A-level
BUSINESS
7132/2

Paper 2 Business 2

Mark scheme

June 2025

Version: 1.0 Final

2 5 6 A 7 1 3 2 / 2 / M S

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.

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

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, 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

K U	Knowledge and Understanding
AN	Analytical but lacks context
ARG	Argument
DEV	Some explanation/development but not depth
J / EVAL	Judgement with support / Evaluation
NFF	Not Fully Focused on the demands of the question
Bal	Balanced response, eg both sides acknowledged
Rng	Range of arguments, eg two arguments presented
BD	Benefit of the Doubt
CON	Context/application
OFR	Own Figure Rule
——	Underline
☑	TICK
☒	CROSS
☐	Txt Box
?	Unclear
Highlighter	Highlighter
[REP]	Repetition

The following should be used at the end of the response.

L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4
L5	Level 5

0 1 . 1 The data in **Appendix A** assumed all customers would make immediate payments. With effect from 1 November, customers will be given one month's credit.

Calculate SCF's closing balance for November, assuming all customers take advantage of the new payment terms.

[3 marks]

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

Correct answer: £1 080 000 (3 marks)

An amended cash flow forecast for November could be as follows:

	November (£m)
Total inflows	0
Total outflows	3.22
Net cash flow	(3.22)
Opening balance	4.30
Closing balance	1.08

Allow a maximum of 2 marks for the following (which may be identified via an amended cash flow forecast) if no correct answer:

1 mark for identification of impact on inflows/net cash flow/closing balance for November = fall by £3.35m

1 mark for identification of November's opening balance = £4.30m

0	1	. 2	Explain **one** possible reason for the change in inventory turnover shown in **Appendix B**. **[4 marks]**

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

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** • Explains one reason for the change in SCF's rate of inventory turnover.	4
2	**A reasonable response overall that focuses on some of the demands of the question.** • Identifies one valid reason why a business' rate of inventory turnover may fall.	2–3
1	**A limited response overall that focuses on a few demands of the question.** • Shows some understanding of the rate of inventory turnover.	1

The demands of the question are:
- identify the nature of the change in the rate of inventory turnover
- identify a potential reason
- in the context of SCF
- explain how that reason caused the deterioration in inventory turnover.

Indicative content:
- inventory is being turned over fewer times in 2024 compared to 2022 (5.2 compared to 5.9 times/year).

Possible reasons could include:
- falling efficiency may involve poor control of inventor
- bulk buying stock so takes longer to turnover
- need to carry wider range of goods or raw materials to meet demands of larger buyers.

0 1 . 3 Using **Appendix D** and the other information available, analyse why SCF chose **Option 2**.

Your answer should include quantitative and qualitative information.

[9 marks]

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

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 depth and range of 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 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 • 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 range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- interpret the quantitative information in the decision tree
- analyse further qualitative reasons why option 2 may be chosen given SCF's particular circumstances.

Indicative content:
- Option 2 predicts a greater net gain (£3.6m, compared to a net gain of £2.1m for Option 1 or £1.5m more)
- there is a 40% chance of a significant gain of £30m
- efficiency has been falling in the existing UK site and so a new factory offers an opportunity to upgrade production and address this issue
- SCF has relatively low gearing (27.5% in 2024) which has been falling since 2022 and so Option 2's higher initial capital outlay may be seen as affordable
- SCF is expecting falling sales and profit margins and so may feel the potentially high reward is worth the higher risk
- the owners have appointed a leader who has stated that she wants to achieve ambitious growth and so Option 2 represents the best chance of achieving this
- a factory in Spain may allow the company to adjust to higher predicted growth in the EU market and reflect changing customer buying behaviour.

0 1 . 4	To what extent do the changes in the economic environment create more threats than opportunities for SCF? Use **Appendix E** and the other information provided in your answer. **[16 marks]**

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

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key 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 which 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 throughout.	**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 • demonstrates 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 • demonstrates 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 focus on the question as a whole.	**1–4**

The demands of the question are:
- to consider the impact of a range of economic factors for SCF
- using **Appendix E** and **other information**
- to analyse why those factors represent threats or opportunities for SCF
- to make a judgement about whether the economic environment presents more threats than opportunities for SCF.

Indicative content:
- unemployment, that is projected to rise to 7% by 2028, may reduce UK consumers' disposable incomes and confidence, creating a threat as demand for products such as computers may fall
- a trend towards higher interest rates (predicted to rise to 6.1% by 2028) may reduce demand as computer purchases may involve credit and this will be more expensive, creating a threat
- low rates of economic growth in the company's domestic market (between 0.2 to 1.3% over the period 2025–2028) suggest a threat to the plans for growth in this market
- depreciation of Sterling against the Euro (from £1 = €1.18 in 2025 to £1 = €1 in 2028) will make it more expensive to invest into the EU presenting a potential threat to this strategic option
- higher interest rates may present a greater threat to competitors who may be more highly geared and thus be an opportunity for SCF (who are low geared)
- economic growth in the EU should improve living standards and create demand for the finished product and therefore SCF's components, so may be an opportunity
- the strengthening value of the Euro may present an opportunity as SCF's EU-generated profits will be worth more when repatriated to the UK
- Sales in the UK are expected to fall, whereas those in the EU are rising so represent threats and opportunities.

The overall effect will depend on:
- the successful implementation of plans to build a new factory that may allow SCF to take advantage of better economic prospects in the EU
- the way in which the company responds to predicted changes in the economic environment, such as low UK growth and rising unemployment
- the accuracy of the economic forecasts taking timescales into account. For example, growth forecasts are notoriously inaccurate, even over much shorter periods than those shown, and inaccurate growth forecasts are likely to be associated with similar inaccuracies in other linked variables such as unemployment and interest rates.

Further guidance
Overall, there seems to be a balance between whether the data present more threats than opportunities. The company needs to take these factors and other influences into account as the extent to which they are a threat is likely to depend upon how effectively the company responds to the challenges presented by its external environment.

Accept other relevant arguments and conclusions.

0 2 . 1	Calculate the rate of labour turnover for Seebus plc in 2023. **[3 marks]**

Marks for this question: AO1 = 3

Rate of labour turnover =

$$\frac{\text{number of employees leaving during 2023}}{\text{average number of employees during 2023}} \times 100$$

$$\frac{960}{6000} \qquad \times 100 \qquad = 16\%$$

(1 mark) **(1 mark)** **(1 mark as a %)**

0	2	.	2	Explain **one** reason why Seebus plc uses a 'Just in Time' system of inventory management. **[6 marks]**

Marks for this question: AO1 = 3, AO2 = 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: • provides a good explanation using knowledge and understanding • 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: • provides a reasonable explanation using knowledge and understanding • 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 some knowledge and understanding.	**1–2**

The demands of the question are:
- to explain **one** reason for using a Just in Time (JIT) system
- within the context of Seebus plc.

Indicative content:
- a JIT system allows a company to minimise inventory levels whilst ensuring that it has sufficient stock available to meet demand
- Seebus positions itself as a high-quality supplier and so JIT may be crucial in ensuring products are fresh and 'out of stocks' are avoided, especially given the smaller product range stocked
- JIT may be particularly valuable for a company in the food retail sector where wastage levels may be high if stocks of fresh food are not managed carefully
- JIT may help reduce costs, which could be crucial in maintaining higher gross profit margins or help improve price competitiveness, especially where larger rivals are likely to experience greater economies of scale
- efficiency may be improved as JIT can work in combination with the new software that coordinates inventory management with marketing, finance and other activities and with partners in the supply chain
- in a very competitive sector, effective inventory management is vital in maintaining competitive parity with other larger rivals who also use JIT.

Accept other relevant reasons.

0 2 . 3	Use Herzberg's theory to analyse why Ajinder's plan may **not** improve motivation levels at Seebus plc. **[9 marks]**

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

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 depth and range of 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 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 • 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 range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–3

The demands of the question are:
- to analyse reasons that Ajinder's plan may **not** improve motivation levels
- by applying Herzberg's theory to Seebus plc.

Indicative content:
- pay is likely to be seen as a hygiene factor and so reductions in the wage differential compared to competitors may lead to dissatisfaction shown in the survey findings
- working conditions are also a hygiene factor and staff unhappy with changes to shift patterns are unlikely to be motivated by Ajinder's plan
- staff unhappy with methods of supervision may well not want to engage
- the career development plans and training might be seen as potential motivators by Herzberg but are unlikely to be effective if hygiene factors are not satisfied
- the plan does not seem to address some of the key issues relating to motivation and therefore may not be successful.

Further guidance
The question tells students to use Herzberg's theory to analyse the plan, therefore responses which do not refer to this specific theory are likely to be very limited ones. Other motivation theories can be referenced where they make a point that is relevant to Herzberg's theory but they will not, in themselves, answer the question.

0 2 . 4 Seebus plc targets its marketing towards higher income customers.

Should **all** businesses segment their markets based on income?

Justify your view.

[16 marks]

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

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key 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 which 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 throughout.	**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 • demonstrates 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 • demonstrates 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 focus on the question as a whole.	**1–4**

The demands of the question are:
- to demonstrate understanding of market segmentation by income
- to analyse why income may be the most effective basis for segmentation
- to evaluate whether segmentation by income will be an appropriate method for all businesses.

Indicative content:
- segmentation by income involves identifying a sub-group within a market to allow a company to target its marketing more effectively
- segmenting by income allows a company to understand consumers' purchasing power and implement appropriate strategies
- income segmentation may be effective in niche markets where a specific need is being satisfied and so a price premium can be charged
- income may be a useful basis where income elasticity of demand is high
- examples of products or services for which income may, or may not, be the most appropriate method to segment a market
- reasons that other segmentation bases (age, gender, behavioural characteristics etc) may be more appropriate for certain businesses or markets
- reasons that income may be a poor predictor of demand or behaviour among certain groups, eg where products are seen as a necessity and demand is income inelastic
- the benefits of segmenting by income may depend upon on how cheaply and accurately it can be performed and the type of product being sold.

Further guidance:
- there is no need for a response to refer to any particular business, although this may be used to exemplify certain products or markets where income is more or less useful
- responses may well consider the relative benefits of alternative methods of segmenting a market or of not segmenting and, instead, targeting a mass market
- an evaluation is likely to involve a judgement concerning why and when segmenting by income may be appropriate and may focus on whether it can ever be the best alternative for **all** businesses.

0 3 . 1	Analyse why Dodo sets HR objectives in relation to the number of employees and employee engagement. **[9 marks]**

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

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 depth and range of 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 a range of issues in the question or a good knowledge and understanding of relatively few 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 range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- to show understanding of why setting HR objectives can be valuable for an organisation
- to analyse why setting these objectives may be valuable in the context of a growing, low-cost airline.

Arguments may include:
- well thought out HR objectives will enable the business to match workforce to future business needs for example having the right number of employees to facilitate growth (but not too many so that costs are too high)
- some job roles such as pilots or engineers are highly skilled so anticipating future numbers needed (and maybe providing training if gaps are spotted) means Dodo can continue to grow even if there are shortages of particular skills across the industry
- targets for engagement means the business is listening to staff and can notice any changes, thus anticipating when productivity is likely to decline or absenteeism likely to rise – important when many staff are not office based so the ‘temperature’ of the workforce is not easy to read unless its formally measured
- engagement – knowing the ‘temperature’ of the workforce enables Dodo to take steps to motivate staff when necessary and keep quality high
- Engaged employees take more interest in their work and provide a better service.

Accept all relevant arguments.

0 3 . 2	Analyse how Dodo would benefit from being the best in its market for its chosen quality measures. **[9 marks]**

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

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 depth and range of 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 a range of issues in the question or a good knowledge and understanding of relatively few 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 range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- show understanding of quality measures
- analyse how being the best in its market in the quality measures mentioned in the case may benefit Dodo.

Arguments may include:
- high levels of punctuality will mean fewer knock-on effects to the operation – for example fewer delays to other flights later in the day that are using the same plane. This is particularly important for low-cost airlines where planes have short turnaround times so have little scope for absorbing time lost
- higher levels of punctuality than the rest of the industry may attract segments of the market that value punctuality, for example business customers who feel more confident that they will arrive on time for their meeting or conference. This is a valuable segment as they are customers who are prepared to pay a high price
- arriving on time will avoid customer dissatisfaction and may lead to reduced levels of customer complaints
- lower levels of complaints mean less compensation paid out and a better reputation. Airlines are regulated by the CAA and delays can mean passengers are entitled to compensation. A good reputation may give an airline competitive advantage
- lower levels of complaints may indicate satisfied customers which may lead to repeat business. For example, leisure tourists may take several short breaks in a year so if an airline can keep their business, it reduces the need to spend money on advertising to attract new customers.

Accept all relevant arguments.

0 3 . 3	Using non-current assets as fully as possible is the best way to gain low-cost advantage. To what extent is this true for **all** low-cost businesses? **[16 marks]**

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

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key 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 which 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 throughout.	**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 • demonstrates 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 the issues in the question • demonstrates 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 focus on the question as a whole.	**1–4**

The demands of the question are:
- show understanding of non-current assets
- analyse how different businesses can achieve cost advantage
- make a judgement over whether fully using non-current assets is always central to operating with low cost.

Non-current assets are assets that the business is likely to keep for over a year such as buildings, machinery and vehicles.

Arguments may include:

Efficient use of non-current assets can be a key part of the low-cost business model.
Using non-current assets (eg planes, buildings) as fully as possible reduces the fixed cost per unit, as the cost is spread across more units:
- efficient use of planes – such as making more flights during a day can spread fixed costs across more passengers
- this is magnified by smaller seat pitches meaning a plane can seat more customers and high customer uptake so this factor can be important to achieve low cost for airlines
- drive-thru options for fast food meaning an outlet can serve more customers than seating capacity would suggest
- long opening hours with products to appeal to customers at different times of day (eg at McDonalds mean making the most of the investment in the bricks and mortar).

However, there may be factors that limit how much use can be made of non-current assets:
- bricks and mortar retailers may be limited as to what extent they can make use of their non-current assets eg, opening times may be limited by the 'norms' on the high street they operate on or laws such as Sunday trading laws
- airline turnaround times may be constrained by the time taken to refuel a plane or flying limited by regulations around noise at airport.

Factors other than efficient use of non-current assets can be a key part of a low-cost business model:
- innovation – innovative design may enable cost savings by reducing the number of components or reducing the raw materials used (eg Ikea)
- alternatively innovative processes, eg online selling may eliminate the need for high levels of non-current assets (eg dark kitchens, online prescription glasses)
- relationship with suppliers may be key to achieving low cost (eg Primark supplier relationship based on ever reducing costs) or vertical integration may cut out middlemen and able direct control over costs
- economies of scale may be important – volume may enable bulk buy discounts (eg IKEA, McDonalds)
- removing aspects of the offering that are not valued by customers may be key in some situations:
    - low-cost airlines (direct online sales, self-check-in, charge extra for baggage and food)
    - Aldi/Lidl offer a smaller range, no expectation customer will be able to get everything, products in pallets
- specialisation and standardisation can reduce complexity and mean workers don't need to be as skilled, they can be trained quickly and paid less (eg McDonalds offer a small range of standardised products, their 'chefs' are paid close to minimum wage)
- offering lower costs than competitors can lead to a virtuous cycle where customer satisfaction leads to lower costs related to complaints and higher sales volumes which increases economies of scale and can lead to high-capacity utilisation.

Accept all relevant arguments.

Judgement may depend on:

- the significance of NCAs to a business:
  - for a business with relatively high levels of NCAs (ie they own lots of buildings, machinery or planes) effective use of NCAs is likely to be important to achieving low-cost advantage
  - a business using a business model allowing them to operate with lower levels of NCAs may not find it so important (eg a business that subcontracts manufacturing rather than operating their own factories)
- the extent to which cost savings can be achieved in other ways (eg How willing is the customer to accept lower levels of service? Is the business able to achieve significant economies of scale?)
- low-cost 'winners' are often those that take advantage of more than one way of lowering costs, there might not be a single 'best' way.