



GCE A LEVEL MARKING SCHEME

SUMMER 2018

**A LEVEL
BUSINESS – COMPONENT 2
A510U20-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2018 examination. It was finalised after detailed discussion at the examiners' conference 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 suggests 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. Learners' 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.

EDUQAS A LEVEL BUSINESS

COMPONENT 2: Business Analysis and Strategy

SUMMER 2018 MARK SCHEME

1	Explain how the information in Chart 1 and Chart 2 might be useful to a UK exporter. [4]	
Band	AO2	AO3
	2 marks	2 marks
2	<p align="center">2 marks</p> <p>Good use of the information in the charts</p> <p>The candidate makes clear reference to the data in both charts</p>	<p align="center">2 marks</p> <p>Good analysis of the information given in the charts</p> <p>Analysis shows a clear understanding of how the data helps an exporter</p>
1	<p align="center">1 mark</p> <p>Limited use of the information in the charts</p> <p>The candidate response is mainly theoretical with some reference to the data in one or both charts</p>	<p align="center">1 mark</p> <p>Limited analysis of the information given in the charts</p> <p>There is limited understanding of how the data in the charts is useful to an exporter</p> <p>Analysis is superficial and underdeveloped</p>
0	<p align="center">0 marks</p> <p>No use made of the data in the charts</p>	<p align="center">0 marks</p> <p>No analysis of the data given in the charts.</p>

Indicative content:

Chart 1 shows the EU is the main recipient of UK exports but that other countries also take significant amounts of UK exports. For a UK manufacturer this could mean that there are plenty of opportunities to export their products both to European Union countries and elsewhere.

Chart 2 however, demonstrates that the share of UK exports to EU countries is declining (falling from 55% to 44%) and that exports to BRICS countries are increasing (from about 3% to about 9%). This could mean that the future lies outside of the EU as far as exporting UK manufactured products is concerned.

Credit should be given for any valid comments about the data.

2 (a)	Outline the advantages and disadvantages to Greggs of being a vertically integrated business.		[6]
Band	AO1	AO2	
	2 marks	4 marks	
2	2 marks Good understanding of at least one advantage and disadvantage of vertical integration	3-4 marks Good application to Greggs There is direct and clear reference to Greggs	
	1 mark Limited understanding of at least one advantage and/or disadvantage of vertical integration Brief and underdeveloped statements are made	1-2 marks Limited application to Greggs The response is mainly theoretical and limited reference to Greggs	
0	0 marks No understanding of vertical integration	0 marks No application to Greggs	

Indicative content:

In the case of Greggs they own bakeries and a specialist savoury factory which supply its shops.

Vertical integration is when a business merges with or takes over another business at either the previous or next stage of the production process within the same industry.

The advantages to Greggs of being vertically integrated are: that they can provide fresh produce daily; they can control quality; they can reduce their costs as there is no middle man to pay. This results in greater customer satisfaction and also greater sales and profits for the business.

The disadvantages to Greggs are:

There may be lack of specialisation in new areas.

May suffer from diseconomies of scale such as longer communication channels

There may be integration issues that may affect frontline services e.g. disruption to logistics; communication/control issues

Ideas for application:

Greggs operate a cheap low cost strategy and lower unit costs will support this
Short lead times are important in the fresh food industry
Discussing the logistics between outlets, bakeries and distribution centres

2 (b)	Evaluate franchising as a method of growth for a business such as Greggs. [6]		
Band	AO1	AO3	AO4
	2 marks	2 marks	2 marks
2	2 marks Good understanding of franchising	2 marks Good analysis of franchising as a method of growth The impact of franchising is discussed The candidate will develop clear arguments of both the advantages and disadvantages of franchising	2 marks Good evaluation of franchising as a method of growth The evaluation is reasonably well balanced with some development The candidate may make some judgement on franchising The answer may contain a brief conclusion
	1 mark Limited understanding of franchising	1 mark Limited analysis of franchising as a method of growth The impact of franchising is briefly discussed	1 mark Limited evaluation of franchising as a method of growth The evaluation may be one sided and include general comments that are not developed or qualified Judgements are often superficial
0	0 marks No understanding of franchising	0 marks No analysis of franchising as a method of growth	0 marks No meaningful evaluation of franchising as a method of growth

Indicative content:

Franchising represents a quick way of expanding a business. For a business such as Greggs this may be important if they need to open a store quickly in a new location, for example, because there is the threat of another entrant and they wish to get in first.

Franchising is also a relatively cheap method of growth as the franchisee will be responsible for some of the costs involved in setting up the outlet.

Economies of scale can happen quickly as the franchisor now is involved in bulk buying for more franchises.

Increased income from franchise fees which includes upfront payments and ongoing royalty payments.

A franchisee is likely to be motivated to make the business a success because of their own invested interest.

The disadvantages of franchising include the fact that the franchisee gets to keep some of the profit.

Also a franchisee may not perform well and this may affect not only profits but also the reputation of the whole business. For example if there is a hygiene issue it is likely to attract a lot of bad publicity.

Franchisees may be harder to manage than your own managers if you were growing organically.

Not all profits return to the franchisor therefore there is an opportunity cost.

Any other valid point.

Q.		Total
3 (a)	<p>Calculate the variances stating whether they are favourable (F) or adverse (A).</p> <p>AO2 3 marks</p> <p>(i) £200 000 A</p> <p>(ii) £20 000 F</p> <p>(iii) £80 000 A</p>	3

3 (b)	Explain possible causes for these variances and suggest suitable ways that Robert Chambers & Sons Ltd might respond to them. [8]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good understanding of the causes of variances</p> <p>All 3 variances are included</p>	<p>2 marks</p> <p>Good application to Robert Chambers and Sons Ltd</p> <p>There is direct and clear reference to Robert Chambers and Sons Ltd and to the variances</p>	<p>2 marks</p> <p>Good analysis of the causes of the variances and/or the ways in which Robert Chambers and Sons Ltd might respond</p> <p>The impact of the variances and the response is developed, with clear chains of arguments made</p>	<p>2 marks</p> <p>Good evaluation of the ways in which Robert Chambers and Sons Ltd might respond</p> <p>The candidate makes clear judgements on the possible responses to the variances</p> <p>The candidate makes clear attempts to support their judgements</p>
1	<p>1 mark</p> <p>Limited understanding of the causes of variances</p> <p>Brief/under-developed reasons given</p> <p>May include only 1 or 2 variances</p>	<p>1 mark</p> <p>Limited application to Robert Chambers and Sons Ltd</p> <p>The response is mainly theoretical with brief reference to Robert Chambers and Sons Ltd and to the calculated variances</p>	<p>1 mark</p> <p>Limited analysis of the causes of the variances and/or the ways in which Robert Chambers and Sons Ltd might respond</p> <p>The arguments are brief and underdeveloped</p>	<p>1 mark</p> <p>Limited evaluation of the ways in which Robert Chambers and Sons Ltd might respond</p> <p>The candidate makes general comments that are not developed or quantified</p>
0	<p>0 marks</p> <p>No understanding of the causes of variances</p>	<p>0 marks</p> <p>No application attempted</p>	<p>0 marks</p> <p>No analysis attempted</p>	<p>0 marks</p> <p>No evaluation attempted</p>

Indicative content:

Revenue might have fallen for a number of reasons, including: a fall in sales due to a worsening of the economic outlook or the actions of a competitor. Lower prices – the business decided to lower prices to combat competition. In response the company might increase its advertising expenditure or bring out a new improved product range.

Purchase prices may have fallen due to a strengthening of sterling or because the business found a new supplier. The company would like this to continue so no action is required.

Wages may have increased due to the need to take on new staff or possibly to avoid a strike by the workforce. The company might look for ways to increase labour efficiency, possibly by purchasing machines to replace workers. This may include changes in market wage levels.

Some variances may have been caused by inaccurate budgeting.

Allow for OFR in interpreting the variances

Credit any other valid response

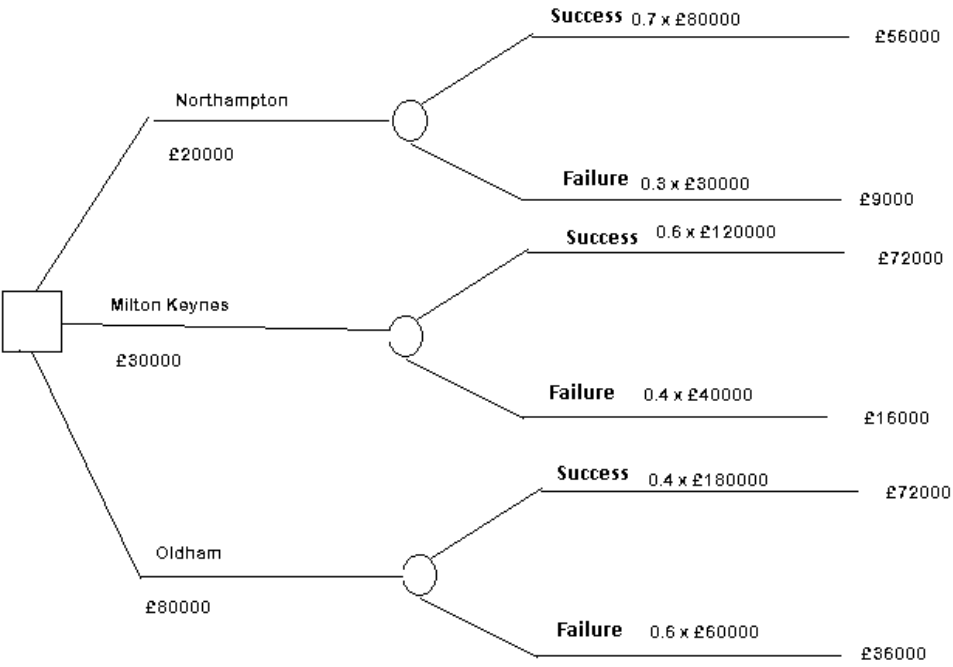
Q.		Total
3 (c) (i)	<p>State the meaning of the term shareholders' funds</p> <p style="text-align: right;">AO1: 2 marks</p> <p>Award 1 mark for basic statement. Understanding may be superficial.</p> <p>Award 2 marks for more detailed correct statement. Good understanding shown.</p> <p>Indicative content:</p> <p>Shareholders' funds is money that has been invested into the business by the owners (through the sale of shares), and also includes retained profits and reserves.</p>	2

Q.		Total
3 (c) (ii)	<p>Calculate the total long-term (non-current) liabilities for 2016</p> <p>Award 1 mark for correct formula AO1: 1 mark</p> <p>Capital Employed – Shareholders Funds'</p> <p>Award 1 mark for correct answer AO2: 1 mark</p> <p>$£1\,826\,000 - £1\,736\,000 = £90\,000$ or £90</p> <p>Correct answer with no £ sign - Award 1 mark</p> <p>NB correct answer without workings award 2 marks</p>	2

Q.		Total
3 (c) (iii)	<p>Calculate the capital employed for 2017</p> <p>Award 1 mark for correct answer AO2: 1 mark</p> <p>$£165 + £1796 = £1\,961\,000$</p> <p>Alternatively $£1750 + (£632 - £421) = £1\,961\,000$ or £1961</p>	1

Q.		Total
3 (d) (i)	<p>Use the information provided to calculate the current ratio for both years</p> <p>Award 1 mark for correct formula AO1: 1 mark</p> <p>The current ratio = current assets/current liabilities</p> <p>Award 1 mark for each correct answer AO2: 2 marks</p> <p>The current ratio for 2017 = $632000/421000 = 1.5 : 1$</p> <p>The current ratio for 2016 = $654000/448000 = 1.46 : 1$</p> <p>Award 2 marks for correct answers but not expressed as :1</p> <p>NB correct answers without workings award 3 marks</p>	3

Q.		Total
3 (d) (ii)	<p>Assess whether Robert Chambers and Sons would consider these ratios to be satisfactory.</p> <p>Award 1 mark for understanding of current ratio figures AO1: 1 mark</p> <p>Award 1 mark for application to Robert Chambers and Sons AO2: 1 mark</p> <p>Award 1 mark for evaluating the ratios AO4: 1 mark</p> <p>Indicative content:</p> <p>The ideal ratio for the current/working capital ratio is usually given as 1.5 – 2.0.</p> <p>Robert Chambers and Sons is just below the limit in 2016 and just on it in 2017. It is likely then that the company would consider the ratios to be satisfactory since it has sufficient working capital to meet its requirements, and, significantly the ratio has improved between the two years.</p> <p>However, the company would probably prefer to have a slightly higher ratio, just in order to ensure that it did not face any cash flow problems.</p> <p>It would also be useful to have copies of the accounts for previous years for the sake of comparison. It would also help to have some information about the industry averages, in order to make a further comparison.</p> <p>OFR applies</p>	3

Q.		Total
4 (a)	<p>Use this information to construct a decision-tree diagram and calculate the net return on each option.</p> <p>Award 1 mark for correctly constructing the diagram AO1: 1 mark</p> <p>Award 1 mark for correctly identifying all three chances of failure AO2: 1 mark</p> <p>Award 1 mark for each correctly calculated Expected Value (1 mark per option) AO2: 3 marks</p> <p>Award 1 mark for correctly calculating all three Net Returns AO2: 1 mark</p>  <pre> graph LR Root[] --- Northampton Root --- MiltonKeynes[Milton Keynes] Root --- Oldham Northampton --- NorthamptonChance(()) MiltonKeynes --- MiltonKeynesChance(()) Oldham --- OldhamChance(()) NorthamptonChance --- NorthamptonSuccess[Success 0.7 x £80000] NorthamptonChance --- NorthamptonFailure[Failure 0.3 x £30000] MiltonKeynesChance --- MiltonKeynesSuccess[Success 0.6 x £120000] MiltonKeynesChance --- MiltonKeynesFailure[Failure 0.4 x £40000] OldhamChance --- OldhamSuccess[Success 0.4 x £180000] OldhamChance --- OldhamFailure[Failure 0.6 x £60000] NorthamptonSuccess --- NorthamptonPayoff[£56000] NorthamptonFailure --- NorthamptonPayoff2[£9000] MiltonKeynesSuccess --- MiltonKeynesPayoff[£72000] MiltonKeynesFailure --- MiltonKeynesPayoff2[£16000] OldhamSuccess --- OldhamPayoff[£72000] OldhamFailure --- OldhamPayoff2[£36000] </pre> <p>Option 1 $0.7 \times £80k = £56k$ $0.3 \times £30k = £9k$ $£56k + £9k = £65k$ $£65k - £20k = £45k$</p> <p>Option 2 $0.6 \times £120k = £72k$ $0.4 \times £40k = £16k$ $£72k + £16k = £88k$ $£88k - £30k = £58k$</p> <p>Option 3 $0.4 \times £180k = £72k$ $0.6 \times £60k = £36k$ $£72k + £36k = £108k$ $£108k - £80k = £28k$</p> <p>OFR applies for calculating expected values and net returns</p>	6

4 (b)	Assess which of these options is likely to represent the best overall value to Mr Jukes' business considering both quantitative and qualitative information.		[4]
Band	AO3	AO4	
	2 marks	2 marks	
2	2 marks Good analysis of the options	2 marks Good evaluation of the options	
	The candidate effectively draws on both qualitative and quantitative information to develop clear analysis	The candidate makes judgements as to which is the best option that are often supported and balanced The answer is likely to contain a brief conclusion	
1	1 mark Limited analysis of the options	1 mark Limited evaluation of the options	
	The candidate briefly refers to quantitative and/or qualitative information The analysis is likely to be undeveloped	Unsupported judgements are made	
0	0 marks No meaningful analysis	0 marks No meaningful evaluation	

Indicative content:

On the basis of the calculations it is quite clear that option 2, with a return of £58 000, gives the best monetary return, followed by option 1 (£45 000) and lastly option 3 with a return of £28 000.

On the other hand there may be other considerations to take into account. The projections are only for the first year and it may be that things will change after that. In particular the new shop, option 3 may well give a much better return when it becomes established.

There is no indication as to how long the alterations in options 1 and 2 will last and need to have more money spent on them.

OFR applies to the interpretation of quantitative data.

Any other valid point

5	Evaluate how useful cost-benefit analysis would have been when decisions about going ahead with HS2 were being made. [12]		
Band	AO2	AO3	AO4
	4 marks	4 marks	4 marks
3	<p>3-4 marks</p> <p>Excellent application of the usefulness of cost-benefit analysis to HS2</p> <p>There is consistently direct and clear reference to the HS2 project</p> <p>Information in the data is used in development</p>	<p>3- 4 marks</p> <p>Excellent analysis of the usefulness of cost-benefit analysis</p> <p>The analysis is detailed and includes well-reasoned developments that give a good explanation of the usefulness of cost-benefit analysis</p> <p>Logical chains of reasoning are used</p>	<p>3- 4 marks</p> <p>Excellent evaluation of the usefulness of cost-benefit analysis</p> <p>Clear reference to the context is given to support judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>The evaluation is well balanced</p>
	2	<p>2 marks</p> <p>Good application of the usefulness of cost-benefit analysis to HS2</p> <p>There is some direct reference to HS2</p>	<p>2 marks</p> <p>Good analysis of the usefulness of cost-benefit analysis</p> <p>The analysis will attempt to develop chains of arguments</p>
1	<p>1 mark</p> <p>Limited application of the usefulness of cost-benefit analysis to HS2</p> <p>The candidate response is mainly theoretical with limited use of examples from the data</p>	<p>1 mark</p> <p>Limited analysis of the usefulness of cost-benefit analysis</p> <p>The arguments are likely to be undeveloped</p> <p>The explanation will be brief</p>	<p>1 mark</p> <p>Limited evaluation of the usefulness of cost-benefit analysis</p> <p>Unsupported and limited judgements are made, and are often likely to be superficial</p>
0	<p>0 marks</p> <p>No application of the usefulness of cost-benefit analysis to HS2</p>	<p>0 marks</p> <p>No analysis of the usefulness of cost-benefit analysis</p>	<p>0 marks</p> <p>No evaluation of the usefulness of cost-benefit analysis</p>

Indicative content:

Cost benefit analysis is useful because it takes into account all factors, private and social costs and benefits, and attempts to put a monetary value on them so that they can easily be compared.

Advantages of cost benefit analysis

- Takes into account a wide range of benefits and costs
- Impacts on society and the community are included
- Puts a value to external benefits and costs that would normally be ignored by private sector businesses
- Can be used to rank possible major projects in order of public costs

Disadvantages of cost benefit analysis

- The valuation of intangibles can be difficult – valuation will often include value judgements which may differ from person to person
- If the social costs and benefits are incorrectly calculated then the wrong choice may be made
- Hard to include all stakeholders

In the case of HS2 this is a massive project and there are huge numbers of factors to consider and also a great deal of uncertainty about both the costs and the benefits of the scheme.

The private costs are the costs of construction. It is important that these are calculated correctly, although like most major projects it is likely that it will go over budget and that the private costs will be underestimated. The IEA estimate is £80bn.

The private benefits arise from ticket sales. These are likely to be considerable as travellers are probably happy to pay more for the faster and better service that HS2 will provide. However, future ticket sales can only be estimated and may be incorrect.

The external costs are difficult to assess. There is the impact on the environment which is difficult to put a monetary figure on. What is the cost of the loss of a wood and its fauna? Some costs, such as the need to compensate homeowners whose houses will have to be knocked down, can be accurately gauged.

The external benefits are also difficult to assess. For example there will be fewer vehicles on the road and less pollution but it is difficult to put an exact figure on these benefits.

Overall, cost-benefit analysis is better than no cost benefit analysis, but there are many uncertainties that could in practice negate the conclusions of the study.

Any other valid point.

6 Discuss the ways in which the Ansoff matrix might be useful to SuperGroup plc. [10]				
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	3 marks	3 marks
3			<p>3 marks Excellent analysis of the usefulness of the Ansoff matrix to SuperGroup</p> <p>The analysis is detailed and includes well-reasoned development</p> <p>Logical chains of reasoning are used to explain how different categories of the Ansoff Matrix can be used by SuperGroup</p>	<p>3 marks Excellent evaluation of the usefulness of the Ansoff matrix to SuperGroup</p> <p>The evaluation is well balanced and will focus on the key issues</p> <p>Clear reference to the context is given to support judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p>
2	<p>2 marks Good understanding of the Ansoff matrix</p> <p>May construct a correct and accurate diagram</p> <p>All 4 categories correctly identified</p>	<p>2 marks Good application of the Ansoff matrix to SuperGroup</p> <p>Well-detailed and accurate application to SuperGroup throughout the answer</p> <p>The learner makes effective use of the data</p>	<p>2 marks Good analysis of the usefulness of the Ansoff matrix</p> <p>The candidate attempts to explain the usefulness of the Ansoff Matrix</p> <p>Likely that not all categories are analysed</p>	<p>2 marks Good evaluation of the usefulness of the Ansoff matrix to SuperGroup</p> <p>The candidate makes partial judgements, with some attempt to support their evaluation</p>
1	<p>1 mark Limited understanding of the Ansoff matrix</p> <p>May construct a diagram which will have some key labels missing/incorrect</p>	<p>1 mark Limited application of the Ansoff matrix to SuperGroup</p> <p>The candidate response is mainly theoretical with limited reference to the data</p>	<p>1 mark Limited analysis of the usefulness of the Ansoff matrix</p> <p>Not all categories are analysed</p> <p>Arguments are brief and underdeveloped</p>	<p>1 mark Limited evaluation of the usefulness of the Ansoff matrix</p> <p>Unsupported judgements are made</p>
0	<p>0 marks No understanding of the Ansoff matrix</p>	<p>0 marks No application of the Ansoff matrix</p>	<p>0 marks No analysis of the usefulness of the Ansoff matrix</p>	<p>0 marks No evaluation of the usefulness of the Ansoff matrix</p>

Indicative content:

An explanation of the Ansoff matrix, possibly with the use of the diagram

M A R K E T	PRODUCT	
	Existing	New
	Existing	Market Penetration
New	Market Development	Diversification

SuperGroup could decide to use market penetration by selling more of its existing products to its existing customers. This is the least risky strategy but there may be a problem that the existing market is saturated.

It may be better to use a strategy of product development. By bringing out new designs to sell to their existing customers they are likely to meet with success as they build on brand loyalty.

There is also evidence that SuperGroup are using a market development strategy already as they are using international wholesale outlets. They could pursue this further although there are risks that its products will not be acceptable in all markets.

SuperGroup might try diversifying. Perhaps by producing accessories to clothing such as bags or complementary products such as aftershave and selling them in new markets. This is a risky strategy and one that is not guaranteed to succeed. The company would need to do a lot of market research before embarking on such a strategy. Nevertheless it could prove to be profitable and if its existing products lost their popularity it would give them another string to their bow.

Any other valid point, such as the merits and drawbacks of SuperGroup using the Ansoff's matrix

7	Consider the opportunities and threats faced by companies in the airline industry such as British Airways and easyJet. [10]		
Band	AO2	AO3	AO4
	4 marks	2 marks	4 marks
3	<p>3-4 marks Excellent application of opportunities and threats to an airline business</p> <p>There is consistently direct and clear reference to the given data and/or airlines</p>		<p>3-4 marks Excellent evaluation of opportunities and threats to an airline business</p> <p>The evaluation is well balanced and will focus on the key issues</p> <p>Clear reference to the context is given to support judgements</p> <p>Relevant judgements are made, with qualifying statements used to build an argument</p>
	<p>2 marks Good application of opportunities and threats to an airline business</p> <p>The answer makes some references to the airline industry and/or the data</p>	<p>2 marks Good analysis of opportunities and threats to an airline business</p> <p>Arguments are explained and developed</p>	<p>2 marks Good evaluation of opportunities and threats to an airline business</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p>
1	<p>1 mark Limited application of opportunities and threats to an airline business</p> <p>The response is mainly theoretical with limited use of examples from the data and/or the airline industry</p>	<p>1 mark Limited analysis of opportunities and threats to an airline business</p> <p>Arguments are brief and undeveloped</p>	<p>1 mark Limited evaluation of opportunities and threats to an airline business</p> <p>Unsupported judgements are made</p>
	<p>0 marks No application of opportunities and threats to an airline business</p>	<p>0 marks No analysis of the opportunities and threats faced by an airline business</p>	<p>0 marks No evaluation of the opportunities and threats faced by an airline business</p>

Indicative content:

The opportunities might include the potential to increase the number of flights and passengers carried. Also to increase the fleet of planes and to increase profits. As a larger business it could take advantage of economies of scale so it could possibly charge its customers less and so increase its sales even more.

The opportunities might also include the possibility of taking over other less successful airlines.

The airline could increase the number of destinations to which it flies. It could also offer flight and hotel deals in order to increase profits.

The threats might include the threat of terrorist action in the places they fly to. An increase in the cost of aviation fuel. Actions by a competitor to undercut their prices or to provide a better service in some way. Potential problems with the trade unions in disputes over pay and conditions. Increased costs, e.g., airport taxes. Changes in government legislation.

Any other valid point.