



AS
BUSINESS
7131/1

Paper 1 Business

Mark scheme

June 2020

Version: 1.0 Final Mark Scheme

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. 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, 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
1	C
2	B
3	C
4	A
5	C
6	A
7	D
8	A
9	B
10	C

(1 mark for each correct answer)

Section B

Total for this section: 20 marks

1	1	<p>A business with a reputation for manufacturing a high-quality product has introduced piece-rate pay for its factory workers.</p> <p>Explain one possible disadvantage to this business of using piece-rate pay.</p>	[4 marks]
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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:

- explain one disadvantage of piece-rate pay to a manufacturing business producing high quality products.

Indicative content:

If piece-rate pay is used it will lead to workers being focused more on the amount of production they can manage. This in turn is likely to lead to an increase in speed of manufacturer rather than a focus on quality, this could harm the reputation of the luxury product if more faults occur and in turn lead to loss of reputation or sales.

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

1 **2** The following data applies to a business:

Fixed costs	£1.5 million
Total costs	£6 million
Output	2 million units
Profit	£3 million

Calculate the selling price per unit.

[3 marks]

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

The demands of the question are:

- calculate the selling price per unit for the given example.

Indicative content:

Answer = £4.50 per unit (**3 marks**)

Broken down as follows:

Total revenue = £3 million + £6 million = £9 million (**1 mark**)

Selling price per item = £9 million/2 million units (**1 mark**) = £4.50 (**1 mark**)

Alternative methods can be credited.

1	3	<p>A family-owned private limited company is planning an expansion.</p> <p>Explain one disadvantage to the shareholders of this business of selling shares to finance this expansion.</p>	[4 marks]
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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 reasonable explanation using knowledge and understanding and with some application 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:

- explain one disadvantage of selling shares to raise finance to a family-owned private limited company.

Indicative content:

- selling shares as a method of raising finance is likely to mean that you have new owners being involved who could take some of the control of the business, in a family-run business this could lead to loss of tradition and arguments and disputes within the family
- selling shares as a method of raising finance could dilute the ownership of those already involved in the business and devalue their share.

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

1	4	<p>A business budgeted its labour costs to be £4 million for 2019. It recorded an adverse variance of £2 million on this budget.</p> <p>Explain one action the business managers might take in these circumstances.</p>	[4 marks]
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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 reasonable explanation using knowledge and understanding and with some application to the context.	3–2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain one action a business might take when labour costs rise adversely.

Indicative content:

- as the labour cost has created an adverse variance there is a need for the business to manage its staff wages through renegotiation of contracts or redundancy. The costs need to be reduced if sales revenues are not increasing to improve profits
- a firm may be able to increase its labour productivity as costs of labour are higher to try and increase the production levels, which in turn may increase sales revenue and profits
- managers would need to investigate the cause of this variance and then take action to resolve it. It may be due to labour costs rising because of larger production and poor budget setting for example.

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

1	5	<p>A business has a manager with a ‘country club’ style of management on the Blake Mouton grid. It replaces this manager with one who has a ‘produce or perish’ style.</p> <p>Analyse one impact this change could have on the motivation of the business’s employees.</p> <p style="text-align: right;">[5 marks]</p>
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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. 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. 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 limited 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 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:

- analyse one impact a change from a country club manager to task manager could have on motivation of employees.

Indicative content:

- the less people-driven manager may demotivate workers within the established business as they feel less valued and their experience and expertise is taken more for granted
- the more task-driven manager may motivate some workers to produce at higher rates as they focus on the task in hand which they are already established and experienced at.

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

Section C

Total for this section: 50 marks

16	.	1	Analyse the marketing actions that Horizons Ltd could take to increase its revenue. [9 marks]
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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.</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. 	7–9
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. 	4–6
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. 	1–3

The demands of the question are:

- analyse the marketing actions Horizons could take to increase revenues.

Indicative content:

- Yusuf needs to change the focus of the price as the low cost pricing does not fit with the price elasticity of -0.3 . An increase in price is unlikely to have a significant impact on the volumes and therefore Yusuf would benefit from increased revenues by doing this
- Yusuf needs to consider the current use of the promotional budget. At present the print advertising budget has very little impact on the sales that he can generate and it is clear that there is a stronger correlation to sales with the social media budget. By moving around £15 000-£20 000 of the budget across he could get the best results from both
- at present the print advertising budget has very little impact above £20 000 on the sales that he can generate and it is clear that there is a stronger correlation to sales with the social media budget until £30 000.

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

16	.	2	<p>Yusuf is considering the consultant’s plan for a new organisational design at Horizons Ltd. Do you think it would be a good idea for Yusuf to adopt this plan? Justify your answer.</p>	[16 marks]
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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. 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. 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. 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. 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:

- making a decision about whether the consultant's plan would be a good decision for the business.

Indicative content:

- there is evidence that Yusuf is working too hard and needs support. Line managers would assist him in reducing the number of decisions he has to make and reduce his working hours which could be very important. This would reduce the health concerns he has and allow the business to continue to grow
- Yusuf is very talented in his role and believes his decisions have made the business more successful. It may be that line managers may not be able to make similar decisions so it would be high risk. The decisions can be costly as profit margins are squeezed so Yusuf may be protective over handing these over
- the current workers are highly experienced but generally quite under utilised. It is likely that they have the necessary skills to at least make some of these decisions which Yusuf can allow to lighten his burden. It may not be useful to Yusuf to recruit externally given the cost this would have
- the morale and productivity rate is concerning and Yusuf appears to not be handing his staff any responsibility – he needs this rate to rise and giving more responsibility would ultimately help this so internal recruitment rather than external may be more useful
- the cost of recruiting external staff is high and Yusuf does not want to spend on this given his margins are already tight so internal recruitment may make more sense.

Evaluation:

Factors identified as above but also other factors that may play a part too like the need for very experienced staff to feel valued and the fact that Yusuf needs to consider his health and workload. He cannot continue to make all decisions if he wants to expand and if he promotes good, well qualified staff to line manage then the business will be able to continue to expand and he can have a work-life balance. The plan makes some sense but the external recruitment does not. The business could cease altogether if he pushes himself too much.

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

17	.	1	With reference to Table 3 , analyse the ways in which changing supplier could improve Glade Ltd's profits.	[9 marks]
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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.</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. 	7–9
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. 	4–6
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. 	1–3

The demands of the question are:

- analyse the ways in which Glade Ltd changing suppliers will increase profits.

Indicative content:

- Glade must consider the ethical and environmental impact of changing supplier as the current supplier is 70% recycled materials which would allow them to be a leading force in their industry. By switching to the new supplier this mission of being the leading producer of recycled product will be improved further and extend their market advantage. In the long term this could improve their sales figures and profits
- Glade must consider the capacity utilisation of these two suppliers. The new supplier would easily be able to manage with the expansion that Glade is planning on. However, the target of 3 years is a long way off so in time the existing supplier may be able to react over this time and is very close to being able to match their targets. It is important if they want to continue to increase sales that they have the chance to expand rapidly to improve sales revenues and increase profits
- the lead time for the new supplier would allow them to sell some of the warehouse space and work in a more efficient manner, closer to just-in-time, saving money and increasing the profit margin.

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

17	.	2	Mary is concerned about Glade Ltd's cashflow problems. Do you think an overdraft is the best way to deal with the company's long-term cashflow problems?	[16 marks]
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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:

- decide whether an overdraft is the best way of dealing with Glade's cashflow problems.

Indicative content:

- the amount of cash required by Glade is short-term but there are clearly issues with the longer-term working capital in the business and their payments to suppliers and from customers
- the overdraft facility is approved and so funds would be easily obtained and interest rates are expected to fall so with a profitable business it is likely she can pay this overdraft back
- the interest rates are falling so Glade might be attracted by a cheap option of an overdraft
- there appears to be alternative options in the form of managing payables and receivables more effectively especially if the suppliers would allow longer for payment. However, a rival firm collects cash quicker by putting pressure on customers although customers do have a large amount of power
- debt factoring may be another alternative as it will instantly access the funds that are owed and it appears that recouping the full revenue amount is not essential given the urgency of getting production going
- longer-term the cashflow must be resolved and an overdraft may end them back at square one if they do not solve the receivables and payables issue.

Evaluation:

On balance, Mary wants the business to continue production and expand in the long run so it is important that she solves the cashflow problems. However, with payment terms not currently optimal and many other options to solve the cashflow issues it would not seem prudent to take on short-term debt when simply delaying payments to suppliers might be easier and ease the issues in a clearly profitable business. This issue is one of long-term against short-term. The long-term issue of paying too quickly and allowing customers too long for credit must be resolved rather than just using a short-term overdraft to solve the problem.

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

Specification Coverage (excluding MCQs)

Assessment Objectives	Paper 1 Marks	Paper 1 %	Required %
AO1	21	30	34–40
AO2	20	29	26–30
AO3	17	24	18–22
AO4	12	17	12–18
Overall mark	70	100	100