AQA

A-level
BUSINESS
7132/2
PAPER 2 BUSINESS 2

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.

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

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? 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, 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.

Annotations Key

AO linked:

KU Knowledge and Understanding `KU`

AN Analysis without context `AN`

DEV Developed argument `DP`

BAL Balance of arguments `BAL`

RNG Range of arguments (will have to be in a comment box)

Eval Judgement/Evaluation `EVAL`

General

? Question mark - uncertain **?**

Tick Correct point ✔

Cross Incorrect ✗

BOD Benefit of Doubt `BD`

LF / NFF Losing Focus / Not Fully Focused `Q?`

NAQ Not answered question `NR`

OFR Own figure rule – `O`

REP Repetition - `R`

SEEN Indicates that the point has been noted, but no credit has been given

Highlighter High-lighter tool – use to emphasise particular sections

Free text box – use this for making comments at end of sections/answers. It is expected that examiners will make comments outlining/summarising marking decisions as appropriate.

0	1	.	1	Using the data in **Appendix C**, calculate the following ratios for Drake Hotels PLC in 2020.

[6 marks]

Marks for this question: AO1 = 2, AO2= 4

Current ratio
0.83:1 or 0.83 (**3 marks**)

3 marks for correct answer
1 mark for correct selection of current asset £15m
1 mark for correct selection of current liabilities £18m

Formula alone = **1 mark**

Gearing
62.22% (**3 marks**)

3 marks for correct answer

1 mark for correct selection of non-current liabilities £280m
1 mark for correct calculation of capital employed £450m

Formula alone = **1 mark**

OFR applies.

0	1	.	2	Use **Appendix B** to explain **one** reason why Drake Hotels PLC has used sensitivity analysis for the investment proposal.

[4 marks]

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

Level	The student will typically demonstrate:	Marks
3	**A reasonable response overall that focuses on many of the demands of the question.** • Explains one reason why Drake Hotels uses sensitivity analysis for this investment proposal.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** • Explains one reason why a business might use sensitivity analysis when making a decision.	3–2
1	**A limited response overall that focuses on a few demands of the question.** • Some understanding of the sensitivity analysis.	1

The demands of the question are:
• explain one reason sensitivity analysis
• is used by Drake Hotels for this investment proposal.

Indicative content:
• sensitivity analysis considers what would happen if there were changes in the initial assumptions behind a calculation
• in this case the business is considering the effect of a change in exchange rates or overseas income which would change the likely net inflows and therefore change the expected values of ARR and net present value.

| 0 | 1 | . | 3 | Analyse the challenges the Human Resource manager faces as a result of the patterns of room bookings in **Appendix E**.

[9 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • 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	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • 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 • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • 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 analyse challenges the Human Resources manager might face
• as a result of the patterns of room bookings in Appendix E.

Indicative content:
• the data in Appendix E shows that room bookings vary throughout the year; the business is seasonal as you might expect for a hotel
• this seasonality will affect the HR manager because staffing levels will need to vary. HR may want to employ people on temporary contracts (eg only over summer) so that the hotel is not committed to salaries when staff are not needed. The challenge will be to recruit people at certain times of the year
• the data also shows variation during a week. To match demand requirements the challenges for the HR manager will be to vary the labour requirement; in this case wanting part time staff on Friday and Saturdays
• challenges might include getting well trained staff for short periods of time; getting employee engagement if only there for part of the week or part of the year.

Allow other relevant arguments.

0	1	.	4	Using the data, recommend whether Drake Hotels PLC should go ahead with the proposed investment. Justify your answer.

[16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • 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	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which 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 throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • 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 • 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 not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • 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 focus on the question as a whole.	**1–4**

The demands of the question are:
- use the data to analyse arguments for and against the proposed investment
- to recommend whether Drake Hotels should go ahead with the proposed investment into the new hotel.

Indicative content:
- the hotel has a 12% ARR which is higher than the cost of borrowing (8%) and much higher than its current ROCE (profit is £18m; Capital employed £450 m; ROCE 4%)
- the project has a positive NPV showing that the present value of its discounted returns are higher than the initial costs
- there is a 30% probability of income overseas being even higher which, given that demand is income elastic (+2) and that 70% of customers are from overseas, would benefit the hotel
- Mary has experience of upmarket (luxury) hotels; she was brought in to increase profitability and this seems to achieve this objective.

However, need to consider:
- finance - gearing is already relatively high at 62.2% and if the business borrowed an additional £20m this would rise
- there is 20% of an unfavourable exchange rate change which would probably decrease overseas visitors and reduce the returns
- move from budget to premium; will this cause an issue with branding and perception?
- quality of data- is the new Chief Executive eager to show they have a good plan? Mary's background is marketing; need to ensure the financial data is right.

Overall, there seems a very strong case for the new hotel; there are finance issues but if forecasts are right the returns will cover interest payments. We may just want to check her/his projections before finally deciding.

Accept other relevant answers.
Own figure rule in relation to use of ratios.

| 0 | 2 | . | 1 | Nari operates on the highest level of Carroll's Corporate Social Responsibility pyramid. |

Explain how the information provided supports this view.

[3 marks]

Marks for this question: AO1 = 1, AO2 = 1, AO4 = 1

Carroll's social responsibility pyramid has four levels: economic, legal, ethical and philanthropic.
The highest level is the philanthropic level (**1 mark**).
Because this involves a desire to invest in society/communities (**1 mark**).
Which Nari wants to do by contributing to charities /its environment (**1 mark**).

| 0 | 2 | . | 2 | Nari is experiencing protectionism in its European markets. |

Explain how Nari's marketing managers might respond to this protectionism.

[5 marks]

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

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** eg explain how Nari's marketing managers might respond to the protectionism it faces (which limits the quantity of sales).	**4–5**
2	**A reasonable response overall that focuses on some of the demands of the question.** eg provides some explanation of how a business might respond to protectionism.	**2–3**
1	**A limited response that focuses on few demands of the questions.** eg shows understanding of protectionism.	**1**

The demands of the question are:
• to explain how Nari's marketing managers
• might respond to the protectionism it faces its European markets.

Note: the protectionism Nari faces limits the quantity of sales.

Indicative content/answers may include:
• marketing managers may seek to develop new markets for its products. It has a relatively high proportion of its sales in Asia so may try to build on existing brand awareness and promote more or develop existing distribution channels, eg with more promotional spending
• alternatively Nari 's marketing managers might target some regions where it has a low presence and invest in brand building and building a distribution network
• within the European markets it may focus on its higher profit margin products so it makes more profit from the limited number of sales.

Accept other relevant arguments.

0 2 . 3	Nari uses a 'Just in Time' approach to manufacturing.
	Analyse the ways in which this might affect Nari's profits.
	[9 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • 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	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • 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 • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • 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 analyse ways in which 'Just in Time'
• might affect Nari's profits.

Answers may include:
• 'Just in Time' production involves holding minimal levels of inventory
• this can be more efficient, eg less warehousing costs, less security costs and less danger of inventory becoming obsolete given the regular updates to the phones. This could help Nari in its drive to have low costs so it can undercut Apple. Low costs seem to be very significant to this business with profit margins of just 5%. Greater efficiency may help margins and overall profits
• 'Just in Time' means the company is not left with inventory which may not sell; it updates and develops new models regularly so won't want to hold large amounts of inventory that could go out of date. This can mean there is less wastage and higher profits
• it may mean Nari could have production issues if there are problems with supplies. Nari works with suppliers based in more than 50 countries to managing the logistics is complex and supplies will be vulnerable to delivery delays due to, eg transport problems. This could lead to production problems and less sales and profits
• there is a danger of not having inventory for retailers and having to discount the phones reducing already low profit margins
• less likely to benefit from purchasing economies of scale, increasing unit costs and reducing profits.

| 0 | 2 | . | 4 | The managers of a number of Nari's suppliers use Taylor's motivation theory when motivating their employees.

To what extent do you think Taylor's theory would be a good way for **all businesses** to motivate their employees?

[16 marks] |

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • 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	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which 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 throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • 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 • 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 not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • 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 focus on the question as a whole.	**1–4**

The demands of the question are:
- to judge whether using Taylor's theory is a good way of motivating employees
- for **all** businesses.

Indicative content:
Taylor was the founder of Scientific Management and the economic man approach. This approach assumed people were motivated by money.

Whether this approach would be appropriate would depend on:
- whether people are motivated by money, eg what stage of Maslow's hierarchy are they at?
- whether the business can clearly link payment to output; is a piece rate system feasible and desirable?

This approach will be more appropriate when employees have certain needs, eg basic physiological v higher level self-actualisation needs, but will not be a good way for all businesses. In some situations different types of reward such as effective job design will be better motivators.

Further guidance
- There is no need for a response to refer to any specific businesses. The evaluation can make a judgement on the conditions under which Taylor's approach may be a good way to motivate employees.
- This question asks whether Taylor's approach is a good way not whether it is the best way. A response can focus on Taylor's approach; it does not need to compare with alternative approaches. A response that focuses on other approaches to motivation without linking back to whether Taylor's approach is good, is not focused on this question. However, it would be valid to consider situations when Taylor's approach would not work and others might.

0	3	.	1	What is meant by venture capital?

[2 marks]

Marks for this question: AO1 = 2

Venture capital is a form of financing typically provided to small, start up or growing businesses that are potentially high risk but have high growth potential.

2 marks clear understanding.
1 mark some understanding.

0	3	.	2	Explain **one** reason why Zani PLC's shareholders wanted to change the power culture at the company.

[5 marks]

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

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** eg explain one reason why Zani's shareholders wanted to change the power culture.	**4–5**
2	**A reasonable response overall that focuses on some of the demands of the question.** **eg explains one problem of power culture.**	**2–3**
1	**A limited response that focuses on few demands of the questions.** **eg shows understanding of power culture.**	**1**

The demands of the question:
- to explain one reason why Zani's shareholders wanted to change the power culture.

Indicative content/Answers may include:
- a power culture occurs when there is a large focus on those at the centre of the organisation - they are seen as key decision makers
- the shareholders wanted to change because it limits growth because there is more pressure on those at the centre to make decisions; they can struggle to make decisions quickly as more decisions are required. This can delay decision making. In this case Ted may have wanted to keep control himself but that becomes increasingly difficult as the business grows and he would need to delegate to others.
- shareholders might want this to lead to greater returns in terms of dividends or share price/value.

Accept other relevant answers.

0	3	.	3	The price elasticity of demand for Zani PLC's products has a value of –0.4.

Analyse reasons why the price elasticity of demand for Zani PLC's products might have this value.

[9 marks]

Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • 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	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • 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 • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • 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 analyse reasons why the price elasticity of demand for Zani's products might have this value.

Indicative content:
• the price elasticity of demand measures how sensitive demand is to price changes –0.4 means that demand is price inelastic ie a % change in price leads to a smaller change in quantity demanded
• the negative answer shows that an increase in price reduces the quantity demanded.

Zani's products may have this value because:
• as price increases customers switch to alternative products (hence negative answer)
• they are targeting high income customers and therefore price changes may have not be as significant in terms of their overall income compare to low income individuals
• the brand is well known and premium; people may be less sensitive to price because they want to be associated with this brand.

Further guidance
This question does not focus on the implications of demand being price inelastic; it focuses on why it is price inelastic.

Accept other relevant arguments.

| 0 | 3 |.| 4 | Zani PLC has grown by selling franchises. |

To what extent is selling franchises a good way for **any business** to grow?

[16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • 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	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which 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 throughout.	9–12
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • 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 • 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 not fully focused on the question as a whole.	5–8
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • 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 focus on the question as a whole.	1–4

The demands of the question are:
- to judge the extent to which selling franchises is a good way
- for **any business** to grow.

Answers may include:

A franchise occurs when one business sells the rights to another to sell its products.

Whether this is a good way to grow depends on:
- how much the franchisee pays for the franchise and the proportion of earnings paid to the franchisor
- how fast the business wants to grow; franchising can be a way of growing fast as less funds are required by the franchisor
- the quality of the franchisee (which depends on the recruitment and selection process)
- how well managed and controlled the franchisees are, this will affect the risk of a franchisee damaging the overall brand if quality is poor or mistakes are made. If managers want to keep more control of their business they might want to grow organically not through external growth
- may work well for some businesses more than others, eg if there is a clear system in terms of what is produced or how it is produced; or is it easily repeated successfully in different areas?
- may depend on the strength of the brand.

Further guidance:
- the question asks whether this a good way for any business to grow. A response does not need to refer to specific businesses; it may make a judgement based on the conditions under which franchises are used
- the question asks whether this is a good way to grow not the "best". A response does not need to consider other ways of growing; if it does consider other ways the focus must be on why this does or does not make franchising a good form of growth. A response that focuses on other ways of growing is not focused on the question.