

INTERNATIONAL AS & A-LEVEL **BUSINESS**

BSS2

Unit 2 Human Resources, Operations and Finance

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 reason why labour productivity in a business may be low.</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 reason why labour productivity in a business may be low</td></tr> <tr> <td>1</td><td>1</td><td>Limited description or identification of one reason why labour productivity in a business may be low</td></tr> <tr> <td></td><td>0</td><td>Nothing creditworthy</td></tr> </tbody> </table> <p>Indicative content:</p> <ul style="list-style-type: none"> • A lack of investment. Without up to date technology and capital equipment the output per employee may be low. • Lack of training. Without proper training employees will not have the knowledge and skills they need to produce high levels of output • Demotivation. Employees who are demotivated may not try as hard to produce as much leading to a low output per employee • Low morale. If motivation is low the effort levels may be low and this can reduce output per worker. <p>Credit all relevant knowledge and understanding.</p>	Level	Marks	Descriptor	2	2	Describes one reason why labour productivity in a business may be low	1	1	Limited description or identification of one reason why labour productivity in a business may be low		0	Nothing creditworthy	<p>2</p> <p>AO1 = 2</p>
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2	2	Describes one reason why labour productivity in a business may be low												
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Question	Marking guidance	Total marks												
2	<p data-bbox="300 331 1082 365">Describe one way that a business can raise funds internally.</p> <table border="1" data-bbox="300 392 1291 629"> <thead> <tr> <th data-bbox="304 398 405 432">Level</th><th data-bbox="410 398 523 432">Marks</th><th data-bbox="528 398 1286 432">Descriptor</th></tr> </thead> <tbody> <tr> <td data-bbox="304 439 405 510">2</td><td data-bbox="410 439 523 510">2</td><td data-bbox="528 439 1286 510">Describes one way that a business can raise funds internally</td></tr> <tr> <td data-bbox="304 517 405 589">1</td><td data-bbox="410 517 523 589">1</td><td data-bbox="528 517 1286 589">Limited description or identification of one way that a business can raise funds internally</td></tr> <tr> <td data-bbox="304 595 405 629"></td><td data-bbox="410 595 523 629">0</td><td data-bbox="528 595 1286 629">Nothing creditworthy</td></tr> </tbody> </table> <p data-bbox="300 672 560 705">Indicative content:</p> <ul data-bbox="300 730 1310 1039" style="list-style-type: none"> • Sales of assets. A business could sell assets such as land and inventory that were not needed to raise money. • Sales and leaseback. A business could sell an assets that it does need and then lease it back; this leads to an immediate injection of funds but the business can still benefit from the asset • Working capital. The business may have funds already in the form of cash, inventory or receivables which could be used as sources of finance. Inventory could be sold and receivables chased up to provide finance. <p data-bbox="300 1064 938 1097">Credit all relevant knowledge and understanding.</p>	Level	Marks	Descriptor	2	2	Describes one way that a business can raise funds internally	1	1	Limited description or identification of one way that a business can raise funds internally		0	Nothing creditworthy	<p data-bbox="1347 331 1370 365">2</p> <p data-bbox="1347 403 1465 436">AO1 = 2</p>
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3	Describe one reason why a manager might decide to delegate a task.	2												
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	0	Nothing creditworthy												
Indicative content:														
<ul style="list-style-type: none">• Better decision. By delegating, the manager can concentrate on other more significant issues and with more time make less mistakes and make more informed decisions• Better quality work. By delegating, the manager may make use of specialist skills of employees• Motivate employees. By giving employees greater responsibility they may feel empowered and this may motivate them• Can reduce stress levels for managers. They can pass on some tasks and concentrate on the ones they think are most important; this can make the workload more manageable														
Credit all relevant knowledge and understanding.														

Question	Marking guidance	Total marks												
4	<p>Describe one way in which effective operations management can improve the competitiveness of a business.</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 way in which effective operations management can improve the competitiveness of a business</td></tr> <tr> <td>1</td><td>1</td><td>Limited description or identification of one way in which effective operations management can improve the competitiveness of a business</td></tr> <tr> <td></td><td>0</td><td>Nothing creditworthy</td></tr> </tbody> </table> <p>Indicative content:</p> <ul style="list-style-type: none"> • Lower prices than competitors. Effective operations management can reduce waste and reduce unit costs • Better quality than competitors. Effective operations can lead to less errors and mistakes being made • Faster delivery than competitors. Effective operations can reduce the time taken to produce an item <p>Credit all relevant knowledge and understanding.</p>	Level	Marks	Descriptor	2	2	Describes one way in which effective operations management can improve the competitiveness of a business	1	1	Limited description or identification of one way in which effective operations management can improve the competitiveness of a business		0	Nothing creditworthy	<p>2</p> <p>AO1 = 2</p>
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Question	Marking guidance	Total marks												
5	Describe one possible difficulty of introducing total quality management.	2												
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	1	1	Limited description or identification of one difficulty of introducing total quality management											
		0	Nothing creditworthy											
Indicative content:														
<ul style="list-style-type: none">Resistance from employees. They may not want extra responsibilities or trainingHigher costs. The training of staff may be expensive and because staff demand additional pay for additional duties														
Credit all relevant knowledge and understanding.														

Section B

Total for this section: 10 marks

Question	Marking guidance	Total marks
6	<p>The following information refers to a business.</p> <p>Output: 200,000 units</p> <p>Maximum output: 500,000 units</p> <p>Variable costs = \$150,000</p> <p>Total costs = \$400,000</p> <p>Calculate the unit cost.</p> <p>Indicative content:</p> <p>Unit cost = Total costs/output = \$400,000/200,000 (1 mark) = \$2 (1 mark)</p> <p>If the correct answer of \$2 is stated, award 2 marks.</p> <p>If no relevant calculation 1 mark for correct formula of unit cost.</p>	<p>2</p> <p>AO1 = 1</p> <p>AO2 = 1</p>

Question	Marking guidance	Total marks										
7	<p>The budget gross profit for a business was \$70,000.</p> <p>The actual financial outcomes for the business are shown in Table 1.</p> <p style="text-align: center;">Table 1</p> <table><tr><td></td><td>Actual outcomes</td></tr><tr><td>Revenue</td><td>\$80,000</td></tr><tr><td>Cost of Sales</td><td>\$30,000</td></tr><tr><td>Expenses</td><td>\$15,000</td></tr><tr><td>Number of units sold</td><td>24,000</td></tr></table> <p>Calculate the gross profit variance for the business.</p> <p>Indicative content</p> <p>Gross profit = revenue- cost of sales = \$80,000- £30,000 (1 mark) = \$50,000 (1 mark)</p> <p>Gross profit variance = actual gross profit – budgeted gross profit = \$70,000- \$50,000 (1 mark) = \$20,000 (1 mark)</p> <p>Own figure rule applies</p>		Actual outcomes	Revenue	\$80,000	Cost of Sales	\$30,000	Expenses	\$15,000	Number of units sold	24,000	<p>4</p> <p>AO1 = 2</p> <p>AO2 = 2</p>
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Question	Marking guidance	Total marks
8	<p>The following data shows the sales, cost and revenue data for a business.</p> <p>Price per unit = \$80 Number of units sold = 5,000 Variable cost per unit = \$50 Fixed costs = \$36,000</p> <p>Calculate the break-even output of this business.</p> <p>Indicative content:</p> <p>Contribution per unit = price – variable cost per unit = \$80- \$50 (1 mark) = \$30 (1 mark)</p> <p>Break-even output = fixed costs/ contribution per unit = \$36,000/\$30 (1 mark)=1,200 units (1 mark)</p> <p>Own figure rule applies</p>	<p>4</p> <p>AO1 = 2 AO2 = 2</p>

Section C

Total for this section: 16 marks

Question	Marking guidance	Total marks																		
9	<p>A business is operating in a highly competitive market.</p> <p>Analyse two ways ineffective recruitment and selection could have an impact on its competitiveness.</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 impact of recruitment and selection on competitiveness (AO1) • Applied to the context of a highly competitive market (AO2) • Analysis of two ways ineffective recruitment and selection has an impact on competitiveness (AO3) <p>Indicative content:</p> <ul style="list-style-type: none"> • Recruitment and selection refers to the process of attracting, shortlisting, interviewing, and appointing the most suitable candidate for a vacancy. • An ineffective recruitment process may result in hiring an individual who lacks the necessary skills, experience needed by the business. This can mean that the quality of work is not at the level needed to be competitive in this industry which therefore may lead to less sales and a loss of market share • If people find the job is not what they thought it would be this may lead to low productivity. This can lead to higher unit costs which may mean prices have to increase which can lead to less sales in such a competitive industry • Costs may increase because staff need more training than was anticipated and/or they may need replacing. This can make it difficult for the business to compete on price and given such high levels of competition this may mean the business struggles to be profitable <p>Credit all relevant knowledge and understanding, application and analysis.</p>	
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Question	Marking guidance	Total marks																		
10	<p>A manufacturer relies heavily on its suppliers to meet rapidly changing consumer demand.</p> <p>Analyse one advantage and one disadvantage for the manufacturer of only using a single supplier for one of its key components</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 using one supplier (AO1) • Applied to the context of a rapidly changing market and a single supplier of key component (AO2) • Analysis of one advantage and one disadvantage for the business (AO3) <p>Indicative content:</p> <p>Advantage of only using a single supplier for one of its key components</p> <ul style="list-style-type: none"> • The business may develop strong relations with the supplier because there should be strong relationship as this is the only supplier and therefore the business can focus on working with it. This can lead to a better price (eg because of bigger orders), better terms and conditions, more reliable supply (as a favoured customer) and better coordination of what is needed when and what quality this needs to be. This can help the costs and sales of the business because of these favourable relation with the supplier. Given the nature of the market where demand is rapidly changing the ability to respond quickly is important and having a trusted supplier may help the business to be competitive. <p>Disadvantage of only using a single supplier for one of its key components</p> <ul style="list-style-type: none"> • The business may be overly reliant on the single supplier. If there was a problem with this supplier (eg a fire at the factor or disruptions to delivery) this can affect the business because it may not be able to produce without these supplies. It can take time and money to find a new supplier and given that the market is fast changing this may mean opportunities are missed and the business may fall behind competitors. • The supplier may push up the price if it feels the business is dependent on it. This can affects the business' price, final sales and profit margins in a negative way. <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>A small business has forecast that it will have negative cash flow in the coming months despite increasing sales. A major supplier has just asked if it could be paid more quickly in future. The interest rate on an overdraft would be 6% a year; on a loan it would be 4% a year.</p> <p>The finance manager is considering whether to arrange an overdraft with the bank rather than apply for a loan.</p> <p>Assess the arguments for and against using an overdraft rather than a loan and make a judgement whether to use an overdraft.</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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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	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 an overdraft compared to a loan (AO1) • Applied to the context of a small business that has forecast that it will have negative cash flow in the coming months (AO2) • Analysis of the arguments for and against using an overdraft rather than a loan (AO3) • Evaluation of the arguments for and against using an overdraft rather than a loan with a judgement (AO4) <p>Indicative content:</p> <p>Possible arguments for using an overdraft rather than a loan with a judgement:</p> <ul style="list-style-type: none"> • an overdraft is more flexible than a loan and you only pay interest when using the overdraft. This therefore could be cheaper than a loan which may be helpful for a small business which often has limited funds . The major supplier has asked for quicker payment which might cause further cashflow issues ; however, it is not clear whether this will be needed so an overdraft might be more appropriate • an overdraft is generally quicker to arrange and can likely be increased when needed. This can be helpful for a small business which may need 		

	<p>to make decisions quickly to be competitive against larger businesses because it can seize business opportunities by acting fast.</p> <ul style="list-style-type: none"> • A loan is a fixed amount and should the business need more short-term finance it will need to look at another loan or an overdraft whereas an overdraft limit should be easily increased. (AO1) This means that loans may make time to organised and that opportunities may be missed if quick actions are required (AO3). <p>Possible arguments against using an overdraft rather than a loan with a judgement:</p> <ul style="list-style-type: none"> • If the level of borrowing is more than the amount agreed by the bank there is high levels of interest rates and charges. The charge is 6% on the overdraft compared to 4% on the loan. This can significantly impact on a business's cash flow. Overdrafts need to be carefully managed. Small businesses often have limited funds and operate on low profit margins and therefore high charges could significantly impact on its profitability and cashflow • The loan amount is set and agreed; repayments are known in advance making it easier to forecast future outflows and cash flow. This may help the small business with its planning which can be helpful as often those in small business have a great deal to decide and plan at any moment and so reducing some degree of uncertainty may lead to better running of the business. • The bank can withdraw an overdraft facility or increase the amount of interest/charges. A loan's terms and conditions are set out when taking out the loan and do not normally change therefore making financial planning easier. This means that the loan may provide greater certainty which may reduce the stress levels of managers. With managers of small businesses having so much to do in most cases the ability to reduce some uncertainty may enable better decisions in other areas. <p>It depends on:</p> <ul style="list-style-type: none"> • How much the business needs and for how long. • The credit history of the business and their likelihood of getting the loan. A small business might not have the credit rating to approve a loan. • The ability of the business to manage its finances. <p>Credit all relevant knowledge and understanding, application, analysis and evaluation.</p>	
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Question	Marking guidance	Total marks									
12	<p>XET plc is a clothing producer with a fashion brand known for its high quality. Following the launch of a new product range XET plc has experienced a significant increase in demand and cannot meet some of its orders.</p> <p>XET plc was already operating at 85% capacity utilisation.</p> <p>It is now considering whether to expand its factory capacity rather than outsource production.</p> <p>Assess the arguments for and against outsourcing and make a judgement on whether to do this.</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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	<p>The demands of the question are:</p> <ul style="list-style-type: none"> • Knowledge and understanding of the arguments for and against expanding factory capacity rather than outsourcing (AO1) • Applied to the context of a well-known clothing brand that experiences a sudden increase in demand (AO2) • Analysis of the arguments for and against expanding its factory capacity rather than outsourcing (AO3) • Evaluation of the arguments for and against expanding its factory capacity rather than outsourcing with a judgement (AO4) <p>Indicative content:</p> <p>Arguments for increasing own capacity:</p> <ul style="list-style-type: none"> • Increasing capacity internally through increasing its own capacity will allow the business to keep control over the production and quality. Quality is a feature of the company's brand. Therefore this could help ensure that the reputation of the well known brand is not damaged. • By having more capacity the business can benefit from this expansion in the future with higher sales . This means it may generate higher profits and have a better return on investment compared to paying an external supplier who will want to make its own profits. 		

	<p>Arguments against increasing own capacity:</p> <ul style="list-style-type: none"> • By extending its own factory XET is likely to take longer than outsourcing to another manufacturer. The business needs to respond to a sudden increase in demand and therefore it might be quicker to outsource to satisfy customers. • If the increase in demand is not sustained, investment in new equipment to increase production might be wasted. This can add to an increase in costs for the business which can reduce profits. • Extending its own factory will require an investment in buildings and equipment . This may take funds away from other important projects <p>It depends on</p> <ul style="list-style-type: none"> • if the sudden increase in demand is likely to be sustained • how quickly the demand needs to be met • how reliable the outsourcing contractor is • whether XET plc feels it can maintain quality <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