OXFORD
INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL A-LEVEL

BUSINESS

BU03

Unit 3: Business Strategy

Mark scheme

January 2021

Version: 1.0 Final 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 (see page 19) and be careful not to over/under credit a particular skill. For example, in question 11 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: 40 marks**

Question	Part	Marking guidance	Total marks
1	**1**	Calculate the gearing ratio for All-Packed as at 30 September 2019. Use the information in **Figure 2** in your calculations. Award 3 marks if candidate's answer is 72% or 71.9% or 71.88% or 71.875% • Gearing = Non-Current Liabilities/Capital Employed x 100 (1) • = 2300/(2300+900) X 100 (1) = 71.9% (1)	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
1	2	Agas targets a niche segment of the holiday market. Analyse **one** possible impact of this on Agas' profit margin. **Indicative Content** • Profit margin is profit/revenue x 100. • Operating profit margin is operating profit/revenue x 100. • Gross profit margin is gross profit/revenue x 100. • Agas can develop specialised holiday products that meet the niche market's customer's needs, therefore, it can increase its price, which will lead to increased profit margins. • There will be less competition in niche markets as only a few businesses will specialise in the over 50s market. This allows Agas to charge higher prices without customers leaving to competitors and, therefore, increasing profit margins. • Small segmented or niche markets often contain high income customers who may be willing to pay a higher price, for example over 50s on cruises, leading to higher profit margins. • Costs may be reduced leading to higher profit margins. For example, media that more effectively targets niches can be used, reducing the cost of mass marketing and, therefore, increasing operating profit margin. Accept any other valid content. A **good response** will clearly analyse how operating in a segmented/niche holiday market can lead to higher prices being charged or lower costs being incurred. A **reasonable response** may include analysis of how operating in a segmented/niche market may lead to high prices being charged or lower costs, however, there is little application to the holiday industry. A **limited response** may show some understanding of profit margins but is unable to link this to niche markets.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
1	3	KCT has a gearing ratio of 75%.Analyse **one** possible benefit and **one** possible disadvantage of this to the company.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

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

- KCT is highly geared at 75%.

Advantages

- Loans are a cheaper form of finance than share capital (equity). A shareholder may want a return on their investment of, for example, 10% in the form of dividends and the growth of the share price, whereas a bank may only require a 5% interest charge. Therefore, by being highly geared at 75% KCT can increase returns to individual shareholders.
- By being highly geared at 75%, shareholders only need to put one in every four pounds to the business. This means that KCT can grow quite large with a relatively little amount of investment from the shareholders.
- As the business has used loans for additional funding, rather than shareholders, it is possible that the original founders of the business remain in control and can, therefore, make decisions in the long-term interests of the business.
- Interest on loans is paid before tax is calculated, whereas dividends are paid after the calculation. This means there is a tax advantage from being highly geared at 75%, which leads to an increased return to shareholders.

Disadvantages

- Highly geared businesses will have higher fixed costs than lowly geared businesses, as they will have higher interest payments to make. This will mean that they will have to sell more package holidays before they break-even.
- Potential shareholders will be less willing to invest in highly geared businesses as interest payments will have to be made before returns to shareholders, which are, therefore, not guaranteed. This will make it more difficult to attract additional equity in order to reduce the gearing to 50%.
- Loans from venture capitalists and banks may come with conditions attached that limit the actions that the business can take. Therefore, KCT may not be able to restructure itself without approval from these stakeholders, slowing or preventing the retrenchment strategy from being implemented.

Accept any other valid content.

Good response
Candidate shows good understanding of both an advantage and disadvantage of high gearing that are applied to KCT and contain quality analytical chains.

Reasonable response
Candidate shows an understanding of high gearing, which only includes a disadvantage or advantage, lacks application to the case study or does not fully analyse the implications for the business.

Limited response
Some understanding of high gearing.

Question	Part	Marking guidance	Total marks
1	4	KCT reacted to the changing market conditions by implementing the strategy shown in **Figure 3**. Do you think KCT was right to do this? Assess the arguments for and against and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

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 judgements but these have little support from arguments or do 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 attempted evaluation which is weak and 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 to decide whether KCT was correct to implement a retrenchment strategy. The overall judgement will need supporting.

Indicative Content

- One of the reasons given for the closure of All-Packed was a high level of gearing. KCT has an even higher level of gearing at 75%, leading to high interest payments, which are fixed costs, leading to a high break-even output.
- **Figure 1** shows that the market for package holidays either slowed or stopped growing in 2019, therefore, sales are unlikely to grow significantly in the future, therefore, now is not the time to expand the business.
- Retail units in city centres include significant fixed costs, for example rent, therefore, reducing the number of these retail units by 50% will reduce the break-even output, therefore, enabling the business to survive. In addition, the business does have an online presence so that customers who were previously serviced by a retail unit will still be able to purchase holidays.
- Competition from niche market travel agents means that the business may experience a fall in revenue, therefore, reducing the number of employees with customer contact by 25% will reduce costs, enabling the business to break-even at a lower level of sales.

However:
- reducing the number of employees that have contact with customers will reduce the level of customer service provided by the business, which is one of the key factors in customers choosing a package holiday travel agent. Therefore, customers may go to competitors, leading to lower revenue
- reducing the number of employees is likely to demotivate those that remain, also leading to a decrease in the quality of customer service
- reducing the number of retail units is likely to cause customers that purchase holidays in shops to move to competitors, therefore, reducing revenue
- with the closure of All-Packed there is 10% of the package holiday market available to travel agents that are willing to expand. This view is supported by the group of shareholders who are opposed to the retrenchment strategy, believing that expansion will increase sales and, therefore, profits and return on their investment
- expansion of the business would lead to economies of scale, such as marketing holidays on national TV, which would lead to greater profits
- expansion through e-commerce would be considerably cheaper than opening new shops, KCT already has an online presence. This could enable the business to fill the gap left by All-Packed, without great expense.

It depends upon:
- whether interest rates remain low, which would mean that interest payments due to high gearing would unlikely be a significant fixed cost for the business
- whether the apparent slowdown in package holidays is viewed as a permanent or temporary change in the market. Market research may be able to help KCT to better understand this trend.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Question	Part	Marking guidance	Total marks
1	5	KCT's managing director stated that; 'Now is the time to move quickly and change to a product based organisational structure to better reflect the market.' Do you agree? Assess the arguments for and against this decision and make a judgement.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

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 judgements but these have little support from arguments or do 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 attempted evaluation which is weak and 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 to assess whether the reorganisation of KCT into a product-based organisational structure was the correct decision.

Indicative Content

- The director of each product department has control over all decisions, therefore, they would effectively be an individual business and be able to operate independently. The business would become decentralised. This would enable each product department to respond quickly to changes in customer demand, for example those over 50 years old.
- Each product department would be able to focus on the design and selling of products for a specific market segment, eg adventurer, enabling products to be developed that better met the needs of the customer and, therefore, increasing sales. At the same time, each product will have dedicated HR, finance, operations and marketing skills, which would increase the chances of success as better decisions are made by functional specialists.
- Encourages functional areas within a department to coordinate actions, rather than working in isolation.

However:
- the product-based organisational structure involves duplication of roles as each product has marketing, finance, operations and HR specialists, which increase costs and reduce profit
- there are fewer opportunities for functional staff, eg HR employees, to work together and share best practice, therefore, reducing potential effectiveness and efficiency
- the 5 product departments may design package holidays that compete with each other, for example sole and adventurer travellers may be targeted by different parts of the same company
- difficult to ensure consistent practices across the range of KCT's product departments, which may confuse customers' perception of KCT and, ultimately, damage the overall brand image of KCT.

It depends upon:
- how much autonomy KCT is willing to give each product, which will determine their ability to respond to customer needs
- the culture of the organisation, whether the employees are flexible enough to adjust from a centralised functional organisational structure to a more decentralised product-based structure.

Accept any other relevant content. No decision is right or wrong but should be assessed on the quality of the argument.

Section B **Total for this section: 40 marks**

Question	Part	Marking guidance	Total marks
2	**1**	With reference to **Figure 6**, state the critical path for the production of the Chapada range. • B,C,F,G. (1) To be awarded mark no additional letters can be present. The order must be as shown.	**1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
2	**2**	With reference to **Figure 6**, calculate the total float for **Activity D**. Award 2 marks if candidate's answer is 12 • = LFT at end of activity - activity time - EST at beginning of activity or = 23-5-6 (1) • = 12 (1).	**2** **AO1 = 1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
2	3	Analyse how closing one of AF's factories may increase its profit. **Indicative content** • Profit = Revenue - Total Costs. • As the four factories are of similar size then shutting one factory would reduce capacity by 25%.AF is currently at 70% capacity, therefore, it will be able to meet current demand and revenue will not decrease. • Fixed costs would be reduced as the salaries of workers, such as the factory manager, would not have to be paid. Other fixed costs could also be saved, such as heating, lighting and rent of the factory. • As revenue is not affected but costs are reduced, therefore, profit increases. Accept any other valid content. **Good response 4 marks** Candidate shows understanding that revenue will not be affected whilst costs are reduced, therefore, increasing profit. Application to context will be throughout the answer. **Reasonable response 2-3 marks** Implications for both revenue and costs analysed, although application missing. Application present but either revenue or costs not analysed. **Limited response 1 mark** Some knowledge of profit shown.	**4** **AO1 = 1** **AO2 = 1** **AO3 = 2**

Question	Part	Marking guidance	Total marks
2	**4**	Analyse **two** ways that AF may have benefited from stakeholder involvement when developing its strategy.	**9** **AO1 = 2** **AO2 = 1** **AO3 = 6**

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

- If trade unions were involved then they would understand the reasons behind the proposed strategy and, therefore, be less likely to take industrial action. The support of the trade unions would also lead to the employees being less likely to oppose the change and, therefore, work towards the business' aims and objectives.
- Employees should be involved so that barriers to change, such as inertia, due to changes in production practices, can be identified and resolved.
- Furniture retailers are AF's customers; involving them in the design of the Chapada range would ensure that the products are what the consumers want and, therefore, they are more likely to sell.
- Suppliers can advise the availability and quality of materials for future furniture production, which would help in the design of the Chapada range.
- Local communities may oppose the installation of the new machinery, possibly believing that it will lead to job losses, pollute the air or cause excessive noise.

Accept any other valid content.

A **good response** will clearly analyse two ways that AF may have benefited from stakeholder involvement in developing its strategy. These benefits could be in either making the implementation more effective or providing valuable input to decision-making. The answer will be applied to the case study throughout.

A **reasonable response** might analyse the impact on the business of stakeholder involvement in general terms but fail to apply the answer to the case study. Alternatively, the candidate may only consider one way that stakeholder involvement may benefit the business.

A **limited response** may show some understanding of stakeholder involvement.

Question	Part	Marking guidance	Total marks
2	5	To increase profits AF has decided to introduce benchmarking at its factories. Assess the arguments for and against this decision and make a judgement.	12 **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

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 judgements but these have little support from arguments or do 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 attempted evaluation which is weak and 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 to consider the positive and negative aspects of introducing benchmarking to AF, linked to profit, and to make a supported judgement accordingly.

Indicative Content

- Benchmarking will enable the business to compare between the different factories to see which is the most productive. This will enable the three factories to learn from each other as to the most efficient way to produce the furniture and increase productivity. As the furniture is hand-crafted and labour will be a large part of the unit cost of a piece of furniture, by increasing productivity unit costs will decrease.
- Benchmarking will also be used to set targets for employees. By having targets workers will be more motivated to achieve those targets, therefore, increasing productivity.

However:
- the furniture is hand-crafted and high quality. Setting benchmarks for employees to achieve may lead to them sacrificing quality for speed, which would lead to a poorer quality product and potentially a damaged brand, leading to lower selling prices
- introducing benchmarking will require the employees to change their way of working. This may lead to resistance to change due to inertia (Kotter and Schlesingers) and lead to a lack of motivation due to company policies (Herzberg-hygiene)
- benchmarking will require managers to monitor production and produce reports on performance. The appointment of additional managers will increase costs for the business, potentially decreasing profits.

It depends upon:
- how flexible the workforce are as additional training may be required increasing costs. This may depend on the time that they have spent working for the business
- the relationship between the managers and workforce, if it is positive then the employees may be more willing to make the changes
- the culture of the organisation. Is it open and willing to accept new ideas and practices?
- whether the internal organisation of the factories is similar so that benchmarking between each factory is comparable. If not, they are not comparable and the benefits and cost savings of benchmarking may be surpassed by the increases in cost
- whether the factories all produce the same products or whether they specialise on different products from the AF range, which would mean that benchmarking would not be possible.

Accept any other relevant content.

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

Question	Part	Marking guidance	Total marks
2	**6**	At a meeting on 31st January 2021, the board of directors will decide whether to implement the new Chapada strategy. With reference to **Figures 5 and 6**, assess the arguments for and against the new Chapada strategy decision and recommend whether it should be implemented.	**12** **AO1 = 2** **AO2 = 2** **AO3 = 2** **AO4 = 6**

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 judgements but these have little support from arguments or do 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 attempted evaluation which is weak and 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

Should the business install the latest machinery at the least productive factory to produce the Chapada range.

Indicative Content

- According to the network analysis there are two weeks spare; therefore, the products should be available for the show.
- The NPV is negative at 10%.This is a very high discount factor; would a more reasonable factor of 6% or 8% give a positive answer?
- The NPV of -$0.8m is actually better than closing the factory at a cost of -$1m.
- The investment should be repaid relatively quickly in four years, therefore, there is little chance of the furniture industry changing before the investment is repaid.

However:
- if the factory manager is correct regarding the time to train staff then there will be no spare time between completing the products and the beginning of the exhibition, therefore, if any activity overruns then the show will be missed
- the NPV is negative, therefore, the investment should be rejected.

Note:
- Activity E is not on the critical path, therefore, reducing the time of this activity to two weeks will not affect the time taken to complete the display products.

It depends upon:
- how reliable is the factory manager's assessment of an additional two weeks training being required? The factory manager did run the most inefficient factory; how much weight should be placed on his/her comments?
- how likely is it that any of the other activities will be delayed? Any additional delay beyond the additional two weeks for training will lead to Chapada not being ready for the IMM Cologne
- is the demand for AF likely to increase in the future? If it is then the business will only have limited spare capacity
- benchmarking could reduce the cost of producing the AF range, enabling the business to charge a lower price, leading to increasing demand which cannot be met with remaining capacity
- if the trade unions are not consulted, before the decision is taken, are they likely to take industrial action, which will slow down implementation, potentially leading to IMM Cologne being missed?

Accept any other relevant content.

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

Assessment Objective grid

	AO1	AO2	AO3	AO4	Total
Section A					
1.1	**1**	**2**			**3**
1.2	**1**	**1**	**2**		**4**
1.3	**2**	**1**	**6**		**9**
1.4	**2**	**2**	**2**	**6**	**12**
1.5	**2**	**2**	**2**	**6**	**12**
Section B					
2.1		**1**			**1**
2.2	**1**	**1**			**2**
2.3	**1**	**1**	**2**		**4**
2.4	**2**	**1**	**6**		**9**
2.5	**2**	**2**	**2**	**6**	**12**
2.6	**2**	**2**	**2**	**6**	**12**
Unit Total	**16**	**16**	**24**	**24**	**80**