

INTERNATIONAL AS & A-LEVEL **BUSINESS**

BSS1

Unit 1 Business and Markets

Mark scheme

Specimen

Version: 1.0

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.

Further copies of this mark scheme are available from oxfordaqa.com

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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 and understanding of business terms, concepts, theories, methods and models.
AO2	Apply knowledge and understanding to various business contexts.
AO3	Analyse business issues, showing an understanding of the impact on individuals and organisations of external and internal influences.
AO4	Evaluate qualitative and quantitative information to make informed judgements on 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 11 and 12 more weight should be given to AO3 and AO4 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

You should write a summative comment at the end for each Assessment Objective and indicate the marks for each Assessment Objective being tested at the end of the answer in the margin in sequence. It is vital that the way you arrive at a mark should be recorded on the script. This will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. 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: 10 marks

Question	Marking guidance	Total marks												
1	<p>Describe one typical characteristic of a successful entrepreneur.</p> <table border="1"> <thead> <tr> <th>Level</th><th>Marks</th><th>Descriptor</th></tr> </thead> <tbody> <tr> <td>2</td><td>2</td><td>Describes one characteristic of a successful entrepreneur</td></tr> <tr> <td>1</td><td>1</td><td>Limited description or identification of one characteristic of a successful entrepreneur</td></tr> <tr> <td></td><td>0</td><td>Nothing creditworthy</td></tr> </tbody> </table> <p>Indicative content:</p> <p>Characteristics of a successful entrepreneur may include</p> <ul style="list-style-type: none"> • Risk taking. Entrepreneurs may risk their own finances; they often take a risk and give up their current job to start a business. • Hard work/resilience. Starting up can be difficult with many challenges and often you are the only person to get things done initially as you cannot afford to employ anyone else • Adaptability. An entrepreneur often has to manage all aspects of the business initially eg they may make the product, they may have to manage the finances, they may have to promote it; this requires great flexibility <p>Credit all relevant knowledge and understanding and other valid characteristics of an entrepreneur such as passion and creativity.</p>	Level	Marks	Descriptor	2	2	Describes one characteristic of a successful entrepreneur	1	1	Limited description or identification of one characteristic of a successful entrepreneur		0	Nothing creditworthy	<p>2</p> <p>AO1 = 2</p>
Level	Marks	Descriptor												
2	2	Describes one characteristic of a successful entrepreneur												
1	1	Limited description or identification of one characteristic of a successful entrepreneur												
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Question	Marking guidance	Total marks												
2	<p>Describe one feature of an effective business objective.</p> <table border="1"> <thead> <tr> <th>Level</th><th>Marks</th><th>Descriptor</th></tr> </thead> <tbody> <tr> <td>2</td><td>2</td><td>Describes one characteristic of an effective business objective</td></tr> <tr> <td>1</td><td>1</td><td>Limited description or identification of one characteristic of an effective business objective</td></tr> <tr> <td></td><td>0</td><td>Nothing creditworthy</td></tr> </tbody> </table> <p>Indicative content:</p> <p>To be effective a business objective should be:</p> <ul style="list-style-type: none"> • Specific. An objective needs to be clear what is being measured eg profit • Measurable. An objective needs to be easily assessed eg increase by 10% • Accountable. An objective needs to be clear who is responsible for achieving this eg the Chief Executive Officer • Realistic. An objective needs to be achievable otherwise it will be difficult to motivate people to work towards it • Time specific. An objective needs to be clear when the objective has to be achieved by. <p>Credit all relevant knowledge and understanding including other relevant points not related directly to SMART framework.</p>	Level	Marks	Descriptor	2	2	Describes one characteristic of an effective business objective	1	1	Limited description or identification of one characteristic of an effective business objective		0	Nothing creditworthy	<p>2</p> <p>AO1 = 2</p>
Level	Marks	Descriptor												
2	2	Describes one characteristic of an effective business objective												
1	1	Limited description or identification of one characteristic of an effective business objective												
	0	Nothing creditworthy												

Question	Marking guidance	Total marks												
3	<p data-bbox="300 331 1150 365">Describe one factor which might affect the demand for a product.</p> <table border="1" data-bbox="300 398 1233 730"> <thead> <tr> <th data-bbox="304 405 403 443">Level</th><th data-bbox="408 405 517 443">Marks</th><th data-bbox="521 405 1228 443">Descriptor</th></tr> </thead> <tbody> <tr> <td data-bbox="304 450 403 562">2</td><td data-bbox="408 450 517 562">2</td><td data-bbox="521 450 1228 562">Explanation of one factor which might affect the demand for a product</td></tr> <tr> <td data-bbox="304 568 403 680">1</td><td data-bbox="408 568 517 680">1</td><td data-bbox="521 568 1228 680">Identification of one factor which might affect the demand for a product</td></tr> <tr> <td data-bbox="304 687 403 725"></td><td data-bbox="408 687 517 725">0</td><td data-bbox="521 687 1228 725">Nothing creditworthy</td></tr> </tbody> </table> <p data-bbox="300 768 560 801">Indicative content:</p> <ul data-bbox="300 831 1254 1144" style="list-style-type: none"> • Income levels. This will affect the amount of money people have to spend on an item; generally more income leads to more demand • Number of customers. With more customers there is likely to be more demand and more purchases • Prices of other products. If the price of substitute products goes up, for example, this is likely to increase demand for this product • External factors. Factors such as the weather or government policy can change what customers need or want or can afford. <p data-bbox="300 1182 1262 1256">Credit all relevant knowledge and understanding such as the price of their product, and change in customer tastes</p>	Level	Marks	Descriptor	2	2	Explanation of one factor which might affect the demand for a product	1	1	Identification of one factor which might affect the demand for a product		0	Nothing creditworthy	<p data-bbox="1289 331 1310 365">2</p> <p data-bbox="1289 398 1406 432">AO1 = 2</p>
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4	<p>Describe one benefit to a business of producing a business plan.</p> <table border="1"> <thead> <tr> <th>Level</th><th>Marks</th><th>Descriptor</th></tr> </thead> <tbody> <tr> <td>2</td><td>2</td><td>Describes one characteristic of one benefit of producing a business plan</td></tr> <tr> <td>1</td><td>1</td><td>Limited description or identification of one benefit of producing a business plan</td></tr> <tr> <td></td><td>0</td><td>Nothing creditworthy</td></tr> </tbody> </table> <p>Indicative content:</p> <p>By producing a business plan:</p> <ul style="list-style-type: none"> • it can avoid wastage, duplication and a loss of time. It helps to coordinate activities so people know who is supposed to do what. • it can help to raise finance. It can be shown to potential investors who can assess the risk and whether they want to put money into the business more easily • it can help to communicate the objectives of the business. It will state what the business is trying to achieve • it helps provide accountability. It states what needs to be done and this can be allocated to someone to determine who has to do what by when. <p>Credit all relevant knowledge and understanding.</p>	Level	Marks	Descriptor	2	2	Describes one characteristic of one benefit of producing a business plan	1	1	Limited description or identification of one benefit of producing a business plan		0	Nothing creditworthy	<p>2</p> <p>AO1 = 2</p>
Level	Marks	Descriptor												
2	2	Describes one characteristic of one benefit of producing a business plan												
1	1	Limited description or identification of one benefit of producing a business plan												
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Question	Marking guidance	Total marks												
5	Describe one benefit of using sampling when undertaking market research.	2												
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	2	2	Describes one characteristic of one benefit of using sampling when undertaking market research											
	1	1	Limited description or identification of one benefit of using sampling when undertaking market research											
	0	Nothing creditworthy												
Indicative content:														
Sampling <ul style="list-style-type: none">It reduces costs. It does not involve the whole target population but only a sub-set of thisIt is relatively quick. The research focuses on the sub-set of the target population rather than trying to research the whole population														
Credit all relevant knowledge and understanding.														

Section B

Total for this section: 10 marks

Question	Marking guidance	Total marks
6	<p>The sales of business X are \$21,600. Its profits are \$12,000.</p> <p>The total sales of all businesses in the market are 50,000 units with a value of \$240,000.</p> <p>Calculate the market share by value of business X.</p> <p>Indicative content: $\text{Market share} = (\text{sales of X} / \text{total market sales}) \times 100$ $= \\$20,000 / \\$240,000$ (1 mark) $= 8.33\%$ (1 mark) If no relevant calculation 1 mark for correct formula of market share.</p>	<p>2</p> <p>AO1 = 1 AO2 = 1</p>

Question	Marking guidance	Total marks
7	<p>Sales of product X last year = 20,000 units</p> <p>Sales of product X this year = 22,000 units</p> <p>Average consumer income increases from \$50,000 last year to \$65,000 this year</p> <p>Calculate the income elasticity of demand for this product.</p> <p>Give your answer to 2 decimal places.</p> <p>Indicative content: $\text{Percentage change in quantity demanded} = [(22,000 - 20,000) / 20,000] \times 100 = +10\%$ (1 mark) $\text{Percentage change in income} = [(65,000 - 50,000) / 50,000] \times 100 = +30\%$ (1 mark) $\text{Income elasticity of demand} = +10\% / +30\%$ (1 mark) $= +0.33$ (1 mark). If no relevant calculation 1 mark for correct formula of income elasticity of demand. $\text{Income elasticity of demand} = \text{percentage change in demand} / \text{percentage change in income}$ (1 mark) Own figure rule applies.</p>	<p>4</p> <p>AO1 = 2 AO2 = 2</p>

Question	Marking guidance	Total marks
8	<p>The following financial information relates to a business for the last financial year:</p> <p>Number of issued shares= 120 million</p> <p>Total annual dividends = \$15 million</p> <p>Market price of shares= \$2.50</p> <p>Calculate the dividend yield.</p> <p>Indicative content:</p> <p>Dividend per share = total dividend/number of shares (1 mark) = \$15 million /120 million= \$0.125 (1 mark)</p> <p>Dividend yield = dividend per share/share price × 100 (1 mark) = \$0.125/\$2.50 × 100 = 5% (1 mark)</p> <p>Own figure rule applies.</p>	<p>4</p> <p>AO1 = 2</p> <p>AO2 = 2</p>

Section C

Total for this section: 16 marks

Question	Marking guidance	Total marks																		
9	Analyse two benefits to a car manufacturer of using market segmentation.	8 AO1 = 2 AO2 = 2 AO3 = 4																		
	Examiners are reminded to award up to 4 marks per point, using the level-based descriptors below. The two points may differ in quality. You should apply a best-fit approach for each point independently.																			
	Max 4 marks per point x2 = 8 marks total																			
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	<p>The demands of the question are:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the benefits of market segmentation (AO1) • Applied to the context of a car manufacturer (AO2) • Analysis of two benefits to a car manufacturer of using market segmentation (AO3) <p>Indicative content :</p> <ul style="list-style-type: none"> • Market segmentation identifies different groups of needs and wants within a market eg family car, city car, sports car • By identifying a market segment a business can decide if it wants to target it for example, it will decide if it has the right skills or brand image to generate an advantage and therefore be able to compete in it successfully. For example, it might identify the electric vehicle segment which is growing fast at the moment and therefore may prove attractive • By using market segmentation a business can identify the different needs and adapt its marketing mix accordingly eg it may affect the size of the car, the features it includes (eg electric v petrol,) , the price and the promotional activities (eg does the messaging focus on fuel efficiency, reliability or style?). By understanding the segment the marketing mix activities can be more targeted and therefore have more impact for less investment. Meeting precise customer needs more effectively than competitors, eg through the design of the car, can help the business to be competitive in what is already a competitive car market. <p>Credit all relevant knowledge and understanding, application and analysis.</p>	
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Question	Marking guidance	Total marks																		
10	<p>Sami wants to set up his own business with his two brothers.</p> <p>Analyse one advantage and one disadvantage to Sami of being a family business.</p> <p>Examiners are reminded to award up to 4 marks per point, using the level-based descriptors below. The two points may differ in quality. You should apply a best-fit approach for each point independently.</p> <p>Max 4 marks per point x2 = 8 marks total</p> <table border="1"> <thead> <tr> <th>Level</th><th>Mark</th><th>Descriptor</th></tr> </thead> <tbody> <tr> <td>4</td><td>4</td><td> An excellent response meeting all the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of a relevant point, applied to the context with a developed chain of reasoning </td></tr> <tr> <td>3</td><td>3</td><td> A good response meeting most of the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of relevant point, applied to the context with a basic chain of reasoning </td></tr> <tr> <td>2</td><td>2</td><td> A reasonable response meeting some of the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of relevant point applied to the context or A basic chain of reasoning built on relevant knowledge and understanding </td></tr> <tr> <td>1</td><td>1</td><td> A limited response meeting a few of the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of relevant point </td></tr> <tr> <td></td><td>0</td><td>No credit worthy material</td></tr> </tbody> </table>	Level	Mark	Descriptor	4	4	An excellent response meeting all the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of a relevant point, applied to the context with a developed chain of reasoning	3	3	A good response meeting most of the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of relevant point, applied to the context with a basic chain of reasoning	2	2	A reasonable response meeting some of the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of relevant point applied to the context or A basic chain of reasoning built on relevant knowledge and understanding	1	1	A limited response meeting a few of the demands of the question A response at this level is likely to demonstrate: Knowledge and understanding of relevant point		0	No credit worthy material	<p>8</p> <p>AO1 = 2 AO2 = 2 AO3 = 4</p>
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	<p>The demands of the question are:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the advantages and disadvantages of a family business (AO1) • Applied to the context of setting up a family business with two brothers (AO2) • Analysis of one advantage and one disadvantage of being a family business (AO3) <p>Indicative content: A family business is one that is owned by people who are relatives</p> <p>Possible advantage to Sami of being a family business:</p> <ul style="list-style-type: none"> • Sami is likely to have similar values and a commitment to his two brothers as well as the business; this can lead to hard work because the three brothers are likely to be committed to each other as family members and also to the new business they have set up. This may mean the business produces more than if it were not family members which could help generate more sales. This may also mean that the business needs less additional employees than competitors thereby reducing costs and improving profits or allowing prices to be lower • It may mean there are less disagreements as the three brothers have similar views and values given they are from the same family; this may save time when it comes to decision making and enable the business to respond more quickly to change and therefore seize opportunities faster than competitors <p>Possible disadvantage:</p> <ul style="list-style-type: none"> • Family issues between the brothers may interfere with business decisions. Whilst they may share the same values the fact they are family members mean there are factors other than the business which may affect their relations such as family disputes. This can mean they argue more and so this slows up decision making and business opportunities are lost. It may also mean that decisions are not always made for business reasons so that, for example, a decision may be avoided for fear of upsetting a family member and this may mean costs are higher or revenue is lower than it could be which therefore can affect profits <p>Credit all relevant knowledge and understanding, application and analysis.</p>	
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Section D

Total for this section: 24 marks

Question	Marking guidance	Total marks									
11	<p>Arten Ltd is owned by four friends.</p> <p>The company has grown rapidly since it was set up and the owners now want to expand the business into new regions.</p> <p>They are considering changing the business from a private limited company to a public limited company.</p> <p>Assess the arguments for and against becoming a public limited company and make a judgement on whether to change.</p> <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 AO3 and AO4 than AO1 and AO2.</p> <table border="1"> <thead> <tr> <th>Level</th><th>Mark</th><th>Descriptor</th></tr> </thead> <tbody> <tr> <td>4</td><td>10-12</td><td> <p>An excellent response meeting all the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Well-developed analysis overall covering both sides of the argument. • Well-supported evaluation with balanced, logical overall judgement. </td></tr> <tr> <td>3</td><td>7-9</td><td> <p>A good response meeting most of the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Good analysis with developed chains of reasoning. • Evaluation with some support but may not address the question as a whole effectively. </td></tr> </tbody> </table>	Level	Mark	Descriptor	4	10-12	<p>An excellent response meeting all the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Well-developed analysis overall covering both sides of the argument. • Well-supported evaluation with balanced, logical overall judgement. 	3	7-9	<p>A good response meeting most of the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Good analysis with developed chains of reasoning. • Evaluation with some support but may not address the question as a whole effectively. 	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 4 AO4 = 4</p>
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4	10-12	<p>An excellent response meeting all the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Well-developed analysis overall covering both sides of the argument. • Well-supported evaluation with balanced, logical overall judgement. 									
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	2	4-6	A reasonable response meeting some of the demands of the question A response at this level is likely to demonstrate: <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Basic analysis with limited development of chains of reasoning. • Limited evaluation.
	1	1-3	A limited response meeting a few of the demands of the question A response at this level is likely to demonstrate: <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Limited application of knowledge and understanding to the context. • Lack of relevant analysis. • No evaluation, judgements based on assertion.
		0	No credit worthy material
	<p>The demands of the question are:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the arguments for and against becoming a public limited company (AO1) • Applied to the context of a rapidly growing private limited company (AO2) • Analysis of the arguments for and against becoming a public limited company (AO3) • Evaluation of the arguments for and against becoming a public limited company with a judgement (AO4) <p>Indicative content:</p> <ul style="list-style-type: none"> • A public limited company (plc) is an organisation owned by shareholders; there is limited liability and shares can be publicly traded (AO1). <p>Arguments for</p> <ul style="list-style-type: none"> • Becoming a plc can help to raise finance by selling shares publicly; this can bring a high level of investors. This finance may be, therefore, valuable for a fast growing company which is presumably paying for investment and needs to finance the growth . • The company has plans to expand further and may need finance for this. The future plans may be attractive to potential investors. This means a high level of finance may be raised when the shares are first sold and therefore more funds may be available to fund further growth 		

	<ul style="list-style-type: none"> • If shares are traded publicly there tends to be high levels of public interest in the business ; this might be particularly true if there is already rapid growth attracting attention; this can generates more media coverage. This can therefore save money on other promotional activities <p>Arguments against</p> <ul style="list-style-type: none"> • Plc's have to produce more information about their activities in their accounts than private limited companies; this means there are more costs involved in paying accountants which reduce profits initially and there will be ongoing costs from the auditors and producing thus information for investors which will be greater than for a private company; this could use up funds which could finance further growth • The new investors may have different views to the current owners who are friends; this can lead to conflict. The friends have clearly worked well together as the business has grown fast. With new investors there may be arguments for example over whether to continue growing rapidly and how best to do this. These disagreements can slow up decision making or may lead to comprises which may not actually be the best decisions and as a result the business may not make the profits that could have been made and growth may be slower than it was <p>It may depend on:</p> <ul style="list-style-type: none"> • How much external finance is needed/how useful it would be • What price the shares would sell at • What proportion of shares would be retained by the current owners eg they may be more willing to go public if they retain over 50% of the shares • How different the view of new investors are compared to the four friends <p>Credit all relevant knowledge and understanding, application, analysis and evaluation.</p>	
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Question	Marking guidance	Total marks												
12	<p>Over the last 12 months consumer incomes in the country have not been growing and a ETK Ltd, a well-known luxury watch manufacturer, has experienced falling sales.</p> <p>ETK Ltd is considering investing in developing and launching a new range of watches at a low price.</p> <p>Assess the arguments for and against and make a judgement on whether this is a good idea.</p> <table border="1"> <thead> <tr> <th>Level</th><th>Mark</th><th>Descriptor</th></tr> </thead> <tbody> <tr> <td>4</td><td>10-12</td><td> <p>An excellent response meeting all the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Well-developed analysis overall covering both sides of the argument. • Well-supported evaluation with balanced, logical overall judgement. </td></tr> <tr> <td>3</td><td>7-9</td><td> <p>A good response meeting most of the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Good analysis with developed chains of reasoning. • Evaluation with some support but may not address the question as a whole effectively. </td></tr> <tr> <td>2</td><td>4-6</td><td> <p>A reasonable response meeting some of the demands of the question</p> <p>A response at this level is likely to demonstrate</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Basic analysis with limited development of chains of reasoning. • Limited evaluation. </td></tr> </tbody> </table>	Level	Mark	Descriptor	4	10-12	<p>An excellent response meeting all the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Well-developed analysis overall covering both sides of the argument. • Well-supported evaluation with balanced, logical overall judgement. 	3	7-9	<p>A good response meeting most of the demands of the question</p> <p>A response at this level is likely to demonstrate:</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Good analysis with developed chains of reasoning. • Evaluation with some support but may not address the question as a whole effectively. 	2	4-6	<p>A reasonable response meeting some of the demands of the question</p> <p>A response at this level is likely to demonstrate</p> <ul style="list-style-type: none"> • Knowledge explained to show relevant understanding. • Application of knowledge and understanding to the context. • Basic analysis with limited development of chains of reasoning. • Limited evaluation. 	<p>12</p> <p>AO1 = 2 AO2 = 2 AO3 = 4 AO4 = 4</p>
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	<p>The demands of the question are:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the arguments for and against targeting a mass market (AO1) • Applied to the context of a new range of low priced watches produced by a luxury niche watch manufacturer (AO2) • Analysis of the arguments for and against targeting the mass market (AO3) • Evaluation of the arguments for and against targeting the mass market (AO4) <p>Indicative content:</p> <p>Arguments for</p> <ul style="list-style-type: none"> • With a low price the new range may target a bigger market segment than the luxury watches,. This may help to revive sales. It may also increase profits. Although the profit per sale may be lower, if enough are sold then overall profits may increase. Profit is often a key business objective and therefore targeting this bigger market may help the business achieve this more easily • Income have not been growing which may mean customers are more price sensitive; the price elasticity of demand may increase and therefore a low price range may be more successful given these market conditions • The current luxury brand name may make the new range attractive and therefore this can lead to a high level of sales with a relatively low marketing budget. This means it could be a very profitable move which generates high returns <p>Arguments against</p> <ul style="list-style-type: none"> • Offering low price watches and targeting a wider market may damage the brand and affect sales of the luxury watches. This means that the new sales may be at the expense of the original sales and the overall effect could be harmful. If the brand is damaged this may have adverse long term effects. The brand is well known and so an important aspect of the product; damaging this may affect sales of the luxury watches even further. 							

	<ul style="list-style-type: none"> There is an opportunity cost. Money and time invested in developing a new product range would be spent on the existing luxury range, For example, time and money may be spent on improving the marketing which might boost sales. The profit per sale on a luxury item is likely to be higher than on the low price items and so focusing on the original product may a better use of resources than the new product range. <p>Whether it is a good idea depends on</p> <ul style="list-style-type: none"> Whether the brand name is carried over into the new market or whether the new range has its own branding What the current profitability and future sales look like in the luxury market; incomes have not been increasing in the country but how long is this expected to last. If this is likely to happen long term then this may provide more of an incentive to launch a new low price range How much investment is required and what the predicted sales and profits of the new range are <p>Credit all relevant knowledge and understanding, application, analysis and evaluation.</p>	
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Assessment Objective Grid

	AO1	AO2	AO3	AO4	Total
Section A					
1	2				2
2	2				2
3	2				2
4	2				2
5	2				2
Section B					
6	1	1			2
7	2	2			4
8	2	2			4
Section C					
9	2	2	4		8
10	2	2	4		8
Section D					
11	2	2	4	4	12
12	2	2	4	4	12
Unit Total	23	13	16	8	60