

OXFORD AQA

INTERNATIONAL QUALIFICATIONS

INTERNATIONAL AS **BUSINESS**

BU01

Unit 1: Business and Markets

Mark scheme

January 2026

Version: 1.0 Final

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

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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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		<p>Sales of a product rose quickly to a high level. Sales have stopped rising but are not falling. More businesses are beginning to enter the market selling similar products.</p> <p>What stage of the product life cycle is this product now in?</p> <p>Answer key: D – Maturity</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
2		<p>A business conducts market research. The research involves asking potential customers to complete a survey that consists entirely of 'yes/no' questions.</p> <p>What type of marketing research is this?</p> <p>Answer key: B – Primary and quantitative</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
3		<p>Consumers are divided up into groups based on differences in their attitudes, their values and the lifestyles of these groups.</p> <p>What method of market segmentation is this?</p> <p>Answer key: D – Psychographic</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks				
4		<p>Table 1 shows data relating to the market size of an industry in 2024.</p> <p style="text-align: center;">Table 1</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>Selling price per unit (\$)</td> <td style="text-align: center;">12</td> </tr> <tr> <td>Total units sold in market</td> <td style="text-align: center;">5600</td> </tr> </tbody> </table> <p>The market size increased by 25% between 2024 and 2025.</p> <p>Using Table 1, calculate the market size (in \$) in 2025.</p>	Selling price per unit (\$)	12	Total units sold in market	5600	<p>2</p> <p>AO1 = 1</p> <p>AO2 = 1</p>
Selling price per unit (\$)	12						
Total units sold in market	5600						

		<p>\$84000 or 84000 (2) \$12 x 5600 = \$67200 (1) \$67200 x 125% (1) 5600 x 125% = 7000 (1)</p> <p>OFR applies</p>	
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Question	Part	Marking guidance	Total marks								
5		<p>Table 2 shows information for a company.</p> <p style="text-align: center;">Table 2</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Dividends per share in 2024 (\$)</td> <td style="text-align: center;">0.10</td> </tr> <tr> <td>Number of ordinary shares</td> <td style="text-align: center;">400 000</td> </tr> <tr> <td>Ordinary share capital (\$)</td> <td style="text-align: center;">800 000</td> </tr> <tr> <td>Total dividends paid in 2025 (\$)</td> <td style="text-align: center;">64 000</td> </tr> </table> <p>Using Table 2, calculate the percentage change in dividends per share in 2025 compared with 2024.</p> <p>60% or 60 (3) Dividends per share in 2025 = \$64000 / 400000 = \$0.16 (1) Change in dividends per share = \$0.16 - \$0.10 = \$0.06 (1) Percentage change in dividends per share = \$0.06 / \$0.10 x 100 = 60% (1)</p> <p>OFR applies</p>	Dividends per share in 2024 (\$)	0.10	Number of ordinary shares	400 000	Ordinary share capital (\$)	800 000	Total dividends paid in 2025 (\$)	64 000	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
Dividends per share in 2024 (\$)	0.10										
Number of ordinary shares	400 000										
Ordinary share capital (\$)	800 000										
Total dividends paid in 2025 (\$)	64 000										

Question	Part	Marking guidance	Total marks
6		<p>A business experiences falling profits.</p> <p>Explain how one stakeholder group of this business might be affected by the falling profits.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Employees are a stakeholder group. They will normally want secure jobs and pay increases that at least match the increase in prices in the economy. Falling profits may mean the business cannot afford to employ as many as before or satisfy the workforce with a reasonable increase in pay. • Shareholders are a stakeholder group. They will normally want to receive dividends out of the profits and possible increases in the share price so they can profit from trading in shares. Falling profits are likely to mean reduced dividends and possible falls in share prices (unless the fall in profits is relatively lower than for other businesses). • Customers are a stakeholder group. They will normally want good value products of an acceptable quality at reasonable prices (though this may vary depending on the type of business). Falling profits may mean that the business offers more generous discounts and other sales promotions in order to attract more customers. This should be beneficial for customers. • Suppliers are a stakeholder group. They will not benefit if profits are falling. The business may buy less from suppliers which reduces the supplier's revenue and profits. Also, the suppliers may experience the situation where the business cannot pay the supplier what they owe them – which may encourage the suppliers to no longer offer credit terms (or offer shorter periods of credit). • Managers are a stakeholder group. They would normally want rising profits and dividends from the profits, or rising sales – especially if they are paid through bonuses and commission. Falling profits may mean they receive less income, and their job security may be threatened – especially if the business 'rationalises' its structure. • Local community is a stakeholder. They will want the business to act as a contributor to the local community, to not damage the environment, etc. If profits are falling they may also be concerned of the economic impact on the local community - ie job losses to local residents, lack of income spent in local area. • Lenders are a stakeholder. Lenders, such as banks, will want to ensure that whoever they have lent to can repay and keep up interest payments. If the profits are falling, they may be less willing to make further loans to the business and may 'call in' other lending facilities, such as an overdraft. 	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

	<p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains how one stakeholder group of the business is affected by falling profits.</p> <p>Reasonable response (2 marks) Explains how one stakeholder group is affected by the business but not in the context of the business experiencing falling profits.</p> <p>Limited response (1 mark) Shows relevant knowledge of stakeholders with little or no explanation.</p>	
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Question	Part	Marking guidance	Total marks
7		<p>An entrepreneur starts a business in a market with many competitors.</p> <p>Explain one characteristic of this entrepreneur that can help increase the chances of success for this business.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Resilience – by being resilient the entrepreneur is willing to continue despite setbacks which is likely when starting a new business. With many competitors there are likely to be more difficulties than in a market with few competitors which makes resilience particularly important. • Creative – by being creative, the entrepreneur is more likely to create a product that will be successful. With many competitors in the market, creativity will help the entrepreneur differentiate the products in some way against the competing products on offer, which should increase the chances of success. • Hard-working – being hardworking is necessary for an entrepreneur given the difficulties they face entering a market. There are many tasks to be completed when setting up in a market. These are likely to be made more difficult by the existence of many competitors as it will make it harder to get the business established. • Willingness to take risks – taking (calculated) risks is necessary when starting up. There are plenty of things that may not work well and an entrepreneur will need to be willing to take risks. With lots of competition, the chances of products surviving are reduced so some need to take risks will be important. • Self-confident – the entrepreneur will need to be confident in their own abilities to successfully manage a business and to make decisions appropriately when facing difficulties. In a market with many competitors, things are more likely to change rapidly and there may be more problems facing the entrepreneur than in a market containing fewer businesses. This means self-confidence is an important characteristic. • Initiative – an entrepreneur will need to take the initiative by acting quickly and being pro-active when running the business. They will need to make decisions in a timely manner and not rely on others unnecessarily. An entrepreneur starting a new business will be faced with plenty of situations where they cannot rely on others and have to take the initiative. Due to the actions of competitors, the entrepreneur will probably need to make more changes and have to act quickly and take the initiative. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains how an entrepreneurial characteristic helps business success in a market with many competitors.</p>	<p>3</p> <p>AO1 = 1 AO2 = 2</p>

		<p>Reasonable response (2 marks) Explains how an entrepreneurial characteristic helps business success but not in a market with many competitors.</p> <p>Limited response (1 mark) Shows relevant knowledge of entrepreneurial characteristics with little or no explanation.</p>	
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Question	Part	Marking guidance	Total marks
8		<p>A business estimates that the price elasticity of demand for its product is -1.4.</p> <p>Explain the value to this business of this estimate.</p> <p>Indicative content</p> <ul style="list-style-type: none"> • Price elasticity of demand (PED) measures the responsiveness of demand to a change in price. • $PED = \frac{\% \text{ Change in quantity demanded}}{\% \text{ Change in price}}$ • PED of -1.4 is price elastic. • A value for PED above (-) 1, in this case -1.4, means demand is price elastic. This means that the change in demand will be proportionately bigger than the change in price. If the business decreases the selling price, sales will rise by a larger percentage than the fall in price and revenue will rise. • Cutting the price should lead to an increase in revenue which may help to increase profits. <p>Credit valid alternative content.</p> <p>Good response (3 marks) Explains the value of the price elasticity of demand for a business where the PED is -1.4 (or price elastic).</p> <p>Reasonable response (2 marks) Explains the value of price elasticity of demand for a business but with no reference to the PED being -1.4 or being price elastic.</p> <p>Limited response (1 mark) Shows relevant knowledge of price elasticity of demand (such as correct formula) but 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 new business aims products at a younger demographic market and wants to increase sales.</p> <p>Analyse two benefits to the business of using social media for promotion.</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 benefits of using social media for promotion,
- for a new business aiming products at a younger demographic market,
- wanting to increase sales.

Indicative content

- Using social media should lower costs for the business. This is because it can use social platforms free of charge. This will reduce business costs and increase potential profits. For a new business, a lower cost option would be preferable as the business will have increased costs associated with starting up and launching new products. Traditional methods of promotion can cost lots of money – especially advertising – which may not be available for a new business.
- Using social media for promotion can help the business with marketing research. Looking at how people view the social media can give information to the business about their lifestyles and other behavioural characteristics. For example, by using social media for promotion, a business may be able to access data about the types of people who are viewing information about the business, how they respond to different types of messages, how they respond to different methods of promotion. Using social media can allow access to big data, which may allow more meaningful conclusions to be drawn about its target audience. There is also the facility to run surveys through various research platforms. This should provide more useful information about how to increase sales (eg what types of promotions to use, etc.)
- Using social promotion has a wider reach. The number of people who use various social media sites and platforms is very large. This means the business can raise awareness of its product range on a very large scale. It aims its products at a younger demographic market. This market segment are more likely to use social media than older demographic markets, which means that the business can reach a very high proportion of its target market. This should make it easier to increase sales for the business given the large number of potential and actual customers it can reach by using social media.
- Viral marketing can be used via use of social media platforms. These platforms can be used to share news about the business which their potential market can share with one another. This helps to spread awareness about the business and the speed of this spreading can be very rapid. Younger people are more likely to engage in viral marketing strategies as they will communicate with similar people (friends, etc.) using other social media platforms, more so than older audiences.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
10		<p>A business wants to launch a product in a country it has not sold in before.</p> <p>Analyse one advantage and one disadvantage for this business of using market mapping when launching this product.</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 one advantage and one disadvantage of using market mapping,
- for a business wanting to launch a product,
- in a country it has not sold in before.

Indicative content

Advantages:

- Can focus on where businesses are not already present. This makes it easier for a product to attract customers and avoid the difficulties of selling in part of the market where there are other businesses. In a country that is new for the business it will be more important to avoid competitors as it will not have the customer loyalty that other businesses may have and this may help the product become established.
- Market maps help identify gaps in the market. This will be the parts of the market segment where there are no other businesses targeting products. This will make it easier for the business to become established and can build up sales with less pressure from competitors. In a foreign market that has not been previously targeted this will make it easier for the business to get established as there may be other difficulties faced making it easier overall for the business.
- Market mapping is useful for analysing the competition that exist in the market. The information about the businesses in the same market will help the firm to refine its market mix and adapt the mix to ensure a greater chance of success when entering the market. In a foreign market, there are more likely to be unknowns that make it harder for the business to get established. It is probably more important that information is gathered about these businesses given the businesses' lack of experience in operating in the market.

Disadvantages:

- Market maps are often based on subjective estimates. The information used to construct the market map may be from the business itself and this means it may not be reliable. It is not factual information. This means that the business may position its products in a location which is not appropriate – eg where there are businesses already there which was not expected, or that the criteria used to construct maps are not appropriate for analysing the market. In a foreign market where the business has no experience, it is more likely that it will not find it easy to construct the map in the first place and it may position the competition in incorrect places.
- Markets change frequently. This means that the information from the market map may become out of date. This means market decisions that are based on the market map may not be the correct decisions due to the inaccurate map. The information needed to keep the map up to date when dealing with a foreign country could be difficult to get hold of and it may make it more likely that the foreign country market map is not as useful as it may initially appear.
- Even with a gap in the market, this does not mean that the product will be successful. There may be a gap for a good reason. For example, if using price and quality for the criteria, there are likely to be few firms in the 'high price, low quality' segment but this does not mean there is a viable market in that gap. With a new market in a new country, the business may not have sufficient experience of insight to judge whether there is a market in the gap that exists.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11		<p>A business operates in a fast-changing market. It spends significant amounts on developing new products.</p> <p>Analyse two reasons why this business may use a price skimming strategy for its new products.</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 reasons for using price skimming,
- for a new business that is in a fast changing market,
- and spends significant amounts on developing new products.

Indicative content

- Price skimming means setting a high selling price initially when launching new products into a market. The price can be reduced gradually over time as the business targets additional market segments.
- Price skimming may be appropriate as the high selling price will help the business generate more revenue than a lower selling price. A business that spends significant amounts of money on developing new products will have significant outflows on the development and launching of new products. Charging a higher selling price will aim to cover this higher than average spending on new product development.
- In a fast changing market there are likely to be consumers who like to be 'early adopters'. These consumers will want to be the first to buy new products and they are willing to pay higher prices for being the first group of consumers to get the product. Price will need to be reduced to attract further groups of consumers who are less willing to pay the initial high price. In this case price skimming would be appropriate.
- New products are not always successful when launched. In a fast changing market, there may be a greater than average chance of a new product failing given the changes in the market that have taken place. As a result, the business may wish to use price skimming so that the products that are successful generate more revenue to offset the cost and losses incurred for products that are not successful.
- In a fast changing market, the price might need to fall over time as tastes and wants change. New products may be launched by competitors which means the initial high price cannot be sustained. This would suggest price skimming is an appropriate pricing strategy.
- The additional revenue gained may help provide funds to cover the cost of product development. The fast changing nature of the market means the business spends more on new product development. Using price skimming means more revenue generated per item sold. This will mean more income to fund further product development.

Credit valid alternative content.

Section C

Total for this section: 36 marks

Question	Part	Marking guidance	Total marks
12		<p>Hassan set up a business last year as a sole trader and now wants to expand. He is considering changing his business into a private limited company.</p> <p>Assess the arguments for and against Hassan changing to a private limited company 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. <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>
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 analyse the benefits and drawbacks of changing into a private limited company,
- for a business owner who set up a business last year as a sole trader,
- and wants to expand,
- and make a judgement on whether changing to a private limited company is a good idea.

Indicative content

Arguments for

- Sole traders have unlimited liability. This means that the sole trader is personally liable for any debts that cannot be paid if the business should fail. This could mean that Hassan loses personal possessions if he remains as a sole trader. By expanding the business, it is more likely that Hassan will need to borrow money to provide the finance. This increases the risks associated with unlimited liability.
- By converting into a private limited company there is the possibility of acquiring finance through issuing shares. Hassan could invite people to help run the business. The shareholders that Hassan invites into the business can provide finance. The share capital brought by new shareholders will help him to expand. This makes converting into a private limited company more desirable.
- Bringing outside investors into the business as shareholders may help provide expertise. New shareholders can be brought into the private limited company. These may be able to help Hassan run the business. If he wishes to expand then he may not have the expertise in managing the expansion of a business and will need business help. This would not be available if he remains as a sole trader.
- He may find it hard to borrow money to finance expansion as a sole trader given he has only been in business for one year.
- He is unlikely to have retained profits as a recently started sole trader that would be sufficient for internal growth of the business.

Arguments against

- Managing a sole trader's business is less time consuming than for a private limited company, in, say, paperwork. This would be suitable for Hassan if he prefers the freedom of fewer regulatory requirements.
- As a sole trader, Hassan could be the only person making decisions and running the business. Other people may be employed by the sole trader but these are not involved in running the business. If converted into a company, Hassan may have to consult with other shareholders/directors of the business and make compromises.
- Hassan may prefer the freedom of running his own business and this would be most suited to remaining as a sole trader.
- Hassan wants to expand the business. This means that he may need to acquire sources of finance. For a sole trader, Hassan would be able to borrow money from, for example, a bank. Share capital is not available but the external finance may be covered by, say, a bank loan. This means that he could remain a sole trader and use loans to finance the expansion of the business.

Potential judgement

- A sole trader with only one year's experience may not be able to obtain a loan and therefore converting into private limited company may be the only way of acquiring finance to expand the business.
- There are other ways Hassan can finance expansion (eg lease/rent, second hand, payment plan). This means Hassan would not need significant sums of external finance and would allow him to remain a sole trader.
- Converting into a private limited company is not especially complex and the restrictions on Hassan's ability to maintain freedom would not be compromised too much if he did follow this option.

- There may be other ways he can expand the business other than attracting other shareholders, such as asking family and friends.
- Issuing a small amount of share capital allows full control of the business to be kept and would not mean there is much need to compromise. Freedom to run the business how he sees fit would still be possible (though whether the new shareholder(s) would be happy with this is an unknown).

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>Consumer incomes have fallen in recent years. The marketing director of a chain of health clubs and gyms believes that the focus for its promotional mix should be sales promotion. Do you agree?</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>

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. <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>
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 analyse the benefits of using sales promotions as part of the promotional mix,
- for a chain of health clubs and gyms,
- where consumer incomes have fallen in recent years,
- and make a judgement on whether focusing on sales promotions is a good idea for the promotional mix.

Indicative content

Arguments for

- The promotional mix refers to the combination of promotion policies and activities used by a business, such as advertising, sales promotions, exhibitions, trade fairs and public relations.
- Sales promotions methods, such as price reductions or special offers (such as discounted entry, periods of free memberships etc), do not cost any additional money to implement. If consumer incomes are falling, then the business may be experiencing falling profits which means that a lower-cost method of promotion would be preferable to other methods that may be expensive, such as advertising.
- Using sales promotion methods should lead to an increase in sales. By using methods such as price discounts for use of facilities, special offers, such as free periods of membership, etc, the business should be able to attract more customers which should increase sales and hopefully increase profits. If consumer incomes are falling then the better value that the sales promotion offers to consumers, should result in the increase in sales and profits that the business is probably aiming for.
- There are likely to be other chains of clubs and gyms competing for sales. In this case focusing on sales promotions may lead to customers switching from other businesses to this business. If incomes are falling then offering better value for money in the form of customers getting either more for their money or a lower price for the same product should lead to increased sales and possibly increased profit.
- Other methods of promotional activity may not be as appropriate for the nature of this product. The decision to join a club or gym or to pay for entry to use the facilities is often one made on social reasons, such as joining friends who are also attending or are members. Trade fairs or exhibitions are not really appropriate for stimulating more sales. Advertising may help as a method but most consumers are maybe aware of the chain and do not need informing (but may need persuading).

Arguments against

- The use of sales promotions may damage the reputation of the chain. If they are offering a facility that is meant to be upmarket, premium, on or quality, offering a discounted product or special offer may cause consumers to assume the product is not of as high quality as it may otherwise have been assumed.
- Sales promotions may only be effective in the short-term. The nature of the special offer may attract users who then switch away from to other chains. Unless the sales promotions continue for a longer period of time the business may struggle to keep the gained customers.
- If incomes are falling then sales promotions methods may not have much impact on sales. As club or gym memberships/visits are not a necessity and therefore lower income consumers may be reluctant to spend any money on the product, even with promotions.
- Other promotional methods may be more effective. Advertising may persuade consumers to purchase or to switch from a rival chain. Advertising would be useful and may be needed to inform consumers about the sales promotions or other reasons why consumers should join or visit the gym or club, such as details of new products, new ranges and prices offered.

Potential judgement

- Although sales promotions could be the focus for the promotional mix, it would be sensible for the business to utilise other aspects of the promotional mix at the same time. Advertising, in particular, would be a good complement to the sales promotions and may be necessary to communicate the sales promotions taking place.
- Although sales promotions do not generate an extra cost, they do result in less revenue per amount sold. This means that they do 'cost' the business and this should be compared with other promotional methods when making a decision.
- It will depend on how much the sales are affected by changes in income. If sales are less affected by changes in income, then it may be better not to focus on the short-term impact of sales promotions.
- Membership and entry to the clubs/gyms is likely to be seen as a non-essential purchase so falls in income are more likely to affect this business.

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>The directors of a luxury retailer aim to improve profits. They believe that changing to multi-channel distribution will help to achieve this aim. Do you agree?</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>

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	0	<p>No credit worthy material.</p>

The demands of the question are:

- to analyse the benefits of switching to using multi-channel distribution,
- for a luxury retailer,
- that wants to improve profits,
- and make a judgement on whether the switch is a good idea.

Indicative content

Arguments for

- Multi-channel distribution involves a business using more than one type of distribution channel when selling goods to customers.
- Multi-channel distribution should allow a business to reach more customers. Single-channel distribution may mean that they quickly reach the limit of their sales level. Increasing the number of channels allow more sales which should lead to increased profits which is the aim of the directors.
- Being a luxury retailer may mean that, by restricting the numbers of channels of distribution, they quickly reach the maximum number of sales possible in the market segment(s) they target. Luxury goods are likely to be purchased by a smaller group anyway so this limit may be reached more quickly. Opening up new channels of distribution should allow a greater range of customers to be reached – giving a greater chance of increased profits.
- Some channels of distribution allow the retailer to increase its profit margins. Selling direct to consumers (eg through e-commerce) would allow the retailer to keep the portion of the revenue that may have been taken by any intermediaries (eg another retailer that they use to make sales). For a luxury product, there is likely to be an increased profit margin due to the premium price likely to be charged. This increased profit margin should lead to increased profits overall.

Arguments against

- It will be more costly to set up. For example, if the retailer has to organise the new channel being used then this may take time and money. Moving to e-commerce will require the business to be capable of dealing with the online retailing aspect of the business. If this is to increase profit then the costs of setting up new channels of distribution must not exceed the profits earned on the extra sales achieved by using the additional channel(s).
- By using multiple channels of distribution, the image of the product may be damaged. This may be more important for a retailer of luxury products. Selling price is likely to be higher for luxury products and this may not be sustainable if the product is too widely available. This may damage profits to the extent that the increase in sales is cancelled out by a fall in the selling price.
- Selling across different channels may mean that the retailer experiences channel 'conflict' where an increase in sales through one channel leads to a fall in sales in the other channels, ie there is no increase in overall sales. This may mean profits fall if the channel where the sale is generated carries a lower profit margin – due to the intermediary used in this channel taking a portion of the profits made. Sales volume may not be that high for a luxury retailer (with profits coming from the high profit margins), so would be taking sales away from other channels, through channel conflict, and may mean profits do not increase.

Potential judgement

- If the additional channels of distribution being used do not generate many (or any) additional costs then it is more likely that overall profits will be positively affected.
- For a luxury retailer wanting to increase profits, using more channels of distribution is probably a good way to achieve this as it may be hard to expand market share using the existing channel.
- The retailer will need to ensure that the image of the product is not damaged by using multiple channels. Choosing these channels carefully will be necessary to maintaining the luxury image of the product.
- Fewer channels may be better due to the luxury nature of the product, which may rely on the image of exclusivity of the product.

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