AS
Business Studies

7131/1 Business 1
Final Mark Scheme

7131
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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 Assessment Writer.

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 aqa.org.uk

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.

Marking guidance

- Be clear on the focus of the question
- Read the response as a whole; follow the flow of the argument as a whole
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument
- Annotate the script as you read in accordance with the instructions given at standardisation
- Consider what it all adds up to: e.g. is this a good response? A reasonable one? A limited one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at drifting when you have a big centre; refer back to standardisation scripts
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given e.g. for an extended response 'well-argued' but does not focus fully on the issue of 'long term' feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded e.g. L4
- If in doubt about an approach contact your Team Leader , do not make up your own rules because we must have a standardised approach across all marking

Be positive in your marking. Look to reward what is there.

Section A

Objective Test Answers

Total for this section: 10 marks

Question Number	Answer
1	C
2	A
3	B
4	A
5	A
6	A
7	A
8	D
9	B
10	C

(1 mark for each correct answer)

Section B

total for this section: 20 marks

| 1 | 1 | Calculate the operating profit variance and state whether it is adverse or favourable. |

[4 marks]

Marks for this question: AO1 = 2 and AO2 = 2

answer is 1.2 adverse (4 marks)

broken down as:

budgeted figures 3.5 – (1.3 + 1.4) = 0.8 profit (1 mark)

actual figures 2.3 – (1.2 + 1.5) = 0.4 loss (1 mark)

variance is 0.8 – (0.4) = 1.2 (1 mark)

adverse (1 mark)

further guidance:

- award a maximum of 1 mark for an understanding of variance if no valid calculation is offered – such an understanding might be demonstrated by the application of OFR to an incorrect calculation
- award a maximum of 3 marks for a calculation based on gross profit – based on OFR answer is **1.1 adverse (3 marks)** broken down as follows:

  budgeted: 3.5 – 1.3 = 2.2 profit
  actual: 2.3 – 1.2 = 1.1 profit (1 mark for both)
  variance is 1.1 (1 mark)
  adverse (1 mark)

| 1 | 2 | Explain why managers may change their style from that shown at **A** to that shown at **B** on the Tannenbaum and Schmidt diagram below. |

[5 marks]

Marks for this question: AO1 = 1, AO2 = 3 and AO3 = 1

Level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–2**

The focus (demands) of the question:
• The reasons why managers may change their style from A to B on the continuum (to develop a logical explanation as why a manager/managers might change style from one where a significant amount of freedom is given to subordinates to one based on a more authoritarian approach). Focus on reason or reasons not a description of theory / model

Further guidance:
• L1: likely to be just descriptive (for example, showing some limited understanding of points A & B / offering a simple statement of a reason to change)
• L2: likely to show a good understanding of points A & B in relation to the TS model (max 3 marks) linked to a reason to change (4 marks) or to show some understanding of points A & B in relation to the TS model linked to a reason to change (max 3 marks)
• L3: likely to be a developed explanation as to why managers might change their style from A to B on the continuum

Indicative content may include:

- Style B involves more control by the superior of the subordinate than style A
- Managers may move from A – B on the continuum if employees are new or unskilled, and need guidance by the manager.
- Managers may also move from A-B on the continuum if there is an emergency situation and may need to take control of the situation and guide the employees.

| 1 | 3 | Explain the value to a start-up business of using primary marketing research.

[5 marks]

Marks for this question: AO1 = 1, AO2 = 2 and AO3 = 2

Level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–2**

The focus (demands) of the question:
• The benefit(s) to a start-up business of using primary market research (to develop a logical explanation as to why primary market research may be of particular value to a start-up). Focus on start-up (rather than an existing/established business) and primary market research (as opposed to secondary or market research in general)

further guidance:
• L1: likely to be just descriptive / showing some general understanding of the value of market research to a business
• L2: likely to be focused on **either** a start-up (max 4 marks) or primary market research (max 3 marks)
• L3: explanation focused on **start-up + primary** market research

Indicative content may include:

- Many start-ups may have limited financial resources and therefore undertake some primary market research such as a quick survey themselves as this could reduce costs and provide more accurate results than secondary for them to base decisions on.
- A start up is likely to want information specific to its particular situation or may be targeting a gap in the market about which information is not currently available.

1	4	Analyse **one** way in which having seasonal patterns of demand may affect the operational decisions of a business.
		[6 marks]

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly	**1–2**

	descriptive application to the context.	

The focus (demands) of the question:
- One way that seasonal patterns of demand may affect the operational decisions of a business (to develop a logical explanation as to the potential impact of seasonal demand on the operational decisions of a business). Focus on operational decisions not those of other functional areas (e.g. marketing) or business decisions in general.

further guidance:
- L1: likely to be just descriptive / showing some general understanding of the link between demand and business decisions
- L2: likely to be focused on **either** decisions in general or impact of seasonal demand
- L3: explanation focused on impact of **seasonal demand on operational decisions**

Indicative content may include:
- Seasonal demand could impact on operational decisions in many ways - for example, capacity utilisation or numbers of production line staff may be at different levels during peaks and lows in the year.
- This could impact on the level of inventory that a business would need to produce and hold during these periods.

Section C: Data Response

Total for this section = 50 marks

1 5 . 1	Use **Table 1** to analyse the weaknesses of AC Ltd's financial position on 31 December 2016.
	[9 marks]

9 mark analytical questions: AO1 = 3, AO2 = 3 and AO3 = 3

Level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: - demonstrates a good knowledge and understanding of issues in the question - demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the**	**4–6**

	demands of the question.	
	Provides an answer to the question set that:	
	• demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The focus / demands of the question:
- Explaining why AC Ltd is in a weak financial position using the information in Table 1 (e.g. its profits, debt or liquidity). Identifying two (or more) financial weaknesses of AC ltd from Table 1 and developing logical chains of reasoning as to why these weaknesses may be of concern to AC Ltd.

further guidance:
- L1: likely to just identify financial problems / weaknesses from table 1
- L2: likely to offer some explanation of the consequences / impact of these problems / weaknesses in general
- L3: arguments (plural) focused on why weaknesses represent a problem / challenge for **this business**

Indicative content may include:
- It is waiting 90 days to be paid by customers (to win business) but paying its suppliers in 21 days (because it is a small and new business; this is bad for cash flow and liquidity
- £100,000 of its £150,000 long terms funds is from debt and therefore it may be vulnerable to interest rate changes; already paying 5.5% on this loan which is £5,500 pa so adding to costs
- Profit last year = (8000*£25) - £207,000= -£7000; making a loss; may not be surprising early in the life of a business but ideally would be profitable.
- Financial target to break even (b/e output is 8280 customers) but falling short by 280 customers
- Overdraft of £35 000 exceeds short term borrowings from bank target of £25 000

1	5	.	2	Sam is trying to decide between two options. Which of the two would you choose? Justify your choice. You should support your answer with calculations using **Figure 1**.

[16 marks]

16 mark evaluative questions: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	the student will typically demonstrate:	marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9–12
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5–8
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive	1–4

| | | application to the context and considers a limited number of issues in the question
• makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole. | |

The focus / demands of the question:
- The calculation of the decision tree and the options available to Sam ('support your answer with calculations using Figure 1')
- Selecting the option Sam should choose using these findings and justifying the choice. A decision is required so a logical recommendation based on comparison of the 2 options (which would you choose and why?) supported by calculations from Figure 1
- A logical / justified overall judgement as to which of the options should be selected (**focus**) based on competing arguments (**range / depth**)
- **Balance** from considering both options (argument/counter argument)

further guidance:
- if no calculations from figure 1: such a response is likely to be reasonable at best (L2)
- if a response is based **entirely** on figure 1: such a response could get to L3 (good) – for example

    o works out net gains + offers a simple judgment (e.g. £88 000 exceeds £25 000 by £63 000 so choose Scotland option) – a reasonable response (L2 top)

    o works out net gains + offers additional calculations based on figure 1 (e.g. rates of return 44% c/w 62.5%) and/or offers some wider judgments relating to the calculations / financial estimates (e.g. size of initial outlay / risk of loss) – a good response (L3)

    o for such an approach to achieve excellence and access L4: response should go on to offer broader judgements / perspectives relating to wider issues (e.g. Sam's attitude to risk / geographical distance / the challenge of a new market segment / the provenance of financial estimates) leading to a clear / well supported decision

Indicative content may include:
- Calculations:
SCOTLAND: (0.6*500,000) + (0.4* -30,000) - 200,000= £88,000
WEATHER: (0.9*70,000)*(0.1*20,000) - 40,000= £25,000

Scotland has a higher potential net gain but it requires more funding, it is a lower rate of return and it is higher risk in that it might fail and lose £30,000.
Scotland is also risky because:
- Sam is quite hands on; how will be manage both camps- quite far apart
- no information on the "friend" and how reliable these financial estimates are- would want more information on this. Market research seems limited- asked "a few local families"; unlikely to be reliable

- this is a new market segment (families v corporate team building); does he/do they know enough about it? May be competing against a wide range of options e.g. cinema visits.
- not building on brand name- different segment, different product required (e.g. different types of activity may be needed) and different location.
- It maybe that extending the facilities at the existing site seems more sensible but Sam may be keen to grow the business; he may see this as spreading the risk by offering more services to more segments.

The evaluation may consider:
- Financial issues e.g. ease of funding v returns
- Sam's attitude to risk
- Sam's desire to build on existing strengths

| 1 | 6 | . | 1 | Analyse why the Richer Sounds approach to managing its human resources is successful in motivating its employees. You should support your answer with reference to Herzberg's hygiene **and** motivation factors.

[9 marks] |

Level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The focus / demands of the question:

• Why the approach that Richer Sounds takes to its Human Resources is successful in motivating employees – with reference to Herzberg's Hygiene **and** Motivation factors Identifying a reason or reasons and developing logical chain(s) of reasoning as to why **this** approach to managing Human Resources is successful for RD in motivating employees

further guidance…

- L1: likely to just identify aspects of RSs' approach to managing human resources and make no / limited reference to Herzberg
- L2: likely to offer some argument based on either hygiene and / or motivation factors but not establishing a clear link to the success of RS in motivating employees or analyses why RSs' approach is successful in motivating employees with no reference to Herzberg (such a response might be addressing some of the demands of the question)
- L3: argument(s) based on both (hygiene and motivation) factors establishing a clear link to the success of RS in motivating employees

Indicative content may include:

- Motivators include the opportunity for advancement - staff are given regular training offering employees the opportunity to develop
- Hygiene factors prevent dissatisfaction and are evident and well developed in the business as (e.g. secure, well-paid jobs and an excellent salary)
- It is possible that the 'stimulating working environment' might be used in more than one way, depending on whether the argument focuses on the 'stimulating' aspect or the 'working environment' aspect

1	6	.	2	To what extent do you think the level of demand for Richer Sounds' products is determined by its external environment? Justify your view. [16 marks]

Level	the student will typically demonstrate:	marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the**	**9–12**

	question.	
	Provides an answer to the question set that:	
	- demonstrates a depth and range of knowledge and understanding of issues in the question - demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question - makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: - demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question - demonstrate analysis which is developed, applied to the context and considers some of the issues in the question - makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: - demonstrates a limited range and depth of knowledge and understanding of issues in the question - demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question - makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	**1–4**

The focus / demands of the question:

- The extent to which the demand for Richer Sounds products is determined by the external environment such as economic, social and technological factors rather than other factors (such as internal factors e.g. its management of costs)
- A logical / justified overall judgement as to the extent to which level of demand is determined by external environment (**focus**) based on competing arguments (**range**/**depth**)
- **Balance** from considering both external environment and other factors (argument / counter argument)

Indicative content may include:

the external environment may focus on the following areas for Richer Sounds:
- competition – tough competition has meant that rivals such as Amazon and Argos offer a wider range of products and have a well-developed online presence.
- economic environment –tough trading conditions over the past few years means that customers maybe more cautious with spending on such products.

other factors might include:

- demand may be influenced by Richer Sounds' ability to charge low prices
- service – the level of service that they provide could be said to be a USP, employees are highly motivated and offer a specialist service – something that Amazon and Argos do not.

The evaluation may consider:
- The role the external environment plays in terms of influencing demand but recognises that Richer Sounds' own decisions also play a role and they key to maintaining demand may be to respond/anticipate appropriately.