

Mark scheme

EAMS

International A Level in
Business

Unit 3: Business decisions
and strategy

| Question | Answer | Mark |
|----------|--|------------|
| 1(a) | <p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge 1 mark for identifying an advantage, e.g.</p> <ul style="list-style-type: none"> To communicate to members of the organisation the company ethos (1) <p>Application Up to 2 marks for contextualised answers, e.g.</p> <ul style="list-style-type: none"> <i>Aldi</i> has 3 core values, consistency, simplicity and responsibility (1) These are targeted towards its people, customers, partners and the environment (1) <p>Analysis 1 mark for developing the reason, e.g.</p> <ul style="list-style-type: none"> It may increase the motivation of <i>Aldi's</i> workforce as they feel they have job security which could improve efficiency (1) | (4) |

| Question | Answer | Mark |
|----------|--|------------|
| 1(b) | <p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS1: calculate, use and understand ratios, averages and fractions.</p> <p>Knowledge 1 mark for knowledge and understanding of how to calculate gearing ratio:</p> $\frac{\text{Non-current liabilities}}{\text{Capital employed}} \times 100 \quad \mathbf{(1)}$ <p>Application Up to 2 marks for correct application of figures to formula:</p> $\frac{415\,069 \quad \mathbf{(1)}}{2\,328\,856 \quad \mathbf{(1)}} \times 100$ <p>Analysis 1 mark for showing correct answer:</p> <p>17.82% (to 2 decimal places) (1)</p> <p>NB if no working is shown award marks as below</p> <ul style="list-style-type: none"> If the answer is 17.82% award 4 marks If the answer is 17.8% award 3 marks If the answer is 17.82 award 3 marks If the answer is 17.8 award 2 marks | (4) |

| Question | Indicative content | |
|----------------|---|---|
| 1(c) | <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Ansoff’s Matrix is a decision-making tool to help formulate business strategies • Ansoff is a clear, graphical representation of a corporate strategy and can help to show/assess risk and potential reward for a given strategy • <i>Aldi</i>’s expansion plans are examples of ‘market development’ – existing products to new geographical areas in the UK market • It could also be argued to be ‘market penetration’ – more of the same to existing markets • It is useful as a comparative tool when considering different strategies • However, its generic nature may mean over-simplification • It is a theoretical model and therefore its usefulness is limited • When applied to <i>Aldi</i>, it is not clear which strategy is being followed, so its use is limited | |
| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1–2 | Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented. |
| Level 2 | 3–5 | Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced and unlikely to show the significance of competing arguments. |
| Level 3 | 6–8 | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors. |

| Question | Indicative content |
|----------|--|
| 1(d) | <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative skills assessed QS8: Use and interpret quantitative and non-quantitative information in order to make decisions</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • These are business tools/techniques that can be used to help management make strategic decisions such as whether a capital investment project should be undertaken or not • Examples include simple payback/average rate of return/discounted cash flow • <i>Aldi</i> is investing over £1bn in the UK into new and existing stores and aims to have 1,000 new stores by 2022 • <i>Aldi</i> is opening new distribution centres in the south east of England to cope with future growth levels • If <i>Aldi</i> applied simple payback analysis to the building of new stores, it would be able to estimate how long it would take for the new store to make a profit • Using these techniques may give <i>Aldi</i> a useful guide as to which of its many investments into new stores may be the most worthwhile and profitable • However, investment appraisal techniques are based on estimates/forecasts so will only be as accurate as the quality of the data used for the forecasts/the skill or experience of the team doing the forecast • Extract D states that profits have fallen by 17% in 2017 which may have a negative impact on the payback period required and reduce the ARR • There are other factors which may be more important to <i>Aldi</i>'s plans such as government incentives/economic conditions/political and social stability |

| Level | Mark | Descriptor |
|----------------|------|---|
| | 0 | No rewardable material. |
| Level 1 | 1–2 | Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented. |
| Level 2 | 3–4 | Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented. |
| Level 3 | 5–8 | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments. |

| | | |
|----------------|------|---|
| Level 4 | 9-12 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</p> <p>Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.</p> |
|----------------|------|---|

| Question | Indicative content |
|----------|---|
| 1(e) | <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative skills assessed QS8: Use and interpret quantitative and non-quantitative information in order to make decisions QS9: Interpret, apply and analyse information in written, graphical and numerical forms</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> Organic growth involves expansion from within a business by expanding the product range, or number of business units and location Extract D shows that <i>Aldi</i> already has 700 stores in the UK and aims to expand this number to 1,000 by 2022 Organic growth can be a safer option than inorganic growth as it relies on a tried and trusted business model The growth does not require <i>Aldi</i> to fund the takeover of a rival supermarket through external finance but allows <i>Aldi</i> to use its own money to fund the £1bn expansion in the UK Avoids culture clashes with a takeover of a rival supermarket business which often happens when inorganic growth occurs Creates more sustainable growth which can build on <i>Aldi's</i> existing strengths However, growth achieved may be dependent on the growth of the overall market As a private limited company, it might be difficult for <i>Aldi</i> to raise the necessary finance to takeover a rival supermarket Organic growth often is a very slow way to grow and shareholders may prefer more rapid growth of revenues and profits Organic growth can also lead to a lack of new ideas from outside of the business which often happens with inorganic growth Extract C shows that despite <i>Aldi's</i> growth, <i>Tesco</i> still has over 28.1% market share which gives it market power within the UK grocery market Extract C shows that despite a switch to discount retailers such as <i>Aldi</i>, 98% UK shoppers still shopped in at least one of the traditional big four retailers over the same period therefore it might be hard to build market share |

| Level | Mark | Descriptor |
|----------------|------|---|
| | 0 | No rewardable material. |
| Level 1 | 1–2 | Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented. |
| Level 2 | 3–4 | Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented. |

| | | |
|----------------|------|---|
| Level 3 | 5-8 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s).</p> <p>An attempt at an assessment is presented, using quantitative and/or qualitative information though unlikely to show the significance of competing arguments.</p> |
| Level 4 | 9-12 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>A coherent and logical chain of reasoning, showing cause(s) and/or effect(s).</p> <p>Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information and shows an awareness of competing arguments/factors leading to a supported judgement.</p> |

| Question | Indicative content | |
|----------|--|---|
| 2 | <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Market share is the % of the total market a business has in terms of volume or value • P&G has lost market share to rival razor companies such as <i>Dollar Shave Club</i> and <i>Harry's</i> • If P&G continue with the strategy of competitive pricing by reducing prices by 20% then consumers may choose to buy Gillette razors over rivals due to the lower prices • This could lead to an increase in sales and therefore market share. Continuing this strategy may therefore be worthwhile • However, reducing prices for Gillette razors may also reduce profit margins on each razor sold which could have a negative impact on overall profitability and share price which has been seen happen in Extract E • Lower prices may also infer lower quality which may not result in higher sales for P&G • Promotional methods may see an increase in demand for razor products as more consumers are aware of the Gillette brand of razors and may switch from rival brands • P&G is a very large multinational company and has the resources to advertise on a wide range of media such as TV which may reach a wider audience • Gillette is a well-known brand of razors so P&G might be able to target consumers of razors by using a range of promotional activities • Sales have risen by 2% compared to a forecast of 1.9% which could be due to a combination of pricing cutting and advertising • Therefore, it may be possible to follow both options in terms of advertising the lower prices of Gillette razors which may increase market share overall | |
| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1–4 | Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences. |
| Level 2 | 5–8 | Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation. |

| | | |
|----------------|-------|--|
| Level 3 | 9-14 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question.</p> <p>Arguments are well developed.</p> <p>Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</p> |
| Level 4 | 15-20 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.</p> |

| Question | Indicative content | |
|----------------|---|---|
| 3 | <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application, Analysis, Evaluation – indicative content</p> <ul style="list-style-type: none"> • Extract F states that Japan has 1.62 jobs for every job seeker and is seeing a fall in the working population • This means that Japanese business may struggle to attract and retain suitable employees • <i>Toyobo Co Ltd.</i> may need to use financial rewards to attract highly skilled employees due to the lack of available workers in Japan because for many employees, money motivates according to FW Taylor • Financial incentives may encourage some employees to remain at <i>Toyobo Co Ltd</i> especially if the pay is higher than other technological businesses in the area • However, not every employee is motivated by money and Herzberg disagreed about the effectiveness of pay as a motivator and may not lead to the retention of employees • There is an increased financial cost to <i>Toyobo Co Ltd</i> of offering financial rewards which may reduce overall profits for the business • Extract F indicates that many employees in Japan want more than just financial rewards and that <i>Toyobo Co Ltd</i> needs to offer flexible working hours and a positive work environment rather than just money • <i>Toyobo Co Ltd</i> needs technically skilled employees to make the Cosmoline due to its innovative nature and therefore they may be motivated to remain at the company by being allowed greater independence rather than through financial rewards • Employees could be empowered by being given greater responsibility and more involvement in the decision making process • Some employees may not want additional responsibility and prefer to be paid at a higher rate of pay in order to remain in a business • Ideally <i>Toyobo Co Ltd</i> should employ a combination of both strategies to improve the retention of its employees as different employees are motivated to stay at an organisation for different reasons | |
| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1–4 | Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences. |
| Level 2 | 5–8 | Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented but connections between causes and/or consequences are incomplete. Attempts to address the question. |

| | | |
|----------------|-------|--|
| | | A comparison or judgement may be attempted but it will not successfully show an awareness of the key features of business behaviour or business situation. |
| Level 3 | 9-14 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed.</p> <p>Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</p> |
| Level 4 | 15-20 | <p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.</p> |

