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AS

# Business Studies

7131/2 Business 2  
Final Mark scheme

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7131  
June 2017

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Version/Stage: v1.0

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

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)

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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, i.e. 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: e.g. 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 e.g. 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 e.g. 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.

**Description of annotations**

Annotation	Description
?	Confusing or unclear point
Ass	Assertion – unsupported judgement
Bal	Balance in arguments
BOD	Benefit of Doubt
Cross	Incorrect
CTX	Contextualised point
Dep	Depth of argument
Des	Descriptive development of point
DEV	Development of point
EVAL	Judgement with support
Gag	Good argument
Highlight (tool)	Tool to highlight part of a response
NAQ	Not answering the question
OFR	Own Figure Rule
[T] (tool)	On Page Comment (tool) – acts as text box for open comment
Rag	Reasonable Argument
Rng	Range of points made
SEEN	Acknowledgement that text / blank page has been viewed
Tick	Point made or correct calculation
U	Understanding

0	1.	1	Calculate the Gross Profit Margin for G-Free Ltd in 2016.	<b>[2 marks]</b>
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**Marks for this question: AO1 = 1, AO2 = 1**

- 2 marks** for correct answer 42.16% (42.156%); accept 42.2%; 42.15% and 42%
- 2 marks** for correct number (as above) e.g. no % sign
- 1 mark** correctly selects and uses figures but an arithmetical error
- 1 mark** if correctly defined but no other valid calculations

**Correct answer:**  $GPM\ 2016 = 100 \times \text{Gross Profit} / \text{Turnover}$   
 $= 100 \times \text{£}21.5\text{m} / \text{£}51\text{m}$   
 $= 42.16\%$

0	1.	2	The Operating Profit Margin for G-Free Ltd is forecast to increase much more than the Gross Profit Margin between 2017 and 2019. Explain why this may be the case.	<b>[4 marks]</b>
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**Marks for this question: AO1 = 1, AO2 = 3**

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 reasonable explanation using knowledge and understanding and with some application to the context.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

**The focus of the question is on:**

- Understanding the difference(s) between GPM and OPM and how this is shown through the changes that have happened in this case, rather than solely the differences in the figures.

**Indicative content may include:**

- OPM: 5.1% (2017) 15.7% (2019 est.)                      GPM: 44.2% for both years
- The projected rise in operating profit margin is a major change linked to expenses reducing from £21.3m to £18.7m linked to forecasted gains from the planned lean production system / greater capital intensity / reduction in staff numbers.
- Turnover is forecast to rise from £54.5m to £65.6m, at the same time Operating Profit rises from £2.8m to £10.3m

<b>0</b>	<b>2</b>	Explain how setting up as a private limited company in 2005 helped reduce Stephanie's risks.	<b>[4 marks]</b>
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**Marks for this question: AO1 = 2, AO2 = 2**

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

**The focus of the question is on:**

- how the choice of ownership of the business by Stephanie as a private limited company reduced her risk in 2005

**Indicative content may include:**

- The benefits of limited liability in protecting the owners – in particular Stephanie has invested a large part of her savings, these are at risk, but limited liability will protect the remainder of her savings and personal assets.
- Multiple owners were attracted to provide investment, but also specific expertise as they have experience in manufacturing and retail distribution. This experience may help reduce Stephanie's risk by increasing her chance of success.

<b>0</b>	<b>3</b>	G-Free Ltd intends reducing the number of suppliers they use by 50%. Analyse how reducing the number of suppliers could improve G-Free Ltd's future operational performance.	<b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

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

**The focus of the question is on:**

- explaining how reducing the number of suppliers could improve the company's operational performance (such as quality issues / reliability/unit costs)

**Indicative content may include:**

- Understanding of operational performance indicators and the link to suppliers will form the foundation for an effective answer. G-Free Ltd has had issues with reliability from suppliers in the past – as the business has grown. The nature of this niche market will rely on quality and reliability – the suppliers of raw materials must offer 100% certainty of being gluten free as customers pay a premium price for this certainty.
- Choosing fewer suppliers could enable better relationships and monitoring this could eliminate more errors such as not supplying gluten free products.



<b>0</b>	<b>4</b>	The original small factory was described as being run using a team management approach on the Blake Mouton grid. Analyse how this team management approach might have led to the judges' comments at the 'award ceremony' (lines 31-34). <b>[9 marks]</b>
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**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

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

**The focus of the question is on:**

- understanding of the Blake Mouton team management approach
- explaining the link between the team management approach and the comments from the judges.

**Indicative content may include:**

- Team management approach may have led to a shared vision and employees motivated to help the business succeed
- Relevant aspects of HR performance could be motivation; *low labour turnover*; *high level of worker engagement and a willingness to work flexibly* (each italicised point is one flagged by the judges).
- Though it is **not** necessary for a good answer, if used, the most relevant motivational theorists (Herzberg; Maslow) could help link the leadership / management through the motivation of staff to HR performance.

<b>0</b>	<b>5</b>	G-Free Ltd only supplies the niche market of gluten-free food. To what extent do you think this is a risky decision?	<b>[16 marks]</b>
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**Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6**

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

**The focus of the question is on:**

- a discussion as to the extent of risk involved in G-Free Ltd focusing solely on the gluten-free niche.

**Indicative content may include:**

- A niche market will inevitably limit the potential scale of the business overall, this has an impact on the degree of risk – can impact on the returns on investments and operational issues relating to scale that can increase risk.
- Being solely in the niche stops G-Free Ltd from being able to spread risk between multiple products in different markets.

However

- The gluten free market is growing significantly (see figure 1) and G-Free Ltd have been innovative within this market to develop many new and related product lines – these features help to reduce the risk within this niche.

The level of risk may depend on:

- Whether the managers continued to be effective and whether the niche continues to grow.
- The actions of competitors e.g. if others enter the niche

<b>0</b>	<b>6</b>	To what extent will the planned lean production system be good for G-Free Ltd's stakeholders?	<b>[16 marks]</b>
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Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

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

**The focus of the question is on:**

- how the planned introduction of lean production may impact on specific stakeholders
- a judgement on the extent to which this change to lean production is likely to be good for stakeholders.

**Indicative content may include:**

- Lean production at G Free Ltd involves becoming more capital intensive as labour costs have been rising and larger capital rich competitors are entering the market. This will change the number and type of employees being employed – a clear link to the impact on an important stakeholder group.
- Reducing the number of suppliers is a part of lean production and suppliers are a stakeholder.
- Lean production is a key change that is leading to optimistic estimates of future financial performance – this can impact on several stakeholder groups including shareholders.

**Evaluation may consider that:**

- the change to lean production may be good for some stakeholders not all – it is likely that some stakeholders may benefit whilst others may not may depend on how the changes are introduced.

<b>0</b>	<b>7</b>	G-Free Ltd's finance manager suggests funding the £28m investment and further growth by becoming a public limited company and selling shares. Is selling shares on the Stock Exchange the best way to raise large amounts of capital for <b>all</b> organisations? Justify your view.	<b>[20 marks]</b>
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**Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8**

Level	The candidate will typically demonstrate:	Marks
<b>5</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.</li> </ul>	<b>17–20</b>
<b>4</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.</li> </ul>	<b>13–16</b>
<b>3</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.</li> </ul>	<b>9–12</b>
<b>2</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question.</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>5–8</b>
<b>1</b>	<p><b>A weak response overall lacking focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding.</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question.</li> <li>• makes judgements or proposes solutions based on assertions.</li> </ul>	<b>1–4</b>

**The focus of the question is on:**

- the possible reasons why or why not selling shares may be the best option
- the context of G-Free Ltd is partially relevant to the question set but the question focuses on all businesses
- the best way to raise large amounts of capital (which means there should be a comparison with at least one other way)

**Indicative content may include:**

- Impact of bringing more investors into the business; whether existing owners want new owners  
Price that the shares could sell for; whether there is demand  
Alternatives e.g. impact of more debt, effect of selling assets

Evaluation may consider:

- Existing financial position of the business e.g. how many assets does it have? How much debt?
- Costs of share issue v e.g. interest payments
- Availability of other sources of finance v demand for shares
- Views of existing owners

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**Assessment Objectives**

	AO1	AO2	AO3	AO4	TOTAL
1a	1	1			2
1b	1	3			4
2	2	2			4
3	3	3	3		9
4	3	3	3		9
5	4	2	4	6	16
6	4	2	4	6	16
7	4	3	5	8	20
Paper Total	22	19	19	20	80