

INTERNATIONAL GCSE BUSINESS

(9225)

Example responses with commentary: Paper 2

For teaching from September 2017 onwards

INTRODUCTION

This guide includes student responses to questions from the June 2019 International GCSE Business (9225) Paper 2.

The questions are presented with the mark schemes, student responses and commentaries from the Lead Examiner.

ASSESSMENT OBJECTIVES

The exams will measure how students have achieved the following Assessment Objectives:

- AO1: Demonstrate knowledge and understanding of business concepts, issues and terminology.
- AO2: Apply knowledge and understanding of concepts and issues to business contexts and to interpret business information.
- AO3: Analyse and evaluate business information and issues to demonstrate understanding of the impact of these on business activity, to make reasoned judgements and justified business decisions.

LEVEL OF RESPONSE MARKING

INSTRUCTIONS

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

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 descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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 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, ie if the response is predominantly 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. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which 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 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.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

EXAMPLE RESPONSES

QUESTION 07

0	7	Identify and explain one benefit to a business of having a cash flow forecast.
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[2 marks]

MARK SCHEME

7	<p>Identify and explain one benefit to a business of having a cash flow forecast. (2 marks)</p> <p>Possible answers include:</p> <ul style="list-style-type: none">• prevent cash flow problems• persuade finance providers to invest• will give them a greater chance of survival• to keep a forecast of expected cash inflows and outflows• to enable them to make business decisions at the most appropriate time <p>Specimen response: Businesses can have an understanding of the money going out and coming into the business (1) which will enable them to make business decisions at the most appropriate times (1)</p>	2 AO1=1 AO2=1
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STUDENT A

Response

The business would be able to manage their input and output correctly, therefore more likely for the business to success.

Commentary

This is a vague response which is lacking in substance. The student mentions inputs and outputs, but there is no mention of cash or money. In order to gain some credit, the student needed to mention cash inflows and outflows and then go on to explain how these might benefit a business. Furthermore, the student needed to show some understanding of the fact that a cash flow forecast is based on expected cash inflows and outflows.

Mark awarded: 0

STUDENT B

Response

It can be used to identify cash shortages in the future and this will help the business prepare properly by for example taking a bank overdraft

Commentary

The student clearly identifies a benefit based on projected cash inflows. In this case a potential shortfall is identified and a solution, “a bank overdraft” is put forward. The student scores 2 marks by virtue of the fact that they correctly identify a benefit and then further develops the point by explaining the benefit to the business.

Mark awarded: 2

STUDENT C

Response

When a business has a cash flow forecast, it will help them gain more sources of finance. A bank might be more willing to give out a loan after seeing the business cash flow forecast.

Commentary

The student identifies that a cash flow forecast will give a business more potential sources of finance. The student then develops the point by explaining that a bank might be more willing to lend the business money based on a cash flow forecast. This is a good answer because the student identifies a benefit and then goes on to explain it.

Questions of this type simply require students to identify a benefit and then develop the point by explaining why or how it is a benefit to the business.

Mark awarded: 2

QUESTION 08

- 0 8** A business makes 1000 t-shirts with variable costs of \$1.50 per t-shirt.
Its fixed costs are \$2000.
Calculate the average unit cost of producing 1000 t-shirts. Show your calculations.
[3 marks]

MARK SCHEME

8	<p>A business makes 1000 t-shirts with variable costs of \$1.50 per t-shirt. Its fixed costs are \$2000.</p> <p>Calculate the average cost of producing 1000 t-shirts.</p> <p>1000 x \$1.50 = \$1500 (1) \$2000 + \$1500 = \$3500 (1) \$3500 / 1000 = \$3.50 (1)</p>	<p>3</p> <p>AO1=1 AO2=2</p>
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STUDENT A

Response

$$\begin{array}{r}
 \$1.50 \times 1,000 = 1,500 \\
 \hline
 \begin{array}{r}
 1,000 \\
 2,000 - 1,500 \\
 \hline
 \end{array} = \$2 \\
 \hline
 \text{average unit cost} = \$2
 \end{array}$$

Commentary

The student performs a correct total variable cost calculation for 1000 t-shirts and for this is awarded 1 mark. The student then needed to perform a correct total cost calculation by adding the total variable costs to the business's fixed costs, and then divide this total by 1000. As there are no further correct stages in the calculation the student gains 1 mark for their answer.

Mark awarded: 1

STUDENT B

$$\begin{aligned}\text{Total cost} &= \text{Fixed costs} + \text{Variable costs} \\ &= \$2000 + (\$1.50 \times 1000) \\ \$3500 &= \$2000 + \$1500\end{aligned}$$

Commentary

The calculations for total variable costs and total cost are correct. The student then performs the correct calculation to find the total cost. The student did not complete the final stage of the calculation by dividing this total by 1000 so they gain 2 marks.

Mark awarded: 2

STUDENT C

Response

$$\begin{aligned}\text{avg. unit cost} &= \frac{\text{total cost}}{\text{products sold}} \\ &= \frac{(1000 \times 1.50) + 2000}{1000} \\ &= 3500 \\ \frac{3500}{1000} &= \$3.5\end{aligned}$$

Commentary

This is a good answer, showing a clear understanding of how to calculate average unit costs. The student states the formula for calculating average unit costs and then substitutes figures into the formula at the various stages. This allows the student to perform the necessary calculations to arrive at the correct answer and consequently gain 3 marks.

Mark awarded: 3

QUESTION 10.1

1 0 . 1 Identify and explain **two** ways in which competition affects Nike.

[4 marks]

MARK SCHEME

10	1	<p>One mark for identifying a reason plus one mark for offering some explanation or development in the context. (2x2)</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • may have to improve the quality of its products • may have to introduce a wider range of products • may have to cut costs in order to lower prices • may have to increase advertising spending • declining market share <p>Specimen response: Consumers will have more alternatives to choose from (1) so Nike has to make sure that their shoes are high quality (1)</p>	<p>4</p> <p>AO1=2 AO2=2</p>
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STUDENT A

Response

1 The competition reduces Nike's market share which reduces the profit on Nike.

2 Nike realizes that they need to introduce new products regularly to increase the market share.

Commentary

The 'identify and explain' 4 mark question builds on the earlier 'identify and explain' 2 mark question. Here, the student is asked to identify and explain two ways that Nike is affected by competition.

The main point the student makes, is that Nike's market share is affected. This gains 1 mark. The student identifies that Nike's market share is reduced which could result in declining profits. This gains a further mark for development of the point.

The second point that the student makes is really a development of the first point as they say that Nike will need to develop new products, which gains 1 mark, in order to address the decline in market share. The student, therefore, scores 3 marks in total for this response.

Mark awarded: 3

STUDENT B

Response

1 Competition from Adidas, Puma and Under Armour decrease Nike's market share. Decreasing its market share means that more people are buying competitors products which means that less people are buying Nike products. This decreases revenue.

2 Competition effects Nike because it forces to invest more into advertising or introducing new products. Because its market share is decreasing, Nike has to compensate by investing into advertisements and sponsorships in order to increase demand. Spending more on advertisements increases total costs and might decrease overall profits

Commentary

Two valid effects of competition are identified, and both are fully developed. The first effect identified, is decreasing market share. This gains 1 mark. The student then goes on to explain that consumers may be likely to purchase more goods from competitors which will result in declining revenue. This gains a further mark.

A second effect is clearly identified, namely an increase in advertising and promotion expenditure, in order to counter the threat from competitors, which should increase the demand for Nike's products. Other effects are also identified, such as the impact on costs and profitability. There is enough, here, however, for the development mark to be awarded. So, the student scores 4 marks in total for this response.

Mark awarded: 4

STUDENT C

Response

1 Due to the competition, the market share for Nike is reduced. Because there are many substitutes that consumers can buy, so some of consumers choose to buy Adidas or Puma. The sale of Nike is reduced, therefore the market share is reduced

2 Nike may need to reduce its price to cope with strong competition. If not, consumers will tend to buy similar goods with lower price (such as Puma, Adidas and Under Armour). The profit is reduced, so Nike has less money to expand and improve the products.

Commentary

The student provides an orderly and structured answer to the question. Two valid effects of competition are identified, both of which are developed well. The student explains that there are substitute providers who are in competition with Nike. Because of this, consumers may wish to buy the competitors' goods, which will reduce Nike's market share. This gains 2 marks.

For the second point, the student suggests that competition may compel Nike to reduce its prices, especially if the competition is strong. This is a valid point even though Nike may be the market leader. Competition will force Nike to be reactive or lose some of its market share to competitors. The effect of this will be felt on Nike's revenue stream. This gets 2 marks.

The student scores 4 marks in total for this answer.

Mark awarded: 4

QUESTION 10.3

10 . **3** Explain **two** ways in which Nike could promote its brand

[6 marks]

MARK SCHEME

10	3	<p>Possible answers include:</p> <ul style="list-style-type: none">• advertising• sales promotion• public relations• sponsorship <p>Specimen response: Nike could use advertising. (1) They could use TV and radio advertising because there are very large audiences. (1) This will increase sales by raising awareness of their products. (1)</p> <p>X2</p>	<p>6</p> <p>AO1=2 AO2=4</p>
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STUDENT A

Response

1 Advertising on the internet, as all people already have access to a computer, and this is available 24/7

2 Offering discounts and special offers, this will promote more people on buying products from Nike.

Commentary

The 'explain' 6 mark question requires student responses to be contextualised. Here, the student is asked to explain two ways that Nike could promote its brand. Students are required to give two explanations, each of which is worth 3 marks. The first mark is awarded for identifying a way that Nike could promote, and then there are two subsequent marks awarded for the quality of explanation and/or the development of the explanation, in context.

This student identifies two valid types of promotion, but neither are fully developed. In both cases, they offer a partial explanation. The first way that the student identifies is by advertising on the Internet. This gains 1 mark. The student goes on to explain that most consumers have access to computers which are available 24/7. This gains a further mark. They could have further developed their answer by explaining the likely impact of this form of promotion on product awareness and profitability, for example.

The second way that the student identifies is by Nike offering discounts and special offers. This gains 1 mark. The student then goes on to say that this will "promote more people on buying products from Nike." Although the use of the word 'promote,' causes a lack of clarity with the answer, it is clear the student is saying that this form of promotion will result in more consumer purchases. The student is given the benefit of the doubt and this gets 1 mark. The contextual aspect of the response is minimal, and the explanation is limited.

The student scores 4 marks in total for this question.

Marks awarded: 4 (2+2)

STUDENT B

Response

1 Nike can promote its brand using social media. Nike can post photos and videos of the product on social media this way of promotion is cheap but effective as it reaches a large audience globally

2 Nike can promote its brand in specialized magazines made for the company/type of shoes. This will be costly but it'll be helpful as the people buying the specialized magazines are interested in shoes so they are likely to buy the shoes increasing the number of potential customers

Commentary

Two valid forms of promotion are identified. Both are fully developed and contextualised. The first way is using social media. This gains 1 mark. The student then goes on to explain that Nike could use photos and videos of the goods on social media, which will be cheap and effective. This gains a further mark. The final point about reaching a global audience gains the third mark.

The second way is an original response in which the student explains that Nike could promote its brand through specialist magazines. This gains 1 mark. The student develops this point by explaining that although this may be potentially costly, it will reach an audience that are already interested in specialist footwear. As a consequence of this, they are likely to buy Nike products, which will increase Nike's customer base.

There is just enough here for the additional development mark to be awarded. So, the student scores 6 marks in total for this question.

Marks awarded: 6 (3+3)

STUDENT C

Response

1 Nike can promote its brand through sponsorships. Nike can invest money into sporting teams and individuals which would in turn advertise Nike's brand. This would benefit Nike because it would lead to Nike accessing a wider audience. This would increase the customer base and improve demand. This would result in Nike experiencing more units sold which would increase their revenue.

2 Nike would promote its brand by using advertisement. Nike could invest more into advertising their products on the internet, tv, radio etc... This would allow Nike to increase awareness of their product and promote its brand. Although Nike already spends a lot of money on celebrity sport star advertisements recent drops in market share might require for Nike to increase spending on advertisement.

Commentary

This is a very good response. Two methods of promotion are identified by the student who sets both answers, in context and fully develops them. The student identifies sponsorship as a form of promotion that Nike could use because it is a particularly effective form of advertising (1 mark) which is likely to increase its customer base and lead to an increase in demand for Nike's products. This gains a further mark. The student completes the explanation by saying that this is likely to result in an increase in revenue. This gains the third mark.

The second way identified is by Nike increasing its advertising through various forms of media. The student provides many suitable examples which gain 1 mark. They explain that this form of advertising will not only increase awareness of Nike's products, but will also reinforce its brand. This gains a further mark. The student provides excellent context for their answer by pointing out although Nike already spends a lot of money on celebrity advertising, however, due to a recent drop in market share, this has now become a necessity for Nike. Full marks are awarded for this question.

Mark awarded: 6 (3+3)

QUESTION 10.6

1	0	.	6	Analyse the benefits to Nike of having a well-known logo to identify its brand.
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[6 marks]

MARK SCHEME

10	6	<p>Possible answers include:</p> <ul style="list-style-type: none"> the Nike symbol is a part of Nike's brand and is easily recognisable in a competitive market, standing out is very important Nike may be able to charge a higher price due to the symbol being associated with quality also acts as advertising when people walk around with the Nike symbol on their clothes and shoes. <p>Sample response: When customers see the Nike symbol they immediately think of Nike and also have an association of a high-quality product. (L1) This is a reflection of the strength of Nike's brand and should lead to consumers being more willing to buy their sportswear. (L2) As Nike has a lot of competitors this helps them stand out and sell more products, which they may also be able to charge higher prices for as their brand is strong. (L3)</p> <p>Level 3 response</p>	<p>6</p> <p>AO2=2 AO3=4</p>
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Examiners are reminded that 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. Due to the greater number of marks available for AO3, answers at level 3 will have a greater depth of analysis (AO3) but may show similar levels of application of knowledge and understanding (AO2) to a level 2 answer.

Level	Description	Marks
3	<p>Detailed analysis of topics based on the context</p> <ul style="list-style-type: none"> Business areas are analysed in depth. Applies knowledge and understanding to the context sufficiently, throughout the answer. 	<p>5–6</p> <p>AO3 x2</p>
2	<p>Sound analysis of topics based on the context</p> <ul style="list-style-type: none"> Business areas are partially analysed. Applies knowledge and understanding to the context sufficiently, in most areas. 	<p>3–4</p> <p>AO3 AO2</p>
1	<p>Basic analysis of topics based on the context</p> <ul style="list-style-type: none"> Analysis of business areas is simplistic. Knowledge and understanding is applied to the context, but may be fragmented. 	<p>1–2</p> <p>AO3 AO2</p>
0	Nothing worthy of credit.	

STUDENT A

Response

A well-known logo creat the impressive look for a company. When you see a Nike logo, you will know their goods in high quality, and it can easy to use in producing, you don not need to type company name when you produce goods, people see the “swoosh” logo and they know is Nike goods.

Commentary

The ‘analyse’ 6 mark question requires student responses to be analysed in context. Here, students are asked to analyse the benefits to Nike of having a well-known logo to identify its brand. Students are required to analyse this aspect of the business, in context using chains of reasoning. The highest marks are awarded to students who can provide a detailed analysis, in context, using information from the Item as well as from their own knowledge and understanding.

This is a very simplistic response to the question. The analysis is basic and there is only limited context. The student struggles to put together any coherent lines of reasoning. This results in the response coming to a very abrupt end with little analytical development.

This type of answer fits the level 1 descriptor very well.

Mark awarded: 2

STUDENT B

Response

It can help customers to have an impression about the characteristics of Nike, and quickly know whether Nike has the products they want or not. If the customers are loyal, when they see goods which have logo on it, they are more likely to buy. Having a well-known logo can also help Nike easier to advertise. Customers may recognize Nike from the advertisement immediately.

Commentary

The student just begins to develop some simple chains of reasoning. Points are only partially analysed, and not fully developed. They have identified that the logo makes Nike easily recognisable and that it serves as a form of advertisement. This point should have been further developed. The student also mentions that the logo facilitates customer loyalty as they are more likely to buy products that have the logo on it. Much more could have been made of this point. The analysis is limited overall. Issues are raised but not analysed in depth which would have allowed the student to access the next level.

This response fits the level 2 descriptor very well.

Mark awarded: 4

STUDENT C

Response

A well-known logo benefits Nike because it increases the chance for customers to buy it. Nikes well-known 'swoosh' is very easily seen on the product. Nikes overall image as a large brand will influence customers to buy it due to their reputation. This increases unit sales which increases the overall revenue that Nike makes.

Nike can also benefit from having a well-known logo because it can expand into new markets. Having a well-known logo, Nikes 'swoosh' can be recognized all over the world. If Nike wanted to expand into a new market, it would be a lot easier because they have a well-known logo that customers know. The 'swoosh' logo is an indicator of Nike that customers know that they can rely on for good quality products. This awareness will benefit Nike, as its market share can grow easily in all parts of the world.

Commentary

This is a good contextualised response. The student develops several chains of reasoning. Points are fully analysed, and well developed. They identify that the logo enables Nike to expand and grow because it is well known and recognised all over the world. The analysis here is developed well. The student also mentions that the logo is associated with quality which means that customers are more likely to buy Nike products because of the logo. Again, there are good chains of reasoning developed which adds to the quality of the analysis.

This response fits the level 3 descriptor very well.

Mark awarded: 6

QUESTION 10.7

10 . **7** Recommend whether Nike should be more concerned about:

- being seen as an ethical business
- or
- paying high dividends to its shareholders

Use Items A, B, C and D to support your answer.

[12 marks]

MARK SCHEME

10	7	<p>Recommend whether Nike should be more concerned about:</p> <ul style="list-style-type: none"> • being seen as an ethical business or • paying high dividends to its shareholders <p>Use Items A, B, C and D to support your answer.</p> <p>Areas for consideration:</p> <ul style="list-style-type: none"> • Nike have put a lot of effort into acting more ethically since the 90's, for example factory audits, so they are already at a point where they can shift their focus. • Nike are a business with shareholders who are mainly concerned about their profits. • Nike's products promote a healthy active lifestyle and so they also contribute to society in this way. • consumers are increasingly able to exercise power over companies that are not behaving ethically. • Nike's reputation has improved but by doing even more to address ethical considerations they could help their business grow further. • Nike is already the most profitable sportswear company and so can afford to take a lead in this area. 	<p>12</p> <p>AO2=4 AO3=8</p>
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Examiners are reminded that 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. More weight should therefore be given to AO3 than AO2.

Level	Description	Marks
4	Detailed analysis and evaluation of topics based on the context <ul style="list-style-type: none"> • Coherent line of reasoning followed, which is sustained, relevant and substantiated. There is a focused conclusion that is fully justified and follows clearly from the analysis. • Business areas are analysed in depth. • Knowledge and understanding is detailed and appropriately applied within context. 	10–12 AO3 AO3 AO2
3	Sound analysis and evaluation <ul style="list-style-type: none"> • Coherent line of reasoning given and the conclusion is appropriate and related to the preceding analysis. • Business areas are partially analysed. • Knowledge and understanding is detailed and appropriately applied within context. 	7–9 AO3 AO3 AO2
2	Limited attempt made to analyse the topics based on the context <ul style="list-style-type: none"> • Evidence of some line of reasoning, with a conclusion that has limited justification. • Analysis of business areas is simplistic. • Some knowledge and understanding is applied within context. 	4–6 AO3 AO3 AO2
1	Basic evaluation of topics but without any real support or analysis <ul style="list-style-type: none"> • A conclusion is present but without any reasoned support. • No discernible or relevant analysis. • A clear attempt to apply knowledge and understanding, but context may be lacking. 	1–3 AO3 AO3 AO2
0	Nothing worthy of credit	

STUDENT A

Response

Nike should be more concerned about about paying high dividends to its shareholders, as they already have a good reputation at being ethical. Pay higher dividends to its shareholders will attract more shareholders who want to invest in Nike, because of its high dividends paid.

Commentary

The 'recommend' 12 mark question requires a detailed analytical response from students, which is set in context. Students are expected to use logical chains of reasoning in their analysis and to use this analysis to form an overall judgement on the question that is being asked. In this respect, the better responses will have an outcome, or a judgement based on an in-depth analysis of both sides of the argument.

Here, students are asked to analyse whether Nike should be more concerned about the ethical aspects of the business or whether they should be more concerned about paying high dividends to its shareholders. Students are required to analyse both issues, in context using analytical chains of reasoning. The highest marks are awarded to those students who can carry out a detailed analysis, in context, using information from the Item as well as from their own knowledge and understanding and to provide a judgement based on their analysis.

This is a very basic response. The student makes an immediate judgement, without any analysis, and asserts that Nike should be more concerned about paying dividends to its shareholders, because the business already has a very good, ethical reputation. They then go on to explain that if Nike were to do this it would attract more shareholders, and thus more investment. The analysis here is very simplistic and there is only limited context. Given the many examples of Nike's ethical behaviour identified in the item the candidate could have referred to these, such as factory audits, forbidding the use of underage workers in their factories as well as Nike's commitment to improving sustainability. Any of these points should have been analysed in depth. The student broadly understood what was required to address the question but was not able to provide any further arguments to support their viewpoint.

This type of answer fits the level 1 descriptor very well.

Mark awarded: 3

STUDENT B

Response

Nike should be more concerned about being seen as an ethical business. Ethical stance is a way to play more profit, when businesses are concerned with being ethical customers are more likely to purchase from them, as some people are happy with paying more knowing it will go to help community activities like 'Made to play' which encourages young children to live active lives. Nike already pays 20 to 30% of its profits to shareholders dividends, Nike's is a world wide brand known everywhere with a big market share, if it didn't act ethically or it was ethically concerned and people found out, it uses child labour or low wages and it's using people in countries in this way, child labour is breaking the law with will lead to ruining their reputation and losing their market share. Acting ethically may be a bit expensive but more people will purchase and the company would maintain its good reputation, gain customer loyalty therefore increased profit, and it would still compete with adidas, puma, Underarmour so it will have the best of both worlds, so I recommend it concentrates on that

Commentary

This is a good contextualised response with many analytical points made and developed that reinforce the student's judgement. The immediate judgement is supported throughout by analytical chains of argument.

At the outset, the student says that Nike should be more concerned about being an ethical business, because customers are more likely to buy their products, and in addition, are likely to be willing to pay more for the products. The answer is contextualised by the reference to the community activities that Nike take part in such as 'Made to Play,' designed to encourage young children to live active lives. The student analyses this point in relation to the benefits that will accrue to Nike in terms of consumers being willing to pay more because they know that the extra cost will go towards a good cause. Although this chain of argument is not completed here, the student goes on to point out, in their conclusion, that in the long run this could lead to greater profits. The analysis is good nonetheless.

The student then analyses the other side of the argument and points out that Nike already pays high dividends to its shareholders of between 20 to 30% and suggests that this is not more important than its ethical behaviour. This is good analysis. The student argues further, that Nike is a well-known, worldwide brand whose reputation and market share could be severely damaged by unethical behaviour. The analysis here is good and set in context. Throughout the answer, the student emphasises the importance of Nike's ethical behaviour.

The student could have spent more time on analysing the implications of Nike focusing on paying shareholders higher dividends as this would have enabled the work to access the next level. The conclusion is brief and could have been further developed. Because of this the answer fits the level 3 descriptor very well.

Mark awarded: 7

STUDENT C

Response

Nike should be more concerned about being seen as an ethical business. This is because being ethical will boost Nikes reputation and public image. This will lead to an increase in demand due to the positive image that Nike portrays. This would therefore increase Nikes revenue because it would increase units sold.

However paying high dividends to Nike's shareholders might also benefit Nike. Nike pays its shareholders around 20-30% of its profits. Paying a high dividend to shareholders reduces the chance of shareholders selling their shares and increases the demand for shares. If Nikes share value is high, larger investments will be made to Nike as new shareholders buy shares. This increases Nikes overall finance which can be used into advertising and trying to increase its market share.

In conclusion, I believe Nike should focus on being seen as an ethical business because it increases Nike's market share. In the short term, being more sustainable and ethical will be costly and would increase Nikes total costs. However in the long-term, Nike will be able to charge a higher price and being ethical will boost Nikes public image. Overall my decision depends on the long term benefits that having a good public image has, such as increased market share, larger demand, more units sold, etc...

Commentary

This is an excellent response with a strong opening paragraph that sets out the student's position clearly. There are good chains of reasoning present that lend weight to the points that the student analyses. They analyse both issues very well and considers the implication to Nike of both courses of action. The student is clear that if Nike behaves ethically, it will enhance Nike's image and reputation which will result in more sales and increased revenue. This is well analysed.

The student recognises that being more concerned about dividends to its shareholders will also benefit Nike. The analysis of how high dividends will lead to greater investment is good. There are many analytical chains, which lead to the conclusion that such actions could lead to acquiring more shareholders, more finance, leading to greater growth of the business.

The conclusion is strong, although there is limited context. Cost issues are analysed, as well as the long and short run implications for Nike. The student clearly understands all the issues and analyses these very well. The analysis of short run and long run implications adds further weight to the student's judgement. The reasoning is coherent, and any judgements made are always well supported. This type of answer fits the level 4 descriptor very well.

Mark awarded: 10

QUESTION 11.4

1	1	.	4	Analyse why Electro Ltd might choose to use retained profit to fund the growth of the business.
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[6 marks]

MARK SCHEME

11	4	<p>Possible answers include:</p> <ul style="list-style-type: none"> by getting a loan they would have to take on debts which could risk the future of Electro Ltd. Electro Ltd isn't that large and so getting the loan may be difficult or would come with higher interest rates. they have almost all the money they need in retained profit so could achieve growth without taking on any more risk. <p>Sample response: As Electro Ltd is not that large it may have some problems being granted a loan by the bank who may view it as too risky (L1). The bank may also charge them a higher rate of interest which would increase the risk to Electro Ltd (L2). Currently Electro Ltd has no debts and so it makes little sense to get a loan and risk the future of the business when in a few months' time they should have enough in retained profit (L3).</p>	6
			<p>AO2=2 AO3=4</p>

Examiners are reminded that 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. Due to the greater number of marks available for AO3, answers at level 3 will have a greater depth of analysis (AO3) but may show similar levels of application of knowledge and understanding (AO2) to a level 2 answer.

Level	Description	Marks
3	<p>Detailed analysis of topics based on the context</p> <ul style="list-style-type: none"> Business areas are analysed in depth. Applies knowledge and understanding to the context sufficiently, throughout the answer. 	<p>5–6 AO3 x2</p>
2	<p>Sound analysis of topics based on the context</p> <ul style="list-style-type: none"> Business areas are partially analysed. Applies knowledge and understanding to the context sufficiently, in most areas. 	<p>3–4 AO3 AO2</p>
1	<p>Basic analysis of topics based on the context</p> <ul style="list-style-type: none"> Analysis of business areas is simplistic. Knowledge and understanding is applied to the context, but may be fragmented. 	<p>1–2 AO3 AO2</p>
0	Nothing worthy of credit.	

STUDENT A

Response

Because using the retained profit to fund the growth of the business is have less risk because no need to borrow the money from bank or other place, so they don't have to pay any interest and don't affect if they don't have money to give back to bank, may need to sellig their personal assets. So they don't have any liability.

Commentary

This is a very simplistic response and the final part is a little confusing. The analysis is not strong and there is only limited context. The student, however, just begins to develop some simple points of analysis. They highlight that using retained profit is likely to be less risky for the business because there is no need to borrow the money from the bank or any other financial institution. Because of this, the business will not have to pay interest. This is a good example of low-level analysis. This partial analysis of the issue just places the response into level 2.

Mark awarded: 3

STUDENT B

Response

Electro should use its retained profit as it wont be able to obtain a loan as they are a small business which is considered as risky as they might not be able to repay the loan and interest so using the companys retained profit it a good idea as it has no interest and it doesn't have to be paid back. This reduces the risk on the company, however Electro might not have enough retained profit to open the new shop and pay rent for the warehouse, also taking out a big sum of money might effect the business cash flow making them unable to pay their day to day expenses

Commentary

The student just begins to develop some simple chains of reasoning and starts to contextualise their answer. They mention that Electro is a small business and potential lenders may consider them to be a risky investment. Because of this, the student suggests that using retained profits might be a better option as they will forego interest payments and minimise their risk. This is good context and analysis. However, the points are only partially analysed, and not fully developed.

The student's analysis of using retained profit and its effects on cash flow begins well but then the strength of the analysis falls away. This was an opportunity spurned to go into depth with the analysis. Because of this, the response remains in level 2.

Mark awarded: 4

STUDENT C

Response

Electro might want to use a retained profit in order to expand because they are making profit. Electro has recently started to make profit for the first time and will want to use that money to invest in expanding. Expanding using only retained profit might be a bad idea if Electro suddenly experienced a decrease in sales or demand. Because Electro are waiting a few months before they expand, it leaves the business with uncertainty with how much profit they will make in those few months. This might delay Electro from expanding.

Moreover, Electro might be wanting to use retained profit because it does not want to take out loans. Taking out bank loans would mean that Electro would have to pay back interest rates. This would increase Electro's total costs and might decrease their overall profit in the future.

Commentary

This is a good contextualised response with good analysis throughout. We see this where the student points out that the business, Electro, is now profitable and will want to use these profits to reinvest back into the business to fund its expansion. The student develops the analysis through several chains of reasoning based on information from the Item. The analysis continues with the student identifying that the business will wait a few months before going ahead with the expansion and that this might cause uncertainty, especially if profits drop during this period. The student makes the valid point that this could delay the expansion. This is good analysis, which could have been further developed for full marks. They complete their analysis by pointing out that Electro may want to use retained profit to avoid paying interest on the borrowing which might ultimately affect their costs and profitability.

This response fits the **level 3** descriptor very well.

Mark awarded: 5

QUESTION 11.7

1	1	.	4	Globalisation offers benefits and drawbacks to businesses such as Electro. Yasmine sees the benefits of globalisation and would like Electro to expand internationally. Lee would like to expand only within Malaysia.
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Recommend whether the business should either

- expand internationally to gain the benefits of globalisation

OR

- expand only within Malaysia

Refer to Items E, F and G in your answer

[12 marks]

MARK SCHEME

11	7	<p>Areas for consideration:</p> <p>Positives:</p> <ul style="list-style-type: none"> • they have benefitted from a globalised economy by being able to import goods from a neighbouring country and sell them within their own country. • they may still be able to find more opportunities as part of such a large market. • If they can continue to grow the business, then there are a huge amount of potential consumers that they could sell to <p>Negatives:</p> <ul style="list-style-type: none"> • there is a huge amount of potential competition from other businesses and entrepreneurs who may notice the success of the business and try to enter that market. • the biggest companies in the world are a part of the world market and could easily begin to operate in the business' country. • The profit margins and finances of the large companies make them very hard to compete with. • The owners' previous business suddenly failed when the large MNC department store opened nearby. Could that happen again? 	12
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AO2=4
AO3=8

Examiners are reminded that 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. More weight should therefore be given to AO3 than AO2.

Level	Description	Marks
4	Detailed analysis and evaluation of topics based on the context <ul style="list-style-type: none"> • Coherent line of reasoning followed, which is sustained, relevant and substantiated. There is a focused conclusion that is fully justified and follows clearly from the analysis. • Business areas are analysed in depth. • Knowledge and understanding is detailed and appropriately applied within context. 	10–12 AO3 AO3 AO2
3	Sound analysis and evaluation <ul style="list-style-type: none"> • Coherent line of reasoning given, and the conclusion is appropriate and related to the preceding analysis. • Business areas are partially analysed. • Knowledge and understanding is detailed and appropriately applied within context. 	7–9 AO3 AO3 AO2
2	Limited attempt made to analyse the topics based on the context <ul style="list-style-type: none"> • Evidence of some line of reasoning, with a conclusion that has limited justification. • Analysis of business areas is simplistic. • Some knowledge and understanding is applied within context. 	4–6 AO3 AO3 AO2
1	Basic evaluation of topics but without any real support or analysis <ul style="list-style-type: none"> • A conclusion is present but without any reasoned support. • No discernible or relevant analysis. • A clear attempt to apply knowledge and understanding, but context may be lacking. 	1–3 AO3 AO3 AO2
0	Nothing worthy of credit	

STUDENT A

Response

Expand internationally, will give their business a lower risk of failure as the risks are spread through a large number of countries. Their products will be known worldwide and many customers will be aware of them. Sales make increase as more people will know about Electro's products and will want to try them.

Commentary

This is a very basic response, although there is a chain of reasoning present. The student simply asserts that the business should expand internationally, as this will lower the risk of the business failing. There are no reasons offered as to why this will lower the risk except to say that the risks will be spread through more countries.

The answer is disjointed, without any real attempt at analysis of the main issues.

The student does not attempt to analyse any of the issues surrounding the business remaining in Malaysia, which would have provided more balance to the work and enabled the candidate to obtain a higher level. There is a lack of support for the points made and there is no overall conclusion.

This type of answer **fits the level 1 descriptor** very well.

Mark awarded: 3

STUDENT B

Response

Globalisation is making your business an International business, Yasmine suggests to expand internationally which Lee want to expand only in Malaysia, expanding intrnationally can be done by franchise, joint venture or creating a digital economy, if Lee and Yasmine sold their brand name license to businesses or people from other countries would make them known internationally and they would gain more profit as well as have control of their business. Creating a website would increase their market worldwide, joining venture with existing companies in the countries is the easier choice because this company knows its market. Globalisation has drawbacks, such as distribution cost can be very high and complicated, as well as the tax from the country it's going to operate in. Electro is still a small business it has to expand in malaysia first and then see if it wants to go international, globalization also means a different market, more competition from international big firm and existing ones.

Expanding internationally is a good of expanding but it's also so risky for such a small business, it might increase profits and market share of the business but it might also make a business fail for taking such a decision too fast, so I recommend to expand in malaysia.

Commentary

This student response is a little descriptive in places, and therefore gains no credit as the question is based on Assessment Objectives AO2 and AO3. The quality of application, analysis and evaluation are the key drivers for this question. The student does, however, provide some context to their response which supports the many analytical points that are made and developed throughout the response.

The student points out that expansion can be achieved through franchising, joint venturing or by using aspects of e-commerce. Although this does not directly address the question, the student then goes on to assess the relative merits of each as part of their analysis regarding whether the business should stay local or go global. The analysis of the issues surrounding globalisation, such as distribution costs, increased competition in new markets and the associated risks, are well analysed.

The student's analysis is not thorough but there is coherence as well as logical chains of reasoning. The response is generic and would require more detail to get into level 4. Furthermore, a discreet analysis of remaining in Malaysia as well as a discreet analysis of the issues associated with going global, would have added to the quality of the work. The points made in the conclusion associated with the risks of going global are drawn from the previous analysis and lend weight to the overall judgement that the business should remain and expand in Malaysia first.

The conclusion is brief and could have been further developed by considering the merits of expanding globally. This answer fits the **level 3 descriptor** very well.

Mark awarded: 7

STUDENT C

Response

Expanding internationally would benefit Electro by widening its customer base. Globalisation would give Electro access to different markets where there might be a gap in the market that Electro could fill. If Electro were to find that gap in the market in another country, its unit sales would increase. This would also boost the total revenue that Electro is making and might increase their profits.

However, expanding within Malaysia would benefit Electro because it would help increase its customer base within Malaysia. This would be less risky than expanding globally but could also yield less benefits for Electro. Expanding within Malaysia and increasing customer base would increase Electro's revenue and might make Electro more profitable.

In conclusion, I believe that Electro should expand within Malaysia first. With Electro being a small business, it would be extremely risky for them to expand globally just yet. I believe that expanding within Malaysia would be smart for Electro to do because it will cost less in the short-term. This is because market research would be more expensive to do in another country. In the long run, expanding within Malaysia would be beneficial because it will steadily increase their yearly profits due to the growth in market share. With this potential increase in profit, Electro can then look at potentially expanding abroad. Overall, my recommendation was based on the fact that Electro is still a relatively small business and it would be very risky for them to expand globally so quickly.

Commentary

This is a very good response. The structure of the work adds to its clarity and quality. There are discrete paragraphs which examine the issues surrounding expanding within Malaysia as well as looking at the issues around expanding globally. Finally, there is a very detailed paragraph with a clear supported judgement based on sound analysis.

The opening paragraph analyses benefits of expanding internationally. The analysis here is good, with clear chains of reasoning that examine issues such as access to different markets and widening Electro's customer base. In the second paragraph, the student analyses the issues associated with expanding in Malaysia very well and considers both the drawbacks as well as the advantages. The analysis of this area is particularly strong.

The conclusion is coherent, and there is good context. Costs and benefits of both options are analysed in both the long and short run. The reasoning is logical, and the final judgement is fully supported.

This type of answer fits the **level 4 descriptor** very well.

Mark awarded: 11



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