OXFORD
INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL AS
BUSINESS
BU02

Unit 2 Managing Operations, Human Resources and Finance

Mark scheme

June 2023

Version: Final 1.0

2 3 6 X B U 0 2 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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

Copyright information

OxfordAQA retains the copyright on all its publications. However, registered schools/colleges for OxfordAQA are permitted to copy material from this booklet for their own internal use, with the following important exception: OxfordAQA cannot give permission to schools/colleges to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Copyright © 2023 Oxford International AQA Examinations and its licensors. All rights reserved.

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		Customers of a business are demanding that its suppliers are paid fairly. This is an example of which of the following influences? Answer B: Ethical	1 AO1 = 1

Question	Part	Marking guidance	Total marks
2		A business has the following financial information: Total fixed costs: $75 000 Selling price per unit: $15 Break-even output: 15 000 units What is the variable cost per unit? Answer C: $10	1 AO1= 1

Question	Part	Marking guidance	Total marks
3		**Figure 1** shows an inventory control chart. What does **(X)** represent? Answer A: Buffer level of inventory	1 AO1 = 1

Question	Part	Marking guidance	Total marks
4		Explain **one** difficulty for the human resources department of a business operating internationally. **Indicative content** • Communication across the business. • Ethical and cultural issues. • Recruitment and selection. • Language barriers. • Legislation. • Operating across different time zones. Credit valid alternative content **Good response – 3 marks** Links the difficulty of operating internationally to human resource activities. For example, an international business might recruit in many countries who speak different languages. This might prove to be a difficulty to the human resources department as they might need to translate all human resources policies and ensure they are understood by all employees. This will take them time and money to translate adding costs to the business. **Reasonable response – 2 marks** Explains relevant points but does not fully link explanations to say how the offered difficulty of operating internationally might impact on the human resources department. For example, explains varying cultures as a challenge in international business but does not fully explain how culture might impact on human resource activities. **Limited response – 1 mark** Identifies relevant points with no explanation or development. Eg states a difficulty of operating internationally but does not relate this to a human resources department.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
5		Explain **one** impact on a retailer that cannot match supply to demand. **Indicative content** • Decreased customer satisfaction resulting in a decrease in customer loyalty for the retailer. • Increased selling price due to limited availability resulting in increased profit margin. • Decrease in sales. • Decreased competitiveness. • Ordering too much stock that might be difficult to sell. Credit valid alternative content **Good response – 3 marks** Fully develops the impact on a retailer. For example, explains that if a retailer cannot meet customer demand, customers could be left unsatisfied and turn to a competitor to buy the product. This could reduce the market share of the retailer decreasing their competitiveness in the market. **Reasonable response – 2 marks** Explains relevant points but does not fully link explanations to say how the offered consequences will impact on the retailer. For example, explains that if a retailer cannot meet customer demand, customers could be left unsatisfied but does not then fully develop this to how that might impact on the business. **Limited response – 1 mark** Identifies relevant points or limited knowledge of supply and demand with no explanation or development.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
6		Using the data below, calculate the output of the business in units. • Turnover = $750 000 • Profit = $20 000 • Labour costs = 6% of turnover • Labour costs per unit = $0.6 • Labour productivity = 25 units per employee Marks for this question: Answer = 75 000 units Broken down as follows: Labour costs = 6% of $750 000 = $45 000 (1 mark) Labour costs per unit = $0.6. Therefore, weekly output = $45 000/$0.6 = 75 000 units (1 mark) Alternative approach: Labour costs per unit = 25 × $0.6 = $15 (1 mark) Labour costs = $45 000/$15= 3000 employees 3000 × 25 = 75 000 units (1 mark) 1 mark awarded for 45,000 without dollar sign 1 mark awarded for $75,000 If correct answer of 75 000 stated award 2 marks.	**2** **AO1 = 1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
7		According to Maslow's hierarchy of needs, employees have esteem needs. Explain **one** way a fast food restaurant could meet an employee's esteem needs. **Indicative content** • Praise • Reward • Status • Recognition Credit valid alternative content **Good response – 3 marks** Fully explains how a business could try to meet the esteem needs of an employee. For example, the fast food restaurant could offer a recognition scheme to employees where they win awards for providing excellent customer service. This could boost their esteem needs as they are being recognised positively for their contribution to the organisation. **Reasonable response – 2 marks** Explains relevant points but does not fully link explanations to say how the offered consequences will impact on the business. For example, explains that a business could offer a recognition scheme thus rewarding their staff but does not then fully develop this to how that might meet their esteem needs. **Limited response – 1 mark** Identifies relevant points or limited knowledge of Maslow's hierarchy of needs/esteem needs with no explanation or development.	**3** **AO1 = 1** **AO2 = 2**

Question	Part	Marking guidance	Total marks
8		Explain **one** disadvantage for a business training employees in a highly competitive industry. **Indicative content** • Employee might get approached by a competitor to work for them. • Adds to the costs of the business. • Training can become quickly obsolete. • Training takes time reducing productivity in the short-term, reducing competitiveness. Credit valid alternative content **Good response – 3 marks** Explains the relevance of the disadvantage to a highly competitive industry. For example, explains that one disadvantage of training employees is that it can be expensive and time consuming, this means that the business can have additional costs which will add to the unit costs of production potentially decreasing profit margins or increasing selling prices making the business less competitive. **Reasonable response – 2 marks** Explains relevant points but does not fully link explanations to show how the offered disadvantage is relevant to a highly competitive industry. For example, explains that training can be expensive and time consuming but does not relate this to how it is a disadvantage for a highly competitive industry. **Limited response – 1 mark** Identifies relevant points with no explanation or development. Eg states a disadvantage of training but does explain it or relate this to a business in a competitive industry.	**3** **AO1 = 1** **AO2 = 2**

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

Question	Part	Marking guidance	Total marks
9		Businesses such as call centres, hotels and theme parks often have high labour turnover. Analyse **one** benefit and **one** drawback of a high labour turnover for these businesses.	**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 includes:

Benefits

- A high labour turnover can improve the skills, knowledge and ideas in the workforce as the business is regularly recruiting new employees to replace the employees who have left allowing for a competitive advantage.
- It can give the business the opportunity to employ staff who are already trained rather than upskilling their existing workforce. This can be quicker and cheaper allowing for decreased costs and a competitive advantage as the business can be quicker to market.
- It can allow for promotional opportunities for existing staff which could motivate them to perform better increasing productivity and lowering costs.

Drawbacks

- Increasing recruitment and selection costs to replace employees who have left adding costs to the business decreasing profit margins.
- Increase in training costs of new employees, adding to overall costs and decreasing profit margins.
- Poor morale across the workforce as their team is regularly changing leading to low levels of productivity resulting in decreased competitiveness.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		Analyse why return on investment is an important financial objective for an expanding public limited 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 includes:

- Public limited companies have shareholders who have invested into the company. Focussing on return on investment should mean that the business will only invest in activities which should see a financial gain. This should ensure that shareholders keep their investment into the business as they will hopefully see a higher return on their investment.
- Public limited companies tend to be competitive, an objective of a return on investment could be an opportunity to invest in expansion and further grow the company.
- If the company did not focus on achieving a return on their investment they could waste time and money investing in projects that may not see a return. This might mean that profits fall and shareholders lose trust in the business, selling their shares and lowering the market value of the company.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		A manufacturer relies heavily on its suppliers to meet rapidly changing consumer demands. Analyse **one** benefit and **one** drawback for a manufacturer only using a single supplier for one of its key components.	**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 includes:

Benefits

- The manufacturer will likely need to react to the changing customer demands and will likely need quick turnaround of its supplies, having one single supplier will likely mean that the manufacturer has the time to build a good relationship with the supplier and they are more likely to understand the manufacturer and meet their demands.
- Dealing with one supplier can reduce the administration for the business making it quicker to make orders and enquiries.
- The manufacturer might be able to negotiate price and shipping discounts if they are placing all of their orders with one supplier reducing unit costs.

Drawbacks

- The manufacturer does not have any other suppliers to rely on if the supplier fails to meet demands.
- They do not have any other experiences with other suppliers to compare ie quality/price/customer service and therefore might not be getting the best service/price.

Credit valid alternative content.

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

Question	Part	Marking guidance	Total marks
12		A business wants to improve its speed of response in order to be more competitive. It has decided to change to a decentralised structure. Assess the arguments for and against changing to a decentralised structure 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 focus on
- the decision to move to a decentralised structure
- the reasons why moving to a decentralised structure might improve its speed of response
- the reasons why this might help the business become more competitive
- a judgement as to whether the decision was a right one.

Indicative Content

Possible arguments for:

- Decision making is likely to occur at a more junior level which might encourage more members of staff to become more productive as they are allowed to make decisions. If decisions are made more quickly the business can react before its competitors increasing their competitiveness.
- As decision making occurs lower down in the hierarchy more employees might feel empowered leading to them feeling more motivated to find new ways of improving the speed of response.
- Employees lower down in the hierarchy are likely to understand local needs better than those further up, a decentralised structure with increased decision making for these employees might allow them to improve speed of response to meet local needs leading to increased competitiveness.

Possible arguments against:

- It may take time for junior managers to get used to the new structure and their new power, they may resist the change and fear making decisions which and could cause issues increasing costs and allowing competitors to takeover.
- Junior managers may not have the time to focus on new ways of improving speed of response in a decentralised structure as they are dealing with more tasks due to the structure.

Overall, it depends on:

- the culture and leadership style of the manager. A democratic manager may slow down the speed of response even in a decentralised structure.
- the environment and time given to improving speed of response.
- time, in the short-term the speed of response may not improve as junior managers get used to their new responsibilities but it may be improved in the long term.

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 small business has forecast that it will have negative cash flow in the coming months. It has decided to arrange an overdraft with the bank rather than apply for a loan. Assess the arguments for and against using an overdraft rather than a loan 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 focus on
- the decision to choose an overdraft rather than a loan.
- the reasons why an overdraft might be more appropriate than a loan.
- the reasons why an overdraft might help with their forecast negative cash flow.
- the arguments against choosing an overdraft.
- a judgement as to whether the decision was a right one.

Indicative Content

Possible arguments for:

- an overdraft is more flexible than a loan and you only pay interest when in your overdraft which could be cheaper than a loan
- an overdraft is generally quicker to arrange and can likely be increased when needed
- a loan is a fixed amount and should the business need more short-term finance it will need to look at another loan or an overdraft whereas an overdraft limit should be easily increased.

Possible arguments against:

- If the level of borrowing is more than what is agreed by the bank there is high levels of interest rates and charges which can significantly impact on a business's cash flow. Overdrafts need to be carefully managed.
- The loan amount is set and agreed repayments are known in advance making it easier to forecast future outflows and cash flow.
- The bank can withdraw an overdraft facility or increase the amount of interest/charges. A loan's terms and conditions are set out when taking out the loan and do not normally change therefore making financial planning easier.

Overall, it depends on:

- How much the business needs and for how long.
- The credit history of the business and their likelihood of getting the loan. A small business might not have the credit rating to approve a loan.
- The ability of the business to manage its finances.

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 manufacturer has high levels of debt and has decided to focus its operational objectives on reducing unit costs rather than meeting its environmental objectives. 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 focus on
- the decision to focus on an objective of reducing costs rather than environmental objectives.
- the reasons why focussing on reducing costs is appropriate for a manufacturer with high levels of debt.
- the arguments against focussing on reducing costs rather than meeting its environmental objectives.
- a judgement as to whether the decision was a right one for this business.

Indicative Content

Possible arguments for:

- Focusing on reducing unit costs could allow the manufacturer to increase profit margins which could be used to repay some borrowing to reduce levels of debt and further reduce costs.
- Focusing on environmental objectives could increase costs in the short term as the investment does not tend to see a return until the medium to long term. This investment could further increase levels of borrowing in the short term, if the business does not see an increase in sales this could impact on the manufacturer's ability to repay its debt.

Possible arguments against:

- Taking their eye off environmental objectives may actually increase costs. For example, if the business increases air pollution whilst trying to reduce unit costs they may face fines which will increase costs overall.
- As customers are more aware of the impact of manufacturing on the environment being environmentally friendly gives the manufacturer a USP which could help increase sales helping to alleviate some of their debt.
- Reducing unit costs might have a negative impact on quality as the manufacturer chooses to switch to a cheaper supplier or reduces labour for example, this could impact on sales and impact on the ability to repay debt.

Overall, it depends on:

- The levels of debt and the costs attached to it. If the costs attached to the debt are relatively low and the return on investment is high then there is no urgency on repaying the debt. If the costs are high and the business is struggling to pay their monthly repayments then reducing unit costs to reduce levels of debt could be a good idea.
- The timescale, if levels of debt are manageable and investing in environmental objectives will see a good return for the business in the longer term this might be the option to go for.
- The aims of the business, growth or survival?

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	2			**3**
5	1	2			**3**
6	1	1			**2**
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**