

# Business decisions and strategy

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Business decisions and strategy

Type: Mark Scheme

To be used by all students preparing for Pearson Edexcel Level 3  
Advanced GCE Business (9BS0)



## Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p data-bbox="300 636 1294 674"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p data-bbox="272 786 1315 824"><b>Reasons for issuing AA shares (a long-term approach):</b></p> <ul data-bbox="325 831 1374 1189" style="list-style-type: none"><li data-bbox="325 831 1374 943">• It provides Toyota's managers with more time to develop new cars because 'Model AA' shares must be held for five years</li><li data-bbox="325 949 1374 1061">• Toyota aims to raise \$4 billion for long-term investment in the car of the future, including areas such as R+D, technology and staff development</li><li data-bbox="325 1068 1374 1189">• Toyota's shareholders could benefit from sustained profitability, for example 'Model AA' shareholders are paid a guaranteed dividend each year</li></ul> <p data-bbox="272 1234 692 1272"><i>Possible counterbalance:</i></p> <ul data-bbox="325 1279 1289 1727" style="list-style-type: none"><li data-bbox="325 1279 1289 1435">• Some shareholders may demand more immediate rewards. This may force managers to work more efficiently because Toyota need to satisfy their demands</li><li data-bbox="325 1458 1289 1637">• Some shareholders may encourage managers to respond more quickly to market changes e.g. rise in demand for hybrid and electric cars and criticisms of diesel cars in order to generate immediate returns</li><li data-bbox="325 1644 1289 1727">• Shareholders own the business and may expect good dividends and a rising share price each year</li></ul>	



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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• Toyota is in a highly competitive/dynamic market and needs to respond quickly to market changes and consumer preferences. This supports meeting the needs of short-term investors</li> <li>• Toyota requires long-term investors because it needs to invest in assets such as robotics and plant, in order to maintain competitiveness in a market known for innovation and technological.</li> <li>• Ultimately a long-term investment will only work if shareholders are prepared to be patient and accept this strategy</li> </ul>	<b>(12)</b>
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Level 2	3–4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
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Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.



Q2.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>Marks for application and analysis – include up to 6 marks for quantitative skills</b></p> <p>Quantitative skills assessed:</p> <p><b>QS6:</b> calculate investment appraisal outcomes and interpret results</p> <p><b>QS8:</b> use and interpret quantitative and non-quantitative information in order to make decisions</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Indicative content</b> (quantitative skills)</p> <ul style="list-style-type: none"><li>• Payback =  <u>Cumulative Cash Flows:</u> Year 1 = 20 Year 2 = 45 Year 3 = 75  = 3 years ( workings not required)</li><li>• NPV = £13.81m ( workings not required)</li></ul>	



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Net cash flows £m	Discount rate	DCF £m
20	.909	18.18
25	.826	20.65
30	.751	22.53
22	.683	15.03
20	.621	12.42
	Total	88.81
	NPV	13.81

- It takes exactly three years to pay back the £75m investment which in business is very favourable; usually capital investments are longer term and take 10 years or more to pay for themselves. In the highly competitive chocolate market, earning back an investment quickly can mean that any profits which follow can be used for other investments such as new plants in emerging economies
- The NPV is positive (plus £13.81m) which given that the discount rates were set at 10%, is very favourable, especially given that training costs need to be afforded and pay increases of 2% are to be paid.



*Possible counter-balance:*

- All investment appraisal methods assume that predicted cashflows will be achieved. Should a new chocolate competitor enter the market or Cadbury production of chocolate suffer from a lack of cocoa beans due to drought in Africa, this may not be the case.
- A senior manager at Cadbury may have manipulated the forecast data so as to promote the Mondelēz International investment in the Birmingham factory in order to save their career
- 10% is a high discount rate when compared to the present based rate of 0.25% (2017) therefore a lower discount rate will give you a higher NPV

*Possible judgement*

- Focussing on the financial values of the £75m investment may miss out on the qualitative issues. The pros and cons of the project should be considered within the context of corporate objectives, CSR, market position, long term survival – the latter may be very appropriate given the investment enables better production by 'state of the art' production lines.
- Given that Cadbury chocolate is worth £4bn in sales to Mondelēz International, rising to £6bn by 2020, and that the chocolate products have enjoyed consumer loyalty for many years, it is worth the investment. Also especially given the growing demand for Dairy Milk, Oreos and Marvellous Creations.

**(12)**



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Q3.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"><li>• Need to change the product mix.</li><li>• Need to do more market research.</li><li>• Market becoming more dynamic.</li><li>• More expensive materials or methods of production.</li></ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"><li>• Depends on degree to which people want to purchase healthier snacks.</li><li>• Demand for regular crisps has still increased by 29%.</li><li>• 1000% revenue increase in air-dried apple crisps could be from a low base.</li><li>• Depends on the degree to which healthier crisps require different methods of production.</li></ul>	<p><b>(10)</b></p>





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Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.



Q4.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"><li>• Trade-offs occur when less of one option is exchanged for more of another. Profit is total revenue minus total costs. Ethics is concerned with doing what is right for individuals and society</li><li>• Trade-offs may tend to occur in the short run</li><li>• If clubs insist on commitment to a year's membership (fixed contracts) this might provide guaranteed revenues over 12 months, but ethically at the expense of customer flexibility/choice</li><li>• Profits might increase because personal trainers may sell fitness plans to members preparing to lose weight or train for a triathlon, but some members may feel coerced or end up with an unrealistic plan for them.</li><li>• Profits might increase given the promotion of sales of products like energy bars but these bars may be high in sugar/fat and so cause some members to actually put on weight</li><li>• Paying staff near to the minimum wage/NLW may help reduce costs to benefit profits but the staff may lack motivation and provide poor customer care</li></ul> <p>Possible counter-balance</p> <ul style="list-style-type: none"><li>• Trade offs may not result as much in the long term</li><li>• Some members may welcome fixed contracts as they ensure a loyal customer/membership base which might improve the club's ethos.</li><li>• Profits earned from sales of products may not be too significant when compared to profit from memberships</li><li>• Staff at clubs are not always motivated by pay but by working in a social/friendly environment</li><li>• Advice on fitness plans may enable a club's personal trainer to charge extras to give an additional income stream but the extra charges might not be welcomed by the member who could then leave the club and thus reduce revenues and in turn profits.</li></ul> <p>NB Do not accept definition or application of 'opportunity cost' This is a different concept, although related.</p>	<p><b>(8)</b></p>



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Level 2	3-5	Accurate knowledge and understanding Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effects(s) but may be assertions or incomplete. An attempt at an assessment is presented, that is unbalanced and unlikely to show the significance of competing arguments.
Level 3	6-8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.



Q5.

Question Number	Indicative content	Mark
	<p data-bbox="347 521 1262 562"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul data-bbox="400 595 1318 1227" style="list-style-type: none"><li>• Corporate culture is an unwritten code of conduct within a business organisation that reflects its values and embodies the shared beliefs and assumptions that underpin the decision-making processes.</li><li>• Corporate culture has a major impact on employee's attitudes to work and, therefore, levels of motivation, productivity and product quality (or customer service)</li><li>• LA Fitness staff may have been used to working in larger teams and collaborated before decisions were made at a local level (task culture). Pure Gyms typically have only two staff which will mean those expectations would not be met which may reduce motivation and then cause former LAF staff to quit</li><li>• With Pure Gym any policies or practices may have been directed and decided centrally so the corporate culture would encourage the tight control of employee behaviour that may alienate the LAF workers.</li></ul> <p data-bbox="347 1261 751 1301"><i>Possible counter-balance:</i></p> <ul data-bbox="400 1335 1318 1854" style="list-style-type: none"><li>• For management to change the culture towards that of Pure Gym success stories or ambassadors could be used in order to instill the values or practices of the business, for example personal trainers who had an excellent reputation and large number of clients</li><li>• Some former LAF staff may prefer to work in a pair rather than large teams and this would avoid sub-cultures developing so that Pure Gym's core values would be shared and any changes implemented more quickly</li><li>• Pure Gym could overcome the perception that decisions have been made centrally by use of strategies such as team building activities across Pure Gyms in a particular region of the country, e.g. the northwest.</li></ul>	



*Possible judgement*

- Corporate culture is likely to be influenced most by senior managers at Pure Gym head office and it will tend to evolve over time. Therefore attempting to change the established culture at former LAF gyms will take time and effort.
- Management will need to convince the workforce of the need to change the culture by ensuring that they recognise the benefits to themselves as well as to the company, such as job security and better pay

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		<p>Hurdles/difficulties may include effective communication, resentment from workers because of redundancies/threat of, different ethos or protocol, leadership style.</p> <p>Solutions may include meetings, shared training sessions, openness, brand new policies/systems, democratic leadership, team circles, away days</p>	
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Level 2	3–4	<p>Elements of knowledge and understanding, which is applied to the business example.</p> <p>Chains of reasoning are presented, but may be assertions or incomplete.</p> <p>A generic or superficial assessment is presented.</p>	
Level 3	5–8	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</p> <p>An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.</p>	
Level 4	9–12	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</p> <p>Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.</p>	



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Q6.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"><li>• A takeover occurs when one business acquires a majority shareholding of another business</li></ul> <p><b>Benefits for Unilever:</b></p> <ul style="list-style-type: none"><li>• Dermalogica is an established brand with a well-known reputation and well developed global distribution links, therefore this may enable Unilever to increase its market share of the health and beauty products market</li><li>• Unilever may benefit from economies of scale, such as purchasing (of ingredients such as aloe vera) and managerial (such as the expertise of Dermalogica's managers knowledge of the skincare market), which may reduce Unilever's unit costs</li></ul> <p><i>Possible counterbalance</i></p> <ul style="list-style-type: none"><li>• High initial cost of £500 million to Unilever, which may result in a reduction of short term profits</li><li>• Potential diseconomies of scale may arise from the takeover, e.g. Dermalogica's employees may be demotivated as a result of working for a much bigger business, which may reduce employee productivity</li><li>• Dermalogica is a niche business which has an outstanding reputation amongst skin care professionals. Dermalogica's brand reputation may be damaged as a result of being taken over by a multinational business such as Unilever because products will be more mass market</li></ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"><li>• This takeover may enable Unilever to achieve its objective of increasing the sales of personal care goods to 66% of total worldwide sales given that Dermalogica currently sell in over 80 countries</li><li>• Unilever may only benefit from this takeover if it ensures that it maintains the strengths of Dermalogica's business model and retains its culture to avoid damage to the brand image amongst skincare professionals.</li></ul>	<p><b>(12)</b></p>



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Q7.

Question Number	Indicative content	Mark
	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"><li>• Knowledge of problems of rapid growth such as diseconomies of scale, communication and overtrading.</li></ul> <p><b>Ways in which the problems have been managed:</b></p> <ul style="list-style-type: none"><li>• Good leadership may have enabled Tended Ltd to overcome communication difficulties e.g. employees have pulled together as a team.</li><li>• Overtrading difficulties were eased by obtaining additional finance – Tended Ltd was loaned £50,000 from Enterprise Loans.</li><li>• Development issues, such as creating new products e.g. new smartwatch were addressed through securing the additional necessary funding from Enterprise Loans.</li></ul>	



*Possible counterbalance*

- In the short-term communication and co-ordination may have still been a problem as a result of the rapid expansion of the workforce from a team of one to 10 employees in eight months.
- Despite obtaining additional finance, Tended Ltd may have struggled with overtrading – the business had difficulties raising finance and still faced cash flow issues on a few occasions.
- Longer term development issues may not be managed – these may include finding bigger premises and obtaining more suppliers for new products such as smartwatches.

*Potential judgement*

- Tended Ltd has survived and overcome the problems of rapid growth, because it is still constantly innovating and staying agile through careful planning and effective management of the increased workload.
- Tended Ltd may not overcome all the problems of rapid growth. This is because Leo Scott Smith is young and may lack experience to solve problems such as effectively managing a bigger workforce.

(12)



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Q8.

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	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"><li>• Corporate culture is the unwritten code that affects the attitudes and behaviour of employees within a business.</li></ul> <p><b>Possible consequences:</b></p> <ul style="list-style-type: none"><li>• Low morale resulting from workers being paid below minimum wage/fearing their bosses/experiencing security checks/workers feeling forced to attend despite being ill.</li><li>• High labour turnover and poor productivity may result from low morale.</li><li>• Sports Direct may gain bad publicity from the media e.g. the Guardian newspaper and the BBC, which could result in consumers boycotting their products.</li></ul>	



*Possible counterbalance*

- This culture may force employees to be more productive and not take time off work because they are scared of losing their jobs through Sports Direct's 'six strikes' system.
- Despite possible bad publicity from the media, consumers may be still attracted to Sports Direct because of the low prices it charges.
- The workers at the warehouse could be considered to be unskilled and consequently Sports Direct may consider this autocratic style of leadership to be the most effective.

*Potential judgement*

- Sports Direct is reviewing its Human Resource strategies which may lead to better treatment of its employees and consequently avoid the potential negative consequences.
- Sports Direct may argue that its corporate culture has contributed to its success. This is because Sports Direct achieves high levels of efficiency enabling it to reduce its costs and charge lower prices.

(12)



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Q9.

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	<p data-bbox="312 528 1291 566"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p data-bbox="284 602 627 640"><b>Indicative content</b></p> <p data-bbox="336 694 1246 817">A takeover is where one business buys a majority shareholding in another business and obtains full management control</p> <p data-bbox="336 862 791 900"><b>Potential financial risks:</b></p> <ul data-bbox="336 945 1347 1265" style="list-style-type: none"><li data-bbox="336 945 1347 1059">• Initial cost of £16.5m which could rise to £21m. This is a significant amount which could be lost if the takeover is not successful</li><li data-bbox="336 1066 1347 1140">• Opportunity cost – could the £21m be better spent on developing new soft drinks or increased marketing?</li><li data-bbox="336 1146 1347 1265">• Lack of expertise – this is a new market for AG Barr and carries greater risk and uncertainty, which could negatively affect profitability</li></ul> <p data-bbox="284 1305 799 1344"><b>Potential financial rewards:</b></p> <ul data-bbox="336 1388 1366 1787" style="list-style-type: none"><li data-bbox="336 1388 1366 1503">• Diversification into new markets. AG Barr would no longer be reliant on the soft drinks market for its sales revenue and profits</li><li data-bbox="336 1509 1366 1664">• Entering a new market. The cocktail mixer market is growing and AG Barr can sell its products to another market segment, providing the opportunity for increased sales and profits</li><li data-bbox="336 1671 1366 1787">• Potential economies of scale. AG Barr can use its existing distribution network and production facilities. This could lead to reduced unit costs</li></ul>	



## EXAM PAPERS PRACTICE

	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"><li>• The financial rewards could be greater as the takeover provides the opportunity for AG Barr to diversify into a growing market</li><li>• The financial risks could be greater as AG Barr is entering a new market and due to their lack of expertise, could potentially fail with the loss of at least £21m</li></ul>	<b>(12)</b>
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Q10.

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	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"><li>• CSR involves a business paying attention to the needs and preferences of all stakeholders, not just the shareholders who own the business. It includes customer care, staff working conditions, pay, product quality and value for money, impact of the business on the environment</li></ul> <p>Positive values of CSR:</p> <ul style="list-style-type: none"><li>• For Cadbury, looking after employees (gift of chocolates, paying at least the living wage, providing housing and even amenities like schools), supporting the Government's voluntary obesity policies, has resulted in providing a quality chocolate bar because of improved employee motivation</li><li>• By supporting social initiatives, the reputation of Cadburys should improve and so consumers may be more likely to buy</li></ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"><li>• Financial considerations are more important than CSR such as using value for money ingredients (sultanas) in Fruit &amp; Nut bars to reduce costs</li><li>• Chocolate is often an impulse purchase, so consumers are not going to be discerning towards a chocolate manufacturer which exercises CSR</li><li>• Consumers may be seeking lower prices, for example during a recession, so will not be affected by the Cadbury decision not to use FairTrade cocoa beans. Indeed, the Cocoa Life farmer cocoa beans may be better quality, as might be the non-FairTrade sugar</li></ul>	



EXAM PAPERS PRACTICE

	<p><i>Possible judgement</i></p> <ul style="list-style-type: none"><li>• CSR may reduce profitability because costs increase (cocoa farmers paid £1,600 per tonne) which may reduce opportunities for product development and so limit consumer choice of chocolates in the future.</li><li>• CSR is a long-term attitude to operating a business, which may improve long-term profitability in a highly competitive chocolate market by providing a means of differentiation</li></ul>	<p><b>(10)</b></p>
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Q11.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>QS 8:</b> use and interpret quantitative and non-quantitative information in order to make decisions</p> <p><b>QS 9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Indicative content</b></p> <p>Critical path analysis is the process of planning the sequence of activities in a project in order to discover the most efficient and quickest way of completing the project whilst ensuring that all stages are finished.</p> <p><b>Potential value of critical path analysis:</b></p> <ul style="list-style-type: none"><li>• CPA enables Buy it Direct to schedule activities within a project simultaneously in this case completing the project in 41 weeks, 4 weeks ahead of the 45 week target.</li><li>• The critical path of activities C,D,F and G can be identified</li><li>• The float time for non-critical activities can be determined, e.g. A (<math>18-2-0 = 16</math> weeks), B (<math>22-4-2 = 16</math> weeks) and E (<math>23-1-6 = 16</math> weeks).</li><li>• CPA allows Buy it Direct to manage its cash flow better. For example, suppliers of equipment do not have to be paid until week 23.</li></ul> <p><b>Potential limitations:</b></p> <ul style="list-style-type: none"><li>• Accuracy of the figures. The Operations Director is new and may lack experience, therefore the project may take longer than the calculated 41 weeks.</li><li>• Unexpected events may occur e.g. teething problems with the new equipment, which could delay the entire project beyond the 45 week deadline.</li><li>• CPA may encourage focus on speed rather than quality. This could have a negative effect such as insufficient time for staff training (activity D).</li></ul>	



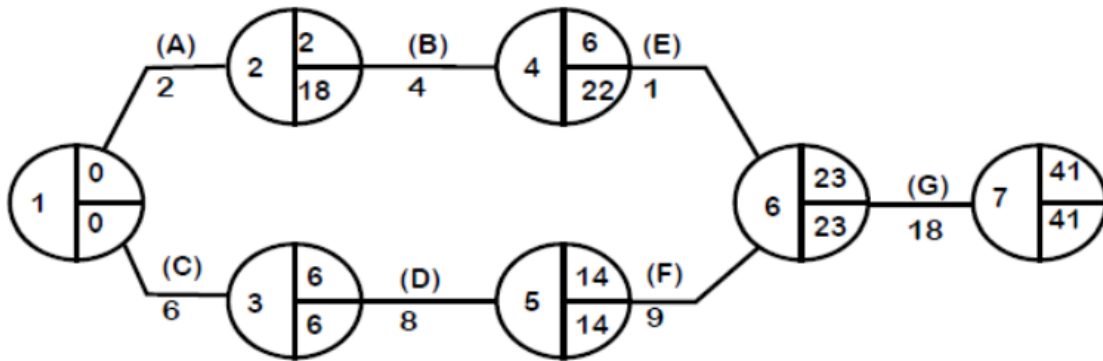
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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• CPA is a valuable planning tool especially for such an important project as this. Any delay could cause significant problems for an e-commerce business such as Buy it Direct because customers expect prompt delivery of their electrical household goods.</li> <li>• The value of CPA to Buy it Direct could be dependent upon the actual implementation of each activity, e.g. staff recruitment and training may take longer than expected in which case critical path analysis is simply a planning tool.</li> </ul>	<b>(12)</b>
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	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–4	Elements of knowledge and understanding, which is applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5–8	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide-ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.



**Completed CPA for Buy it Direct**



Q12.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>Succession planning is a human resourcing process for identifying and developing new leaders who can replace old leaders when they leave, retire or die.</li> </ul> <p>For succession planning at Derby Theatre:</p> <ul style="list-style-type: none"> <li>Derby Theatre is labour intensive and a source of culture, the survival of which may depend on stable relationships between people, like actors, producers and directors.</li> <li>It would be an effective way to nurture and retain talent as staff would feel a sense of belonging and value opportunities for self-actualisation within the theatre, such as technical staff.</li> <li>Settling in new staff to new ways can lead to a loss of productivity because of mentoring from existing staff such, as the Head of Marketing and poor adjustment by new staff, such as a new House Manager to replace Kat Richardson.</li> </ul>	



*Potential counterbalance*

- It may not be possible to identify or develop existing people within Derby Theatre as some of the roles may be too specific and require hands-on experience, such as Creative Learning Director. So, vacancies may be better filled by people from outside the business, through national advertisements in newspapers like the Guardian.
- Appointing new leaders from outside Derby Theatre, such as a Senior Producer, may bring with it fresh and innovative ideas which could help to attract new audiences and so boost revenues.

*Possible judgement*

- Some departments and positions lend themselves naturally to succession planning, e.g. Technical, given that knowledge of Derby Theatre's stage lighting is quite specific.
- Succession planning involves associated costs like training (time off, course fees) which a small theatre like Derby Theatre with just 50 full-time staff might not be able to afford or find practical to offer, especially to freelance workers.

(10)



## EXAM PAPERS PRACTICE

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Level 3	5-6	Accurate knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.





Q13.

Question Number	Indicative content	Mark
	<p data-bbox="359 528 1299 566"><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul data-bbox="331 607 1358 723" style="list-style-type: none"><li data-bbox="331 607 1358 723">• A mission statement is a set of guiding principles which is often used to steer stakeholders in order to achieve a business's aims and objectives</li></ul> <p data-bbox="260 763 427 801"><b>Benefits:</b></p> <ul data-bbox="331 842 1358 1361" style="list-style-type: none"><li data-bbox="331 842 1358 999">• The Wonky Table is a business which has 14 staff; a mission statement can help support the shared vision of quality with staff and so help to increase the level of customer satisfaction</li><li data-bbox="331 1003 1358 1160">• The Wonky Table's 12 less skilled 'assistants' may require a collective approach to working together. This helps to create a shared culture, which enables high levels of customer service across its 24 covers in anyone sitting</li><li data-bbox="331 1164 1358 1361">• A common understanding of aims and objectives may help to motivate staff and support the induction of new and temporary staff. This tends to be common practice in the restaurant industry, known for high rates of staff turnover / seasonal or casual staff</li></ul>	



	<p><i>Possible counter-balance</i></p> <ul style="list-style-type: none"><li>• Mission statements are often criticised as little more than window dressing to make the business look good and have the 'right image'. This might not fool customers of the restaurant especially if the food is poor quality</li><li>• An unrealistic mission statement can actually be demotivating for employees who may not be able to meet its demands. For example, full-time managers (Front of House, Head Chef) may seek to do things that are too ambitious which cannot be achieved, such as weddings.</li></ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"><li>• Given that The Wonky Table is a small business with only 14 members of staff, the mission statement could be quite effective if the writing of it was shared and agreed with staff. This democratic approach might create a shared sense of purpose and shared culture</li><li>• Mission statements may be regarded as a waste of time and money and no more than a PR exercise. However, in a business which deals directly with paying customers for meals out, this is less likely, especially given the charming and unique reputation of The Wonky Table.</li></ul>	<p>(10)</p>
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Q14.

Question Number	Indicative content	Mark
	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"><li>• Scenario planning is the process of anticipating possible changes in a business's situation and devising ways of dealing with them</li></ul> <p><b>Potential usefulness of scenario planning:</b></p> <ul style="list-style-type: none"><li>• The Barnsley fire enabled ASOS to identify key risks and therefore ASOS was able to quickly respond to the Berlin fire and limit potential damage to their business</li><li>• ASOS only suffered short term disruption after the Berlin fire and were able to fulfil orders from its Barnsley warehouse so sales did not suffer</li><li>• The ASOS website in Germany and the UK were able to continue to operate normally so online orders were still fulfilled as normal</li></ul> <p><b>Potential limitations:</b></p> <ul style="list-style-type: none"><li>• ASOS still lost stock worth £6m as a result of the fire in Berlin therefore scenario planning cannot totally eliminate damage to the business</li><li>• The opportunity cost/trade offs in terms of time and money spent on identifying and mitigating potential risks e.g. less money available to spend on website development/TV advertising</li><li>• ASOS would have faced an increase in costs for the business by having to fulfil European orders through the Barnsley warehouse</li></ul>	



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	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>ASOS’s scenario plan was useful because it was put into operation after the Berlin fire, resulting in its share price recovering quickly which may have reassured investors</li> <li>ASOS cannot plan for all potential disasters, such as flood damage to stock or its website being hacked. Therefore scenario planning is more useful if ASOS can identify the risk and implement effective plans to limit the damage to the business</li> </ul>	<b>(12)</b>
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Q15.

Question Number	Indicative content	Mark
	<p data-bbox="292 530 1222 568"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <p data-bbox="264 602 592 640"><b>Indicative content</b></p> <p data-bbox="264 674 1233 786">SWOT analysis is a strategic planning technique used to help a business identify its strengths, weaknesses, opportunities, and threats</p> <p data-bbox="264 819 746 857"><b>Reasons why it is useful:</b></p> <ul data-bbox="320 898 1310 1503" style="list-style-type: none"><li>• Bluebells' strengths include its excellent reputation and 5* reviews, which can be used to counter threats and exploit opportunities</li><li>• Bluebells' potential weakness is that it is a relatively small business run by Les and Liz. It may therefore be able to identify potential problems and consider ways to overcome them, e.g. lack of expertise and finance compared to larger competitors</li><li>• Potential opportunities from technological developments such as online travel agents, e.g. 'Booking.com' and customer review websites, e.g. 'TripAdvisor' can be exploited</li><li>• Potential threats from the activities of existing competitors such as other guesthouses, hotels and self-catering accommodation can be identified and strategies developed to counter them</li></ul> <p data-bbox="264 1543 647 1581"><i>Possible counterbalance</i></p> <ul data-bbox="320 1626 1291 1998" style="list-style-type: none"><li>• Bluebells is a small business and the owners may lack the knowledge and experience to undertake SWOT analysis effectively</li><li>• The UK holiday market is competitive and fast changing. Les and Liz may struggle to complete a SWOT analysis that reflects these changes</li><li>• Completing a SWOT analysis may have a significant opportunity cost. Les and Liz could spend their time on more useful activities instead, such as offering more facilities</li></ul>	



	<p><i>Potential judgement</i></p> <ul style="list-style-type: none"><li>• SWOT analysis is useful for strategic decisions because it will enable Les and Liz to focus upon the key influences that may affect Bluebells' future success such as technological developments and increased competition</li><li>• Due to the fast changing nature of the tourism market, decisions made through SWOT analysis may quickly become outdated. This consequently limits the usefulness of SWOT analysis for Bluebells.</li></ul>	<p><b>(12)</b></p>
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