OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL AS
BUSINESS
BU01

Unit 1: Business and Markets

Mark scheme

June 2022

Version: 1.0 Final Mark Scheme

226XBU01/MS

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.

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

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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		According to the Boston Matrix, which of the following is a product with a high market share of a low growth market? Answer: A (Cash Cow).	**1** **AO1 = 1**
2		A business launches a new product. It decides to charge a high price initially and lower it over time. This is best known as: Answer: D (Price skimming).	**1** **AO1 = 1**
3		Which of the following is typically a characteristic of an entrepreneur? Answer: C (Motivated).	**1** **AO1 = 1**
4		Calculate the market capitalisation for the business in **Table 1** using the following data: Number of shares issued: 30 000 Initial share price: $4.50 Current share price: $5.45 Market capitalisation = current share price x number of shares in issue. • $163 500 or 163 500 (2 marks with or without working) • 1 mark for correct method (30 000 x $5.45) but calculation error or 1 mark for stating formula alone or if incorrect units are used e.g., 163 500% • 0 marks for incorrect calculation eg 30 000 x $4.50	**2** **AO1 = 1** **AO2 = 1**

5		Explain **one** reason why a business with a low customer retention rate may find it difficult to survive in a highly competitive industry. **Indicative content** • A low customer retention rate means it has a low rate of repeat customers • Disadvantages **may** include: higher costs to advertise for new customers, bad word of mouth advertising if they are not returning due to feeling dissatisfied – loss of revenue making it difficult to survive • These could result in less profit to reinvest/use for advertising which could make them less competitive in the market (attract fewer customers) – loss of revenue making It difficult to survive Credit valid alternative content **Good response – 3 marks** Clear understanding that a low retention rate will have a negative impact in terms of the businesses costs and links to its ability to survive. For example, it may cause increased spending on new advertising. This will restrict ability to spend money elsewhere, such as increasing the quality of the product, which would mean it finds it harder to compete against rivals. **Reasonable response – 2 marks** Recognises that a low customer retention will result in a negative impact to the business but fails to link to survival. For example, fewer repeat customers means it would need to spend more money advertising for new customers. **Limited response – 1 mark** Identifies what is meant by either a competitive industry or lower customer retention rate, for example fewer repeat customers than other businesses.	**3** **AO1 = 1** **AO2 = 2**

6		Explain how dynamic pricing could help an airline to increase its profit margin. **Indicative content** • Dynamic pricing is pricing adjusted to the level of demand • When demand is higher (more inelastic) prices can be raised and more profit earned. When demand is lower, prices will be reduced to encourage more sales. Credit valid alternative content **Good response – 3 marks** Clear understanding that if used, dynamic pricing will allow an airline to adjust its price to achieve the largest profit margin when demand is high, for example the summer holidays, when more people fly. **Reasonable response – 2 marks** Recognises the link between dynamic pricing and the impact to quantity sold of an airline. **Limited response – 1 mark** Shows understanding of dynamic pricing.	**3** **AO1 = 1** **AO2 = 2**

7		A business sells a product which has a price elasticity of demand of –1.4. Explain whether the business should increase or decrease price to increase its revenue. **Indicative content** • –1.4 is an elastic price elasticity of demand (PED), for which lower prices are more effective • Lowering prices would be effective as lowering the price will increase demand by a larger percentage, increasing revenue. Credit valid alternative content **Good response – 3 marks** Clearly identifies the need to lower prices and explains how this would increase revenue, for example lowering prices would allow the business to increase quantity demanded by a larger percentage due to the elastic PED, which would therefore increase revenue. **Reasonable response – 2 marks** Identifies that in order to maximise revenue, a lower price would be required, with no explanation as to how this would increase revenue. **Limited response – 1 mark** Recognises that with a PED of –1.4 the business is price elastic or shows knowledge of price elasticity.	**3** **AO1 = 1** **AO2 = 2**

8		Explain **one** potential impact of rising interest rates on a theme park. **Indicative content** • Higher interest rates will increase the cost of borrowing. For a theme park, this may restrict their ability to borrow money to expand/open new rides. • It will also reduce consumers' disposable income which could lead to a fall in demand for tickets, as theme parks are usually considered a luxury item. • It could increase consumers' disposable income (savers) therefore increasing their demand. Credit valid alternative content. **Good response – 3 marks** Clearly links the impact to a theme park for example higher costs of borrowing will limit a theme park's ability to take out a loan for further expansion/new rides/required maintenance etc. **Reasonable response – 2 marks** Identifies an impact to a business eg making it more expensive to borrow money or increases payments on existing borrowing but not linked to theme parks. **Limited response – 1 mark** Shows knowledge of interest rates eg cost of borrowing or reward for saving but no discussion of impact to business.	**3** **AO1 = 1** **AO2 = 2**

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

Question	Part	Marking guidance	Total marks
9		The government has introduced a tax which will reduce company profits by 8%. Analyse the impact of this change in government policy on **two** different stakeholders of a company.	**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 the question is the impact of an 8% fall in the profits of a business to two stakeholders of a plc.

Indicative content includes:

- shareholders may see lower dividend payments
- managers may receive lower bonuses
- employees may not receive pay increases/improvements to their working conditions
- customers may see increased prices to help the business adjust for this additional cost
- suppliers may feel pressured to lower costs
- government will receive higher tax receipts and can use this to improve the economy
- 8% is a significant figure.

Credit valid alternative content.

A good response will show a clear link between lower level of profits and two different stakeholder groups. For example: reducing the profits of a business by 8% will reduce the amount available to be paid out to shareholders in the form of dividends. This would therefore mean shareholders, who may therefore receive a lower dividend yield per share they hold.

A reasonable response may only focus on the impact to one stakeholder, or will consider two stakeholders but make an unclear link between them and a reduction in profit.

A limited response may show understanding of lower profits and/or stakeholders but will not create a link between the two.

Question	Part	Marking guidance	Total marks
10		Analyse **one** advantage and **one** disadvantage to a retail business of using big data.	**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 one benefit and one drawback to a retail business of using big data.

Indicative content includes:

- big data involves the collection of a large amount of data regarding customers
- an advantage may include the ability of a business to gather useful information regarding customers tastes, preference etc and then tailor their marketing mix accordingly
- a disadvantage could be that it is a time-consuming process which comes with an opportunity cost as a retailer will need to spend time making their physical environment appealing – this could limit the time available to do this.

Credit valid alternative content.

A good response will clearly consider both an advantage and disadvantage to a *retail business* of using big data. For example: an advantage of using big data is it will allow a retail business to collect information about the preferences of their customers. This will allow them to use direct marketing and send tailored offers to their customers for the products that would most appeal to them. This would increase sales and therefore revenue for the business.

A reasonable response may only focus on benefits or drawbacks to a retail business but fails to analyse why this is a benefit, for example it may identify a drawback as it being time-consuming and expensive to collect the data, without analysing the impact of this to the retail business.

A limited response may give knowledge of big data, or make basic statements with regards to an advantage and/or disadvantage to a business (not necessarily a retail business) of using it.

Question	Part	Marking guidance	Total marks
11		Analyse **two** benefits to a cinema of using market segmentation.	**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 demands of this question are to look at two benefits to a cinema of using market segmentation.

Indicative content includes:

- market segmentation is dividing up the market to those who share similar characteristics eg geographic, socio economic
- market segmentation allows a cinema to adapt its marketing mix to suit different segments, for example:
  - setting prices to suit different markets
  - the cinema could adapt the food to suit local taste
  - film selection would be different depending on different segments
  - marketing choices would be different for each segment, for example print adverts for older generations, social media/online for younger segments.

Credit valid alternative content.

A good response will clearly consider two different benefits in the context of a cinema. For example: one benefit is that the cinema could ensure its product is suited to a particular market segment. They could alter the food selection in their cinema to suit local tastes and preferences. This would improve customer loyalty as they have a better experience, which would encourage customer loyalty/repeat visits.

A reasonable response may only consider one benefit, or will consider two in the context of a cinema, but fail to link this benefit to the business in terms of maximising sales revenue/profit etc.

A limited response may show understanding of market segmentation or basic points regarding an advantage of using it.

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

Question	Part	Marking guidance	Total marks
12		A fast food retailer is considering investing in m-commerce to increase profits. Assess the arguments for and against this investment and make a judgement as to whether it will increase profits.	**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 • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused. 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 • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. 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 to develop arguments and to make a judgement on whether a fast food retailer should invest in m-commerce to increase profits.

Indicative content

Possible arguments for:

- m-commerce is the use of mobile technology, which could be used for pre-ordering food for collection or ordering for delivery
- it could give the business a unique selling point compared to its competitors and encourage customers, allowing them to order food on their phone and collect in store
- it may appeal to a younger target market and encourage them to spend more than they normally would on fast food.

Possible arguments against:

- there may not be a market for this, people may prefer to visit the fast food retailer in person to view the menus
- customers don't usually wait very long for food at a fast food restaurant anyway, therefore they may not see the value in pre-ordering as it would not save time
- fast food retailers usually sell for cheaper prices. Investment into m-commerce may be too expensive as an investment as it may force them to raise their prices and therefore become unattractive to customers.

Credit valid alternative content.

Overall, it depends on a range of factors including the actions of its competitors, if the business has retained profit to allow it to make the investment and how much it would cost to invest in – technology is becoming cheaper so it may not represent too much of an additional cost. It may also wish to conduct further market research prior to deciding, to see whether this would be a popular option amongst their customers.

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		To improve its brand image, a budget clothing retailer is considering switching to a more ethical supplier which operates a fair-trade policy. Assess the arguments for and against switching 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 • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused. 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 • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. 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 to develop arguments and to make a judgement on whether a budget clothing retailer should operate using a fair-trade supplier.

Indicative content

Possible arguments for:

- consumers are becoming more sensitive to fair trade as ethical factors become more important – this could encourage more people to shop there and increase the business' revenue/market share/brand loyalty
- it could use the fair-trade logo in their marketing/on its clothing labels to encourage sales
- owners may believe it is ethically the correct decision and therefore do it because it is the 'right thing to do'
- it could improve the quality of the clothes by using fair trade, allowing it to command higher prices.

Possible arguments against:

- owners may **only** be doing it to improve their brand image – customers may therefore see through this
- this would increase its costs as it will need to pay 'a fair amount to suppliers.' This could lower its profit margins – as a budget retailer these may already be tight and cause it to make a loss
- it could cause the business to increase its prices, which could mean they lose its position as a budget clothing retailer (they are likely to have an elastic PED).

Credit valid alternative content.

Overall, it depends on the extent to which customers are concerned with fair trade and if they are prepared to pay higher prices for it, which may be linked to the level of competition in the market. In addition, it may depend on the business' current profit margins. If the profit margins are narrow it possibly could not afford the extra costs and therefore would need to consider increasing prices. The business would therefore need to consider whether or not to change its position as a budget retailer, which could be very risky.

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 public limited company has made $1m profit this year. It has decided to invest it back into marketing rather than pay this as dividends to shareholders. Assess the arguments for and against the decision and make a judgement whether to invest the profit back into the business.	**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 • showing sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused. 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 • showing sound knowledge and understanding of business terminology and concepts with relatively few errors • is well-structured and generally focused. 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 to develop arguments and to make a judgement on whether paying dividends to shareholders or investing into marketing would be better for a public limited company.

Indicative content

Possible arguments for making dividend payments:

- dividend payments could improve its market capitalisation by increasing the demand for shares. Improved value of the company could have many benefits such as employees being more loyal due to higher levels of confidence in the business
- happier shareholders could result in higher levels of investment in the future which could help the business to expand in the future/spend money where necessary.

However:

- it will limit the funds available for other investments – plc is likely to be a large company which may need more investment into market research/new product development.

Possible arguments for investing into marketing:

- investing into marketing could increase demand for its products/services in the future through improved advertising which could improve its profits
- it could enhance the business' knowledge of their target market through additional market research, allowing it to tailor its products/services and increase demand for them.

However:

- increased marketing spend may be less necessary for a large plc with an already established brand or possibly a USP
- marketing spend is risky as there is no guarantee it will result in higher sales.

Overall, it depends on:

- whether or not the business will require more investment in the future, as well as its previous dividend policy
- whether there is a need to invest in marketing for example if it is a very well-known brand, it may rely more heavily on word of mouth/repeat business
- the level of competition in the market and its position, for example a market leader may feel that it is necessary to maintain its position through higher investment in marketing.

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