

OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL AS **BUSINESS** **BU02**

Unit 2: Managing Operations, Human Resources and Finance

Mark scheme

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

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study business in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about business. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
AO2	Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
AO3	Analyse issues within business, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

The marking grids

The specification has generic marking grids for each Assessment Objective that is customised with indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

Within each Assessment Objective there are three or four broad levels representing different levels of achievement. Do not think of levels as equivalent to grade boundaries.

The indicative content gives examples of the kind of things students might do that would exemplify the level. They are neither exhaustive nor required – they are simply indicative of what would appear at this level. You will find that they sometimes indicate areas of content that can be handled with increasing sophistication and subtlety. You will also find statements which only characterise work at the bottom or top of the range.

Depending on the part of the examination, the levels will have different mark ranges assigned to them. This will reflect the different weighting of Assessment Objectives in particular tasks and across the examination as a whole. You may be required to give different marks to bands for different Assessment Objectives.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level for an individual Assessment Objective. The number of marks per level will vary depending upon the number of marks allocated to the various Assessment Objectives covered by a particular question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it (as instructed below) to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

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 descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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 in 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; eg if the response fulfils most but not all of 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.

It is often best to start in the middle of the level's mark range and then check and adjust. If there is a lot of indicative content fully identifiable in the work you need to give the highest mark in the level. If only some is identifiable or it is only partially fulfilled, then give the lower mark.

The exemplar materials used during standardisation will also help. There will be an answer in the standardising materials that 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 of 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.

In addition to the generic descriptors (presented in bold text), paper-specific indicative descriptors (presented in plain text) are provided as a guide for examiners. These are not intended to be exhaustive and you must credit other valid points.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 12, 13 and 14 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 17 marks

Question	Part	Marking guidance	Total marks
1		<p>Statement 1: According to Maslow, employees' safety needs should be met before their physiological needs.</p> <p>Statement 2: According to Taylor, employees should be closely supervised.</p> <p>Choose one option below.</p> <p>Answer: B – Statement 1 is false and statement 2 is true.</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks									
2		<p>Table 1 shows a budget for a business:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Forecast \$</th> <th>Actual \$</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>62 250</td> <td>59 725</td> </tr> <tr> <td>Costs</td> <td>50 000</td> <td>48 725</td> </tr> </tbody> </table> <p>Which of the following statements is true for the business?</p> <p>Answer: B – It had an adverse sales variance of \$2525.</p>		Forecast \$	Actual \$	Sales	62 250	59 725	Costs	50 000	48 725	<p>1</p> <p>AO1 = 1</p>
	Forecast \$	Actual \$										
Sales	62 250	59 725										
Costs	50 000	48 725										

Question	Part	Marking guidance	Total marks
3		<p>The receivables of a business are:</p> <p>Answer: A – Amounts owed to the business.</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
4		<p>Explain one reason why a business operating in a highly competitive industry might want to improve its speed of response to its customers.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Improving the amount of time it takes to respond to customers can improve customer satisfaction, improving customer loyalty and competitiveness. • Responding to a customer quicker than a competitor could gain a competitive advantage, gaining new customers and increasing sales, allowing the business to compete in a highly competitive market. <p>Credit valid alternative content.</p> <p>Good response – 3 marks Explains how an improvement in the speed of response could help a business in a highly competitive market.</p> <p>Reasonable response – 2 marks Explains one reason why a business might want to improve its speed of response but does not explain why it might help a business in a competitive industry.</p> <p>Limited response – 1 mark Identifies relevant points with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
5		<p>A business is experiencing a fall in profit.</p> <p>Explain one benefit to this business of introducing performance-related pay.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Performance-related pay can motivate workers to be more productive which could lead to a decrease in overall costs. • Performance-related pay used with target setting can incentivise workers to achieve sales targets and could increase sales. <p>Credit valid alternative content.</p> <p>Good response – 3 marks Explains one benefit of performance-related pay and links it to helping a business which is losing sales.</p> <p>Reasonable response – 2 marks Explains one benefit of performance-related pay but does not link it to a business which is losing sales.</p> <p>Limited response – 1 mark Identifies relevant points with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks						
6		<p>Table 2 shows some financial information for a business.</p> <table border="1" data-bbox="580 412 1070 551"> <tbody> <tr> <td>Revenue</td> <td>\$120 000</td> </tr> <tr> <td>Cost of sales</td> <td>\$36 000</td> </tr> <tr> <td>Expenses</td> <td>\$40 000</td> </tr> </tbody> </table> <p>Calculate the gross profit margin.</p> <p>Calculates gross profit $\\$120\,000 - \\$36\,000 = \\$84\,000$ (1 mark) Calculates the gross profit margin $84\,000/120\,000 \times 100 = 70\%$ (1 mark) If correct answer of 70% is given without showing workings 2 marks are to be awarded.</p>	Revenue	\$120 000	Cost of sales	\$36 000	Expenses	\$40 000	<p>2</p> <p>AO1 = 1 AO2 = 1</p>
Revenue	\$120 000								
Cost of sales	\$36 000								
Expenses	\$40 000								

Question	Part	Marking guidance	Total marks
7		<p>A manager in a fast-growing business uses delegation.</p> <p>Explain one benefit of this for the business.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Delegation can give the manager time to focus on higher level tasks which require his/her expertise. • Delegation can help others to learn and develop new skills which will be important in the growth of the business. • Delegation can help develop trust and communication between employees and their manager. • Delegation can help improve productivity, efficiency and time management allowing the business to grow efficiently. <p>Credit valid alternative content.</p> <p>Good response – 3 marks Explains one benefit of delegation and links it to helping a fast-growing business.</p> <p>Reasonable response – 2 marks Explains one benefit of delegation but does not link it to a fast-growing business.</p> <p>Limited response – 1 mark Identifies relevant points with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
8		<p>A business has decided to act in a more ethical manner.</p> <p>Explain one reason why this might have a negative impact on its profit.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Acting in a more ethical manner could result in higher costs – for example paying suppliers fair trade prices. • Could result in higher overheads for the business as a result of training and communicating ethical decisions. • Acting ethically can be difficult to keep up, particularly in periods of financial difficulty. This could lead to false promises and disappointing stakeholders in the future which could impact on sales revenue through a damaged reputation. <p>Credit valid alternative content.</p> <p>Good response – 3 marks Explains one reason why acting more ethically might impact negatively on the profit in a business.</p> <p>Reasonable response – 2 marks Explains a negative impact of acting more ethically but does not link this to profit.</p> <p>Limited response – 1 mark Identifies relevant points with little or no explanation.</p>	<p>3</p> <p>AO1 = 2 AO2 = 1</p>

Section B

Total for this section: 27 marks

Question	Part	Marking guidance	Total marks
9		Analyse how a start-up business might benefit from using break-even analysis.	9 AO1 = 3 AO2 = 3 AO3 = 3

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> includes well-focused analysis with logical chains of reasoning includes well-focused application to the given context shows sound knowledge and understanding of business terminology and concepts with few, if any, errors is well-structured.
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places includes reasonable application to the given context focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> include some limited analysis but lacks focus and development include some limited application to the given context include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse one or more benefits
- of using break-even analysis
- in the given context.

Indicative content includes:

Possible benefits

- A break-even analysis can help the start-up business to analyse how many products it would need to sell to make a profit.
- A break-even analysis can help the start-up business decide whether the volume of sales needed is realistic and achievable to help make decisions in the business.
- A break-even analysis can help the start-up business to set targets based on the findings of the break-even chart, for example sales targets to achieve a certain profit level.
- Break-even analysis can be used to analyse the impact on profit/loss when setting different prices so can allow the business to make pricing decisions.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		Analyse one benefit and one drawback for a small business of using an overdraft compared to a loan.	9 AO1 = 3 AO2 = 3 AO3 = 3

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	A good response that focuses on many of the demands of the question <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	A reasonable response which focuses on some of the demands of the question <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	A limited response that has little focus on the demands of the question A limited response with some understanding that may: <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse one benefit and one drawback
- of using an overdraft compared to a loan
- in the given context of a small business.

Indicative content includes:

Possible benefits

- An overdraft is flexible – the business will only pay for the amount it uses so it can be cheaper than other sources of finance such as a loan. This is important for a small business as they will likely be trying to keep costs low to make profit.
- An overdraft is quicker to arrange than a loan, therefore it can be useful when needed quickly to help a small business in an emergency.
- An overdraft can usually be paid off at any time without a penalty, again, making it more flexible and a cheaper source of finance than a loan which might help a small business when they need financial support quickly.

Possible drawbacks

- The rate of interest is usually higher than loans so if the small business is using its overdraft over a period of time it may become expensive, increasing costs for the business.
- Can normally only be used for small amounts so if the small business needs a larger amount it may not be suitable.
- The bank could refuse the overdraft or withdraw it with little notice which could make the small business struggle financially.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		Analyse how a fast-food restaurant could use non-financial methods of motivation to improve staff retention.	9 AO1 = 3 AO2 = 3 AO3 = 3

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question.

Level	Marks	Descriptor
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <ul style="list-style-type: none"> • includes well-focused analysis with logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and concepts with few, if any, errors • is well-structured.
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <ul style="list-style-type: none"> • includes reasonable analysis but the analysis might not be fully developed or may lack some accuracy in places • includes reasonable application to the given context • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding that may:</p> <ul style="list-style-type: none"> • include some limited analysis but lacks focus and development • include some limited application to the given context • include some limited knowledge and understanding of business terminology and concepts but some errors are likely.
	0	No credit worthy material.

The demands of the question are:

- to analyse how non-financial methods of motivation
- could improve staff retention
- in the given context.

Indicative content includes:

- the restaurant could use job design to make the job more interesting or challenging, for example they could train the workers to perform jobs in different areas for example in the use of the tills, waiting on tables and working on the drive thru to give the job more variation. This would hopefully improve job satisfaction and improve staff retention
- managers could empower workers to take on more responsibility or decision-making to make them feel valued and motivated resulting in an improvement in staff retention
- managers could use consultation to involve workers, for example gaining ideas on improving quality, making them feel valued and motivated to stay with the business.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A retailer has expanded rapidly by opening outlets internationally. The human resource director thinks that human resource planning is the most important factor in the success of the expansion. Do you think the director is right?</p> <p>Assess the arguments for and against the director’s opinion and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>

3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>
2	4 – 6	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present • there is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
1	1 – 3	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	0	<p>No credit worthy material.</p>

The demands of the question are:

- to evaluate whether human resource planning
- is the most important factor
- to a retailer growing internationally.

Indicative content

Arguments for:

- the retailer is growing by opening in stores in other countries – in order to operate effectively the retailer will need to recruit and train staff in those countries. They will need to ensure staffing is in place and meets local needs. Without this the retailer would not be able to operate effectively which could damage their reputation, limiting chances of success
- as the retailer is growing quickly human resource planning is important to ensure that the human resource grow efficiently to meet the increased growth and new demand
- the retailer will need to take into consideration the language and culture of other countries they operate in by recruiting local employees – this will be a key element of human resource planning and is therefore very important.

Arguments against:

- the operations plan is also important, as to expand into the countries the retailer will need to make sure that they plan their physical resources, such as buildings and warehouses, to meet their new customer needs
- planning the finance is important, as investing in new stores overseas will be expensive. The business will need to ensure that it has the finance available to support this growth
- due to an increase in internet sales there may not be a need for staff in physical stores and therefore customer service/retail staff might not be as important, although they would still be needed to provide customer service online.

Overall – as the business is a retailer and therefore customer facing the human resource is very important to ensure the business is a success. However, without finance and buildings the human resource would not be able to perform their jobs. All departments need to work together equally to ensure the business is successful.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
13		<p>A well-known clothing brand experiences a sudden increase in demand. It has decided to respond by expanding its factory capacity rather than outsourcing.</p> <p>Assess the arguments for and against this decision and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>

<p>2</p>	<p>4 – 6</p>	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present • there is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
<p>1</p>	<p>1 – 3</p>	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	<p>0</p>	<p>No credit worthy material.</p>

The demands of the question are:

- to analyse the arguments for and against expanding capacity rather than outsourcing
- in the given context
- and make a judgement.

Indicative content

Arguments for:

- increasing capacity internally through increasing its own capacity will allow the business to keep control over the production and quality. This is important for a well-known brand as it will need to ensure it does not damage its reputation
- increasing its own capacity will mean that the business can benefit from this expansion in the future and benefit from a return on investment
- increasing its own capacity should increase the value of the assets the business has, making it more attractive to potential investors in the future
- increasing its own capacity should create more jobs for the business which creates opportunities for the existing workforce, in turn motivating workers and increasing productivity.

Arguments against:

- extending its own factory will likely take longer than outsourcing to another manufacturer. The business needs to respond to a sudden increase in demand so it might be quicker to outsource to satisfy customers
- if the increase in demand is not sustained, investment in new equipment to increase production might be wasted adding to an increase in costs for the business
- extending its own factory will require an investment in buildings and equipment which the business may not have.

Overall – it depends if the sudden increase in demand is likely to be sustained, how quickly the demand needs to be met and how reliable the outsourcing contractor is.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Question	Part	Marking guidance	Total marks
14		<p>A manufacturer needs to improve its cash flow. It has decided to sell its offices and warehouses and lease them back.</p> <p>Assess the arguments for and against this decision and make a judgement.</p>	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 3 AO4 = 5</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives for this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
4	10 – 12	<p>An excellent response that focuses fully on the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and well-supported evaluation:</p> <ul style="list-style-type: none"> • includes supported evaluation in a final conclusion and within response • includes well-focused analysis with clear, logical chains of reasoning • includes well-focused application to the given context • shows sound knowledge and understanding of business terminology and with few, if any, errors • is well-structured and well-focused on the question. <p>A complete and coherent overall argument with a clear conclusion. The conclusion is arrived at through a balancing of arguments, with appropriate weight given to each argument and to the argument overall. Where there are crucial arguments, these are distinguished from less crucial ones.</p>
3	7 – 9	<p>A good response that focuses on many of the demands of the question</p> <p>Likely to demonstrate sound, focused analysis and some supported evaluation:</p> <ul style="list-style-type: none"> • includes some reasonable, supported evaluation • includes analysis with some logical chains of reasoning • includes some good application to the given context • shows sound knowledge and understanding of business terminology and concepts with relatively few errors • is relatively well-structured and generally focused on the question. <p>A relatively complete and coherent argument leading to an attempt to conclude. The content is detailed and correct and most of it is integrated. There is recognition of arguments and counter-arguments, but balance is not always present and the weight to be given to each argument is not always fully clear.</p>

<p>2</p>	<p>4 – 6</p>	<p>A reasonable response which focuses on some of the demands of the question</p> <p>Some reasonable analysis but generally unsupported evaluation:</p> <ul style="list-style-type: none"> • there is likely to be some attempt to make relevant evaluation but this has little support from arguments or does not address the question as a whole • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes reasonable application to the given context • shows satisfactory knowledge and understanding of business terminology and concepts but some weaknesses may be present • there is an attempt to answer the question. There is likely to be a conclusion but it has little support and response may lack balance. The content is largely correct, though there may be some gaps and lack of detail.
<p>1</p>	<p>1 – 3</p>	<p>A limited response that has little focus on the demands of the question</p> <p>A limited response with some understanding:</p> <ul style="list-style-type: none"> • includes no evaluation or attempts evaluation but this is unsupported • includes some limited analysis but it may lack focus and/or become confused • includes some limited application to the given context • includes some limited knowledge and understanding of business terminology and concepts but errors are likely.
	<p>0</p>	<p>No credit worthy material.</p>

The demands of the question are:

- to analyse the arguments for and against sale and leaseback of buildings
- in the given context
- and evaluate whether it was the right decision for the business to improve its cash flow.

Indicative content

Arguments for:

- offices and warehouses are expensive assets to have cash tied up in and should provide a significant amount of cash to improve the cash flow of the business
- leasing these assets will mean that the manufacturer no longer needs to pay for maintenance to the buildings which should reduce costs and further improve cash flow
- leasing buildings will allow the business to be more flexible, they will be able to relocate or move to different offices/warehouses much easier allowing them to respond to any changes in the market which could help improve sales, improving cash in the business.

Arguments against:

- rent is likely to be higher than mortgage payments, increasing monthly costs and reducing cash flow
- sales of buildings can take a long time so the cash injection might take time to impact on the cash flow
- the new owner of the property might decide they no longer wish to rent the buildings or might add unfavourable terms and conditions which could be risky for the business.

Overall – it depends how urgent the need for a cash injection is and how much the business needs. If the business needs a large amount of money and can find a buyer for its properties quickly then sale and leaseback would be beneficial. However, the business should look at alternative sources of finance as sale and leaseback can be risky in the longer term.

Credit valid alternative content. No decision is right or wrong but should be assessed on the quality of argument.

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	1				1
2	1				1
3	1				1
4	1	2			3
5	1	2			3
6	1	1			2
7	1	2			3
8	2	1			3
Section B					
9	3	3	3		9
10	3	3	3		9
11	3	3	3		9
Section C					
12	2	2	3	5	12
13	2	2	3	5	12
14	2	2	3	5	12
Unit Total	24	23	18	15	80