



A-level
BUSINESS
7132/1

Paper 1 Business 1

Mark scheme

June 2023

Version: 1.0 Final



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? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given, eg for an extended response ‘well-argued’ but does not focus fully on the issue of ‘long term’ feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: ‘unbalanced and not comparing with alternative solutions’ does not sound as if it is ‘good’.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking. Be positive in your marking. Look to reward what is there.

ANNOTATIONS FOR MARK SCHEMES

K U	Knowledge and Understanding
AN	Analytical but lacks context
ARG	Argument
DEV	Developed argument
J / EV	Judgement with support / Evaluation
NFF	Not Fully Focussed on the demands of the question
Bal	Balanced response eg both sides acknowledged
Rng	Range of arguments eg two arguments presented
BOD	Benefit of the Doubt
NAQ	Not answering the question
OFR	Own Figure Rule
SEEN	Seen
<input checked="" type="checkbox"/>	TICK
<input type="checkbox"/>	CROSS
<input type="checkbox"/>	Txt Box
?	Unclear
Highlighter	Highlighter
[REP]	Repetition

Section C and Section D – 25-mark essay questions

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

L1	L1
L2	L2
L3	L3
L4	L4
L5	L5

Section A**Objective Test Answers****Total for this section: 15 marks**

Question number	Answer
01	A New competitors are entering the market.
02	A Statement 1 is true. Statement 2 is true.
03	D product development
04	A Statement 1 is true. Statement 2 is true.
05	C Statement 1 is false. Statement 2 is true.
06	C Lower income taxes
07	D internal, incremental change.
08	D 6, 7 and 8
09	B Statement 1 is true. Statement 2 is false.
10	A Profit is a financial target for all businesses.
11	D Statement 1 is false. Statement 2 is false.
12	A Outcome A (Decreased/Decreased)
13	D Outcome D (Increased/Increased)
14	C Outsourcing more production to other manufacturers
15	D Horizontal integration and forward vertical integration

Section B

1 6

Question **16** is based on **Figure 3**, which shows the level of inventory for a product held in a supermarket until the end of day four.

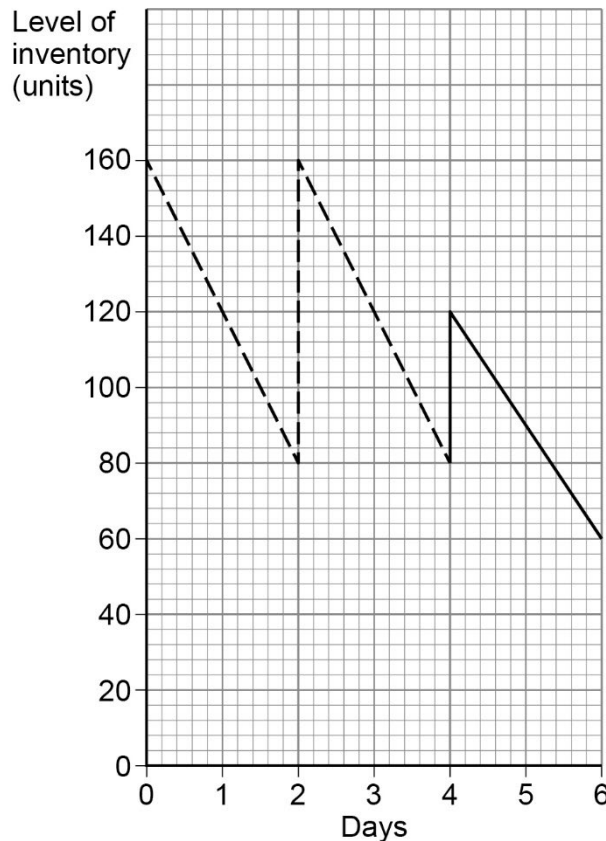
The reorder quantity arriving at the end of day 4 is half the level of the reorder quantity that arrived at the end of day 2.

After the end of day 4 to the end of day 6 demand will fall to 30 units per day.

Show these **two** changes on **Figure 3** by drawing in the lines that show inventory levels from the end of day 4 to the end of day 6.

[4 marks]

The diagram below shows the shape of the lines from the end of day 4 to the end of day 6.



Maximum: 4 marks

Marks awarded as follows:

Vertically above the 4 days on the x-axis:

- vertical line drawn upwards
- vertical line is drawn upwards and 40 units in length

Max 4 marks

(1 mark)

(1 mark)

Between days 4 and 6 on the graph:

- the line showing inventory levels slopes downwards
- the slope falls from 120 units to 60 units between day 4 and day 6

(1 mark)

(1 mark)

NB OFR applies for the latter mark if the inventory level at 4 days is not 120.

For any slope that falls by 60 units from day 4 to day 6 award **1 mark** (OFR)

1	7	Table 1 Extracts from financial records of Wot plc
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	£m
Non-current assets	38
Current assets	31
Current liabilities	(18)
Non-current liabilities	(24)

Wot plc receives £20 million from selling ordinary shares.

The company uses this money as follows:

- £15 million to purchase machinery
- £3 million to pay off its overdraft
- £2 million to increase inventory levels.

Calculate Wot plc's current ratio **after** these changes.

Show your working.

[4 marks]

Marks for this question: AO1 = 1 and AO2 = 3

Answer = 2.2: 1 OR 2.2 (4 marks)

Broken down as follows:

Current assets = 33 (1 mark)

Current liabilities = 15 (1 mark)

Current ratio = = 33 : 15 OR 33/15 (1 mark)

(Use OFR only **if either CA or CL** figure is correct)

Answer = 2.2 : 1 OR 2.2 (1 mark)

NB Do **not award the** final mark if the unit of measurement is incorrect (eg. 2.2% or £2.2m)

If no creditworthy calculation, award 1 mark for correct formula:

Current assets : Current liabilities (1 mark)

(OR $\frac{\text{Current assets}}{\text{Current liabilities}}$) (1 mark)

1	8	Analyse why a large business might choose to introduce a product into a niche market.	[9 marks]
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Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

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 depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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 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 this question are:

- to show understanding of niche market
- to analyse why a large business might choose to introduce a product into a niche market.

Indicative content:

Possible responses include:

- recognising that a product might only be of interest to a particular group of consumers. However, they may be willing to pay a price that yields a profit for the large business
- arguing that niche market consumers are often prepared to pay higher prices than consumers in mass markets. This might enable a large business to achieve high added value
- analysing how competition in a niche market may be limited or comprised of small firms that cannot match the price or marketing capabilities of a larger business
- arguing that this niche may be a growing market that will expand into a much larger market over time
- analysing that the niche market may consist of customers who are already loyal to the large business's brand and so the marketing expenditure needed might be low.

1	9	<p>A company sells a single product: Product A.</p> <p style="text-align: center;">Table 2 Income and price elasticity of demand for Product A</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Income elasticity of demand</td> <td style="padding: 5px; text-align: center;">+0.5</td> </tr> <tr> <td style="padding: 5px;">Price elasticity of demand</td> <td style="padding: 5px; text-align: center;">–2.0</td> </tr> </table> <p>During the next year:</p> <ul style="list-style-type: none"> • consumer incomes fall • the price of Product A increases. <p>Based solely on the information provided above, analyse how the sales revenue for Product A will change over the next year.</p> <p style="text-align: right;">[9 marks]</p>	Income elasticity of demand	+0.5	Price elasticity of demand	–2.0
Income elasticity of demand	+0.5					
Price elasticity of demand	–2.0					

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

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 depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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 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 this question are:

- showing an understanding of price elasticity of demand and income elasticity of demand
- analysing how the data in the table and other information provided might improve or worsen the sales revenue from Product A.

Indicative content:

- recognising that the income elasticity of demand for Product A is low/inelastic but positive – a ‘normal’ good
- analysing that a fall in consumer incomes will lead to a smaller % fall in the quantity demanded
- analysing that such a change will lead to a fall in sales revenue as the quantity demanded will fall
- recognising that the price elasticity of demand for Product A is elastic
- analysing that an increase in price will lead to a larger % fall in the quantity demanded
- analysing that such a change will lead to a fall in sales revenue as any extra revenue from the higher price will be more than lost by the larger % fall in quantity demanded
- analysing that both factors in the table will lead to a reduction in sales revenue.

2	0	<p>A business has recently experienced a decline in its level of sales. This led to some redundancies.</p> <p>Analyse how an understanding of Maslow’s hierarchy of needs might help this business to motivate its remaining employees.</p>	[9 marks]
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Marks for this question: AO1 = 2, AO2 = 3 and AO3 = 4

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 depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context. 	7–9
2	<p>A reasonable response overall that focuses on some of the demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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 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:

- understanding elements of Maslow’s hierarchy of needs
- analysing how a business/manager might use the hierarchy in order to motivate employees in this context.

Indicative content:

- understanding that redundancies may have impacted negatively on security and social needs, and perhaps restricted opportunities for satisfying esteem needs
- recognising that only unsatisfied needs will help to motivate employees
- understanding that lower level needs must be satisfied in order to enable higher level needs to act as motivators
- analysing how an understanding of an individual employee’s situation will allow a manager to motivate an employee. For example:
 - offering financial rewards to motivate an employee who is at the lowest level of the hierarchy of needs

- providing job security or improved pension rights to employees in the 2 level of the hierarchy, using praise or promotion for employees in the 4 level (esteem needs), and so on.

Section C

2	1	<p>Many businesses use contingency planning to prepare for major threats. Some of these contingency plans work well, but others fail to protect the business.</p> <p>To what extent is the success of a contingency plan for a major threat more dependent on internal factors than external factors?</p> <p style="text-align: right;">[25 marks]</p>
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25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key 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. 	21–25
4	<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 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. 	16–20
3	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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. 	11–15
2	<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 	6–10

	<ul style="list-style-type: none"> • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	
1	<p>A weak response overall lacking 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 isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5

The demands of the question are:

- showing an understanding of contingency planning
- recognising the nature of potential threat(s)
- understanding and analysing how internal factors can influence the success of a business's contingency planning
- understanding and analysing how external factors can influence the success of a business's contingency planning
- comparing the impact of different factors on the success of contingency planning in order to conclude whether internal factors are more significant than external factors.

Indicative content may include:

Analysing the impact of internal factors, such as:

- the leadership style adopted
- the speed of response of the business
- the resources available to the business, such as its physical assets and human resources, and their suitability to deal with the situation.

Analysing the impact of external factors, such as:

- whether the threat is more or less serious than anticipated
- whether other external factors, such as the state of the economy or political changes, are affecting the contingency plan outcomes
- the reactions of other businesses, such as suppliers and competitors, and the consequent impact on the business.

Evaluation

- assessing instances in which internal actions can limit the problems arising from the event
- assessing the circumstances in which external factors can be most crucial
- making a judgement on whether internal factors are more important than external factors in terms of influencing the success of contingency planning.

2	2	Is it inevitable that large, growing businesses will eventually experience rising unit costs? Justify your view.	[25 marks]
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25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key 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. 	21–25
4	<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 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. 	16–20
3	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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. 	11–15
2	<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 focus on the question as a whole. 	6–10

1	<p>A weak response overall lacking 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 isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5
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The demands of the question are:

- understanding the concept of unit costs
- analysing how the growth of a large business is likely to impact on its unit costs
- evaluating the extent to which unit costs are likely to rise or fall as a business grows
- assessing the extent to which rising unit costs are inevitable.

Indicative content may include:

Analysis of how unit costs are likely to be affected by growth. For example:

- internal economies of scale suggest that as businesses grow their unit costs will fall due to internal economies of scale, such as technical, purchasing and managerial economies of scale
- the ability of large businesses to gain greater access to finance and their greater buyer power should help to reduce unit costs
- BUT, as businesses continue to grow, diseconomies of scale may occur, such as coordination and communication difficulties which lead to higher unit costs
- economies of scope or economies of diversification can reduce unit costs by enabling large businesses to reduce unit costs, in comparison to smaller competitors, by having the scope to use certain assets to produce a range of different products and thus reduce costs
- the experience curve takes the view that a higher cumulative output over time gives greater knowledge to a business, helping the business to reduce unit costs
- large businesses can merge or integrate and improve efficiency by combining a range of skills that the individual businesses could not match
- BUT overtrading can increase unit costs if businesses overestimate their growth rate and, for example, over-produce and/or build up excessive levels of inventory
- Greiner's model of growth suggests that businesses can improve their efficiency as they progress through each stage of growth, BUT it indicates that each stage experiences a crisis that is likely to have a detrimental effect on efficiency, before moving on to the next stage.

Evaluation

The arguments above indicate that growth can lead to lower unit costs, through factors such as economies of scale and synergy, and also higher unit costs arising from factors such as diseconomies of scale and the crises shown in Greiner's model of growth.

For small businesses, growth seems very likely to cause lower unit costs, because the business may not have reached the crises in Greiner's model and/or be too small to experience diseconomies of scale. However, growing businesses are likely to experience the problems leading to higher unit costs, if they continue to grow and become much harder to organise. Many large businesses diversify or split into different units or businesses to avoid this situation and prevent any 'inevitable' rise in unit costs.

Section D

2	3	<p>'Emerging economies are beneficial to UK businesses, but only as potential markets to help UK businesses to achieve growth.'</p> <p>Do you agree? Justify your view.</p>	[25 marks]
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25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key 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. 	21–25
4	<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 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. 	16–20
3	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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. 	11–15
2	<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 	6–10

	<ul style="list-style-type: none"> • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole. 	
1	<p>A weak response overall lacking 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 isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5

The demands of the question are:

- showing an understanding of ‘emerging economies’
- analysing how emerging economies might help UK businesses to grow by providing potential markets for goods
- analysing how emerging economies might affect the growth of UK businesses in other ways, such as in their role as competitors or suppliers of raw materials or sources of labour
- assessing the extent to which emerging economies are vital to UK businesses and the extent to which this is through their role as potential markets for products.

Indicative content may include:

- understanding that emerging economies are likely to grow at a faster rate than more developed economies
- analysing how the growth of these economies will lead to the opening of new markets for UK businesses and thus an increase in demand for products globally
- analysing how the increasing affluence of these markets is likely to lead to greater demand for goods with high income elasticity of demand/products, particularly those made by developed economies such as the UK
- analysing how these developing markets may have lower unit costs as wages, rent etc may be lower and therefore could provide UK businesses with cheaper sources of materials and services
- analysing how the growth in skills of the populations of emerging economies may provide a new source of labour for UK businesses, especially if they are prepared to establish factories in the developing countries
- analysing how emerging economies can encourage joint ventures between UK businesses and those in emerging economies, allowing each business to benefit from the relative strengths of the other business
- assessing the extent to which different businesses may benefit in different ways; such as an increase in sales revenue for some businesses but lower production costs for others.

Evaluation

Overall, the benefits are likely to fit into two distinct areas:

- advantages gained from greater access to the new markets provided by growing economies, leading to more sales revenue
- benefits gained from improvements in efficiency acquired from access to the resources in the emerging economies.

The overall evaluation will depend on the weighting of the arguments presented in analysing this question. However, logic would suggest that emerging economies are beneficial in different ways and not solely as potential markets.

2	4	A business decides to make increasing profits its main objective. Is it inevitable that this business will need to improve its quality to achieve this objective? Justify your view.	[25 marks]
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25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	<p>An excellent response overall that is fully focused on the key 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. 	21–25
4	<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 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. 	16–20
3	<p>A reasonable response overall that focuses on some demands of the question.</p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • 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. 	11–15
2	<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 focus on the question as a whole. 	6–10

1	<p>A weak response overall lacking 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 isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions. 	1–5
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The demands of the question are:

- understanding the meaning of profitability and quality
- analysing how improvements in quality of the product or process of providing a product may enhance profitability
- analysing situations when profitability improvements may not depend on improved quality
- evaluating whether improving quality is necessary in order to increase profit.

Indicative content may include:

Analysing key ways for improving profitability and the role of quality in this approach:

- increasing price in order to widen the gap between price and unit costs and thus improve profitability. This can be achieved by enhancing the image of products and improving brand loyalty. Customers are likely to be willing to pay higher prices if they consider the product quality to have been improved, through an improved product or marketing that enhances the value of the brand
- cutting costs can enable a business to increase added value and thus profitability, if the price remains the same. This may arise from improving the quality of the manufacturing process, but may rely on other causes such as cheaper raw materials or lower wages
- increasing sales volume in order to increase total profit, although this may not affect profitability as such. This may arise because the product quality has been improved but can be caused by other factors, such as improved marketing.

Analysing strategic positioning as a way to improve profitability:

- A business choosing a low-cost strategy is unlikely to focus on quality of product, but may depend on higher quality processes to lower costs.
- A differentiation strategy usually requires an improved perception or uniqueness of a product; this is likely to depend on higher quality products being provided, although this quality may be the result of marketing rather than changes to the product itself.

Evaluation

Overall, the two strategic ways of improving quality shown in the bullet points above both lead to higher profit. However, there are other ways of improving profit, such as cheaper costs, enhanced image building and creating barriers to entry to a market. The nature of the market and external factors, such as economic and social changes, can also affect profitability, even where there is no change in quality. Consequently, quality can be an important influence on profitability but it is not inevitable that improved quality is needed to improve profitability.