

OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL AS BUSINESS

(9625)

Example responses with commentary: BU01

For teaching from September 2018 onwards

INTRODUCTION

This guide includes some further example material which provides responses to the June 2019 BU01.

It is intended to provide some examples of the kind of responses that might be submitted with some exemplification of the mark scheme connected to that response. Each series, the intention is to provide further example responses as they become available.

ASSESSMENT OBJECTIVES

The exams will measure how students have achieved the following assessment objectives.

- 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.

EXAMPLE RESPONSES

QUESTION 05

0	5	The managers of a manufacturing business are considering introducing Key Performance Indicators (KPI).
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Explain **one** reason why they might wish to do so.

[3 marks]

MARK SCHEME

Q	Marking guidance	Marks
5	<p>The managers of a manufacturing business are considering introducing Key Performance Indicators (KPIs).</p> <p>Explain one reason why they might wish to do so.</p> <p>Indicative content</p> <ul style="list-style-type: none"> KPIs help managers to measure progress towards the objectives of the business. KPIs can be applied to overall performance or to specific processes, departments or outcomes. Managers could use them, for example, to spot problems and reallocate resources. KPIs are measurable, specific and show progress <p>Credit valid alternative response</p> <p>Good response. 3 marks</p> <p>Links KPIs to the measurement of the performance of specific areas of a business and explains how they can be used as management tools to indicate specific problem (or success) areas.</p> <p>Reasonable response. 2 marks</p> <p>Explains relevant points but does not fully develop explanation eg how KPIs may be linked to the measurement of the performance of specific areas of a business nor explain how they can be used as management tools to indicate specific problem (or success) areas. For example, describes what a KPI is, but does not link it to management actions.</p> <p>Limited response. 1 mark</p> <p>Identifies KPIs with no further explanation or development. For example, states that they are specific or measurable but does not recognise their role as tools.</p>	<p>3</p> <p>AO1=1</p> <p>AO2=2</p>

STUDENT A

RESPONSE

One reason could be to help motivate the business's employees KPI includes indicators such as number of units sold, or things like labour turnover and retention. Employees can be motivate because as a manufacturing business, seeing a high value on a KPI will further make the employee feel productive and thus motivated to work.

COMMENTARY

Good response

Although motivation of employees is not listed in the indicative content, it is a valid alternative response. The response then fully links this to the business, identifying that it would make employees more productive. It was therefore awarded full marks.

MARKS AWARDED: 3 MARKS

STUDENT B

RESPONSE

One reason they might wish to do so is to measure accurately the performance of the employees and to determine whether the quality of the products of the manufacturing business is up to par with the standards of the managers and customers. Its a measure of accuracy.

COMMENTARY

Limited response

Student shows some knowledge of KPIs, through referencing it is a measure of accuracy/performance of employees. There is no link to the benefit of businesses or why the use of KPIs may be used by managers. This response is therefore considered a limited response.

MARKS AWARDED: 1 MARK

STUDENT C

RESPONSE

It is because KPI helps the managers to make rational decisions. KPI refers to the measurement of the business performance and the managers may seek it likes a guidance to make the rational decision. Therefore this indicators may provide some information that is useful for decision making of managers.

COMMENTARY

Limited response

The response shows some knowledge of KPIs, for example by stating they are a measurement of performance. However, the student fails to link it to the actions taken by managers. The statement 'useful for decision making' would be considered too vague.

MARKS AWARDED: 1 MARK

QUESTION 11

1	1	Analyse how a decrease in interest rates might impact on the decisions of a manufacturing business.
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[9 marks]

MARK SCHEME

AO1=3

AO2=3

AO3=3

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

The focus of the question is on the decisions of the manufacturing business.

Indicative content

- A fall in interest rates may make a business more likely to borrow money.
- It may also make a business less inclined to save or postpone expenditure.
- In either case, increased investment spending is more likely.

Decisions will be about, for example:

- The amount of stock bought and held
- Expansion or growth

- Purchase of assets, such as plant and machinery
- Reducing debt
- Other relevant business expenditure that might involve borrowing money.

As a manufacturing business it is fair to assume that there are costs for capital such as buildings, plant and machinery and for raw material stock. Credit valid alternative content.

A good response will show a clear understanding of how a reduction in interest rates will benefit a business, such as a manufacturing business, that has a need to borrow money for plant, equipment and stock. It will recognise that costs of borrowing will be cheaper so decisions on areas such as growth will be easier to make.

A reasonable response may be able to describe how a reduction in interest rates could benefit a business in general, but not realise the significance of it being a manufacturing business.

A limited response may show some understanding of how interest rates will affect borrowing and saving decisions but not link this to the business. An answer that focuses on the decisions of the business' **customers** will be limited.

STUDENT A

RESPONSE

The decrease in interest rates could lead to a reduced cost on borrowing, leasing and capital investments. Hence rental for larger places for increased production. With a decreased cost for borrowing, leasing machinery, this would impact the business's manufacturing sector to afford more advance machinery that would generate larger quantities as a lowered cost; economies of scale experiences. Another being the loans offered by banks which would produce same outcomes of increased output. Moreover, this loan can be used for further expansions planned by manufacturing business, such as expanding production line workers and add to productivity of business. Thus, generating profits and high returns from the investment made. Externally, this would also impact the manufacturing business of increased demand due to cheaper borrowings for consumers, which makes business to produce to new demand and take advantage of. Furthermore, it business is able to afford more advanced machinery hence they may change production methods simply by being capital intensive instead of labour. Solely, adding to efficient ways at a lowered cost that acquires high return rates and consistency in products manufactured of quality.

COMMENTARY

Good response

Overall a well-considered answer. Knowledge is demonstrated, the response identifies that the cost of borrowing will fall. Student has linked to the context of a manufacturing firm throughout, for example by referencing the purchasing of capital equipment and links to expansion of the production line. This is supposed by analysis of the points in terms of the benefit to the firm, for example linking to economies of scale, however the chains of analysis are not detailed enough to achieve the top mark, therefore this is a mid-level 3 response.

MARKS AWARDED: 8 MARKS/LEVEL 3

STUDENT B

RESPONSE

A decrease in interest rates means companies and business can have higher liabilities. They can have higher debts., than their capitals. Which we called it "high gearing." In high gearing, companies or business will have higher power to make decisions. They will have more money. For manufacturing business, more money in their budget means higher productivity, more labors, more machines. A decrease in interest rates will impact on the decisions of a manufacturing business if they can purchase more items that can improve their productivity

COMMENTARY

Reasonable response

Student demonstrates reasonable knowledge of interest rates by identifying the link between lower interest rates and their ability to increase liabilities, however this lacks explanation. The response then references 'gearing' which is a relevant issue, but again the student fails to analyse the impact of lower interest rates to gearing. There is some link to the context through the reference of machinery and improving labour productivity which is reasonable. This therefore places this response at the bottom of level 2.

MARKS AWARDED: 4 MARKS/LEVEL 2

STUDENT C

RESPONSE

One reason the decrease in interest rates has positive impact on some decisions of a manufacturing business. This is because as interest rates fall, it means costs of borrowing is reduced. This allows the business to borrow more money for the manufacturing machineries or other operations. However, a manufacturing business

COMMENTARY

Limited response

One relevant point identified (cost of borrowing is reduced). Student then attempts to link this to the context however stating 'manufacturing machinery' is limited application to the context. There was no attempt at analysis. This therefore achieved only some of the criteria in level 1 and was awarded at the bottom of this level.

MARKS AWARDED: 1 MARK/LEVEL 1

QUESTION 12

- 1 2** Marco has enjoyed learning new woodwork skills at college and wants to set up a business making children's toys to take advantage of these skills. He has decided to set up as a private limited company.

Assess the arguments for and against the decision, and make a judgement.

[12 marks]

MARK SCHEME

AO1=2

AO2=2

AO3=3

AO4=5

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 showing sound knowledge and understanding of business terminology and with few, if any, errors is well structured and well-focused. <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> <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 may not be fully developed or

		<p>may lack some accuracy in places</p> <ul style="list-style-type: none"> 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 creditworthy material	

The demands of this question are to develop arguments and make a judgement on whether it would be a good decision for Marco to start up (new business) as a sole trader or as a private limited company.

Indicative content

Possible arguments for start-up as a private limited company are:

- the protection of limited liability - a limit on the owner's responsibility for the debts of the business
- the existence of the company as a separate legal entity from its owners
- likely to have better access to capital
- most financial details are kept private, so there is a level of confidentiality.

Students may also refer to disadvantages of other forms of ownership eg being a sole trader or in partnership, such as:

- limited capital for investment or in response to competition
- limited collateral for business loans
- unlimited liability (owner's responsibility for the debts of the business is only limited by personal wealth)
- sharing ownership and control.

Possible arguments against start-up as a private limited company are:

- legal and administrative formalities
- decision making, and thus responses to market change, may be slow
- only partial financial confidentiality
- shares cannot be bought or sold without agreement of all shareholders.

Students may also refer to advantages of other forms of ownership eg sole trader or partnership:

- owner/partners receives all the profits (if the business is profitable)
- owner has control over decision making or shares control
- sole trader can respond quickly to market changes
- financial details are kept private, so confidentiality is assured.

The key elements of choice are likely to be linked to:

- business size and requirement for capital
- the amount of risk the owner is prepared to bear
- the amount of control and profit the owner is prepared to share

- the business objectives of the owner.

Arguments are thus going to be: if Marco's business needs capital, then...; if he is prepared to share control, then...; if he is willing to take the risks on himself then...

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

STUDENT A

RESPONSE

A private limited company is a company that has its share privately sold and activity shown. The advantages could be the limited liability Marco would have, the reduced risk would be preferable, probably due to a new graduate with insufficient finance who wouldn't want to risk personal asset and wealth if business fails. Hence, with privacy as an attribute it would enable Marco to keep his ways of producing the woodwork and children's toys which would make him stand out in market. Gaining an advantageous marketing position. Which would result in return on spending and acquiring high profit margin too. Also, with private limited, Marco is able to hone the continuity trait if he passes on later and continue the business existence. Leaving his trademark and unique woodwork for children's toys. However, the disadvantages would be the lack of finance Marco has if he were to start out privately due to shares being sold privately. This would deter him from producing the toys at a lowered cost and inability to get machinery to produce at lowered cost. Which forces him to do it manually, which is timely. Hence, the lack of external shareholders who may be experienced and help with business of Marcos. Ultimately, this depends on the funds available to invest into business and Marco's skill set to execute it. Also the availability of close family, friends to invest.

COMMENTARY

Good response

Clear knowledge is shown throughout of becoming a private limited company. The student also clearly links to the context of Marco, for example the benefits to a recent graduate of having limited liability. The response then lacks focus, digressing into the business's position in the market. The student provides some balance, however fails to provide a conclusion based on analysis - points are generic and fail to link effectively to the context. Response therefore was awarded the bottom of level 3.

MARKS AWARDED: 7 MARKS/LEVEL 3

STUDENT B

RESPONSE

If Marco plans to set up a private limited company, it would allow him to have more control over who buys the shares of the company. For example, shareholders could be family members, the people who can be trusted and the likelihood of the company being taken over by an external shareholder is very low hence starting up a private limited company would be better compared to other forms of business such as a sole trader or a public limited company. In a sole trader for example, it is quite difficult to sustain the business and survive due to inadequate funds. Another advantage of setting up a private limited company for Marco is that it would be easier to apply for a bank loan compared to a sole trader as private limited companies are declared more reliable in paying back the amount owed.

However, setting up a private limited company would be very expensive compared to a sole trader and is difficult to attract new shareholders into the company especially if it is a new business. It will be a huge risk for stakeholders as they are investing money into a new business that is still quite prone to bankruptcy and the failure of the business. Compared to a sole trader, Marco would have to have a large sum of money to start the business. In conclusion I think that it is wrong for Marco to make this decision as it is a bigger risk to start big rather than to start small. Because it is less of a risk and the probability of a private limited company failing is higher if Marco does not have the skill to run any form of business. However, there are factors influencing the decision making each making such as whether or not Marco has sufficient funds to start a private limited company and whether he obtains the skills that he needs to run a large company like so

COMMENTARY

Reasonable response

Student shows knowledge of a range of business ownerships, including private limited company and sole traders. There is an attempt at analysis, however it is underdeveloped. In particular this response cannot progress further due to lack of application to the context. Referencing 'Marco' demonstrates a weak attempt at application and therefore student is limited to level 2.

MARKS AWARDED: 5 MARKS/LEVEL 2

STUDENT C

RESPONSE

A private limited company is a company which is not owned by state, set by an individuals or groups of individuals.

I think he is right to do this because of the following statements. Setting up a private limited company is convenience. It is not necessary that Marco needs to register the government or fill in any forms. It is fast to set up the private limited company, not very time consuming. Marco can startup his own business as quickly as possible.

Investors may invest more money in private limited company. When the company faces financial difficulties, the personal assets of the investors are safe because the private limited company enjoy the limited liability. It increases the working capital of Marco's business. However, there is a drawback of set up a private limited company. It is difficult to access much more capital. Setting up public limited company can access much more capital because the company needs to show the annual reports to the general publish or issue debentures to the public to access capital. Whereas private limited company can't issue debentures. It results in private limited company may access little capital.

To evaluate, setting up private limited company I smore safe than public limited companies, it guarantees your financial circumstances and retain control. He is right to do this.

It retains control right of the private limited company, if shareholder own exceed 51% of shares in the company it signifies he/she may has much more authority to decide the policy and decisions of the company. If shareholders want to sell shares to others, it needs to gain the deny of other shareholders. It guarantees the safety of the company.

COMMENTARY

Limited response

This response is limited. The student demonstrates a large amount of knowledge of becoming a private limited company, however the response fails to link to the context in the question (Marco and his personal circumstances). Due to the large amount of knowledge, this response is awarded at the top of the limited mark band.

MARKS AWARDED: 3 MARKS/LEVEL 1



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