

INTERNATIONAL AS **BUSINESS**

BU01

Unit 1: Business and Markets

Mark scheme

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256XBU01/MS

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 summarise your judgement briefly at the end of each response. This will help you decide on the overall level and is helpful for others to understand the mark given. Ensure the comments fit with the level awarded and the language of the level descriptors used in the mark scheme. Next to your comment put the level awarded, eg L4. 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		Which one of the following best describes a business in the secondary sector? Answer key: D – Transforming materials into finished goods	1 AO1 = 1

Question	Part	Marking guidance	Total marks
2		A product has a low market share in a fast growing market. In the Boston Matrix these types of product are known as: Answer key: C – Problem children	1 AO1 = 1

Question	Part	Marking guidance	Total marks
3		Increases in which one would lead to more business start-ups? Answer key: D – Government support	1 AO1 = 1

Question	Part	Marking guidance	Total marks				
4		<p>In 2023, a business achieved sales per store of \$240 000.</p> <p>Table 1 shows data for sales and the number of stores for 2024.</p> <p style="text-align: center;">Table 1</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>Sales (\$)</td> <td>7.2 million</td> </tr> <tr> <td>Number of stores</td> <td>24</td> </tr> </tbody> </table> <p>Calculate the percentage increase in sales per store between 2023 and 2024.</p> <ul style="list-style-type: none"> • 25 or 25% (2) • Sales per store (2024) = \$7.2m/24 = \$300 000 (1) • Percentage increase = \$300 000 – \$240 000 (or \$60 000)/\$240 000 × 100 = 25% (2) <p>OFR applies</p>	Sales (\$)	7.2 million	Number of stores	24	2 AO1 = 1 AO2 = 1
Sales (\$)	7.2 million						
Number of stores	24						

Question	Part	Marking guidance	Total marks						
5		<p>Table 2 shows data for a business and the market the business is in for 2023.</p> <p style="text-align: center;">Table 2 (data for 2023)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td data-bbox="544 506 810 582">Units sold</td> <td data-bbox="813 506 1075 582">24 000</td> </tr> <tr> <td data-bbox="544 586 810 663">Selling price</td> <td data-bbox="813 586 1075 663">\$50</td> </tr> <tr> <td data-bbox="544 667 810 743">Market size</td> <td data-bbox="813 667 1075 743">\$6 270 000</td> </tr> </tbody> </table> <p>In 2024:</p> <ul style="list-style-type: none"> • selling price rises by 10% • units sold falls by 5% • market size remains constant. <p>Calculate the market share of the business in 2024.</p> <p>Use the information in Table 2 in your calculations.</p> <ul style="list-style-type: none"> • 20% (3) • 2024 market share = $\\$1\,254\,000 / \\$6\,270\,000 = 20\%$ (3) • Sales revenue (2024) = $\\$55 \times 22\,800$ units = $\\$1\,254\,000$ (2) • Units sold (2024) = $24\,000 \times 95\% = 22\,800$ units (1) • Selling price (2024) = $\\$50 \times 1.10 = \\55 (1) <p>OFR applies</p>	Units sold	24 000	Selling price	\$50	Market size	\$6 270 000	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
Units sold	24 000								
Selling price	\$50								
Market size	\$6 270 000								

Question	Part	Marking guidance	Total marks
6		<p>A business enters a market that has many established businesses.</p> <p>Explain one reason why it might use a price penetration strategy.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Price penetration involves a business entering a market initially with a low price. • If there are many established businesses it may be difficult to break into the market. A lower price than the other businesses may make it easier to attract customers which will increase sales. • A lower price should lead to increased sales volume. This should help to reduce average costs per unit which would be important when entering a market with many established businesses as other costs, such as promotion, may need to be higher to compete. • Higher sales volume should mean that shops and other outlets are more willing to stock the product. In a market with many established businesses, achieving prominence in-store will be harder otherwise. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one reason why a business might use a price penetration strategy in a market that has many established businesses.</p> <p>Reasonable response (2 marks) Explains one reason why a business might use a price penetration strategy but is not specific to how many businesses are in the market.</p> <p>Limited response (1 mark) Shows relevant knowledge of price penetration with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
7		<p>Explain one reason why sales forecasts are important for a large business.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • A sales forecast is an estimate or prediction of future sales levels, either by volume or value. • Larger businesses are likely to have greater financial requirements and are more likely to need to borrow money. Lenders will want to be reassured that the business can repay any debts. A sales forecast may provide reassurance that repayments will be possible. • A large business is more likely to have owners or investors (shareholders) involved with the financing of the business. These may place more pressure for sales and profits to be earned so sales forecasts become more important when attracting potential investors or shareholders. • A large business that is a manufacturing business is more likely to have more extensive operations taking place. Knowing the expected level of sales should make it easier for the business to coordinate all the operational activity and ensure the correct level of raw materials, capacity in terms of space or equipment, or staffing is available. • A large business that is a service sector business may rely more on the inputs of workers. Knowing the level of expected sales means that the correct level of workers can be recruited, if needed. This may need planning given it is large business and is, therefore, likely to be a larger workforce requirement. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one reason why sales forecasts are important for a large business.</p> <p>Reasonable response (2 marks) Explains one reason why sales forecasts are important but is not linked to the context of a large business.</p> <p>Limited response (1 mark) Shows relevant knowledge of sales forecasts with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Question	Part	Marking guidance	Total marks
8		<p>Incomes are falling in an economy.</p> <p>Explain one reason why the share price of a company that operates in this economy might increase.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Dividends may be expected to be high. Although incomes are falling and profits may not be expected to be high, the amount of dividends shareholders may expect to receive creates a higher demand for the shares which leads to their price rising. • Profits may increase if the business sells goods aimed at those on lower/falling incomes as sales will also rise. This may mean higher dividends in the future which leads to an increase in the demand for shares, and their price increases. • If the business sells necessities or non-luxury goods, the profits of the business may be unaffected by falling incomes and do not fall as a result. This means that there is still a demand for the company's shares. • The returns on other investments may be low. With falling incomes, interest rates may be low which means investors will be looking for better returns and may switch to buying shares in the company. • The company may earn its profits from many countries so, although incomes are falling in one country, profits are not low which creates a greater demand for shares in the company. • Other companies may be struggling to make profits in this economy. This may mean shareholders in other companies may be looking to sell shares in those companies and buy alternative investments, such as this company's shares. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains one reason why share prices rise even if incomes in the economy are falling.</p> <p>Reasonable response (2 marks) Explains one reason why share prices may rise but is not linked to incomes falling in the economy.</p> <p>Limited response (1 mark) Shows relevant knowledge of share prices with little or no explanation.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

Section B

Total for this section: 27 marks

Question	Part	Marking guidance	Total marks
9		<p>A business in the USA imports from and exports to China.</p> <p>Analyse two ways an increase in the US Dollar exchange rate may affect the profit of this business.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

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 two effects of a rise in the US Dollar exchange rate,
- on the profits of a business,
- where a business in the USA imports from and exports to China.

Indicative content

- The exchange rate represents the price of one currency in terms of another currency.
- A rise in the exchange rate would make purchases from China cheaper. This should have a positive effect on profits. If production includes imported materials, then the cost of production will be lower. This increases the profit margin on each item sold and, therefore, increases profits overall (assuming the same level of sales is achieved).
- Alternatively, businesses that use imports/imported materials in production could lower their selling price. The lower cost of production allows a business to reduce its selling price(s) and maintain the same profit margin as before the change in the exchange rate. The reduced selling price could lead to a higher sales volume and increased profits overall (though this would depend on the PED).
- A rise in the exchange rate would make exports to China appear more expensive. This is because it now requires more foreign currency to buy the same amount of local currency as before. This will probably lead to a lower level of sales (by volume) and will lead to lower profits as a result. The fall in profits depends on by how much sales fall. If the PED is price inelastic then the fall in the sales may be small but it will still reduce overall profits,
- Businesses which are both exporters and importers will be affected by both increased costs of imports and also falling sales volume. In this case the overall effect on profits will be difficult to ascertain. This will depend on the size of the imports relative to the total cost of production as well as how much of their total output exports account for.
- The overall effects also depend on which particular exchange rates are changing and by how much they are changing.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		Analyse two ways a car manufacturer may benefit from a long period of low interest rates.	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 two benefits of low interest rates,
- for a car manufacturer,
- where interest rates have been low for a long period of time.

Indicative content

- Interest rates are the cost of borrowing and reward for saving expressed as a percentage of the amount borrowed or saved.
- A car manufacturer is likely to be capital intensive, expensive equipment, premises and machinery, etc, and long-term financing of the business is likely to have come from borrowing. Low interest rates mean the interest payment on the business debt is likely to be low. This increases cash flow and reduces costs leading to increased profits.
- Buying cars represents a significant amount of spending for most consumers. Consumers will often borrow money to buy a new car. If interest rates are low for a long period then the cost of this borrowed money is likely to be lower than at other times. New cars are not necessarily an essential good and, therefore, sales are more likely to rise during a period of low interest rates, as it will cost less for the average consumer.
- Households who have borrowed money to buy their own house (ie a mortgage) will notice that monthly payments on this mortgage have fallen if interest rates remain low for a long period. This means households have more disposable/discretionary income to spend each month. This should mean that purchases of non-essentials, such as a new car, would increase, leading to increased sales for the car manufacturer.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		<p>A business manufactures shoes. It allows customers to design their own shoes. It currently sells to a niche market.</p> <p>Analyse two changes this business may make to its marketing mix if it moves into the mass market.</p>	<p>9</p> <p>AO1 = 3 AO2 = 3 AO3 = 3</p>

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 two changes to the marketing mix,
- for a business that allows customers to individually design their footwear,
- that moves from the niche market to the mass market.

Indicative content

- A niche market provider aims at a small market segment with specialised tastes. A mass market provider aims at multiple market segments and provides a general product with mass appeal.
- Price may need to fall. Aiming to multiple market segments and more consumers may require a lower price to ensure more customers can be attracted. Individually designed footwear may have niche appeal but it may be that the business has to offer more traditional footwear at a lower price in order to expand into the mass market. Penetration pricing may be more appropriate if the business is entering the mass market for the first time. Footwear will be offered by other companies for sale so the price will probably have to take more account of the price offered by competitors. If it continues to offer customised footwear then price skimming may be possible. Some change to pricing is likely but it will depend on what happens to the product range.
- Promotion may need to be extensive to attract new consumers. Selling footwear to the mass market may require extensive advertising campaigns to raise consumer awareness. Individually designed footwear may also need promotion that is informative as well as persuasive to ensure that the new larger market is aware of the product entering new segments.
- The product offered may need to be adapted. If the business wants to sell in the mass market then it may have to offer normal footwear as well as customised footwear. Allowing individually designed footwear allows customers to design the product to fit their own tastes but it may be that a more standard model of footwear is offered for sale in the mass market. Taking into account what is offered by other footwear providers may also matter.
- The place aspect of the marketing mix may need to be altered. Selling to a niche market can often be done by selling direct to consumers. This is likely to as it will be selling to a small segment of the overall market for footwear. Selling to the mass market may mean that the business has to encourage existing retailers to stock the products. This may be difficult to achieve if the footwear is currently not well known. The retailer is also likely to want some of the sales revenue from the sales for its own profits.
- The business could open up its own retail stores but this will be expensive, especially as selling individually designed footwear and footwear in general is likely to need a national roll-out of stores.
- Selling direct to consumers – which is often the method of distribution used by niche providers – is still possible. Online sales are still possible. However, the business will need to scale up and ensure it can still meet the demand (assuming the transition is successful). Multiple channel distribution may be an option, where a business sells through a number of different distribution channels.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>A business enters a new market for the first time. The directors want to ignore the influence of ethical issues. Is this a good idea?</p> <p>Assess the arguments for and against 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. <p>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>
<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 why a business would ignore the influence of ethical issues,
- for a business entering a market for the first time,
- and make a judgement on whether ignoring ethical issues is a good idea.

Indicative content

Arguments for

- Ethical issues involve businesses making decisions that are more about what is seen as morally right and wrong rather than only focusing on profit in making decisions.
- Ignoring ethical issues may be a good idea if consumers in the market are not particularly interested in ethical issues. The product (good or service) may be one which does not generally lend itself to ethical issues.
- In a new market, there are likely to be higher costs than normal for the business. This makes it more likely the business will lose money in the early stage of it being in the new market. Being ethical may cost more money than not being ethical and therefore, the business may ignore ethical influences to remain profitable.
- Being ethical may mean paying workers more than they would otherwise do so if they were ignoring ethical influences. This will increase costs and therefore lead to lower profits.
- Buying supplies from an ethical supplier may be more expensive. Entering a new market may mean the selling price(s) need to be kept lower to gain market share. Keeping costs low would help the business to use a low-price entry into the market. Ignoring ethical influences may help to keep costs low by keeping working conditions to the bare minimum, always sourcing from the lowest-cost supplier regardless of their behaviour.

Arguments against

- Being influenced by ethical issues may act as a selling point. This is possibly a way of entering a market that provides something other businesses may not do as well. By using ethical positioning, the business may be able to attract sales away from established businesses in the market.
- Gaining access to distribution networks and suppliers in a new market can be difficult. By treating suppliers in a more ethical way, such as not bargaining cost down to very low levels and willingness to stick with suppliers, may make it easier to obtain reliable suppliers and distribution networks.
- If the new market is something the business has no experience in dealing with, acting ethically may make it easier to find experienced workers who feel they will be treated better than a non-ethical business.
- Treating workers in an ethical way (such as paying them more and improving the working conditions) may improve worker motivation and result in higher productivity and lower labour turnover. Both of these improvements should lower costs which will help with the increased costs of entering into a new market.

Potential judgement

- If the market consist of businesses behaving ethically, it would need to consider whether market entry would be successful if they ignored ethical influences. Does the ethical stance of the other businesses help? It may not be necessary.
- Research will tell the business if this new market has customers who desire a business that acts in an ethical way. This will matter a lot for the overall decision.
- Acting ethically in an unknown market may help avoid changes in legislation that may occur that may require the business to change its behaviour. In this way, acting ethically is pre-emptive action that may save money in the longer term.

- The costs of acting ethically can be mitigated by improvements in worker motivation and engagement, as well as closer links with suppliers. This may mean that it is worthwhile regardless of the nature of the market.

Credit valid alternative content.

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

Question	Part	Marking guidance	Total marks
13		<p>A company produces and sells furniture directly to consumers in its own country. It needs to decide whether to sell in international markets to increase profits.</p> <p>Assess the arguments for and against 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. <p>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>
<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 benefits of selling in international markets to increase profits,
- for a company that produce and sells furniture directly to consumers,
- and make a judgement on whether targeting international markets to increase profits is a good idea.

Indicative content

Arguments for

- Expanding into other markets can be profitable. If the sales exceed costs, then selling in international markets would increase profits. Furniture is a good bought when incomes are rising so as long as those countries it sells to have stable or rising incomes, then the plan is likely to be profitable.
- There may be problems with the home market in terms of economic downturn. This may make it profitable to look for further sales and profits in a market where incomes are rising.
- If the home market is reaching saturation point or is in decline then selling into another market – in this case, an international market – would be a way of ensuring that if sales do level off or begin to fall then sales and profits can hopefully be sustained and increased.
- Furniture is likely to be demanded in most countries and although repeat purchases are possible, the rate of sales turnover (how fast the products are sold) may not be high enough to generate profits in one country only which would support the decision to expand into other markets.

Arguments against

- With furniture, it is likely consumers would physically want to see the furniture before buying it. This means the business may have to open up retail stores in the country it is selling to. This will cost a lot of money and may mean that even if the sales are sufficient, the effect on profits is limited at best.
- The furniture may not be successful when launched in foreign markets. Furniture is a product that will be based on the tastes and preferences in design of those it was aimed at. In this case, it is likely that the furniture will need to be redesigned for the new markets. If not, then sales are unlikely to be substantial. Profits will not increase and, given the costs are selling in other countries may actually fall.
- There are likely to be unforeseen costs associated with the launch in other countries. Goods are often subject to trade barriers when crossing border in international sales. Unless the business sets up in these foreign countries it is unlikely to be as profitable as selling in its home market.
- Although the business may sell online directly, it is possible that it will need to use retailers or agents as intermediaries when selling abroad. These are likely to want either commission (agents) or part of the profits (retailers). This will reduce the profitability of selling internationally.

Potential judgement

- It will depend on what is happening in the home market. Selling in international markets is risky but may be the only possible way of increasing profits if the home market is saturated or in decline.
- Whether the plan to increase profits is successful will depend on the extent of the extra costs associated with the move. The more dissimilar the international markets are to the home market, the greater the costs are likely to be.
- If agents or retailers are used, the decision may be less risky than if it sells directly but this will also depend on how big a share of the selling price the intermediary wants for their services.
- There is risk attached to the plan but it may be worth taking if research suggests that it has a good chance of success.

Credit valid alternative content.

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

Question	Part	Marking guidance	Total marks
14		<p>A business sells a range of products. Profits have been falling for a few years. The directors think investing into new product development is the best way to increase profits. Do you agree with the directors?</p> <p>Assess the arguments for and against 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. <p>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>
<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 benefits of investing in new product development,
- for a company selling a range of products,
- where profits have been falling for a few years,
- and to make a judgement on whether investing into new product development is the best way of increasing profits.

Indicative content

Arguments for

- If profits are falling, investment into new product development might be a way of halting the fall. Developing new products, if successful, should increase sales once launched and should therefore lead to increased profits.
- The business sells a range of products and it is possibly inevitable that these will enter the decline stage of their product life cycles at some point. This may be the cause of the falling profits and new product development would seem to be a way to increase profits as part of a balanced portfolio of products.
- The business clearly has experience in the market it operates given it sells a range of products. New product development is more likely to be successful in achieving increased profits if the business has prior experience in the markets it operates.
- New product development is a valid method of ensuring a balanced product portfolio. With all product ranges, products will be eventually retired as they become 'dogs' and new products should be introduced to ensure sales and profits are maintained. Products that are either in the decline stage or are 'dogs' may be costing the business unnecessary expenditure which could be causing the falling profits. New products are needed to replace these older products.

Arguments against

- New product development is costly. If the business is experiencing falling profits, then it may not be able to afford the development and launch of new products.
- New product development is risky, there is no guarantee that a new product worthy of launch will be developed. The business has a range of products already on the market and it may be better not to add to the range if profits are already falling.
- The fall in profits may be easier to achieve by focusing on the existing range. Promotional methods and extension strategies may be cheaper alternative and easier to implement.
- Selling the existing products in new markets, or aiming them at new market segments may be a better way (and less costly) of increasing profits for the business.
- Profits may be falling due to changes in the external environment that are nothing to do with the existing range of products. For example, a recession or an external shock (eg a global political issue) may explain the falling profits.

Potential judgement

- If profits have been falling for a few years, it may be better to discover if there are other problems with the business that need to be dealt with first rather than focusing on new product development. The problem may be with other parts of the business as to why profits are falling (eg problems with efficiency, motivation, etc.), and not the products.
- Product portfolios need to be updated at some point as products are withdrawn and the development of new products is likely to be a good idea.
- If products are aimed at the existing markets, then there is less of a risk compared with products aimed at new markets. This will affect the chances of new product development being a success or not.
- It will depend on the finances of the business as to whether it can afford to engage in new product development. The cost of new product development needs to be compared with the likely extra revenue that would be generated.

Credit valid alternative content.

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

Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	1				1
2	1				1
3	1				1
4	1	1			2
5	1	2			3
6	1	2			3
7	1	2			3
8	1	2			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	23	24	18	15	80