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# **GCE A LEVEL MARKING SCHEME**

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**SUMMER 2019**

**A LEVEL  
BUSINESS – UNIT 4  
1510U40-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2019 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

## **GENERAL MARKING GUIDANCE**

### **Positive Marking**

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

**WJEC A LEVEL BUSINESS - UNIT 4**

**SUMMER 2019 MARK SCHEME**

<b>1 (a)</b>	<b>State the meaning of workforce planning and explain why a workforce plan is so important to M&amp;S.</b>			<b>[8]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	
	<b>2 marks</b>	<b>2 marks</b>	<b>4 marks</b>	
<b>3</b>			<p align="center"><b>4 marks</b></p> <p>An excellent analysis of the importance of workforce planning to M&amp;S.</p> <p>The analysis is developed with supporting data.</p>	
<b>2</b>	<p align="center"><b>2 marks</b></p> <p>Good and clear understanding of what a workforce plan is and of the importance of workforce planning to a large company such as M&amp;S.</p>	<p align="center"><b>2 marks</b></p> <p>Good application to M&amp;S of the importance of a workforce plan.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p align="center"><b>3 marks</b></p> <p>A good analysis of the importance of workforce planning to M&amp;S.</p> <p>The analysis is developed in context.</p>	
<b>1</b>	<p align="center"><b>1 mark</b></p> <p>Limited understanding of what a workforce plan is and/or of the importance of workforce planning to a large company such as M&amp;S.</p> <p>Points are brief and may be listed.</p>	<p align="center"><b>1 mark</b></p> <p>Limited application to M&amp;S of the importance of a workforce plan.</p> <p>The candidate response is mainly theoretical with limited use of examples from the case study.</p>	<p align="center"><b>1-2 marks</b></p> <p>A limited number of factors are analysed.</p> <p>Use of text is descriptive with little development.</p> <p>Superficial understanding of the impact on M&amp;S.</p>	
<b>0</b>	<p align="center"><b>0 marks</b></p> <p>No understanding of workforce planning or the importance of workforce planning to a large company such as M&amp;S.</p>	<p align="center"><b>0 marks</b></p> <p>No application to M&amp;S.</p>	<p align="center"><b>0 marks</b></p> <p>No analysis of the importance of workforce planning to a large company such as M&amp;S.</p>	

## Indicative content:

- The process of determining the labour needs of the business now and in the future and then devising a plan to achieve them or Ensuring that the business has the right number of staff with the right skills to meet the needs and objectives of the organisation now and in the future. A workforce plan is important to a large company such as M&S because:
  - Important to establish that sufficient numbers are being employed in order that all necessary tasks can be carried out.
  - Helps a business like M&S to cost how many workers it will need in the future and whether they are part time or full time. For example, in response to market research M&S knew that they needed more sales assistants and may have used a workforce plan to establish costings.
  - It is important to know when these workers will be needed in order to put recruitment plans in place for the future. Where will these workers be needed? M&S has many locations and different departments, both in UK and abroad. For example, by closing down stores in China the plan will ensure no resources are allocated there but allocated in stores within UK.
  - It is important to identify the skills necessary for the vacancies they may wish to fill or to identify who may need training to improve skills or who can be redeployed to fill gaps where certain skills are necessary.
  - Important if business needs to rationalise – natural wastage, voluntary redundancy, compulsory redundancy, early retirement – the extent and cost of these. This is more relevant to M&S with a number of stores being closed or the layout changing to accommodate food outlets rather than clothes.
  - Important because the firms need to establish the types of contracts to offer employees, e.g. part-time, permanent, zero hours etc.

1 (b)	Assess the view that in a competitive industry, acting in an ethical way will only have a negative impact on the profitability of M&S. [10]			
	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				<p><b>4 marks</b></p> <p>An excellent well-balanced evaluation of the impact of ethical principles on the performance of M&amp;S in a competitive business environment.</p> <p>The evaluation will be fully balanced and will focus on the key issues.</p> <p>Clear reference to the case study and context to support their argument.</p> <p>Relevant judgements are made with qualifying statement.</p>
2	<p><b>2 marks</b></p> <p>Good understanding of ethical principles.</p>	<p><b>2 marks</b></p> <p>Good application to M&amp;S.</p> <p>The learner makes effective use of the data throughout their answer.</p>	<p><b>2 marks</b></p> <p>Good analysis of the impact of ethical principles on the performance of M&amp;S in a competitive business environment.</p> <p>The analysis is detailed and developed in context.</p>	<p><b>2-3 marks</b></p> <p>A good evaluation of the impact of ethical principles on the performance of M&amp;S in a competitive business environment.</p> <p>The evaluation may be unbalanced and will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>
1	<p><b>1 mark</b></p> <p>Limited understanding of ethical principles.</p>	<p><b>1 mark</b></p> <p>Limited application to M&amp;S.</p> <p>The learner response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the impact of ethical principles on the performance of M&amp;S in a competitive business environment.</p> <p>Superficial discussion.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the impact of ethical principles on the performance of M&amp;S in a competitive business environment.</p> <p>Statements may be brief or not fully apply to M&amp;S.</p> <p>Unsupported judgements are made.</p>
0	<p><b>0 marks</b></p> <p>No understanding of ethical principles.</p>	<p><b>0 marks</b></p> <p>There is no application to M&amp;S.</p>	<p><b>0 marks</b></p> <p>There is no analysis of the impact of ethical principles on the performance of M&amp;S in a competitive business environment.</p>	<p><b>0 marks</b></p> <p>No evaluation of the advantages and disadvantages of ethical principles.</p>

## **Indicative content:**

Arguments in favour of the view that their principles may have a negative impact:

- One of their biggest problems is the financial cost - £200 million over 5 years. For example, paying above 'living wage', as opposed to complying with the minimum wage legislation, will increase labour costs. Reducing waste and sourcing ethically will increase operating and supply costs which could negatively impact on profits and may frustrate shareholders. Pre-tax profits have fallen by 12%.
- Revenues may fall. For example, prices are higher than other retailers of clothing and food because the cost of sourcing and supplying the best quality products need to be passed on to consumers. This may also result in a loss of custom and reduce competitiveness of M&S in the clothing and food markets. With consumer confidence dipping due to the fear of recessions and customers seeking good deals, the likelihood is that M&S will lose customers for both food and clothing to rivals that can offer lower prices. This will again negatively impact on profitability.
- Sourcing products in an ethical way may reduce the product range. M&S can only really compete in a niche market at the top end of the retail market. This is OK when the economy is doing well and people are buying luxury goods but in a recession or difficult times they may be vulnerable to a downturn in sales as suggested in the case study.

Arguments against the view that their principles may have a negative impact:

- Reduced costs and savings of £320 million over the 10 years of Plan A. This should help to raise profits which will satisfy shareholders or could be passed on to customers to make the pricing structure more competitive.
- Some customers are attracted to those businesses that adopt an ethical approach. Using 'ethics' at the heart of their marketing campaigns can boost sales in certain instances. The growth of the Fair Trade movement is evidence of such a trend.
- Acting ethically can improve public relations (PR) and have a positive impact on the image that a business portrays. No business wants to have its name splashed all over the newspapers for mistreating its employees or using low quality ingredients that may be harmful to consumers. The discovery of horsemeat in burgers supplied by a number of UK supermarkets is a crisis they could have well done without. Checking supply chains carefully is not only ethical, but also prevented significant loss of revenue and reputation for M&S.

Overall, it is obvious that acting ethically will cost large sums of money in the short term and certain costs such as sourcing may be higher in the long term but it can also prevent unwanted bad publicity and can generate a good reputation for a business which could lead to higher long term sales. It is likely that the troubles of M&S are more to do with not meeting the needs and wants of customers rather than their ethical strategy.

Credit any other valid point.

<b>1 (c)</b>	<b>Evaluate the impact on the stakeholders of M&amp;S of changing Plan A into putting “the customer at the heart of everything it does”.</b> [12]			
	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>	<b>6 marks</b>
<b>3</b>				<p><b>5-6 marks</b></p> <p>An excellent well-balanced evaluation of the impact on the stakeholders of M&amp;S caused by the change of strategy.</p> <p>The evaluation is fully balanced and will focus on the key issues.</p> <p>Clear reference to the case study and context to support their argument.</p> <p>Relevant judgements are made with qualifying statement.</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of the impact on the stakeholders of M&amp;S caused by the change of strategy.</p> <p>Good knowledge and understanding of the needs of different stakeholder groups.</p>	<p><b>2 marks</b></p> <p>Good application to M&amp;S.</p> <p>The learner makes effective use of the data throughout their answer.</p>	<p><b>2 marks</b></p> <p>Good analysis of the impact on the stakeholders of M&amp;S caused by the change of strategy.</p> <p>The analysis is detailed and developed in context.</p>	<p><b>3-4 marks</b></p> <p>A good evaluation of the impact on the stakeholders of M&amp;S caused by the change of strategy.</p> <p>The evaluation may be unbalanced and will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the impact on the stakeholder(s) of M&amp;S caused by the change of strategy.</p> <p>Limited knowledge and understanding of one or two stakeholders.</p>	<p><b>1 mark</b></p> <p>Limited application to M&amp;S.</p> <p>The learner response is mainly theoretical with limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the impact on the stakeholder(s) of M&amp;S caused by the change of strategy.</p> <p>Superficial discussion.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of the impact on the stakeholder(s) of M&amp;S caused by the change of strategy.</p> <p>Statements may be brief or not fully apply to M&amp;S.</p> <p>Unsupported judgements are made.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the impact on the stakeholder(s) of M&amp;S caused by the change of strategy.</p> <p>No knowledge of stakeholders.</p>	<p><b>0 marks</b></p> <p>There is no application to M&amp;S.</p>	<p><b>0 marks</b></p> <p>There is no analysis of the impact on the stakeholder(s) of M&amp;S caused by the change of strategy.</p>	<p><b>0 marks</b></p> <p>No evaluation of the impact on the stakeholder(s) of M&amp;S caused by the change of strategy.</p>

## Indicative content:

- Changing strategy from plan A to a more market orientated approach by listening to customers could have both positive and negative implications for stakeholder groups such as shareholders, customers, employees, suppliers and competitors.
  - Shareholders will be negatively affected by the increased costs that will arise from the new strategy. Firstly, collecting and analysing data from customers is expensive and then implementing the changes such as changing the layout of stores and employing 3000 more sales assistants can also be very costly. The shareholders will need to pay in some way either through capital investment or by losing out on higher returns in the short term so that retained profit could be invested into the strategy. **However**, in the long term there may be many benefits such as increased sales due to meeting the needs and wants of customers which may lead to further growth and increased profits in the future.
  - Customers could see the benefits of the new strategy because it puts them at the centre of what M&S do. Customer service should improve; product range should meet their needs and wants **however** there will now be less space for clothing which could be a negative impact on certain market segments, with less choice.
  - Employees and management could be affected through the need to re-train to meet customer expectations such as providing improved customer service or by using technology.
  - Suppliers may be negatively affected by the change in strategy because some suppliers may lose out on orders for clothing that are deemed unpopular **but** there will be opportunities for other suppliers of clothing that are deemed more popular or those of food due to the focus primarily being on expanding the Simply Food stores. Also, by moving focus from an ethical approach, suppliers may be concerned that M&S may not act in such an ethical way when sourcing goods which may result in lower prices being negotiated by M&S.

Overall, the new strategy could have long term benefits on most stakeholders and short term drawbacks. There will be resistance from employees and segments of M&S target customers, particularly in the short term with possible re-training or redundancies and changing product lines. However, if this can be overcome, M&S will be able to concentrate on what they have done well which is food, and then utilise their clothing space to provide only what customers expect which will improve sales of the underachieving clothing business.

Credit any other valid point.

<b>1 (d)</b>	<b>To what extent are technological and social factors likely to affect the operations of M&amp;S?</b> <b>[8]</b>			
	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of the technological and social factors likely to affect the operations of M&amp;S.</p>	<p><b>2 marks</b></p> <p>Good application to M&amp;S.</p> <p>The learner makes effective use of the data throughout their answer.</p>	<p><b>2 marks</b></p> <p>Good analysis of the technological and social factors likely to affect the operations of M&amp;S.</p> <p>The analysis is balanced, detailed and developed in context.</p>	<p><b>2 marks</b></p> <p>A good evaluation of the technological and social factors likely to affect the operations of M&amp;S.</p> <p>The evaluation will include some of the key issues.</p> <p>The learner makes partial judgements, with some attempt to support their evaluation.</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the technological and/or social factors likely to affect the operations of M&amp;S.</p>	<p><b>1 mark</b></p> <p>Limited application to M&amp;S.</p> <p>The learner response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the technological and/or social factors likely to affect the operations of M&amp;S.</p> <p>Superficial discussion.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the technological and/or social factors likely to affect the operations of M&amp;S.</p> <p>Statements may be brief or not fully apply to the operations of M&amp;S.</p> <p>Unsupported judgements are made.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the technological or social factors likely to affect the operations of M&amp;S.</p>	<p><b>0 marks</b></p> <p>There is no application to M&amp;S.</p>	<p><b>0 marks</b></p> <p>There is no analysis of the technological or social factors likely to affect the operations of M&amp;S.</p>	<p><b>0 marks</b></p> <p>No evaluation of the technological or social factors likely to affect the operations of M&amp;S.</p>

### Indicative content:

- Technology is having a huge impact on retailing with customers preferring to shop online or through m-commerce. Therefore M&S need to keep up with the pace of technology change or risk being left behind by other supermarkets and clothing retailers such as Tesco who now have very efficient self-service machines to automate the checkout process and speed up shopping. **However**, it would appear as though M&S have a good online presence with 17% of sales revenue coming from that channel, increased investment in EPOS and contactless systems and 1.5 million people downloading the Sparks App. Nevertheless, this is going to impact on business costs and is already resulting in job losses and significant change to the operations of M&S which will need to be managed carefully to prevent a fall in profits and potential resistance from staff.
- Social factors that are changing are the consumer tastes and buying habits. Customers are looking for more convenience and shopping in small quantities rather than weekly shops. This could be a problem **but** it has benefitted M&S because most of their Simply Food stores are conveniently located and tend to be smaller than your average supermarket. Also, their product range includes things such as two can dine for £10 which meets the needs and wants of customers, especially customers who are trying to substitute eating out with eating in.

Credit any other valid point.

<b>1 (e)</b>	<b>“The strategy adopted by M&amp;S to focus more on food and withdraw from some international markets is likely to be successful.” Discuss.</b>				<b>[12]</b>
	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	
	<b>2 marks</b>	<b>2 marks</b>	<b>4 marks</b>	<b>4 marks</b>	
<b>3</b>			<b>4 marks</b> An excellent analysis of the benefits and drawbacks of both strategies to focus on the food business and to withdraw from some international markets.  Arguments are developed in context.	<b>4 marks</b> An excellent well-balanced evaluation of both strategies to focus on the food business and to withdraw from some international markets  The evaluation will focus on the key issues.  Clear reference to the case study and context to support their argument.  Relevant judgements are made with qualifying statement.	
<b>2</b>	<b>2 marks</b> Good understanding of business strategy.  The learner clearly understands the benefits and drawbacks that both strategies present to M&S.	<b>2 marks</b> Good application to M&S.  The learner makes effective use of the data throughout their answer.	<b>2-3 marks</b> Good analysis of the benefits and/or drawbacks of the strategy to focus on the food business and/or to withdraw from some international markets.  The analysis may have some well-developed ideas and others where development is more limited.	<b>2-3 marks</b> A good evaluation of the strategy to focus on the food business and/or to withdraw from some international markets  The evaluation will include some of the key issues.  The learner makes partial judgements, with some attempt to support their evaluation.	
<b>1</b>	<b>1 mark</b> Limited understanding of business strategy.  The learner shows some understanding of the benefits and/or drawbacks that one and/or both strategies present to M&S.	<b>1 mark</b> Limited application to M&S.  The learner response is mainly theoretical with the limited use of examples from the case study.	<b>1 mark</b> Limited analysis of the benefits and/or drawbacks of the strategy to focus on the food business and/or to withdraw from some international markets.  Superficial discussion.	<b>1 mark</b> Limited evaluation of the strategy to focus on the food business and/or to withdraw from some international markets.  Statements may be brief.  Unsupported judgements are made.	
<b>0</b>	<b>0 marks</b> No understanding of business strategy.	<b>0 marks</b> There is no application to M&S.	<b>0 marks</b> There is no analysis of the strategy to focus on the food business or to withdraw from some international markets.	<b>0 marks</b> No evaluation of the strategy to focus on the food business or to withdraw from some international markets.	

## Indicative content:

**Focussing on the food business** could be deemed to be a good idea for many reasons. Firstly, whilst the sales of food have fallen by 0.3% in 2017, historically the food business has been the cash cow for M&S, targeting a niche market that will pay a premium price.

**However**, in recent times, the big four supermarkets plus others have started selling their own luxury products such as Tesco Finest, which are likely to be cheaper than the products sold at M&S due to their ethical sourcing. Therefore, M&S are now finding the competitive market tougher than ever and could lose further sales in the future.

Secondly, M&S have a USP when it comes to food because their goods are sourced ethically and from the highest quality suppliers. For example, they were not affected by scandals such as 'horsemeat'. This differentiates them from others in the grocery industry and will enable them to continue to attract customers. **However**, all businesses now see the value in acting ethically and will continue to follow an ethical strategy that may include sourcing. Nevertheless, they are behind M&S. Therefore, as long as they stay ahead then M&S will always have a market for food.

Finally, by focussing on the food business and closing a number of clothing stores or replacing clothing space for food may also have a positive impact on the sale and profitability of the clothing and homeware business. Reducing capacity can help to reduce average costs and could allow M&S to focus on more popular ranges of clothing and homeware therefore reducing waste. **However**, clothing and homeware still accounts for 40% of total sales revenue and is therefore still a significant part of the product portfolio and closing clothing stores or changing the layout to have more food could lead to loss of loyal customers who shop first for clothing and secondly for food.

**International Markets** – M&S have expanded into foreign markets either through franchising or organic growth. From the case study it is clear that the organic business growth has failed in certain international markets such as China because they are unprofitable. Therefore, it would appear as though closing these stores will contribute to the ongoing success of M&S by helping to reduce long term costs that are spent on an unprofitable business. **However**, by withdrawing the physical presence from these markets the business will incur massive costs which will affect short term profits and may increase the losses in 2018. Also, the business will now have a weaker distribution network that could result in a lower customer base, which will negatively affect sales revenue.

There will now be fewer opportunities to spread risk. Also, could it be too soon to withdraw from these markets and has M&S tried enough to attract more customers to make the international business a success e.g. market research to identify customer trends and fashions to improve the product range. **Nevertheless**, some analysts have argued that the closures are not enough and many more international stores should be closed to help M&S become more successful.

With the devaluation of sterling it may also be a good time to withdraw from foreign markets as this is also impacting on profits. By importing and exporting M&S could still be negatively or positively affected by exchange rates.

Overall, It makes sense to focus more on food because that has become more popular than clothing and homeware and it has seen the least fall in sales despite the hard financial times that customers are faced with. In terms of the international business, again it is likely to be the correct decision because it will help reduce costs and the owned stores were unprofitable. M&S still have a global presence through physical stores and an online platform as well franchises. Therefore, in the future, with this strategy M&S are likely to be more successful but there will be some difficult times ahead.

Credit any other valid point.

<b>2 (a)</b>	<b>Describe the ways in which businesses in the cinema industry, such as Odeon, Vue and Cineworld, can use research and development to innovate their products and services.</b>		<b>[10]</b>
<b>Band</b>	<b>A01</b>	<b>A02</b>	
	<b>6 marks</b>	<b>4 marks</b>	
<b>3</b>	<b>5-6 marks</b> Excellent understanding of the ways businesses can use R&D to innovate their products and services.  Excellent understanding of R&D.		
<b>2</b>	<b>3-4 marks</b> Good understanding of the ways business can use R&D to innovate their products and services.  Good understanding of R&D.	<b>3-4 marks</b> Good application of the ways businesses in the cinema industry can use R&D to innovate their products and services.  The candidate uses relevant content and data to develop and support their argument.	
<b>1</b>	<b>1-2 marks</b> Limited understanding of the ways businesses can use R&D to innovate their products and services.  Limited understanding of R&D.	<b>1-2 marks</b> Limited application of the ways businesses in the cinema industry can use R&D to innovate their products and services.  The candidate response is mainly theoretical with the inclusion of some reference to the data.	
<b>0</b>	<b>0 marks</b> No understanding of how businesses can use R&D or what R&D is.	<b>0 marks</b> No application of the ways businesses in the cinema industry can use R&D to innovate their products and services.	

## Indicative content

- R&D involves the identification of new ideas and turning them into products, services and processes. Businesses who invest in R&D are considered to be innovative by commercially exploiting their ideas and are always looking to bring new ideas and products to the market.
- Online booking systems have been introduced by all the top cinema providers which speed up the booking process. Also automated self-service machines have been installed on cinema premises to avoid long queues at the tills. Both of these forms of automation have helped business such as Odeon reduce costs by reducing the number of employees required to sell tickets. However, it also improves the speed and enhances the customer experience.
- Recently, Odeon have introduced reclining seats in some of their cinemas to improve the customer experience. This provides something unique and improves the environment. This could attract more customers, increasing their market share.
- The introduction of 3D and 4D by cinemas has revolutionized the experience for customers. Odeon IMAX was the first to introduce 3D movies on a gigantic screen with a highly-calibrated sound system. With the use of glasses it gives customers the illusion of being immersed into the film. The 4D adds motion and environmental effects within the auditorium itself to create the impression that the customer is immersed in the action on the screen. The seats are designed with motors that cause them to move, shift, jump, and vibrate to simulate the motion you see on the screen. The auditoriums also include air and mist (water) fans and other sensory effects. This gives benefits to IMAX in that they have a USP to attract customers over rivals. When first introduced, they may also have had a patent on their innovative idea to restrict competition.

Credit any other valid point

<b>2 (b) “Businesses that ignore research and development are likely to fail.” Discuss. [20]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	<b>4 marks</b>	<b>8 marks</b>	<b>8 marks</b>
<b>3</b>		<p><b>6-8 marks</b></p> <p>The learner gives an excellent analysis of the importance of R&amp;D to a business</p> <p>The key issues for both sides of the debate are discussed in detail.</p> <p>The analysis will be well balanced, well developed and with a clear line of argument.</p>	<p><b>6-8 marks</b></p> <p>The learner presents an excellent level of evaluation outlining the significance of the R&amp;D function to a business.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>The learner shows good understanding of the importance of the R&amp;D function within a business.</p>	<p><b>3-5 marks</b></p> <p>The learner gives a good level of analysis of the importance of the R&amp;D function to a business.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p><b>3-5 marks</b></p> <p>The learner presents a good level of evaluation outlining the significance of the R&amp;D function to a business.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgments are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>The learner shows limited understanding of the importance of the R&amp;D function within a business.</p>	<p><b>1-2 marks</b></p> <p>The learner gives a limited analysis of the importance of the R&amp;D function within a business.</p> <p>A limited number of issues are analysed.</p> <p>The analysis may focus on one side of the argument.</p>	<p><b>1-2 marks</b></p> <p>The learner presents a limited evaluation outlining the significance of the R&amp;D function to a business.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p> <p>Evaluation tends to be asserted rather than explained.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>Little or no understanding of the R&amp;D function.</p>	<p><b>0 marks</b></p> <p>Little or no analysis of the importance of the R&amp;D function within a business.</p>	<p><b>0 marks</b></p> <p>No meaningful evaluation of the importance of the R&amp;D function or any other functional area within a business.</p>

## Indicative content

- Research is important because it involves the investigation into, and discovery of, new ideas which may lead to solving a problem or creating an opportunity for such businesses. Development involves changing these ideas into products, systems, materials or processes which these businesses can then use to their advantage. Technologically driven businesses need these functions because:
  - They need to grow/survive and remain competitive. The pace of technological change forces them to invest in R&D or they will fall behind their competitors. Through invention and innovation businesses can gain a competitive advantage and may be able to maintain this with patents to restrict competition.
  - Customers across the globe have increasing wants and greater spending power and demand products such as phones with new features continually. This gives opportunities for increased sales and extending the product lifecycle of goods.
  - Businesses can find new ways of working, for example, when manufacturing firms came up with new stock control methods or quality assurance techniques such as kaizen, quality circles and JIT. Therefore, research and development can benefit the business through efficient working practices that are likely to also save money.
  - Some businesses can also improve their public image. For example, pharmaceuticals investing in development of new medicines to cure certain illnesses and diseases could raise public opinion of them and lead to more sales.
- **However**, there are risks with R&D.
  - Whilst patents can protect certain inventions, it is hard to protect from all rivals who will follow without the heavy capital investment.
  - Much research is speculative and there is no guarantee of future revenues and profits. The longer the development timescale the greater the risk that research is overtaken by competitors too.
  - Like other business activities, R&D has to compete for scarce cash. Given the risks involved, R&D demands a high required rate of return. That means that for businesses that have limited cash resources, the opportunity cost of investing in R&D can be very high. Therefore, many businesses choose not to invest heavily in R&D and are still successful.
- Technological giants such as Apple, Google and Microsoft invest just 10% or below of their sales revenue into R&D but are considered to be very innovative. Whereas Johnson & Johnson invest far more but are deemed to be less innovative. Therefore, investment in R&D is not a guarantee of innovation and successful product development. **However** 10 of the most innovative companies feature in the top 20 spenders on R&D.

In conclusion, much depends on the type of business. For technological markets and pharmaceuticals, R&D is vital, but for many businesses, particularly those in consumer goods and services markets, other functional areas such as marketing are likely to be the most important function. It also depends on the degree of market power; a monopoly may focus more on R&D to build barriers to entry with patents. However, oligopolies and monopolistic markets are more likely to be concerned with marketing. For example, in competitive markets price and promotion are essential to businesses because they need to attract customers from rivals.

<b>3 (a)</b>	<b>Devise <u>two</u> SMART objectives for a start-up takeaway pizza outlet and describe how these objectives help the business achieve its aim. [10]</b>	
<b>Band</b>	<b>AO1</b>	<b>AO2</b>
	<b>6 marks</b>	<b>4 marks</b>
<b>3</b>	<p><b>5-6 marks</b></p> <p>Excellent understanding of SMART objectives and the key components of a SMART objective.</p> <p>Excellent understanding of how objectives can help a business achieve its aim.</p>	
<b>2</b>	<p><b>3-4 marks</b></p> <p>Good understanding of SMART objectives and the key components of a SMART objective.</p> <p>Good understanding of how objectives can help a business achieve its aim.</p>	<p><b>3-4 marks</b></p> <p>Good application of SMART objectives.</p> <p>The candidate has applied knowledge to devise 2 SMART objectives for a take away pizza outlet.</p> <p>The SMART objective is used effectively to show how it can help a take away pizza outlet achieve its aim.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited understanding of SMART objectives and/or the key components of a SMART objective.</p> <p>Limited understanding of how objectives can help a business achieve its aim.</p>	<p><b>1-2 marks</b></p> <p>Limited application of SMART objectives.</p> <p>The candidate has applied knowledge to devise 1 or 2 SMART objectives for a take away pizza outlet.</p> <p>There may be some errors in the SMART objectives.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of SMART objectives or business aims.</p>	<p><b>0 marks</b></p> <p>No application of SMART objectives.</p>

## Indicative content

- An objective is a short term target that will help a business to achieve its long term aim. Aims and objectives may involve increasing sales, market share, profit or environmental and ethical aims. Objectives need to be SMART which means that they are specific, measurable, achievable/agreed, realistic and have a time-frame.
- One SMART target for a take away pizza outlet may be to increase pizza sales by 10% within a year or to increase profits by 10% within a year or could be compared to previous weeks, months or year.
  - These objectives may help the business to achieve their long term aim of increasing sales, achieving growth, or increasing market share. They will enable the business to attract more customers or generate more capital to enable the business to implement strategies to grow or be more competitive such as; promotion, expansion, delivery service etc.
- A second SMART objective for a take away pizza outlet may be to reduce costs by 5% within a year or to reduce wastage by 5% in comparison to the previous week/month.
  - These objectives may help the business to achieve the long term aim of increasing profit by helping to cut costs and therefore generate more profit per sale or simply by improving efficiency to cut costs in terms of operating in a more lean way.

Credit any other valid SMART objective and/or point.

<b>3 (b) “A business organisation’s main objective is the pursuit of profit and all other objectives are of secondary importance.” Discuss. [20]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	<b>4 marks</b>	<b>8 marks</b>	<b>8 marks</b>
<b>3</b>		<p><b>6-8 marks</b></p> <p>The learner gives an excellent analysis of the importance of profit to a business.</p> <p>The key issues for both sides of the debate are discussed in detail.</p> <p>The analysis will be well balanced, well developed and with a clear line of argument.</p>	<p><b>6-8 marks</b></p> <p>The learner presents an excellent level of evaluation outlining the significance of profit to a business.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>The learner shows good understanding of the importance of profit to a business.</p> <p>Clear understanding of the importance of a range of objectives to a business.</p>	<p><b>3-5 marks</b></p> <p>The learner gives a good level of analysis of the importance of profit to a business.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p><b>3-5 marks</b></p> <p>The learner presents a good level of evaluation outlining the significance of profit to a business.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgments are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>The learner shows limited understanding of the importance of profit to a business.</p> <p>The learner identifies some of the key issues for at least profit and/or one other objective.</p>	<p><b>1-2 marks</b></p> <p>The learner gives a limited analysis of the importance of profit to a business.</p> <p>A limited number of issues are analysed.</p> <p>The analysis may focus on one side of the argument.</p>	<p><b>1-2 marks</b></p> <p>The learner presents a limited evaluation outlining the significance of profit to a business.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p> <p>Evaluation tends to be asserted rather than explained.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>Little or no understanding of profit or any other objective.</p>	<p><b>0 marks</b></p> <p>Little or no analysis of the importance of profit or any other objective of a business.</p>	<p><b>0 marks</b></p> <p>No meaningful evaluation of the importance of profit or any other objective of a business.</p>

## Indicative content

- Profit is often the primary aim/objective of private sector businesses who exist to make a profit for their owners. Profit is essential so that the owners/shareholders get a good return on their investment and are happy to remain within the business or invest more money. This enables businesses to grow and develop by providing a source of finance. Retained profit also forms a source of finance allowing businesses to develop and be more competitive which therefore allows businesses to achieve other goals.
- Profit is also an important indicator of success and it is what businesses may be judged on by shareholders and management.
- An analysis of the nature of profit – does it mean gross profit - what is left from sales revenue after cost of sales has been deducted? Or net profit - what is left from sales revenue after cost of sales and expenses have been deducted? It may be that gross profit is sacrificed in the short run in order to penetrate a market so that margins are kept low and may even be negative for a short period whilst the product or service becomes established. This may particularly be the case for new businesses or when large businesses such as Cadburys introduce new products.
- Net profit may also be low in the short run because expenses are high whilst a business is becoming established, e.g., legal fees, marketing expenditure etc.
  - Therefore, attracting customers and increasing market share may be the priority for businesses and profits will take a short term hit.
  - It may well be true that a business that is not prepared to sacrifice profit in the short run will find that it may grow slowly or even be forced out of business in the long run.
- It will very much depend on the type of market that a business finds itself in. If the market is highly competitive it may be necessary to make greater sacrifices of profit in the short run in order to invest capital in marketing strategies to attract customers and increase market share. If the market is less competitive it may well be possible to pursue short-term profit maximisation and long-run success. Indeed the profits can be invested back into the business to ensure greater efficiency and hence long-run viability.
- For some businesses other objectives. For example:
  - Survival may be a priority for new business enterprises or for large businesses that may be struggling financially with cash flow problems or during downturns in the economic cycle. For example, during the recession in 2007/08 large business such as Woolworths and Comet closed down and survival would have been an objective for them. More recently BHS tried to cut costs in an attempt to survive but were unsuccessful.
  - Ethical aims/objectives may be a priority for businesses in particular those that are founded on ethical principles such as the Body Shop but also for other businesses including Tesco who support charities or ASDA who provide to local causes. This is often in an attempt to improve brand recognition and attract customers. However, those businesses that may be deemed unethical or to have acted unethically such as supermarkets during the ‘horsemeat’ scandal may lose customers and therefore this could impact on profits.
  - Not-for-profit organisations will have different objectives – for example the NHS will pursue providing high quality services and treatment because they are funded by the public sector and provide to everyone. Also, social enterprises are driven by social objectives and any surpluses are reinvested into their cause such as ‘The big Issue’ who support the homeless or Oxfam who support less developed countries.

Candidates should be rewarded for giving relevant examples.

<b>4 (a)</b>	<b>Describe the impact of changing exchange rates on a manufacturer who exports products to Europe.</b>		<b>[10]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	
	<b>6 marks</b>	<b>4 marks</b>	
<b>3</b>	<b>5-6 marks</b> Excellent understanding of how changing exchange rates impact on a manufacturer who exports products to Europe.		
<b>2</b>	<b>3-4 marks</b> Good understanding of how changing exchange rates impact on a manufacturer who exports products to Europe.	<p style="text-align: center;"><b>3-4 marks</b></p> <p>Good application of how changing exchange rates impact on a manufacturer who exports products to Europe.</p> <p>The candidate uses relevant content and data to develop and support their argument.</p>	
<b>1</b>	<b>1-2 marks</b> Limited understanding of how changing exchange rates impact on a manufacturer who exports products to Europe.	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited application of how changing exchange rates impact on a manufacturer who exports products to Europe.</p> <p>The candidate response is mainly theoretical with the inclusion of some reference to the data.</p>	
<b>0</b>	<b>0 marks</b> No understanding of how changing exchange rates impact on a manufacturer who exports products to Europe.	<p style="text-align: center;"><b>0 marks</b></p> <p>No application of how changing exchange rates impact on a manufacturer who exports products to Europe.</p>	

## Indicative content

An exchange rate is the value of one currency expressed in terms of another currency. The fact that different countries use different currencies means that there is an impact on businesses when the price of these currencies changes in relation to one another.

- **A fall in the value of the pound** will mean that exports will be cheaper in terms of the purchasing businesses own currency, so businesses should find attracting export markets easier. The manufacturers could react by increasing the price in £s, so maximising their profits or by keeping their prices the same to try to win new customers and therefore increasing sales and market share.
- **A rise in the value of the pound** will mean that exports will be more expensive in terms of the purchasing businesses' own currency. Businesses will find winning and keeping export markets more difficult because they may not be able to compete on price. The business could react by reducing the price in £s, so reducing their profits or by keeping their prices the same and therefore losing out on profits to maintain their competitiveness in foreign markets.

How a manufacturing business acts will depend upon factors such as the strength of their brand or quality of their goods or services as well as how much the competitors are charging.

Credit any other valid point.

<b>4 (b) Evaluate the view that for most businesses, interest rates are the most important economic factor. [20]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>
	<b>4 marks</b>	<b>8 marks</b>	<b>8 marks</b>
<b>3</b>		<p><b>6-8 marks</b></p> <p>The learner gives an excellent analysis of the view that for most businesses, interest rates are the most important economic factor.</p> <p>The key issues of the debate are discussed in detail.</p> <p>The analysis will be well balanced, well developed and with a clear line of argument.</p>	<p><b>6-8 marks</b></p> <p>The learner presents an excellent level of evaluation outlining the significance of the view that for most businesses, interest rates are the most important economic factor.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>The learner shows good understanding of the view that for most businesses, interest rates are the most important economic factor.</p> <p>Clear understanding of the impact of economic factors</p>	<p><b>3-5 marks</b></p> <p>The learner gives a good level of analysis of the view that for most businesses, interest rates are the most important economic factor.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p>	<p><b>3-5 marks</b></p> <p>The learner presents a good level of evaluation outlining the significance of the view that for most businesses, interest rates are the most important economic factor.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgements are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>The learner shows limited understanding of the view that for most businesses, interest rates are the most important economic factor</p> <p>The learner identifies some of the key issues of the impact of interest rates and/or other economic factors.</p>	<p><b>1-2 marks</b></p> <p>The learner gives a limited analysis of the view that for most businesses, interest rates are the most important economic factor.</p> <p>A limited number of issues are analysed.</p> <p>The analysis may focus on one side of the argument.</p>	<p><b>1-2 marks</b></p> <p>The learner presents a limited evaluation outlining the significance of the view that for most businesses, interest rates are the most important economic factor.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p> <p>Evaluation tends to be asserted rather than explained.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>Little or no understanding of the impact of interest or any other economic factor.</p>	<p><b>0 marks</b></p> <p>Little or no analysis of the view that for most businesses, interest rates are the most important economic factor.</p>	<p><b>0 marks</b></p> <p>No meaningful evaluation of the view that for most businesses, interest rates are the most important economic factor.</p>

## Indicative content

- To a certain extent interest rates are the most important economic factor. **Interest rates** are set by the Bank of England as part of the monetary policy represents the cost of borrowing money. Depending on the rate of interest, they will have two main consequences:
  - They may encourage people to save or spend a higher proportion of their income.
  - It will encourage people to borrow or encourage them to cut down on their borrowing.

If interest rates are high, more people are likely to save and less will borrow so people have less disposable income to spend on consumer goods and sales of most goods will tend to fall. Also, many higher-end consumer goods, such as automobiles or jewellery, are often purchased by consumers on credit. Higher interest rates make such purchases substantially more expensive and therefore deter these expenditures. Higher interest rates generally mean tighter credit as well, making it more difficult for consumers to obtain the necessary financing for major purchases such as new cars. Consumers often postpone purchasing luxury items until more favourable credit terms are available. This fall in demand will cause problems because the fall in demand may lead to a reduction in capacity utilisation leading to higher average costs and a fall in profit levels. This could lead to unhappy shareholders and less retained profit to invest into growth and development.

High interest rates also discourage investment by businesses as the cost of borrowing is high many investment projects will no longer be viable. As investment falls the demand for capital goods falls. High interest rates will make the pound stronger which will benefit businesses which rely more on imports but it will make exports less competitive.

**However**, if rates are low then people may be encouraged to spend their income and/or borrow at low rates which may stimulate demand for goods and services. Businesses may also borrow more money to invest in growth and production of goods and services which may stimulate the economy and reduce unemployment.

- **Taxation** may be considered the most important economic factor. It can be used as part of the fiscal policy by the government to generate income that can be used in both the private and public sector. There are two forms of tax which are direct and indirect. Direct taxes such as corporation tax and indirect taxes such as fuel duty and VAT will impact on businesses because it increases business costs and takes income away from the business which could be distributed to shareholders or reinvested into growth that may help to reduce unemployment and positively impact on economic output (GDP). The cost of VAT may also be passed on to customers which can cause inflationary pressures resulting in less spending power for customers which can have a knock effect to customers. **However**, some industries and/or businesses such as farming will benefit from subsidies, which help to reduce business costs.

Therefore, based on the above, some would argue that taxation is the most important economic factor.

- Prices, affected by the **rate of inflation**, naturally impact consumer spending on goods significantly. Higher inflation rates erode purchasing power, making it less likely that consumers have excess income to spend after covering basic expenses such as food and housing. Higher price tags on consumer goods also deters spending. This will have a negative impact on the production of goods which will have implications for employment levels further eroding the purchasing power of consumers. Secondly, businesses may have to spend time with employees negotiating pay increases as well as changing all marketing material. These will also incur costs which may further impact on prices. Therefore, one could argue that inflation is the most important economic factors. **However**, producers of low value goods may see this as beneficial as customers may switch from branded goods to low value or non-branded goods. **Deflation** can also cause problems because customers tend to wait before purchasing because they are waiting for the price to fall further. Therefore, this also creates a fall in demand.

High levels of inflation relative to other countries will make businesses less competitive in export markets as well as being vulnerable to competition from imports.

- **Exchange rates** are an important economic factor. If exchange rates fall then importers will be happy because the price of goods will fall, reducing their costs. However, exporting firms will be less competitive because the price they charge may increase, making it difficult to win customers in foreign markets. However, if exchange rates rise then the opposite effect will take place. Therefore, for many businesses exchange rates can have seriously positive and/or negative effects on their costs, revenue and profit.
- One of the main factors influencing demand for consumer goods is the **level of employment**. The more people there are receiving a steady income and expecting to continue receiving one, the more people there are to make purchases. This will help businesses to increase capacity. The more goods being produced the greater the GDP for the country. Therefore, the economy is more likely to grow. Employment levels are also a factor that can influence interest rates. If there is high unemployment, interest rates are likely to be low which will encourage spending. Therefore, employment is vital to an economy to ensure that there is economic growth and could be seen as the most important economic factor.
- The business cycle is also very important to business. It illustrates the changes that take place with economic output (GDP). In a period of boom, producers are operating at full capacity and unemployment is low so there should be plenty of demand which is positive in terms of sales and profit. **However**, this may create inflationary pressures and workers may demand higher wages which could cause prices to rise. Businesses may need to prepare for a downturn. In a downturn businesses will need to seek ways to reduce costs and inflation caused by the boom may results in interest rates rising so customers are spending less and unemployment may creep up. In a recession there will be rapidly increasing unemployment, falling demand and financial investment by businesses. Business costs will rise due to redundancies and product lines may need to change to meet the needs of customers who have less disposable incomes. Businesses may struggle to survive so objectives may change. After a recession the recovery will see investment rise as businesses take advantage of opportunities.

Credit use of accurate diagram as knowledge of the business cycle.

In conclusion it is difficult to argue that one economic factor is more important than the other because they impact on each other. Therefore, it is important to have the correct balance in terms of the rate of interest because it will impact on inflation, business capital investment and exchange rates. Then all of these may impact on the levels of employment and the business cycle.

- Tax is a compulsory contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions.