



---

# A-LEVEL BUSINESS 7138/3

Paper 3

---

**Mark scheme**

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.

Further copies of this mark scheme are available from [aqa.org.uk](http://aqa.org.uk)

#### **Copyright information**

AQA retains the copyright on all its publications. However, registered schools/colleges for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA 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 © 2024 AQA and its licensors. All rights reserved.

This document was informed, directly or indirectly, by use of the tool: Finlayson, N., Marsden, E., & Anthony, L. (2022). MultilingProfiler (Version 3) [Computer software]. University of York. Accessed 2022/2023 at <https://www.multilingprofiler.net/>

## 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 demands of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Be positive in your marking. Look to reward what is there.
- 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? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at drifting when you have a big centre; refer back to standardisation scripts.
- 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.
- 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.

The following should be used at the end of the response:

L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4
L5	Level 5

**0 1** . **1** Analyse why exchange rate changes are a risk to Microsoft.

**[6 marks]**

**ANALYSE: 6 marks**

**AO1: 2, AO2: 2, AO3: 2**

<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> </ul>	<b>5–6</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> </ul>	<b>3–4</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• some knowledge and understanding</li> <li>• limited application to the context</li> <li>• limited analysis</li> </ul>	<b>1–2</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of exchange rates (AO1)
- in the context of Microsoft (AO2)
- to analyse why exchange rate changes are a risk to Microsoft (AO3).

**Arguments:**

- A significant proportion of Microsoft’s turnovers and costs are in foreign currencies, so any adverse change presents a risk to profits (and therefore probably share price)

**For example:**

- dollar value of costs may rise if dollar becomes weaker against other currencies such as Euro
- dollar value of revenues may fall if dollar becomes stronger in export markets such as Europe
- dollar value of profits may fall - leading to dividends/retained profits being worth less once repatriated to US.

All relevant arguments will be credited.

**0 1** . **2** Analyse why being agile is important for Microsoft’s long-term success.

**[6 marks]**

**ANALYSE: 6 marks**

**AO1: 2, AO2: 2, AO3: 2**

<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> </ul>	<b>5–6</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> </ul>	<b>3–4</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• some knowledge and understanding</li> <li>• limited application to the context</li> <li>• limited analysis</li> </ul>	<b>1–2</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of an agile business (AO1)
- in the context of Microsoft (AO2)
- to analyse why being agile is important for Microsoft’s long-term success (AO3)

**Arguments:**

- An agile organisation can move fast, which enables it to respond to or take advantage of opportunities such as the reshaping of businesses by Artificial Intelligence.
- An agile organisation can adapt to change eg Microsoft has moved from being focused on PC to cloud adapting to major technological change in its industry. This has enabled it to grow, to be worth over \$2 trillion and, according to its Chief Executive, “lead this new era”.
- Given the fast-moving nature of its markets and the transformational nature of change, long-term success requires an organisation that is flexible and adaptable ie agile. That will help ensure the business continues to dominate markets and generate high sales.

All relevant arguments will be credited.

**0 1** . **3** Assess whether undertaking a SWOT analysis will help Microsoft ensure it chooses the right strategies.

Use **Table 2** to support your answer.

**[9 marks]**

**EVALUATE: 9 marks**

**AO1: 2, AO2: 2, AO3: 2, AO4:3**

Level	The student will typically demonstrate	Marks
<b>3</b>	<p><b>A good response overall that focuses on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> <li>• judgement which is supported by argument(s) based on quantitative and/or qualitative information</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> <li>• judgement which has some support from argument(s) based on quantitative and/or qualitative information</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• knowledge and understanding which may lack depth or contain some inaccuracy</li> <li>• limited application to the context</li> <li>• limited analysis</li> <li>• judgement which has limited support from argument(s) based on quantitative and/or qualitative information</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of SWOT analysis (AO1)
- in the context of Microsoft and Table 2 (AO2)
- to analyse the use of SWOT analysis (AO3)
- to support a judgement on whether undertaking a SWOT analysis will help Microsoft ensure it chooses the right strategies (AO4).

**Arguments for undertaking a SWOT analysis helping Microsoft ensure it chooses the right strategies:**

SWOT should help identify:

- what strengths can underpin a strategy eg Microsoft may want to build on its experience and huge investment in research and development. This may lead it to invest in new product development and new technologies, such as AI
- what weaknesses exist and have to be addressed; in Microsoft's case it may want to reduce time given to customers to pay and/or chase up receivables as these seem significant
- what opportunities to explore; for example, should Microsoft use its high profitability to undertake more acquisitions as it has done with Activision Blizzard.
- what threats to protect against; for example, Microsoft may need to invest in strategies to reduce the risk of hacking

**Arguments against undertaking a SWOT analysis helping Microsoft ensure it chooses the right strategies:**

- The SWOT analysis needs to be undertaken effectively ie are the right issues identified?
- The SWOT analysis needs to be relevant – in fast changing markets it may need reviewing regularly. Did Microsoft anticipate the rapid growth of AI?
- The analysis needs to be specific to particular products and markets rather than one overall SWOT analysis

**Judgement:**

Depends on:

- how the SWOT analysis is conducted
- by whom
- when
- how often.

All relevant arguments and judgements will be credited.



**0 1 . 4** Assess whether reporting on a wide range of Environmental, Social and Governance (ESG) data is a good decision for Microsoft's shareholders.

**[9 marks]**

**EVALUATE: 9 marks**

**AO1: 2, AO2: 2, AO3: 2, AO4:3**

Level	The student will typically demonstrate	Marks
3	<p><b>A good response overall that focuses on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> <li>• judgement which is supported by argument(s) based on quantitative and/or qualitative information</li> </ul>	7–9
2	<p><b>A reasonable response overall that focuses on some demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> <li>• judgement which has some support from argument(s) based on quantitative and/or qualitative information</li> </ul>	4–6
1	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• knowledge and understanding which may lack depth or contain some inaccuracy</li> <li>• limited application to the context</li> <li>• limited analysis</li> <li>• judgement which has limited support from argument(s) based on quantitative and/or qualitative information</li> </ul>	1–3

**The demands of the question are:**

- to demonstrate knowledge and understanding of Environmental, Social and Governance (ESG) reporting and shareholders (AO1)
- in the context of Microsoft (AO2)
- to analyse ESG reporting (AO3)
- to support a judgement on whether reporting on a wide range of Environmental, Social and Governance (ESG) data is a good decision for Microsoft's shareholders (AO4).

**Arguments for reporting on a wide range of Environmental, Social and Governance (ESG) data being a good decision for Microsoft's shareholders:**

- Microsoft is a high-profile business so will want to be seen to do the right thing
- Microsoft wants to be transparent to its stakeholders and so need extensive reporting

- Microsoft wants to keep share price high and ESG reporting may be important to investors (increasingly seems to be generally).
- It is part of its approach to Corporate Social Responsibility.

**Arguments against reporting on a wide range of Environmental, Social and Governance (ESG) data being a good decision for Microsoft's shareholders:**

- If data is unflattering it may work against Microsoft.
- There are time and cost implications of developing reporting systems.
- How do the findings compare to competitors' outcomes?

**Judgement:**

Depends on:

- what it reports on
- what reports show
- how important this is to investors, employees and other stakeholders.

All relevant arguments and judgements will be credited.

**0 1** . **5** Is it better for Microsoft to expand through:

- internal growth
- or
- external growth?

Assess both options and make a judgement.

**[15 marks]**

**EVALUATE: 15 marks**

**AO1: 3, AO2: 3, AO3: 4, AO4:5**

Level	The student will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context throughout</li> <li>• good analysis throughout</li> <li>• excellent evaluation of quantitative and/or qualitative information</li> <li>• a convincing judgement/recommendation which is built effectively on strong arguments and weighs up both options</li> </ul>	<b>13–15</b>
4	<p><b>A good response overall that focuses on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> <li>• good evaluation of quantitative and/or qualitative information</li> <li>• a clear judgement/recommendation which is supported by arguments and considers both options</li> </ul>	<b>10–12</b>
3	<p><b>A reasonable response overall that focuses on some demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• reasonable knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> <li>• reasonable evaluation of quantitative and/or qualitative information</li> <li>• a judgement/recommendation which is supported by some of the arguments made</li> </ul>	<b>7–9</b>
2	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• limited knowledge and understanding</li> </ul>	<b>4–6</b>

	<ul style="list-style-type: none"> <li>• limited application to the context</li> <li>• analysis with little development</li> <li>• limited evaluation of quantitative and/or qualitative information to support the arguments</li> <li>• a judgement/recommendation which has limited support</li> </ul>	
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• isolated or imprecise knowledge and understanding</li> <li>• descriptive application to the context</li> <li>• weak analysis</li> <li>• weak evaluation of quantitative and/or qualitative information</li> <li>• a judgement/recommendation based on assertions</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of internal and external growth (AO1)
- in the context of Microsoft (AO2)
- to analyse both options (AO3)
- to support a judgement on which is the better form of growth for Microsoft (AO4).

**Arguments for growing externally:**

- Growing externally allows Microsoft to access the experience and product portfolios of other businesses quickly (as with Activision Blizzard and Open AI); could take years and heavy investment to build up this presence itself in a market and may not succeed.
- Growth is one of its aims and external growth allows rapid expansion so helps it fulfil its aim quickly.

but

- External growth can be expensive eg \$75 billion for Activision.
- Current gearing is around 67% so need to consider how acquisition may be financed.
- Can lead to culture clashes.

**Arguments for growing internally:**

- May be slower but Microsoft may have more control and can finance it with high profit margins (40%) and high levels of profit (\$72bn).
- Has strong R&D to develop its own products.
- May avoid potential culture clashes or challenges of incorporating a new business (as happened with Activision Blizzard).

**Judgement:**

- What markets it wants to expand into eg does it have necessary expertise?
- Depends on how fast it wants to grow.
- The extent of cultural differences and Microsoft's ability to overcome them.
- Whether they are hostile or friendly acquisitions

All relevant arguments and judgements will be credited.

**0 2** . **1** Analyse why high inflation was a major problem for Wilko.

**[6 marks]**

**ANALYSE: 6 marks**

**AO1: 2, AO2: 2, AO3: 2**

<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> </ul>	<b>5–6</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> </ul>	<b>3–4</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• some knowledge and understanding</li> <li>• limited application to the context</li> <li>• limited analysis</li> </ul>	<b>1–2</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of inflation (AO1)
- in the context of Wilko (AO2)
- to analyse why high inflation was a major problem for Wilko (AO3).

**Arguments:**

- Demand for Wilko’s products is price elastic and more elastic than rivals, so it has less scope to raise selling prices than rivals
- Costs rose with inflation reducing profit margins – the gross profit margin fell from 40.96% to 40.40% between 2021 and 2022. Expenses rose by £18.45m.
- The relationship between wage growth (slow) and inflation (high) may have harmed Wilko more with low wage customers being hit hardest by the ‘cost of living’ crisis.

All relevant arguments will be credited.

**0 2** . **2** Analyse how contingency planning might have helped Wilko to survive.

**[6 marks]**

**ANALYSE: 6 marks**

**AO1: 2, AO2: 2, AO3: 2**

<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> </ul>	<b>5–6</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> </ul>	<b>3–4</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• some knowledge and understanding</li> <li>• limited application to the context</li> <li>• limited analysis</li> </ul>	<b>1–2</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of contingency planning (AO1)
- in the context of Wilko (AO2)
- to analyse how contingency planning might have helped Wilko to survive (AO3).

**Arguments:**

- Contingency planning could have helped Wilko cope with pandemic effects eg by identifying alternative suppliers to prevent empty shelves, by having plans in place for a more effective online offering.
- Contingency planning could have helped Wilko cope with issues just prior to collapse eg by arranging extra sources of finance to ensure suppliers could be paid on time.

All relevant arguments will be credited.

**0 2** . **3** Assess whether greater investment in e-commerce would have helped Wilko survive.

Use **Appendix C** and **Appendix D** to support your answer.

**[9 marks]**

**EVALUATE: 9 marks**

**AO1: 2, AO2: 2, AO3: 2, AO4:3**

Level	The student will typically demonstrate	Marks
<b>3</b>	<p><b>A good response overall that focuses on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> <li>• judgement which is supported by argument(s) based on quantitative and/or qualitative information</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> <li>• judgement which has some support from argument(s) based on quantitative and/or qualitative information</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• knowledge and understanding which may lack depth or contain some inaccuracy</li> <li>• limited application to the context</li> <li>• limited analysis</li> <li>• judgement which has limited support from argument(s) based on quantitative and/or qualitative information</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of e-commerce (AO1)
- in the context of Wilko and Appendices C and D (AO2)
- to analyse investment in e-commerce (AO3)
- to support a judgement on whether greater investment in e-commerce have helped Wilko survive (AO4).

**Arguments for greater investment in e-commerce helping Wilko survive:**

- It could have increased competitiveness with rivals, helping revenue figures.

- It would have helped reduce the impact of the pandemic when more trade shifted online and Wilko was not able to benefit from this.
- It could reduce the impact of high rent costs of high-street locations.
- In 2022 and 2023, the proportion of retail sales that were made online has grown from 18% in 2018 to a forecast of 27.4% in 2023 so could have benefited from this and be in better position for continued growth to 30.2% in 2028.

**Arguments against greater investment in e-commerce helping Wilko survive:**

- In 2023, the proportion of retail sales made online (27.4%) was actually lower than 2021 (30.7%) so relative importance had fallen.
- Some of Wilko's products categories seem to have a relatively low proportion of sales made online eg sweets and furniture (and Wilko's products are low price so may be even lower).
- Investment may not have led to improvements without effective management.
- Finding the money to invest could have been a problem – especially with weakening financial performance.
- The wide product range would have remained a problem and probably necessitated a larger investment than rivals.

**Judgement:**

- The poor digital strategy was just one of the problems that led to the collapse of Wilko. Investing more money may not even have solved its e-commerce problems. However, a better e-commerce offering would certainly have boosted revenue during the pandemic.
- May depend on whether e-commerce is in addition to existing stores or replaces some or all.

All relevant arguments and judgements will be credited.



- 0 2** . **4** Imagine you are the Chief Executive of one of Wilko’s competitors pursuing a growth strategy. Your finance director has identified 50 empty Wilko stores for sale in High Streets where you currently have no store.

Assess whether you should make the investment.

Use **Appendix B** to support your answer.

**[9 marks]**

**EVALUATE: 9 marks**

**AO1: 2, AO2: 2, AO3: 2, AO4:3**

Level	The student will typically demonstrate	Marks
3	<p><b>A good response overall that focuses on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> <li>• judgement which is supported by argument(s) based on quantitative and/or qualitative information</li> </ul>	7–9
2	<p><b>A reasonable response overall that focuses on some demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> <li>• judgement which has some support from argument(s) based on quantitative and/or qualitative information</li> </ul>	4–6
1	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• knowledge and understanding which may lack depth or contain some inaccuracy</li> <li>• limited application to the context</li> <li>• limited analysis</li> <li>• judgement which has limited support from argument(s) based on quantitative and/or qualitative information</li> </ul>	1–3

**The demands of the question are:**

- to demonstrate knowledge and understanding of investment (AO1)
- in the context of Wilko (AO2)
- to analyse an investment decision (AO3)
- to support a judgement whether Wilko should invest in the 50 empty stores (AO4).

**Arguments for making the investment:**

- This would be a quick way to grow substantially.
- Rivals had more attractive product ranges – meaning former Wilko customers might well welcome their arrival.
- The chance to negotiate a cheaper rent would mean lower fixed costs than Wilko faced and thus a lower break-even point.
- Doing this may generate positive publicity for supporting struggling local High Streets.
- ARR is above interest rates.
- Positive NPV at a fairly steep discount rate.
- The investment will not push gearing above 50%.

**Arguments against making the investment:**

- Payback period is longer than the required maximum.
- The high street locations were reported to be expensive and therefore we could be making the same mistake that Wilko's made.

**Judgement:**

- These stores could well be a bargain, depending on whether rents can be reduced and if these fifty stores were in Wilko's better locations. Although it will take time to pay back, the potential profitability of the investment looks solid if not spectacular. The data does not suggest that the initial investment will cause significant gearing issues. However, other investment opportunities may well exist and offer more clear-cut quantitative arguments.

All relevant arguments and judgements will be credited.

**0 2** . **5** Was the biggest cause of Wilko’s failure:

- growing supplier power
- or
- competitive rivalry?

Assess both options and make a judgement.

**[15 marks]**

**EVALUATE: 15 marks**

**AO1: 3, AO2: 3, AO3: 4, AO4:5**

Level	The student will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context throughout</li> <li>• good analysis throughout</li> <li>• excellent evaluation of quantitative and/or qualitative information</li> <li>• a convincing judgement/recommendation which is built effectively on strong arguments and weighs up both options</li> </ul>	<b>13–15</b>
4	<p><b>A good response overall that focuses on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• good knowledge and understanding</li> <li>• good application to the context</li> <li>• good analysis</li> <li>• good evaluation of quantitative and/or qualitative information</li> <li>• a clear judgement/recommendation which is supported by arguments and considers both options</li> </ul>	<b>10–12</b>
3	<p><b>A reasonable response overall that focuses on some demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• reasonable knowledge and understanding</li> <li>• reasonable application to the context</li> <li>• reasonable analysis</li> <li>• reasonable evaluation of quantitative and/or qualitative information</li> <li>• a judgement/recommendation which is supported by some of the arguments made</li> </ul>	<b>7–9</b>
2	<p><b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• limited knowledge and understanding</li> </ul>	<b>4–6</b>

	<ul style="list-style-type: none"> <li>• limited application to the context</li> <li>• analysis with little development</li> <li>• limited evaluation of quantitative and/or qualitative information to support the arguments</li> <li>• a judgement/recommendation which has limited support</li> </ul>	
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question.</b> Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> <li>• isolated or imprecise knowledge and understanding</li> <li>• descriptive application to the context</li> <li>• weak analysis</li> <li>• weak evaluation of quantitative and/or qualitative information</li> <li>• a judgement/recommendation based on assertions</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- to demonstrate knowledge and understanding of supplier power and competitor rivalry (AO1)
- in the context of Wilko (AO2)
- to analyse both options (AO3)
- to support a judgement on which was the biggest cause of Wilko’s failure (AO4).

**Arguments relating to supplier power:**

- The significance in supplier power is shown as demand across the market outstripped supply, shifting this factor against Wilko and rivals. This would have pushed up Wilko’s costs.
- Closer to collapse, the willingness of suppliers to withdraw credit would have added to existing liquidity problems.
- Ultimately the suppliers’ refusal to supply left Wilko with empty shelves.

**Arguments relating to competitive rivalry:**

- A longer standing issue. Decision-making from rivals may have been better than Wilko’s. Their ability to offer similar quality at a lower price or better quality to justify a higher price than eg B&M, fundamentally undermined Wilko’s position.
- Wilko’s strategy of neither lowest cost nor differentiation left them stuck in the middle in a competitive marketplace.

**Judgment:**

- Supplier power became a problem because of the increased competitive rivalry. Ultimately, the day-to-day problems caused by supplier power caused the immediate failure, but competitive rivalry is likely to have been the key causal factor that led to this.

All relevant arguments and judgements will be credited.