



AS
BUSINESS
7131/1

Paper 1 Business 1

Mark scheme

Sample assessment material

Version: 1.0

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

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

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

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

Marking guidance

- Be clear on the focus of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a good response? A reasonable one? A limited one? You are marking to the standard agreed at standardisation.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response well-argued but does not focus fully on the issue of long term feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.
- Be positive in your marking. Look to reward what is there.

Section A

Total for this section: 10 marks

Question number	Answer
01	A
02	D
03	B
04	C
05	B
06	A
07	B
08	D
09	A
10	C

(1 mark for each correct answer)

Section B

Total for this section: 20 marks

1 1 Explain **one** possible use of market mapping for a new sports shop.

[4 marks]

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

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

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as market mapping
- to apply this to the context of a new sports shop

Indicative content:

Market mapping identifies key customer requirements/features in a market and how products are positioned in the market in terms of those requirements/features.

Possible uses include:

- to identify possible gaps in the market relative to existing competitors
- to identify which variables appear to have the biggest influence on customer numbers, eg product range, store design
- to identify how a particular firm's products are perceived in the market place compared to competitors', eg a sports shop may be seen as targeting 'fashion' sportswear, or sportswear for competitive athletes.

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

1	3
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The net gain for a business of increasing promotional spending is £11.3 million. Referring to **Figure 1**, calculate the expected value and the net gain of modifying the product. Using these calculations, advise the business which one of the two options it should choose. Show your workings.

[6 marks]

Marks for this question: AO1 = 3 and AO2 = 3

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as decision trees
- to apply this to the context of the data provided

Indicative content:

Expected value of modifying the product

$$= (0.6 \times \text{£}25\text{m}) + (0.4 \times -\text{£}5\text{m}) = \text{£}15.0\text{m} - \text{£}2.0\text{m} = \text{£}13.0\text{m}$$

(1 mark) (1 mark) (1 mark) (1 mark)

Deduct initial cost of £1m, so net gain is £13.0m – £2.2m = £10.8m (1 mark)

Decision (**needed for 6th mark**): Increase promotional spending. (1 mark)

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

1 4 Analyse **one** way in which a large house-building firm might respond to a new competitor setting up in its market.

[5 marks]

Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context. 	5
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context. 	3–4
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context. 	1–2

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as responses to a new competitor entering the market
- to apply this to the context of a large house building firm
- to analyse how a business might respond to a new entrant

Indicative content:

- the firm may cut its prices if demand is perceived to be price elastic and this would prevent sales switching to the new competitor; this might affect the design and materials used to keep costs lower
- as a large business it may have resources to invest in a promotional campaign to attract sales away from the new entrant; it may also have well established links, eg with estate agents, which it may increase communications with to get greater coverage of their properties
- It may consider what it is building relative to the new competitor and how it can communicate its benefits to differentiate
- it may not do very much if demand is growing fast in this market so that both businesses can sell more in the future.

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

Section C

1 5 . 1 Analyse the possible reasons why Nint has invested heavily in developing a new model of car.

[9 marks]

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 2

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context. 	4–6
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context. 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as the investment and new product development
- to apply this to the context of Nint
- to analyse the possible impact of factors influencing investment in developing a new model of car

Indicative content:

- to increase sales by matching changing customer needs
- to respond to changes in the market, eg launches by competitors, developments in technology
- because of the expected returns from the investment in a new car
- to achieve a balanced product portfolio. Models of cars have a relatively short product life cycle and the company will also want to have a balanced portfolio in terms of market size and growth to maintain its strong market position. Existing cars might be in the decline stage of the product life cycle and so there is a need to launch new models
- because of new technology enabling new processes, new designs and new types of car, eg electric cars, to target new markets or prevent customers switching to competitors.

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

1 5 . 2 To what extent do you think the performance of Nint’s workforce has been the main factor influencing its decision to increase car production at the Oxford factory in the UK?

[16 marks]

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

Level	The candidate will typically demonstrate:	Marks
4	<p>An excellent response overall that is fully focused on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	13–16
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding of issues in the question demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	9–12
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question demonstrate analysis which is developed, applied to the context and considers some of the issues in the question makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	5–8
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited range and depth of knowledge and understanding of issues in the question demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole. 	1–4

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as the performance of employees and decision making
- to apply this to the context of a Nint's decision to increase car production at Oxford
- to analyse the possible impact of employee performance on a decision to produce more at Oxford
- to evaluate qualitative and quantitative information to make an informed judgement on the whether the performance of Nint's workforce has been the main factor influencing the decision to increase car production at Oxford. For example it may consider the importance of workforce performance relative to other factors

An excellent response must make a supported judgement on the extent to which the performance of the workforce has been the main factor influencing Nint's decision. This involves a judgement of the significance of the workforce relative to other factors.

Indicative content:

- Nint's Oxford plant is the most productive car factory in Europe. This may impact on unit costs.
- Nint's leadership in the market is relevant. The company has come up with successful cars. Nint has grown significantly in Europe over the last few years; although the European market has grown by 4%, Nint's market share has grown by 25%.
- Employer–employee relations are excellent and staff turnover at a record low level. This means low replacement costs and less chance of lost efficiency from people leaving. This has secured work which could have gone to Nint factories in other countries.
- The weakness of the pound makes the UK an attractive place to manufacture at the moment, adding to Nint's profit margins.
- Government policy has helped.

Evaluation:

Several factors have been identified above, some of which are related to the employees. However, the other factors have all played a part too, and so overall the performance of Nint's workforce is one of a number of factors.

The article suggests that factors such as Nint's leadership and marketing, along with external factors, have been important forces behind the increase in demand and the need for Nint to produce more cars. However, the performance of the workforce has been a key factor in Nint's decision to use the UK to help expand its production level.

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

1 6 . 1 Analyse how transferring ownership of RMX from the public to the private sector might affect its stakeholders.

[9 marks]

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	<p>A good response overall that focuses on many of the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context. 	4–6
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context. 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as the public and private sector and stakeholders
- to apply this to the context of the RMX
- to analyse the possible impact of transferring ownership on stakeholders

Stakeholders are those who are affected by the activities of a business.

Indicative content:

- the government will raise funds that can help investment elsewhere; it will free time and resources for other areas of government, eg health and education
- the service to customer may improve if the new business generates profits for investment (less reliant on government funding and more access to private finance); more reliable, faster delivery
- the service to customers may suffer if the company manages to change legislation so it can increase prices, charge different prices to different areas, or reduce coverage to all households
- the impact on employees may depend on changes made, eg could be changes to way they work and number employed
- it creates shareholders who can gain from dividends and share price increases (or lose from share price falls).

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

1 6 . 2 Do you think that buying shares in RMX plc when they were first sold was a good decision? Justify your answer.

[16 marks]

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

Level	The student will typically demonstrate:	Marks
4	<p>An excellent response overall that is fully focused on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout. 	13–16
3	<p>A good response overall that focuses on many of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a depth and range of knowledge and understanding of issues in the question demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole. 	9–12
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question demonstrates analysis which is developed, applied to the context and considers some of the issues in the question makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole. 	5–8
1	<p>A limited response overall with little focus on the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> demonstrates a limited range and depth of knowledge and understanding of issues in the question demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole. 	1–4

The demands of the question are:

- to demonstrate knowledge and understanding of relevant issues such as shares and influences on decisions
- to apply this to the context of the RMX
- to analyse the possible impact of buying shares on investors
- to evaluate qualitative and quantitative information to make an informed judgement on the whether buying shares in the RMX was a good decision. For example it may consider the relative rewards, the risk and the opportunity cost

An excellent response will make a supported judgement on whether the decision was good or not. This may depend on factors such as when they are sold or the motives for buying.

Indicative content:

- There was a rapid increase in the share price from £3.30 to £5.60, offering a very attractive return to shareholders with short-term horizons.
- The shareholders were only able to buy 227 shares, so the maximum profit on this if they sold when the share price was £5.60 was £522.10.
- Shareholders may have been interested in having shares so that they could raise issues at the AGM, such as the potential threat to the one-price, six-days-a-week service to every household. However, such shareholders may be a tiny minority due to the small size of their shareholdings in relation to RMX's 1 billion shares with voting rights.
- The prospect for dividends is promising, as half-yearly profits have doubled to £283 million. This might make it attractive to shareholders with a longer-term view.
- Sales grew at 9% from July to September 2022, and is possibly accelerating as online parcel deliveries are continuing to rise, leading to the possibility of further rises in the company's share price.
- The company may face industrial action as the CWU seeks to protect and enhance the position of its members employed by RMX. The trade union is potentially powerful as over 75% of RMX's employees are members.

Evaluation:

Much will depend on the objectives of the shareholders in purchasing the shares. Those seeking a short-term gain would be satisfied by the increase in price to £5.60, or even the immediate share price rise. Thus, for this group the decision was a good one.

However, for those seeking a longer-term investment the position is less clear. The company's profits are rising in the short-term which may boost dividends, but problems may remain. Labour relations are potentially problematic (and this is important for a business supplying a service) and difficulties here may reduce future profits and share performance. The existence of the 'universal service' constraint may limit long-term profitability and this could be difficult to overcome. It remains to be seen whether this was a good decision for those seeking a long-term return.

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

Assessment Objectives

Question	AO1	AO2	AO3	AO4	TOTAL
01–10	8	2			10
11	2	2			4
12	2	3			5
13	3	3			6
14	1	2	2		5
15.1	3	3	3		9
15.2	4	2	4	6	16
16.1	3	3	3		9
16.2	4	2	4	6	16
Paper total	30	22	16	12	80