionally be low for a luxury business.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
14		A business selling toys is considering closing down its physical stores and operating **only** online. Assess the arguments for and against it operating **only** online and make a judgement as to whether it should close down its physical stores.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 3** **AO4 = 5**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	**10 – 12**	**An excellent response that focuses fully on the demands of the question** Likely to demonstrate sound, focused analysis and well-supported evaluation: • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.
3	**7 – 9**	**A good response that focuses on many of the demands of the question** Likely to demonstrate sound, focused analysis and some supported evaluation: • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.

2	**4 – 6**	**A reasonable response which focuses on some of the demands of the question** Some reasonable analysis but generally unsupported evaluation: • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present. There is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	**1 – 3**	**A limited response that has little focus on the demands of the question** A limited response with some understanding. • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	**No credit worthy material.**

The demands of the question are:

- whether a business selling toys
- should close its physical stores
- operate only online

Indicative content

Possible arguments for closing down high street stores

- Physical stores normally represent higher overheads, so closing them down could reduce costs, allowing the business to lower prices and become more competitive.
- The reduction in costs could also increase profit margins and overall profits, which could be reinvested back to the business in the form of more marketing, new product lines etc.
- Online stores would allow the business to reach a wider target market (possibly overseas) and therefore increase sales and market share.
- Physical stores often limit the number of customers.

Possible arguments for maintaining a physical presence:

- A physical store allows customers to see toys before purchasing, which could encourage a large number of customers.
- Many businesses are closing their physical stores – maintaining a physical presence could be a differentiating factor.
- Setting up a fully functioning e-commerce website may be expensive, there would be no additional cost to retaining their physical presence.
- A new supply chain may be required, including delivery (potentially worldwide) which could be complex and difficult to manage.
- There is no need for additional advertising as customers are aware of their stores, whereas setting up a website could require customers to be made aware of the new site.

Overall, it depends on:

- How many physical stores it would need to shut down (and any potential redundancy costs).
- If it could potentially have a combination of physical and online stores to reach a wider range of customers.
- The level of competition in the market and if there is a need to lower prices or not.
- How much customers value physically seeing/touching the products prior to purchasing, which depends on the product/service being sold.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	1				**1**
2	1				**1**
3	1				**1**
4	1	1			**2**
5	1	2			**3**
6	1	2			**3**
7	1	2			**3**
8	1	2			**3**
Section B					
9	3	3	3		**9**
10	3	3	3		**9**
11	3	3	3		**9**
Section C					
12	2	2	3	5	**12**
13	2	2	3	5	**12**
14	2	2	3	5	**12**
Unit Total	**23**	**24**	**18**	**15**	**80**