

A-level  
**BUSINESS**  
**7132/2**

Paper 2 Business 2

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Mark scheme

June 2022

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Version: 1.0 Final

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.

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## 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, eg 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.
- 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, eg 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, eg 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.

## Annotations Key

Annotation	Definition
T	Free text box – use this for making comments at end of sections/answers
Bal	Balance
BD	Benefit of Doubt
Cross	Incorrect
J	Judgement/Evaluation
KU	Knowledge/Understanding
NFF	Losing Focus/Not Fully Focused
An	Analysis without context
Arg	Argument with analysis and context
Dev	Developed
DP	Developed point
CON	Context
?	Question mark - uncertain
V	Vague
NAQ	Not answered question
OFR	Own figure rule
Rng	Range
SEEN	Indicates that the point has been noted, but no credit has been given
Tick	Correct point/Calculation

## Levels used at the end of the response

L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4

0	1	.	1	What is meant by the term extrapolation?	[2 marks]
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**Marks for this question: AO1 = 2**

Extrapolation is the action of estimating or concluding something by assuming that existing trends will continue.

Or the extension of a graph, curve, or range of values by inferring unknown values from trends in the known data.

**2 marks** for good understanding

**1 mark** some/partial understanding of the term

0	1	.	2	Using <b>Appendix B</b> , calculate the combined market share of the top four tea brands in 2019.	[3 marks]
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**Marks for this question: AO1 = 1, AO2 = 2**

Total market = £562m (108 + 99 + 98 + 90 + 23 + 144)

Top four brands = £395m (108 + 99 + 98 + 90)

Market share of 'top four' =  $\frac{395\text{m}}{562\text{m}} \times 100 = 70.28\%$

**3 marks** for correct answer **70.28%** or **70.3%**

**2 marks** for partial calculation eg with one error or % sign missing

**1 mark** for calculation of both elements e.g. total market = £562m and Top four brands = £395m

**1 mark** for correct definition of market share with no valid calculation or correct formula

<b>0</b>	<b>1</b>	<b>3</b>	Using the data in <b>Appendix D</b> , explain <b>one</b> benefit of the use of market segmentation to a business selling tea.
			<b>[4 marks]</b>

**Marks for this question: AO1 = 2, AO2 = 2.**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<b>A good response that focuses on many of the demands of the question.</b> <ul style="list-style-type: none"> <li>Benefit explained clearly in context.</li> </ul>	<b>4</b>
<b>2</b>	<b>A reasonable response overall that focuses on some of the demands of the question.</b> <ul style="list-style-type: none"> <li>Good understanding. Or some understanding with some use of case.</li> </ul>	<b>3–2</b>
<b>1</b>	<b>A limited response overall that focuses on a few demands of the question.</b> <ul style="list-style-type: none"> <li>Some understanding of market segmentation.</li> </ul>	<b>1</b>

**The demands of the question are:**

- to demonstrate an understanding of market segmentation
- explain a benefit of market segmentation
- to contextualise to the tea market by using the data.

**Indicative content:**

- market segmentation is splitting the consumers into groups depending on certain characteristics
- benefits of this includes better understanding customer needs; better targeting of promotional messages; designing products more in line with segments' needs
- targeted promotion may be a way to save money as well as being more effective
- relevant data provided includes:
  - Age** –
    - over 65s drink black tea more frequently
    - younger people are more likely to never drink tea
  - Gender** – males less likely to drink health tea
  - Lifestyle** –
    - ethical sourcing seen as important
    - growing niche parts of market are associated with health benefits.

**Allow other relevant arguments.**

<b>0</b>	<b>1</b>	<b>4</b>	<p>A business sells two types of tea: black tea and health tea.</p> <p>Analyse how the data in <b>Appendix C</b> will affect how this business might change the price it charges for each type of tea to increase its sales revenue.</p> <p style="text-align: right;"><b>[9 marks]</b></p>
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**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well-developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- show understanding of price elasticity of demand
- interpret the figures of  $-0.5$  as price inelastic and  $-1.2$  as price elastic
- analyse a link between price elasticity of demand, a related pricing strategy and increasing sales revenue.

**Indicative content:**

- a clear chain of argument interpreting the meaning of the  $-0.5$  figure; health tea being price inelastic demand
- price inelastic demand will allow the business to increase price of health tea and as percentage increase in price will be half the fall in percentage demanded then revenue would rise if price increased
- a clear chain of argument interpreting the meaning of the  $-1.2$  figure; black tea being price elastic demand
- price elastic demand will allow the business to decrease the price of black tea then revenue would rise if price decreased.

**Allow other relevant arguments.**

0	1	.	5	To what extent does the information provided suggest that now is a good time to launch a new brand of tea?
<b>[16 marks]</b>				

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7**

Level	The student will typically demonstrate:	Marks
4	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>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.</li> </ul>	13–16
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.</li> </ul>	9–12
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>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</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.</li> </ul>	5–8
1	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	1–4



**The demands of the question are:**

- to consider the arguments for it being a good time to launch a brand of tea
- to consider the arguments against it being a good time to launch a brand of tea
- to consider the balance of arguments to make a judgement about the decision based on the information provided.

**Indicative content:**

- the traditional tea market is declining at a significant rate potentially making it a bad time
- the traditional tea market remains large and valuable, so could be an attractive time
- the tea market is sub-divided and there are growing niches that could be focused on
- younger people are favouring coffee and health (herbal/fruit/green) tea
- ethically sound products may be favoured – does this provide an opportunity to focus on
- established brands are very strong brands – providing a large barrier to entry (Porter) – sales dominance of top four brands so not a good time to enter – could use calculation from Question 2 (70.32%) or OFR.

However, need to consider:

- Finance – is the new brand able to penetrate the market effectively eg is it a brand with backing (financial or as a name) from another market. If so it may more readily enter the market.
- Other information (data beyond that provided) would be useful – such as the channels of distribution available eg dominance of supermarkets; the coffee market; the scale at which the new brand wishes to operate.

Overall, there may be opportunities even though the market is declining, but it will depend upon a range of factors eg:

- the niche/segment being aimed at
- what the new brand's USP is
- how well the brand can be supported and promoted.

**Allow other relevant arguments.**

0	2	.	1	What is meant by the term shareholder dividend?	[2 marks]
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**Marks for this question: AO1 = 2**

Dividend is the reward to shareholders, the proportion of the profits allocated to shareholders. It is allocated in relation to the number of shares held.

**1 mark:** some understanding shown

**2 marks:** good understanding

0	2	.	2	Explain why the Ocado share price rose following the announcement of the venture.	[4 marks]
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**Marks for this question: AO1 = 2, AO2 = 2**

Level	The student will typically demonstrate:	Marks
3	<b>A good response that focuses on many of the demands of the question.</b> <ul style="list-style-type: none"> <li>Reason why is explained clearly in context.</li> </ul>	4
2	<b>A reasonable response overall that focuses on some of the demands of the question.</b> <ul style="list-style-type: none"> <li>Good understanding of share price movements. Or some understanding with some use of case.</li> </ul>	3–2
1	<b>A limited response overall that focuses on a few demands of the question.</b> <ul style="list-style-type: none"> <li>Some understanding of share price movements.</li> </ul>	1

**The demands of the question are:**

- To demonstrate an understanding of the meaning of 'share price'.
- To analyse the cause and process of the change in share price. Particularly in the context of the announcement of the (joint) venture.

**Indicative content:**

- shareholders are investors and owners of the business
- the venture was being viewed positively
- potential investors may therefore be attracted to Ocado, increasing demand for shares
- more demand (other things being equal) will lead to the rise in share price.

**Allow other relevant arguments.**

<b>0</b>	<b>2</b>	<b>3</b>	With reference to Maslow's theory, analyse the possible impact of this venture on the motivation of senior managers of the two businesses.
			<b>[9 marks]</b>

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4**

<b>Level</b>	<b>The student will typically demonstrate:</b>	<b>Marks</b>
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well-developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- to show understanding of selected elements from Maslow's motivation theory
- to relate this to the context of senior managers cooperating on a challenging venture.

**Indicative content:**

- the venture is a high profile and important project for both businesses and should give the managers pride (esteem)
- if successful – managers will be proud of their part in it and this can help higher level needs (esteem or even self-actualisation)
- cooperation with new people in different organisations will be interesting and may motivate through social level ie teamwork
- the whole venture is a massive investment showing the importance (esteem) but also if successful will secure the future of both businesses (security).
- If the senior managers of one of the companies feels the venture is a threat to their business, it could have a negative effect on motivation – making them feel undermined reducing their motivation (security).
- If the senior managers of one of the companies feels the venture is a threat to their position, it could have a negative effect on motivation – reducing their motivation (esteem).

**Allow other relevant arguments.**

<b>0</b>	<b>2</b>	<b>4</b>	Are ventures a good way for <b>all</b> businesses to grow?
			Justify your view.
			<b>[16 marks]</b>

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7**

<b>Level</b>	<b>The student will typically demonstrate:</b>	<b>Marks</b>
<b>4</b>	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question</li> <li>• demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>• 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.</li> </ul>	<b>13–16</b>
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.</li> </ul>	<b>9–12</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>• makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.</li> </ul>	<b>5–8</b>

1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	1–4
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**The demands of the question are:**

- to analyse the case for and against (joint) ventures being a good way to grow
- to judge the relative merits of (joint) ventures against other ways of growing a business
- for **all** businesses.

**Indicative content:**

Ventures see the cooperation of two or more businesses on a project in order to benefit the interests of each of the businesses involved. Could refer to the case and/or other examples.

Reasons venture may be a good way to grow include:

- it may utilise the strengths of the 2 parties to the mutual benefit of both – possibly shown in this case
- a venture may allow sharing specialist skills or equipment
- a venture may be a cheaper option than eg developing completely new skills ‘in-house’ or a full takeover.

However, ventures may be difficult:

- there may be mistrust between the parties
- cooperation and communication may be difficult
- if one party is seen as stronger than the other the second may struggle to enjoy the full benefits.

Also, other methods of growth could be provided as a counter argument:

- organic growth – keeps control and allows communication and systems to evolve as the business grows
- merger/acquisition may be better as it allows a clearer direction and structure to develop rather than on going coordination issues of a venture.

Overall it will depend on:

- the situation in the market
- the strategic direction of the businesses
- the relative strengths and weaknesses of the businesses involved
- elements of the external environment.

**Allow other relevant arguments.**

<b>0</b>	<b>3</b>	<b>.</b>	<b>1</b>	With reference to <b>Figure 1</b> , calculate the lead time.	
				<b>[2 marks]</b>	

**Marks for this question: AO1 = 1, AO2 = 1**

Reading from the graph:

Reorder level is reached on day 11

Inventory arrives on day 15

Lead Time is  $15 - 11 = 4$  **days**

An alternative method is:

In 15 days it has used 5250 units ( $6000 - 750$ )

It reorders at 2150 and has a buffer of 750 i.e. uses 1400 after reordering

$1400/5250$  is the proportion used after reordering

So  $(1400/5250) \times 15 = 4$  **days** which is the lead time

**2 marks** for correct answer of **4 days**

**1 mark** for answer 4 but no 'days'

**1 mark** for definition, demonstrating understanding of lead time

<b>0</b>	<b>3</b>	<b>.</b>	<b>2</b>	With reference to <b>Figure 1</b> , calculate the re-order quantity.	
				<b>[2 marks]</b>	

**Marks for this question: AO1 = 1, AO2 = 1**

Maximum stock level is 6,000; Buffer stock level 750.  $6,000 - 750 = 5,250$

**2 marks** for correct answer of **5250 units**

**1 mark** for 5250 with no 'units'

**1 mark** for 3850 units

**1 mark** for definition, demonstrating understanding of reorder quantity

<b>0</b>	<b>3</b>	<b>.</b>	<b>3</b>	With reference to <b>Figure 1</b> , calculate how much inventory DT uses each day.	
				<b>[2 marks]</b>	

**Marks for this question: AO1 = 1, AO2 = 1**

The reorder quantity (5250) is used over a period of 15 days.

$$\frac{5250}{15} = 350 \text{ units per day.}$$

Credit alternative methods to calculate the same figure.

**2 marks**  $\frac{\text{OFR (from 3.2)}}{15} = x \text{ units per day}$

**2 marks** for correct answer of **350 units/units per day**

**1 mark** for answer 350 but no 'units/units per day'

**1 mark** for some understanding or partial calculation eg one error

0	3	.	4	Explain <b>one</b> impact of a fall in the value of the pound on DT's sales.	[4 marks]
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**Marks for this question: AO1 = 2, AO2 = 2**

Level	The student will typically demonstrate:	Marks
3	<b>A good response that focuses on many of the demands of the question.</b> <ul style="list-style-type: none"> <li>Impact of a fall in the value of the pound is explained clearly in context.</li> </ul>	4
2	<b>A reasonable response overall that focuses on some of the demands of the question.</b> <ul style="list-style-type: none"> <li>Good understanding of exchange rates. Or some understanding with some use of case.</li> </ul>	3–2
1	<b>A limited response overall that focuses on a few demands of the question.</b> <ul style="list-style-type: none"> <li>Some understanding of exchange rates or relevant point made.</li> </ul>	1

**The demands of the question:**

- to understand the impact of a fall in value of the pound
- understand the context of a business trading internationally
- linking a change through to DT's sales.

**Indicative content:**

- exchange rate is the price of one currency in terms of another
- DT exports to Europe all of its product
- if the pound falls in value (relative to the Euro for example) the products will appear less expensive to European customers, meaning that sales are likely to be positively affected

**Allow other relevant answers.**

<b>0</b>	<b>3</b>	<b>5</b>	Analyse how contingency planning might have helped DT maintain its competitiveness.
			<b>[9 marks]</b>

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well-developed and is applied effectively to the context.</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>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</li> <li>demonstrates analysis which is developed and is applied to the context.</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	<b>1–3</b>

**The demands of the question are:**

- to understand contingency planning
- to analyse how this may help DT reduce the negative impacts of problems with supply
- to analyse this through to the impact on competitiveness.

**Indicative content:**

- contingency plans allow a business to work through ‘what if’ scenarios to plan in case predictable disruptions might occur
- in effect the contingency plan allows managers to give thought to what to do if XYZ happens – meaning if something does happen the business does not start from scratch and will appear more organised in tackling problem
- in this case the business had no contingency plan.
- managed to source alternatives – but not quickly enough to fulfil existing orders, at greater cost and with more defects.
- but at least this maintained production and kept supplying customers
- in this case the events were unexpected – so possibly not part of a contingency plan – but if the process of planning had happened managers may be equipped to manage changes
- with no plan, some customers’ were not fulfilled and as a result competitiveness may fall.

**Allow other relevant arguments.**



0	3	.	6	Reliability is the most important factor in a business' choice of supplier. To what extent is this true for <b>all</b> businesses?
<b>[16 marks]</b>				

**Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7**

Level	The student will typically demonstrate:	Marks
4	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>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.</li> </ul>	13–16
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.</li> </ul>	9–12
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>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</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.</li> </ul>	5–8
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	1–4

**The demands of the question are:**

- to analyse the case for and against the reliability of suppliers being the most important factor
- to judge the extent to which reliability of supply is the most important factor in choice of supplier
- for **all** businesses.

**Indicative content:**

Choice of supplier is important for many businesses and will take into account many factors – quality; price charged; after sales service; ethical issues as well as reliability.

Reliability is the most important as:

- delays in supply will potentially interrupt production
- it can have a knock-on effect to your customers making your business appear unreliable to your customers
- many businesses wish to keep buffer stock as low as possible to help financially, this will need suppliers to be reliable eg to operate JiT systems.

Reliability not the most important as:

- you could plan to mitigate the impact – run a larger buffer stock if a less reliable supplier has other great attributes
- other factors may be more important:
  - most obviously price charged, the cheapest supplier may allow your business to increase profit margins or reduce final price
  - quality – the best quality – could this make up for lack of reliability.

The extent to which reliability is the most important factor will depend upon:

- the nature of the business
- the type of business/industry
- the nature of the product and the final customer expectations
- does the supplier supply competitors too so effect may be mirrored – ie a monopsony supplier may be equally unreliable for your business and competitors?
- the way the business manages its inventory.

Judgement should be supported with prior arguments.

**Allow other relevant arguments.**