

Name: \_\_\_\_\_

Topic 9: Resource management

Date:

# Edexcel AS Level Business

## Mark Scheme

Time:

Total marks available: 40

Total marks achieved: \_\_\_\_\_



EXAM PAPERS PRACTICE

## Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• Ryanair’s pricing strategy has to be conscious of prices charged by rivals/competitors and ensure that the price is competitive.</li> <li>• The demand in the budget aviation market is price elastic, therefore a competitive price is necessary for Ryanair to increase revenue.</li> <li>• If this pricing strategy increases passenger numbers it might increase revenue per flight.</li> <li>• Might lead to a higher gross profit overall but a lower margin on each ticket.</li> <li>• Could increase operating profitability owing to higher capacity utilisation (fewer empty seats) on each aircraft. This would reduce average fixed costs.</li> <li>• Might encourage customers to book a long time in advance of flying which could help cash flow</li> <li>• Might force Ryanair to make frequent adjustments to prices to match competitors and this will have an impact on the accuracy of sales forecasting and the reliability of the budgeting process.</li> <li>• By giving passengers a range of potential ‘add-ons’ which they may or may not choose to pay for, there may large variations in revenue per passenger which makes budgeting difficult.</li> <li>• Ryanair’s brand image is to be a ‘no-frills’/budget airline operating in a very competitive and challenging business environment. This pricing strategy will therefore not damage brand image or threaten future revenues.</li> </ul>	

Question Number	Indicative content	Mark
	<p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• It is very difficult for other aviation companies not to respond with price changes of their own to any price cuts/deals made by Ryanair. This can become a price war/a race to the bottom.</li> <li>• This pricing strategy may just defend market share rather than increase it and so higher sales revenue may not be the result.</li> <li>• The increase in the number of passengers per plane may require extra fuel as well as more check-in/flight/baggage handling staff which would increase costs. If staff numbers are not increased and passenger numbers rise then customer service might be compromised.</li> </ul>	

Question Number	Indicative content	Mark
	<ul style="list-style-type: none"> <li>• The increase in revenue may not be proportionally as great as the increase in cost of sales (the extra revenue from each extra seat filled might be lower than the cost of the extra fuel used to carry that extra passenger and their luggage).</li> <li>• May depend on how much spare capacity there is on any particular route/plane. If close to full capacity anyway it may leave some potential customers disappointed. If competitive pricing is used to fill empty seats at the last minute, the impact on cash flow may not be as great as getting advance bookings. Cash flow might also be affected if Ryanair has to react to competitors dropping prices.</li> <li>• Forecasts can take this into account by producing upper and lower forecasts to take this into account.</li> <li>• Ryanair will continually be collecting data of passenger behaviour and budgets can be adjusted, taking into account a 'smoothing' approach to fluctuating averages.</li> <li>• May stop Ryanair developing into a premium player.</li> </ul>	<b>(20)</b>

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.

Q2.

Question Number	Indicative content	Mark
	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Ethical Sourcing</b></p> <ul style="list-style-type: none"> <li>• Her USP is sustainable gifts and products made from ethically sourced materials.</li> <li>• She has achieved success so far with exclusive partnerships with the British Museum, Tate Galleries and the Royal Academy of Arts which is likely to be because she handcrafts unique products from reclaimed wood.</li> <li>• Costs may not be important as she can charge high prices in a niche market.</li> <li>• The tailored love letters are made to order so will use job production which will increase costs, but add value making people more willing to buy them.</li> <li>• She operates in a niche market, so quality of materials is likely to be more important, focusing on costs could reduce quality.</li> <li>• The Made-in-Britain slogan is also important to the Maria Allen brand, focusing on costs may mean offshoring to less ethical production facilities.</li> </ul> <p><b>Cost Minimisation</b></p> <ul style="list-style-type: none"> <li>• Ethically sourced materials may cost more which may impact on prices and reduce sales.</li> <li>• Keeping costs down would enable Maria to keep prices competitive in the competitive market and gain more sales.</li> <li>• Cost minimisation would enable Maria to invest in the development of new product ranges to increase sales.</li> <li>• Maria will need to produce more to meet her turnover target of £500,000 - economies of scale could be gained with increased production.</li> </ul> <p><b>Potential Recommendation</b></p> <ul style="list-style-type: none"> <li>• Using ethically sourced materials is her unique selling point and is important to her existing customers, without it she might not be able to compete in the market and lose sales.</li> <li>• Maria Allen should focus on costs because she wants to expand and increase her turnover, by focusing on costs this may allow her to reduce prices and therefore boost sales.</li> </ul>	<b>(20)</b>

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
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