



GCE A LEVEL MARKING SCHEME

AUTUMN 2020

**A LEVEL
BUSINESS - COMPONENT 3
A510U30-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2020 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 candidates are writing under examination conditions and credit should be given for what the candidate 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 candidates' answers. This is not intended to be exhaustive and candidates 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. Candidate'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.

GCE A LEVEL BUSINESS - COMPONENT 3

AUTUMN 2020 MARK SCHEME

SECTION A

1. (a)	Explain the causes of change which have led to the rapid development of Uber. [8]		
Band	AO1	AO2	AO3
	2 marks	2 marks	4 marks
3			<p>4 marks</p> <p>Excellent explanation of causes of change contributing to the rapid development of Uber.</p> <p>Explanations are well developed and in context.</p>
2	<p>2 marks</p> <p>Good knowledge of causes of change.</p> <p>The candidate provides at least 2 causes of change.</p>	<p>2 marks</p> <p>Good application of causes of change contributing to the rapid development of Uber.</p> <p>The candidate makes effective use of the case study context.</p>	<p>2-3 marks</p> <p>Good explanation of causes of change contributing to the rapid development of Uber.</p> <p>Good well-developed answer explaining the causes of change affecting Uber.</p>
1	<p>1 mark</p> <p>Limited knowledge of the causes of change.</p> <p>Candidate identifies 1 or 2 causes of change.</p>	<p>1 mark</p> <p>Limited application of causes of change contributing to the rapid development of Uber.</p> <p>The candidate makes some use of the case study context during the answer.</p>	<p>1 mark</p> <p>Limited explanation of causes of change contributing to the rapid development of Uber.</p>
0	<p>0 marks</p> <p>No knowledge of causes of change.</p>	<p>0 marks</p> <p>No application of causes of change contributing to the rapid development of Uber.</p>	<p>0 marks</p> <p>No relevant explanation.</p>

Indicative content:

Change in technology has led to the ability to order services such as taxis through phone apps. Without this innovation Uber would simply not exist. As the use of phone apps has increased over time it has followed that orders for taxis via the Uber app have increased.

Social behaviour may be a cause of change. It may be more common for people to take taxis for short distances rather than walk or use alternative transport such as a bus. As a result, demand has increased.

Flexible working practices have also acted as a catalyst for change. As more people are now willing to take part in casual work in order to supplement their income. This has enabled Uber access to a willing and easy to find labour force. Drivers can simply sign up to the app and become a driver.

Economic conditions may also be a factor leading to success. Since the sharp recession in 2008 the economy has struggled to move in to recovery. As a result, incomes have been lower than many would have expected. Uber is cheaper than alternatives such as black cabs in London. As a result, some customers may choose Uber over traditional services in order to spend less on the same service.

Congestion and congestion charges in cities has led to an increase in taxi rather than car use in city centres. As Uber focuses its activities in these areas this has led to a rise in demand for the service.

Any other valid point.

1. (b)	Discuss the impact on stakeholders of Uber becoming a public limited company.				[10]
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	4 marks	
3				<p>4 marks</p> <p>An excellent well-balanced evaluation of the impact on stakeholders of Uber becoming a public limited company.</p> <p>Clear reference to the case study and context to support the judgement.</p>	
2	<p>2 marks</p> <p>Good understanding of public limited companies and stakeholders.</p> <p>Points are detailed and show good understanding.</p>	<p>2 marks</p> <p>Good application of the impact on stakeholders of Uber becoming a public limited company.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p>2 marks</p> <p>A good analysis of the impact on stakeholders of Uber becoming a public limited company.</p> <p>Arguments are developed in context.</p>	<p>2-3 marks</p> <p>Good evaluation of the impact on stakeholders of Uber becoming a public limited company.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>	
1	<p>1 mark</p> <p>Limited understanding of public limited companies and/or stakeholders.</p> <p>Points are brief and show limited understanding.</p>	<p>1 mark</p> <p>Limited application of the impact on stakeholders of Uber becoming a public limited company.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p>1 mark</p> <p>Limited analysis of the impact on stakeholders of becoming a public limited company.</p> <p>Use of data is descriptive with little development.</p>	<p>1 mark</p> <p>Limited evaluation of the impact on stakeholders of becoming a public limited company.</p> <p>Unsupported judgements are made.</p>	
0	<p>0 marks</p> <p>No valid understanding.</p>	<p>0 marks</p> <p>No valid application.</p>	<p>0 marks</p> <p>No valid analysis.</p>	<p>0 marks</p> <p>No valid evaluation.</p>	

Indicative content:

A public limited company (PLC) differs from a private limited company (Ltd.) in that its shares can be bought through the stock exchange. As this is the case, the accounts of PLCs must also be made public in order that potential investors may examine the company's financial position.

The current owners of Uber may benefit greatly as the business will be able to raise finance by issuing shares. As Uber is clearly a growing business this will enable the organisation to purchase capital goods more rapidly and therefore invest in the development of driverless taxis. Once established as market leader in this area it will be more difficult for competitors such as Addison Lee to establish themselves in the market. This could be crucial in securing first mover advantage in new markets.

Shareholders are interested in receiving dividends from their shares. This cash outflow may become a drain on Uber's resources in the long term. It is already suffering from excessive costs due to the capital being invested in to new areas such as bikes and driverless taxis. Although there is a short-term cash injection from the issuing of shares, in the long-term this is a continual drain on the business's resources when dividends are made. Therefore, as Uber is performing well as an Ltd. it may be argued that there is no need to become a PLC.

Customers are interested in quality of service and value for money. As a result, of going public customers may see a more rapid improvement in the accessibility of Uber services. Currently, Uber focuses its attention on cities and has a limited presence outside of large built up areas. The increased investment from shareholders may help to fund Uber's movement in to smaller towns providing a better quality of service.

Employees of Uber are concerned about their rates of pay. If Uber does aim to float on the stock exchange it may be that the business needs to address their poor reputation in terms of pay and conditions of staff as this may negatively affect the potential share price. However, should Uber improve pay and conditions for workers, this will again add to its cost base leading to potentially lower profits.

Any other valid point.

1. (c)	Financial methods of motivation are more important to a flexible workforce than non-financial methods. Discuss.			[10]
Band	AO1	AO3	AO4	
	2 marks	4 marks	4 marks	
3		<p>4 marks Excellent analysis of financial and non-financial methods of motivation.</p> <p>Methods are well developed expressing clear progression of points.</p>	<p>4 marks Excellent evaluation of the financial and non-financial methods of motivation</p> <p>A well balanced evaluation demonstrating a high level of judgement.</p>	
2	<p>2 marks Good understanding of financial and non-financial methods of motivation.</p> <p>Methods of financial and non-financial motivation are detailed.</p>	<p>2-3 marks Good analysis of financial and non-financial methods of motivation.</p> <p>Good progression of points when analysing methods.</p>	<p>2-3 marks Good evaluation of financial and non-financial methods of motivation.</p> <p>Candidate makes partial judgements, with some attempt to support their evaluation.</p>	
1	<p>1 mark Limited understanding of financial and/or non-financial methods of motivation.</p> <p>Points are brief and show limited understanding.</p>	<p>1 mark Limited analysis of financial and/or non-financial methods of motivation.</p> <p>Analysis is superficial.</p>	<p>1 mark Limited evaluation of financial and/or non-financial methods of motivation.</p> <p>Unsupported judgements are made.</p>	
0	<p>0 marks No valid understanding.</p>	<p>0 marks No valid analysis.</p>	<p>0 marks No valid evaluation.</p>	

Indicative content:

Financial motivation involves pay systems including piece rate, commission, bonus, salary, profit sharing, share ownership and performance-related pay. Non-financial motivation is concerned with consultation, job design, job enlargement, job rotation, job enrichment, empowerment, team working and flexible working.

This form of flexible working is intended to take place when an employee wishes to work. It is a useful way of earning extra income by using people's extra time in order to raise their earning potential. As this type of work is only short term it appears that the main motive will always be financial.

However, some form of flexible work may be carried out as workers enjoy the experience. Some jobs such as musicians playing in pubs may be carried out by people who have an unrelated main source of employment. Although this work is paid, it may be argued that those earning a suitable wage from their main source of employment simply carry out the work in order to develop an outside interest such as music or to enjoy playing with friends. Therefore, it may be argued that some employees in the gig economy are not solely motivated by financial gain.

Although flexible working is a way of increasing earning potential, it is also true that employees may work at times of their choosing. This high degree of flexibility is attractive to many people. Therefore, employees are choosing this type of work because they enjoy the freedom it offers. Therefore, it must be concluded that non-financial motivators are part of the reason employees choose to work in the gig economy.

Many flexible working opportunities are not particularly stimulating in themselves. Delivering fast food around a city may not be described as glamorous or fulfilling. Therefore, it must be concluded that employees engage with this type of work because of the financial rewards. As the pay received from daytime work, or the inability to find any, may be an issue, some people may have no choice but to carry out work of this type. Therefore, some forms of flexible working are sought through necessity for financial reward rather than choice.

Any other valid point.

1. (d)	Evaluate Uber's growth strategy.				[10]
Band	AO1	AO2	AO3	AO4	
	1 mark	2 marks	3 marks	4 marks	
3			<p>3 marks</p> <p>An excellent analysis of Uber's growth strategy.</p> <p>Arguments are well developed and in context.</p>	<p>4 marks</p> <p>An excellent well-balanced evaluation of Uber's growth strategy.</p> <p>Clear reference to the case study and context to support the judgement.</p>	
2		<p>2 marks</p> <p>Good application to Uber's growth strategy.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p>2 marks</p> <p>A good analysis of Uber's growth strategy.</p> <p>Arguments are developed in context.</p>	<p>2-3 marks</p> <p>Good evaluation of Uber's growth strategy.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>	
1	<p>1 mark</p> <p>An understanding of growth strategy.</p>	<p>1 mark</p> <p>Limited application to Uber's growth strategy.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p>1 mark</p> <p>Limited analysis of Uber's growth strategy.</p> <p>Use of data is descriptive with little development.</p>	<p>1 mark</p> <p>Limited evaluation of Uber's growth strategy.</p> <p>Unsupported judgements are made.</p>	
0	<p>0 marks</p> <p>No valid understanding.</p>	<p>0 marks</p> <p>No valid application.</p>	<p>0 marks</p> <p>No valid analysis.</p>	<p>0 marks</p> <p>No valid evaluation.</p>	

Indicative content:

Growth strategies include external growth which is growth by merger or acquisition as opposed to organic growth which is growth by attracting more sales. Equally, growth can be achieved through market penetration, market development, product development or diversification.

Uber has been very successful in growing organically through both product and market development. It could be argued that the entrepreneurial nature of Uber's leaders and their ability to spot gaps in the market mean that there is limited point in entering in to a merger with Deliveroo in order to gain further ground in the food delivery market.

By merging with Deliveroo, the Uber Eats side of the business may be gaining a very powerful partner in terms of both brand strength and current market share. As this is a horizontal merger, this will lead to wider knowledge and coverage of the food delivery market. The sharing of technologies may also lead to more efficient technical economies of scale. The reduced unit cost may mean the business can begin to undercut remaining rivals such as Just Eat and generate higher market share.

The working methods and pay rates of Deliveroo employees may be different from those in Uber Eats. This may cause further disharmony amongst workers and lead to potential strike action. As Uber has previously experienced labour problems, this may further damage their reputation and put off potential customers from using the app. As a result, this may lead to a reduction in market share leading to the opposite of the intended effect.

However, merging with Deliveroo may be the quickest way to develop in this market. Although Uber Eats has a presence in the UK, Deliveroo is the market leader. As the market is developing quickly, this may be the most sensible move whilst Uber focuses its attention on other issues such as developing driverless vehicles.

Product development has occurred as part of organic growth. Uber is focusing on mopeds and bikes as a method of transporting customers short distances in towns and cities. This is likely to be popular due to the ability of mopeds and bikes to move through congested traffic at peak travel times.

Any other valid point.

1. (e)	Evaluate the impact of legal, ethical and social factors on Uber’s activities. [12]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	4 marks	4 marks
3			<p>4 marks An excellent analysis of how legal, ethical and social factors affects Uber’s activities.</p> <p>All 3 areas analysed.</p> <p>Arguments are developed in context.</p>	<p>4 marks An excellent well-balanced evaluation of how legal, ethical and social factors affects Uber’s activities.</p> <p>All 3 areas evaluated.</p> <p>Clear reference to the case study and context to support the judgement.</p>
2	<p>2 marks Good understanding of legal, ethical and social factors.</p> <p>A range of points are made which include each of the 3 areas.</p>	<p>2 marks Good application of how legal, ethical and/or social factors affects Uber’s activities.</p> <p>At least 2 of the 3 areas.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p>2-3 marks Good analysis of how legal, ethical and/or social factors affects Uber’s activities.</p> <p>At least 2 of the 3 areas.</p> <p>Arguments are developed in context.</p>	<p>2-3 marks Good evaluation of how legal, ethical and/or social factors affects Uber’s activities.</p> <p>At least 2 of the 3 areas.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>
1	<p>1 mark Limited understanding of legal and/or ethical and/or social factors.</p>	<p>1 mark Limited application to Uber of how legal and/or ethical and/or social factors affects Uber’s activities.</p> <p>At least 1 area.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p>1 mark Limited analysis of how legal, and/or ethical and/or social factors affects Uber’s activities.</p> <p>At least 1 area.</p> <p>Use of data is descriptive with little development.</p>	<p>1 mark Limited evaluation of how legal, and/or ethical and/or social factors affects Uber’s activities.</p> <p>At least 1 area.</p> <p>Unsupported judgements are made.</p>
0	<p>0 marks No valid understanding.</p>	<p>0 marks No valid application.</p>	<p>0 marks No valid analysis.</p>	<p>0 marks No valid evaluation.</p>

Indicative content:

Legislation concerns employment law, consumer protection, anti-discrimination, company law, competition policy, health and safety, data protection, intellectual property and minimum wage.

For:

Uber have had their London licence revoked after claims of pollution and congestion caused by the addition of Uber drivers to London's streets. Although this decision was later overturned any interruption to trade would have led to a reduction of revenue for Uber and income for its drivers.

Rulings have been made which do not favour Uber such as a cap on the number of Uber drivers in New York. This will restrict the potential revenue generated by Uber in the city. As a result, Uber's market share will automatically be restricted which will affect the level of profit available to put in to new projects and growth plans.

In terms of employment law, Uber drivers have made the case that they are employed by Uber rather than being self-employed. The ruling was made that drivers were in fact employees of Uber. As a result, Uber have provided sickness, injury, maternity and paternity protections. These additional costs to Uber will need to be reflected in the cost of Uber cabs making the ride more expensive and reducing the competitiveness of Uber.

Consumer protection is needed in order that Uber's clients are dealt with in a fair and reasonable manner. It is of concern that Uber tried to cover up a data breach in which customers details were taken by hackers. Had Uber not paid \$100 000 to the hackers it may have been the case that client's personal details, including bank details, were released. This could lead to financial issues for Uber clients. However, it could be argued that as Uber were able to pay the hackers, they dealt with the issue correctly. The much larger £113m fine was therefore an unnecessary business cost and may lead to increased prices for Uber customers in order to pay the bill.

Against:

The law makes clear the roles and responsibilities of various groups. Therefore, complaints from black cab drivers in London will be decided upon by the courts. It may be upheld that black cab drivers were simply complaining about competition. This will then leave Uber clear to carry out trade in London without further complaint.

Allows clarity in terms of the employment position of Uber drivers, therefore Uber know their rights and responsibilities. By providing employees with the correct level of pay and conditions, this will allow Uber to operate without further legitimate interference from trade unions. This will reduce the need for strike action on the part of Uber cab drivers and maintain both the reputation and level of service of Uber.

The law in America already permits self-driving Uber vehicles to operate. This will also be the case in London with self-driving cars being allowed on the roads by 2021. This will open up new possibilities for Uber once it has completed its testing.

Any other valid point.

SECTION B

2. (a)	Explain the factors that have contributed to the globalisation of technology companies such as Apple and Microsoft. [10]		
Band	AO1	AO2	AO3
	4 marks	4 marks	2 marks
3	<p style="text-align: center;">3-4 marks</p> <p>Excellent understanding of factors that have contributed to globalisation.</p> <p>At least 2 factors are included.</p> <p>Key factors contributing to globalisation are fully described</p>	<p style="text-align: center;">3-4 marks</p> <p>Excellent application to technology companies of factors that have contributed to the globalisation of technology companies.</p> <p>A least 2 factors are clearly applied to technology companies.</p>	
2	<p style="text-align: center;">2 marks</p> <p>Good understanding of understanding of factors that have contributed to globalisation.</p> <p>At least 2 factors are included.</p>	<p style="text-align: center;">2 marks</p> <p>Good application to technology companies of factors that have contributed to the globalisation of technology companies.</p>	<p style="text-align: center;">2 marks</p> <p>Good explanation of factors that have contributed to the globalisation of technology companies.</p>
1	<p style="text-align: center;">1 mark</p> <p>Limited understanding of factors that have contributed to globalisation.</p> <p>At least 1 factor is included.</p>	<p style="text-align: center;">1 mark</p> <p>Limited application to technology companies of factors that have contributed to the globalisation of technology companies.</p> <p>Superficial application to technology companies.</p>	<p style="text-align: center;">1 mark</p> <p>Limited explanation of factors that have contributed to the globalisation of technology companies.</p> <p>At least 1 factor is explained.</p>
0	<p style="text-align: center;">0 marks</p> <p>No valid understanding.</p>	<p style="text-align: center;">0 marks</p> <p>No valid application.</p>	<p style="text-align: center;">0 marks</p> <p>No valid explanation.</p>

Indicative content:

Communications technologies have opened up new markets. Online gaming through Microsoft's Xbox has meant that gamers from numerous countries are able to play the same game together. This level of connectivity has created a global market for Microsoft's products.

Liberalisation of trade has led to the ability of large technology companies to move in to new foreign markets. Apple have traditionally focused on the western markets for the sale of its products. Since the liberalisation of trade has made it possible for western companies to trade in China and Russia, this has assisted greatly in the globalisation of these brands.

Internet access continues to grow across the world. As this is the case, internet enabled products from Microsoft and Apple such as smartphones have grown in their usage. This has led to the increased popularity of these products.

Cost of transportation has steadily reduced over recent decades. As this is the case, production of electronic products in eastern countries can be distributed throughout the world at little cost. Therefore, Apple and Microsoft are able to produce their hardware in different countries throughout the world and distribute internationally with limited additional costs of transportation. Indeed, the cheaper production costs in some countries will more than offset the transportation cost.

Consumer tastes change over time throughout the world. However, if Apple products can remain flexible in their function through the use of apps, this will enable the brand to remain relevant in multiple countries simultaneously. Therefore, the investment in the development of apps helps Apple to gain a global reputation.

Any other valid point.

2. (b)	“The impact of multinational companies on the countries in which they operate is always positive”. Discuss.			[20]
Band	AO1	AO3	AO4	
	4 marks	8 marks	8 marks	
3		<p>6-8 marks Excellent analysis of the impact multinational companies have on the countries in which they operate.</p> <p>Points for both sides of the debate are analysed in detail.</p> <p>The analysis is well developed with clear lines of argument.</p>	<p>6-8 marks Excellent evaluation of the impact multinational companies have on the countries in which they operate.</p> <p>The evaluation is balanced and detailed focusing on key issues.</p> <p>Clear judgements are made with supporting statements.</p>	
2	<p>3-4 marks Good understanding of the activities of multinational companies.</p> <p>A clear understanding of the impact multinationals have on the countries in which they operate.</p>	<p>3-5 marks Good analysis of the impact multinational companies have on the countries in which they operate.</p> <p>A number of key issues for both sides of the debate are discussed.</p>	<p>3-5 marks Good evaluation of the impact multinational companies have on the countries in which they operate.</p> <p>Evaluation is reasonably well balanced with some development on both sides of the debate.</p>	
1	<p>1-2 marks Limited understanding of the activities of multinational companies.</p>	<p>1-2 marks Limited analysis of the impact multinational companies have on the countries in which they operate.</p> <p>A limited number of issues are analysed.</p>	<p>1-2 marks Limited evaluation of the impact multinational companies have on the countries in which they operate.</p> <p>Judgements are superficial and unsupported.</p>	
0	<p>0 marks No valid understanding.</p>	<p>0 marks No valid analysis.</p>	<p>0 marks No valid evaluation.</p>	

Indicative content:

Multinational companies operate in more than one country. Many of these companies may operate in multiple countries simultaneously in order to try to work towards a global presence.

Positive:

Multinationals provide employment for the host country therefore improving earning potential which could lead to a higher quality of life.

Infrastructure development often occurs as multinational businesses move in to new areas. This could bring additional benefits such as improved road, rail and Wi-Fi access to the local population.

Multinationals will need local suppliers as well as businesses to service its workforce. As a result, the local economy may benefit from increased commerce as employees and the multinational trade with local businesses.

Negative:

Foreign multinationals are often accused of exploiting labour in less developed countries. Although businesses are employing local people, they may do so under worse conditions than in western factories.

Destruction of natural habitats may occur as a result of multinational companies moving in to an area. Rainforest may be flattened as factories and roads develop which leads to deforestation and the reduction of natural habitat for wildlife.

Workers in less developed countries may be paid at a rate which is lower than a living wage. Many developing countries do not have a fixed minimum wage level. As a result, large multinationals may take advantage of this and offer a low wage to potential employees who may take up the offer due to limited alternative opportunities.

Any other valid point

3. (a)	Explain the different sources of finance which may be suitable for established and large businesses considering expansion. [10]		
Band	AO1	AO2	AO3
	4 marks	4 marks	2 marks
3	3-4 marks Excellent understanding of different sources of finance. At least 2 sources of finance are included. Key sources of finance are fully described.	3-4 marks Excellent application of different sources of finance available to established and large businesses considering expansion. At least 2 sources of finance clearly applied.	
	2 marks Good understanding of different sources of finance available. At least 2 sources of finance are included.	2 marks Good application of different sources of finance available to established and large businesses considering expansion. At least 2 sources of finance applied.	2 marks Good explanation of different sources of finance available to established and large businesses considering expansion. At least 2 impacts well-explained.
1	1 mark Limited understanding of different sources of finance available. At least 1 source of finance is identified.	1 mark Limited application of different sources of finance available to established and large businesses considering expansion. At least 1 source of finance applied.	1 mark Limited explanation of different sources of finance. At least 1 impact explained.
	0 marks No valid understanding.	0 marks No valid application.	0 marks No valid explanation.

Indicative content:

Internal:

To established businesses such as Nike, retained profits are a likely source of finance. This source of finance carries no interest rate and therefore is the most likely source of finance for ongoing operations such as maintaining textile production facilities.

Sale and leaseback may be a source of finance used by Toyota. The business could sell some of its production facilities in order to generate cash. However, this will lead to a long-term problem of having to pay rent for their previously owned facilities.

External:

Bank loans may be used as a source of finance. However, as interest would need to be paid on the loan it is likely that retained profit is used more readily. A large established business such as Rolls Royce is likely to achieve loans with low interest rates as they could place assets such as factories as security against missed loan payments.

Overdrafts may be used as a short-term source of borrowing. Although many large businesses have overdrafts a higher interest payment may be likely than on longer-term loans. Therefore, this may only be used if a business had short-term cash flow problems such as after the takeover of another business.

Large businesses are likely to be incorporated. As a result, finance may be raised from the issue of shares. Although this will further dilute ownership of the business, issuing shares does not increase the borrowing of the business. Therefore, this will help to lower gearing and improve liquidity without adding to long-term loans.

Any other valid point.

3. (b)	Evaluate the statement “businesses of all sizes undergoing expansion will always experience cash flow difficulties”. [20]		
	AO1	AO3	AO4
	4 marks	8 marks	8 marks
3		<p style="text-align: center;">6-8 marks</p> <p>Excellent analysis of strategies used to manage cash flow.</p> <p>The candidate analyses the impact on different sizes or types of business.</p> <p>Points for both sides of the debate are analysed in detail.</p> <p>The analysis is well developed with clear lines of argument.</p>	<p style="text-align: center;">6-8 marks</p> <p>Excellent evaluation of strategies used to manage cash flow in businesses of different sizes or types.</p> <p>The candidate evaluates the impact on different sizes or types of business.</p> <p>The evaluation is balanced and detailed focusing on key issues.</p> <p>Clear judgements are made with supporting statements.</p>
2	<p style="text-align: center;">3-4 marks</p> <p>Good understanding of cash flow.</p> <p>Good understanding of cash flow management techniques.</p>	<p style="text-align: center;">3-5 marks</p> <p>Good analysis of strategies used to manage cash flow in businesses of different sizes or types.</p> <p>A number of key issues are analysed, points on both sides of the debate are discussed.</p>	<p style="text-align: center;">3-5 marks</p> <p>Good evaluation of strategies used to manage cash flow in businesses of different sizes or types.</p> <p>Evaluation is reasonably well balanced with some development on both sides of the debate.</p>
1	<p style="text-align: center;">1-2 marks</p> <p>Limited understanding of cash flow.</p> <p>Limit understanding of cash flow management.</p>	<p style="text-align: center;">1-2 marks</p> <p>Limited analysis of strategies used to manage cash flow.</p> <p>A limited number of issues are analysed.</p>	<p style="text-align: center;">1-2 marks</p> <p>Limited evaluation of strategies used to manage cash flow.</p> <p>Judgements are superficial and unsupported.</p>
0	0 marks No valid understanding.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

Cash flow problems may vary depending on the type of expansion. External growth via merger or takeover may need a larger capital outlay than organic growth. Therefore, cash flow may be less affected depending on the type of expansion.

The purchase of capital goods may be relatively expensive during expansion. Therefore, in order that the business does not experience a significant cash outflow at any particular point, it may be suitable to spread payments over a period of time. This will lead to smaller cash outflows. However, as the capital good may be used to generate a cash inflow for the business this will help to offset any potential outflow leading to a more beneficial cash flow situation.

The timing of purchasing may also assist in avoiding potential cash flow problems. By making larger purchases when cash inflow is likely to be at its highest this will help minimise any negative cash flow position. Therefore, it may be less of a problem to a business's cash flow if expansion were to take place during the point of the economic cycle at which a business is likely to experience its highest demand.

The cost of expansion may be limited. If a business is opening more retail outlets in order to expand, the cash outflow will be significantly reduced if the new premises are rented rather than bought outright. Although rent will need to be paid on the new property this will significantly reduce the short-term cost of expansion.

Large businesses may be able to delay payment to suppliers therefore leading to a restriction in the increased outflows experienced during growth. If the growth produces significant cash inflows then larger businesses may be able to improve their cash flow during growth.

In the cases of service businesses there may be a limited cost of expansion. In the case of businesses like Uber, the business may simply have to make their app available in more languages in order to move into more geographical territories. As this is a very low cost, there may be no cash flow issues.

Any other valid point.

4. (a)	Explain the strategic, tactical and operational decisions that a business operating in an oligopolistic market may make. [10]		
Band	AO1	AO2	AO3
	4 marks	4 marks	2 marks
3	3-4 marks Excellent understanding of strategic, tactical and operational decisions. Clear understanding of all 3 types of decisions.	3-4 marks Excellent application of how a business operating in an oligopolistic market may make strategic, tactical and operational decisions. The answer is detailed and clearly applied to an oligopolistic market.	
	2 marks Good understanding of strategic, tactical and operational decisions. Clear understanding of at least 2 of the 3 decision types is demonstrated.	2 marks Good application of how a business operating in an oligopolistic market may make strategic, tactical and operational decisions.	2 marks Good explanation of how a business operating in an oligopolistic market may make strategic, tactical and operational decisions.
1	1 mark Limited understanding of strategic, tactical and/or operational decisions. Some understanding of at least 1 of the decision types is demonstrated.	1 mark Limited application of how a business operating in an oligopolistic market may make strategic, tactical and/or operational decisions.	1 mark Limited explanation of how a business may make strategic, tactical and/or operational decisions. Explanation is superficial.
	0 marks No valid understanding.	0 marks No application of how a business operating in an oligopolistic market may make strategic, tactical or operational decisions.	0 marks No explanation of how a business may make strategic, tactical or operational decisions.
0			

Indicative content:

An oligopolistic market has many businesses but only a few dominate the market. Each tend to have differentiated products with strong brand identity. Barriers to entry are present through heavy promotion and high start-up costs.

Strategic decisions are quantitative and medium term. Strategic decisions for a business in an oligopolistic market may be to extend their product range. For example, a supermarket deciding to increase the number of stores with petrol stations may generate competitive advantage over close competitors not offering this service.

Tactical decisions are much more short term. These decisions may relate to a decision around special offers. Although oligopolies do not enter in to extended periods of price based competition, this feature still occurs. This will attract customers wishing to take advantage of the discount on offer and help to maintain their current market share as customers do not seek alternatives.

Operational decisions affect ways in which the business carries out its activities. For example, due to the reduction in the use of high street travel agents a holiday company may choose to close some branches and instead focus on online sales. This would cause operational changes in terms of staffing requirements and the methods of booking.

Any other valid point.

4. (b)	Decision making tools such as decision trees, critical path analysis and cost benefit analysis are the most important tools when making large-scale business decisions. Discuss.			[20]
	AO1	AO3	AO4	
	4 marks	8 marks	8 marks	
3		<p style="text-align: center;">6-8 marks</p> <p>Excellent analysis of the usefulness of decision trees, critical path analysis and cost benefit analysis and other factors when making large-scale business decisions.</p> <p>The candidate makes excellent use of decision-making tools when analysing their impact on decision making.</p> <p>Analysis is well developed with clear lines of argument.</p>	<p style="text-align: center;">6-8 marks</p> <p>Excellent evaluation of the usefulness of decision trees, critical path analysis and cost benefit analysis and other factors when making large-scale business decisions.</p> <p>The candidate evaluates the impact of different types of decision-making tools.</p> <p>Clear judgements are made with supporting statements.</p>	
2	<p style="text-align: center;">3-4 marks</p> <p>Good understanding of decision trees, critical path analysis and/or cost benefit analysis.</p> <p>At least 2 clearly understood.</p>	<p style="text-align: center;">3-5 marks</p> <p>Good analysis of the usefulness of at least 2 of the 3 tools and/or other factors when making large-scale business decisions.</p> <p>The candidate makes good use of decision-making tools when analysing their impact on decision making.</p>	<p style="text-align: center;">3-5 marks</p> <p>Good evaluation of the usefulness of at least 2 of the 3 tools and/or other factors when making large-scale business decisions.</p> <p>The candidate evaluates the impact of different types of decision-making tools.</p>	
1	<p style="text-align: center;">1-2 marks</p> <p>Limited understanding of decision trees, critical path analysis or cost benefit analysis.</p> <p>At least 1 understood.</p>	<p style="text-align: center;">1-2 marks</p> <p>Limited analysis of the usefulness of decision trees, critical path analysis and/or cost benefit analysis and/or other factors when making large-scale business decisions.</p> <p>The candidate makes limited use of decision-making tools when analysing their impact on decision making.</p>	<p style="text-align: center;">1-2 marks</p> <p>Limited evaluation of the usefulness of decision trees, critical path analysis and/or cost benefit analysis and/or other factors when making large-scale business decisions.</p> <p>The candidate evaluates the impact of different types of decision-making tools.</p>	
0	<p style="text-align: center;">0 marks</p> <p>No valid understanding.</p>	<p style="text-align: center;">0 marks</p> <p>No valid analysis.</p>	<p style="text-align: center;">0 marks</p> <p>No valid evaluation.</p>	

Indicative content:

Decision trees are used in order to assess which decision may be most lucrative from a series of alternatives. The tree makes use of probability in order to calculate the most profitable option.

Decision trees are necessary to gather quantitative information on potential projects. This will allow a business to make the most profitable option. In doing so this will leave the business in the best financial position in order to carry out its next venture. Failure to use this method on large-scale investment opportunities may limit the potential gain for the business rendering it less competitive in the future.

However, decision trees only look at the profitability of a project rather than its strategic importance. Therefore, if a business is wishing to enter another market or move in to another product type in order to benefit from risk bearing economies of scale the decision tree may not account for this. Therefore, decision trees are not fully useful as the sole piece of evidence upon which to base large-scale decisions.

Critical path analysis (CPA) allows a business to consider the sequence of events which will take place in the completion of an activity. This will establish which activities cannot be slowed down without extending the time taken to complete the whole project.

CPA is typically used in large scale building projects such as the construction of Heathrow airport's T5 building. As large-scale projects such as T5 are likely to have multiple events the CPA will be very useful in reducing costs as it will be clear when particular staff and resources need to be on site in order to complete the building in the most efficient manner.

However, CPA can be inaccurate due to time delays on various parts of the project. During the building of T5 the construction was slowed down at various stages meaning that the building opened without the correct testing period taking place on the baggage system and check in machines. As a result, errors occurred on the opening day leading to millions of pounds having to be spent correcting errors.

Cost-benefit analysis is used in order to work out the full cost of an activity. This includes calculating the public and private costs and benefits of an activity.

Most business decisions will look at the private costs and benefits of a business activity in order to work out potential profits. Therefore it is at least in part useful to businesses in the decision making process. However, public sector projects such as HS2 are more likely to consider public costs and benefits as the government is accountable for the full cost of activities and must for example compensate land owners for possession of their land in order to build HS2.

Although this may be of use to private businesses, it is unlikely that it will be used by those aiming for a low cost approach. Businesses such as Ryanair are unlikely to pick up the social costs of their activities as this will add to their cost base and lower profits. Therefore, Ryanair may be less likely to spend on carbon offsetting in order to compensate for its burning of fossil fuels. Therefore, although this approach may be useful, it is more likely to be used by public rather than private sector businesses where profit is a more likely motive for activities.

Any other valid point.